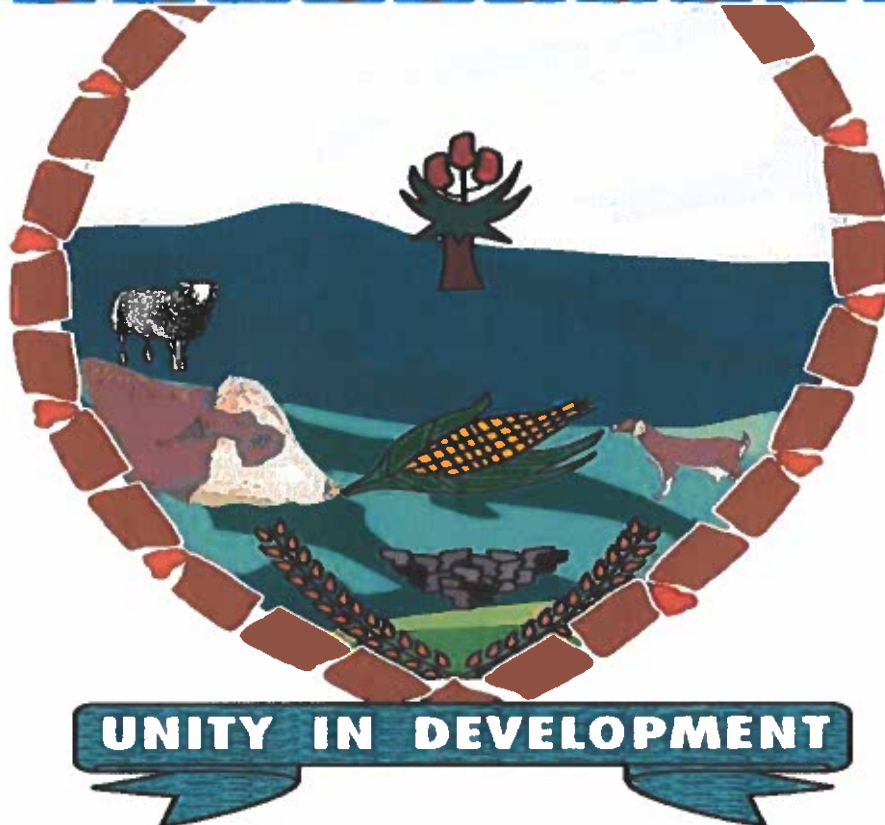


EMALAHLENI

MUNICIPALITY



UNITY IN DEVELOPMENT

[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2018

EMALAHLENI MUNICIPALITY

Index

<i>Contents</i>	<i>Page</i>
General Information	2
Approval of the Financial Statements	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes In Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Position	10
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Performance	11
Statement of Comparison of Budget and Actual Amounts - Cash Flow Statement	12
Accounting Policies	13
Notes to the Financial Statements	46
APPENDICES	
A Schedule of External Loans	88
B Segmental Statement of Financial Performance - GFS Classifications	89
C Segmental Statement of Financial Performance - Municipal Votes	90
D Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	91

EMALAHLENI MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

NATURE OF BUSINESS

Emalahleni Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 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 Emalahleni Municipality includes the following areas:

*Dordrecht
Indwe
Lady Frere*

MUNICIPAL MANAGER

Dr. Sitembele Wiseman Vatala

CHIEF FINANCIAL OFFICER

GP De Jager

REGISTERED OFFICE

Emalahleni Municipality
37 Indwe Road;
Lady Frere
5410

AUDITORS

Office of the Auditor-General (Eastern Cape)

PRINCIPLE BANKERS

Standard Bank; 92 Cathcart RD; Queenstown; 5320

ATTORNEYS

NT Vuba Attorneys Inc
Ntsiki Pakade Attorneys and Consultants
Tonise Attorneys

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
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
SALBC Leave Regulations
Municipal Budget and Reporting Regulations
Remuneration of Public Officer Bearers Act (Act 20 of 1998)

MEMBERS OF THE EMALAHLENI MUNICIPALITY

WARD

Ward 01 Councillor
Ward 02 Councillor
Ward 03 Councillor
Ward 04 Councillor
Ward 05 Councillor
Ward 06 Councillor
Ward 07 Councillor
Ward 08 Councillor
Ward 09 Councillor
Ward 10 Councillor
Ward 11 Councillor
Ward 12 Councillor
Ward 13 Councillor
Ward 14 Councillor
Ward 15 Councillor
Ward 16 Councillor
Ward 17 Councillor
PR Mayor
PR Speaker
PR Chairperson of section 79 Committee
PR Executive Committee
PR Councillor

COUNCILLOR

Thozama Mrwebi
Nolistern Kama
Xolela Hendrick Njadu
Nomzi Mary Tyhulu
Siyabulela Bongo
Nontombizanele Flowerdale Koni
Sipo Ernest Zama
Nosibulelo Mavis Nqono
Linda Arnold Fatyela
Zoyisile Given Moshane
Thembi Florence Mondile
Tandiwe Monica Ndlela
Nowandisile Nobantu Kraqa
Mncedisi Sydney Qomoyi
Lizo Nelson Paul
Makosandile Makatesi
Cecil Hluphekile Bobotyane
Nomveliso Nyukwana
Dumisa Shadrack Kalolo
Patricia Lumka Mapete
Thandeka Gloria Kulashe
Nolitha Catherine Lali

MEMBERS OF THE EMALAHLENI MUNICIPALITY

WARD

PR Chairperson of section 79 Committee
PR Executive Committee
PR Councillor
PR Councillor
PR Executive Committee
PR Executive Committee
PR Councillor
PR Councillor
PR Executive Committee
PR Councillor
PR Councillor
PR Councillor

COUNCILLOR

Primrose Badikazi Twala
Sibha Liwani
Thobeka Daphne Sixishe
Nokwandisa Mildred Ziduli
Mcebisi Stephen Limba
Ncedisa Mtyobile
Pieter Frederick Greyling
Michael Fumanekile Mthandeki
Mxolisi Peacemaker Oyiya
Rossenberg Zolile Feni
Zenzile Dennis Mahola
Kwaaiman Mjezu

EMALAHLENI MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2018, which are set out on pages 1 to 91 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 2019 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 (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.



Dr. Sitembele Wiseman Vataala
Municipal Manager

31 AUGUST 2018
Date

EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Notes	2018 R	2017 R
ASSETS			
Non-Current Assets		427,295,956	416,678,131
Property, Plant and Equipment	2	422,543,731	412,032,469
Investment Property	3	4,112,024	4,154,287
Intangible Assets	4	457,665	308,838
Heritage Assets	5	182,536	182,536
Current Assets		22,249,099	46,437,255
Receivables from exchange transactions	6	4,014,264	5,683,400
Receivables from non-exchange transactions	7	5,910,505	16,169,462
Unpaid Conditional Government Grants and Receipts	17	-	1,691,866
Operating Lease Asset	8.1	68,449	78,480
Taxes	9	6,389,465	9,680,050
Cash and Cash Equivalents	10.1	5,866,415	13,133,998
Total Assets		449,545,055	463,115,385
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		10,262,395	6,877,627
Long-term Borrowings	11	779,237	-
Non-current Provisions	12	1,826,946	-
Non-current Employee Benefits	13	7,656,212	6,877,627
Current Liabilities		30,590,913	41,379,490
Provisions	14	10,380,218	11,210,331
Current Employee Benefits	15	9,981,781	9,032,175
Trade and Other Payables from exchange transactions	16	9,860,161	20,040,999
Unspent Conditional Grants and Receipts	17	-	800,500
Current Portion of Long-term Borrowings	11	368,752	295,485
Total Liabilities		40,853,308	48,257,117
Net Assets		408,691,749	414,858,273
Accumulated Surplus/(Deficit)		408,691,749	414,858,273
Total Net Assets and Liabilities		449,545,057	463,115,390

EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
REVENUE			
Revenue from Non-exchange Transactions		161,250,048	163,822,633
Taxation Revenue		5,211,974	4,146,296
Property Rates	18	5,211,974	4,146,296
Transfer Revenue		155,419,736	158,245,205
Government Grants and Subsidies - Operating	19	121,753,786	132,075,105
Government Grants and Subsidies - Capital	19	33,665,950	26,170,100
Other Revenue		618,339	1,431,131
Actuarial Gains	13	609,208	1,278,548
Fines, Penalties and Forfeits		9,131	115,919
Contributed Assets		-	36,664
Revenue from Exchange Transactions		23,021,719	24,963,939
Service Charges	20	13,596,504	14,799,087
Rental of Facilities and Equipment		813,070	727,068
Interest Earned - external investments	21	1,182,620	2,312,651
Interest Earned - outstanding receivables	22	4,853,965	4,708,774
Licences and Permits		1,637,834	1,072,974
Agency Services		74,505	66,627
Gains on Sale of Fixed Assets		33,412	490,000
Other Income	23	829,809	786,757
Total Revenue		184,271,767	188,786,571
EXPENDITURE			
Employee related costs	24	(74,155,289)	(66,175,192)
Remuneration of Councillors	25	(12,466,471)	(11,184,958)
Bad debts written-off		(5,260,944)	(5,079,096)
Debt Impairment		(3,508,522)	(2,327,348)
Contracted Services		(6,500,662)	(6,282,007)
Depreciation and Amortisation	26	(26,151,041)	(20,563,846)
Finance Costs	27	(1,713,472)	(1,363,144)
Bulk Purchases	28	(12,931,660)	(12,948,236)
Other Operating Grant Expenditure		(4,301,475)	(14,583,595)
General Expenses	29	(43,448,754)	(45,369,448)
Loss on disposal of Property, Plant and Equipment		-	(1,244,154)
Total Expenditure		(190,438,291)	(187,121,023)
NET SURPLUS/(DEFICIT) FOR THE YEAR		(6,166,524)	1,665,548

EMALAHLENI MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2016	400,462,233	400,462,233
Correction of Error - note 30	12,730,492	12,730,492
Restated balance	413,192,725	413,192,725
Net Surplus/(Deficit) for the year	1,665,548	1,665,548
Balance at 30 June 2017	414,858,273	414,858,273
Net Surplus/(Deficit) for the year	(6,166,524)	(6,203,321)
Balance at 30 June 2018	408,691,749	408,654,952

EMALAHLENI MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Ratepayers and other		28,632,067	19,852,874
Government - Operating		121,753,786	132,075,105
Government - Capital		34,557,316	26,170,100
Interest		6,036,585	7,021,425
Cash payments			
Suppliers		(75,263,117)	(92,901,055)
Employees		(73,798,076)	(57,758,869)
Councillors		(12,466,471)	(11,184,958)
Finance Charges		(49,780)	(1,363,144)
Net Cash from Operating Activities	31	29,402,309	21,911,479
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(36,229,302)	(36,561,540)
Proceeds on Disposal of Fixed Assets		114,912	-
Purchase of Intangible Assets		(202,050)	(282,540)
Net Cash from Investing Activities		(36,316,440)	(36,844,080)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Borrowing		(353,452)	(352,862)
Net Cash from Financing Activities		(353,452)	(352,862)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(7,267,583)	(15,285,464)
Cash and Cash Equivalents at the beginning of the year		13,133,998	28,419,461
Cash and Cash Equivalents at the end of the year	32	5,866,415	13,133,998
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(7,267,583)	(15,285,464)

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)		Final Adjustment Budget		Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		R	R	R	R			
ASSETS								
Current Assets								
Cash	1,072,000	24,949,841	26,021,841	26,021,841	26,021,841	5,866,415	77.48%	
Consumer Debtors	17,906,000	(31,731,916)	(13,825,916)	(13,825,916)	(13,825,916)	9,924,769	-171.78%	
Other Debtors	-	38,315,519	38,315,519	38,315,519	38,315,519	6,457,915	-83.15%	
Total Current Assets	18,978,000	31,533,444	50,511,444	50,511,444	50,511,444	22,249,099	-55.95%	
Non-Current Assets								
Investment Property	3,972,000	(184,458)	3,787,542	3,787,542	3,787,542	4,112,024	8.57%	
Property, Plant and Equipment	436,925,000	(21,478,630)	415,446,370	415,446,370	415,446,370	422,543,731	1.71%	
Intangible Assets	191,000	209,536	400,536	400,536	400,536	457,665	14.26%	
Other Non-Current Assets	183,000	(464)	182,536	182,536	182,536	182,536	0.00%	
Total Non-Current Assets	441,271,000	(21,454,016)	419,816,984	419,816,984	419,816,984	427,295,956	1.78%	
TOTAL ASSETS	460,249,000	10,079,428	470,328,428	470,328,428	470,328,428	449,545,055	-4.42%	
LIABILITIES								
Current Liabilities								
Borrowing	310,000	(310,000)	-	-	-	368,752	0.00%	
Trade and Other Payables	26,501,000	1,186,397	27,687,397	27,687,397	27,687,397	9,860,161	-64.39%	
Provisions	20,401,000	2,921,565	23,322,565	23,322,565	23,322,565	20,361,999	-12.69%	
Total Current Liabilities	47,212,000	3,797,962	51,009,962	51,009,962	51,009,962	30,590,913	-40.03%	
Non-Current Liabilities								
Borrowing	8,283,000	(9,476,464)	(1,193,464)	(1,193,464)	(1,193,464)	779,237	-165.29%	
Provisions	8,210,000	(1,564,383)	6,645,617	6,645,617	6,645,617	9,483,158	42.70%	
Total Non-Current Liabilities	16,493,000	(11,040,848)	5,452,152	5,452,152	5,452,152	10,262,395	88.23%	
TOTAL LIABILITIES	63,705,000	(7,242,886)	56,462,114	56,462,114	56,462,114	40,853,308	-27.64%	
NET ASSETS								
Accumulated Surplus/(Deficit)	396,544,000	17,322,314	413,866,314	413,866,314	413,866,314	408,691,749	1.25%	
TOTAL NET ASSETS	396,544,000	17,322,314	413,866,314	413,866,314	413,866,314	408,691,749	-1.25%	

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

REVENUE	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget		Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
				R	R			
Property Rates		4,302,472	999,997	5,302,469	5,302,469	5,211,974	5,211,974	-1.71%
Service Charges - Electricity Revenue		10,765,153	(1,103,537)	9,661,616	9,661,616	10,113,373	10,113,373	4.68%
Service Charges - Refuse Revenue		3,500,000	204,485	3,704,485	3,704,485	3,483,131	3,483,131	-5.98%
Rental of Facilities and Equipment		815,089	95,583	910,682	910,682	813,070	813,070	-10.72%
Interest Earned - External Investments		2,537,636	(1,472,612)	1,065,024	1,065,024	1,182,620	1,182,620	11.04%
Interest Earned - Outstanding Debtors		5,216,273	(125,751)	5,090,522	5,090,522	4,853,965	4,853,965	-4.65%
Fines		337,460	(238,302)	99,158	99,158	9,131	9,131	-90.79%
Licences and Permits		1,700,100	(4,412)	1,695,688	1,695,688	1,637,834	1,637,834	-3.41%
Agency Services		958,395	(98,278)	860,117	860,117	74,505	74,505	-91.34%
Transfers Recognised - Operational		123,838,050	(2,007,500)	121,830,550	121,830,550	121,753,786	121,753,786	-0.06%
Other Revenue		621,751	302,864	924,615	924,615	1,439,017	1,439,017	55.63%
Gains on Disposal of PPE			114,912	114,912	114,912	33,412	33,412	-70.92%
Total Revenue (excluding capital transfers and contributions)	35.1.5	154,592,389	(3,332,551)	151,259,838	151,259,838	150,605,818	150,605,818	-0.43%
EXPENDITURE								
Employee Related Costs		78,926,270	(7,525,603)	71,400,667	71,400,667	74,155,289	74,155,289	3.86%
Remuneration of Councillors		12,071,095	470,154	12,541,249	12,541,249	12,466,471	12,466,471	-0.60%
Bad debts written-off		-	-	-	-	5,260,944	5,260,944	100.00%
Debt Impairment		7,500,002	(1,500,002)	6,000,000	6,000,000	3,508,522	3,508,522	-41.52%
Depreciation and Asset Impairment		24,729,059	809,472	25,538,531	25,538,531	26,151,041	26,151,041	2.40%
Finance Charges		657,200	-	657,200	657,200	1,713,472	1,713,472	160.72%
Bulk Purchases		16,550,001	(5,847,032)	10,702,969	10,702,969	12,931,660	12,931,660	20.82%
Other Materials		6,571,022	(5,081,596)	1,489,426	1,489,426	-	-	-100.00%
Contracted Services		5,882,001	5,294,714	11,176,715	11,176,715	6,500,662	6,500,662	-41.84%
Transfers and Grants		435,000	706,373	1,141,373	1,141,373	-	-	-100.00%
Other Expenditure		41,500,823	(1,305,361)	40,195,462	40,195,462	47,750,230	47,750,230	18.80%
Total Expenditure	35.1.6	194,822,473	(13,978,881)	180,843,592	180,843,592	190,438,291	190,438,291	5.31%
Surplus/(Deficit)		(40,230,084)	10,646,331	(29,583,753)	(29,583,753)	(39,832,474)	(39,832,474)	34.64%
Transfers Recognised - Capital		32,357,950	1,308,000	33,665,950	33,665,950	33,665,950	33,665,950	0.00%
Surplus/(Deficit) after Capital Transfers & Contributions		(7,872,134)	11,954,331	4,082,197	4,082,197	4,082,197	(6,166,524)	-251.06%

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget		Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
			R	R			
CASH FLOW FROM OPERATING ACTIVITIES							
Receipts							
Taxation	13,309,064	14,165,146	27,474,211	27,474,211	28,632,067	4.21%	
Government - Operating	123,838,050	(3,406,500)	120,431,550	120,431,550	121,753,786	1.10%	
Government - Capital	32,357,950	1,308,000	33,665,950	33,665,950	34,557,316	2.65%	
Interest	5,145,772	(804,503)	4,341,269	4,341,269	6,036,585	39.05%	
Payments							
Suppliers and Employees	(158,381,207)	30,122,540	(128,258,668)	(128,258,668)	(157,226,189)	22.59%	
Finance costs	(657,200)	-	(657,200)	(657,200)	(49,780)	-92.43%	
Transfers and Grants	(435,000)	(706,373)	(1,141,373)	(1,141,373)	(4,301,475)	276.87%	
35.1.7	15,177,429	40,678,310	55,855,739	55,855,739	29,402,309	-47.36%	
CASH FLOW FROM INVESTING ACTIVITIES							
Receipts							
Proceeds on disposal of PPE	-	344,736	344,736	344,736	114,912	-66.67%	
Payments							
Capital Assets	(40,357,950)	2,201,418	(38,156,532)	(38,156,532)	(36,431,352)	-4.52%	
35.1.8	(40,357,950)	2,546,154	(37,811,796)	(37,811,796)	(36,316,440)	-3.95%	
CASH FLOW FROM FINANCING ACTIVITIES							
Receipts							
Borrowing long term/refinancing	8,000,000	(8,910,000)	(910,000)	(910,000)	-	-100.00%	
Payments							
Repayment of Borrowing	-	(295,485)	(295,485)	(295,485)	(353,452)	19.62%	
35.1.9	8,000,000	(9,205,485)	(1,205,485)	(1,205,485)	(353,452)	-70.68%	
NET INCREASE/(DECREASE) IN CASH HELD							
Cash and Cash Equivalents at the year begin:	(17,180,521)	34,018,978	16,838,458	16,838,458	(7,267,583)	-143.16%	
	18,253,113	(10,238,231)	8,014,882	8,014,882	13,133,998	63.87%	
Cash and Cash Equivalents at the year end:	1,072,592	23,780,748	24,853,340	24,853,340	5,866,415	-76.40%	

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

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.

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.5 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 annual financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. 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 annual 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 expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and based on the Municipal Budget and Reporting Regulations format. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements 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 2014 to 30 June 2015. 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;

Explanations for differences between the approved and final budget are included in the Statements of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statements of Comparison of Budget and Actual Amounts. Material differences are being defined by Management as 10% of a specific line-item with a minimum of R1 million.

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

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

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities until the Minister of Finance has determined an effective date for the accounting standard.

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 20	Related Party Disclosure	1 April 2019

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(Original – June 2011)	<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 formulate an accounting policy based on the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	
GRAP 32 (Original – Aug 2013)	<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>	1 April 2019
IGRAP 17	<p>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through 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 such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 109	<p>Accounting by Principles and Agents</p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment</p>	1 April 2019
GRAP 110	<p>Living and non-living resources</p> <p>The objective of this Standard is prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future</p>	1 April 2019
GRAP 108 (Original – Sept 2013)	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of</p>	1 April 2019

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	statutory receivables. The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.	
--	--	--

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

1.9. LEASES

1.9.1 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.

1.9.2 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.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

1.12. 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.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The present obligation under an onerous contract is recognised and measured as a provision.

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

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

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

1.13. 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.

1.13.1 *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 60% as contribution and the remaining 40% are paid by the members. For retired members, Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

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

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

1.13.2 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 periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

1.13.3 Staff Leave accrued

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. Unused leave is being capped at 48 days.

Accumulated leave is vesting.

1.13.4 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.

1.13.5 Provision for Performance Bonuses

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

1.13.6 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

1.13.7 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.

1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset.

The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

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.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

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:

Asset Class	Asset Sub-grouping	Useful Life (Yrs)
Land	None	Indefinite
Buildings	None	5 - 100
Infrastructure	Landfill Site	10 – 100
	Electricity	1 – 75
	Water	12 – 182
	Roads	1-120
	Security Measures	1 – 50
Community Assets	Cemetries & Fencing	1 – 100
	Halls	5 -100
	Library	5- 100

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Asset Class	Asset Sub-grouping	Useful Life (Yrs)
	Buildings Other	5–100
	Parks and Gardens	1 - 50
	Sportfields and Stadia	1- 100
Leased Asset	None	3
Heritage	None	Indefinite
Other Assets	Computer Hardware	1 – 25
	Plant and Equipment	1 – 25
	Furniture and Other Office Equipment	1 – 40
	Markets	1 - 35
	Vehicles and Specialised Vehicles	1 – 55

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.

Work in progress is considered to be taking a significantly longer time to complete if it is behind schedule for more than 1 year.

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.

1.15.5 Land and buildings and Other Assets – 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. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2010.

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:

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- 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.

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>	Years
---------------------------------	--------------

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Computer Software	2 - 10
Computer Software Licenses	2 - 10

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.

1.16.5 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. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2010.

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.

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>	Years
Buildings	20 - 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 2010.

1.18. HERITAGE ASSETS

1.18.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.18.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.18.3 Depreciation and Impairment

Heritage assets are not depreciated

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

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

1.18.4 De-recognition

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

1.18.5 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 2010.

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,

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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. 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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- 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.

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, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

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.

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.

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.

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.

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.

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.

1.21.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

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.

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 STATUTORY RECEIVABLES

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

1.22.1 *Initial Recognition*

Statutory receivables are recognised when the related revenue is recognised.

1.22.2 *Measurement*

The Municipality initially measures the statutory receivables at their transaction amount.

The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.22.3 *Derecognition*

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

-
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
 - (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - (i) derecognise the receivable; and
 - (ii) recognise separately any rights and obligations created or retained in the transfer.

1.23. REVENUE

1.23.1 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.

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

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 recognise 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.

1.23.2 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 is 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. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on an annual basis in advance 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.

Interest revenue is recognised using the effective interest rate method.

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

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

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

Revenue from the sale of goods is recognised when:

- Substantially all the risks and rewards in those goods are passed to the consumer; and
- The municipality seizes managerial involvement and control of the goods; and
- The amount of the revenue can be measured reliably; and
- It is probable that economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred can be measured reliably.

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.

1.24. RELATED PARTIES

The Municipality resolved to formulate an accounting policy based on 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 Municipality (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 Municipality of which the other entity is a member).

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- 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.

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 Municipality 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.

1.25. UNAUTHORISED EXPENDITURE

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

1.26. 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.

1.27. 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.

1.28. 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. A Contingent asset usually arise from unplanned or other unexpected events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefits or service potential to the entity.

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 and assets.

1.29. 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,

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

which have the most significant effect on the amounts recognised in the annual financial statements:

1.29.1 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 annual financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.29.2 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.

1.29.3 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.

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

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

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

1.29.4 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.

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

1.29.5 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.

1.29.6 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.

1.29.7 Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 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

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

1.29.8 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.

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.

1.29.9 Staff leave accrued

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. Unused leave is being capped at 48 days.

1.29.10 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.

1.29.11 Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using 5 days' worth of unused electricity.

1.29.12 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.

1.29.13 Impairments of assets – Capitalised Restoration Cost

Impairment charges relating to capitalised restoration costs are linked to fluctuations in the discount rate used to unwind the provision relating to this asset. This discount

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

rate is linked to the prime interest rate and any movement in this rate will result in the impairment/reversal of impairment of the asset.

1.30. TAXES – VALUE ADDED TAX

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

1.31. CAPITAL COMMITMENTS

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

1.32. EVENTS AFTER REPORTING DATE

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

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

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

1.33. DISCONTINUED OPERATIONS

Discontinued operation is a component of the Municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

To qualify as a discontinued operation, the disposal must occur within a single co-ordinated plan. Once the disposal plan has been approved, the Municipality reclassifies all related assets and liabilities associated with the discontinued operations as a separate line-item in the Statement of Financial Position. The Municipality subsequently measures and account for assets and liabilities associated with discontinued operations in accordance with the respective Standards of GRAP applicable to that asset or liability.

All revenue and expenditure associated with the discontinued operations is disclosed as a one line-item in the Statement of Financial Performance. Detail of the revenue and expenditure associated with the discontinued operations is disclosed in the notes.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2018

	OPENING BALANCE				ADDITIONS				COST		ACCUMULATED IMPAIRMENT				ACCUMULATED DEPRECIATION				Carrying Value
	Normal	Residuals	Transfers	WIP	Disposals or transfers / Write offs	Closing Balance	Opening Balance	Disposals or transfers to	Additions	Opening Balance	Disposals or transfers to	Closing Balance	Opening Balance	Disposals or transfers to	Additions	Opening Balance	Disposals or transfers to	Closing Balance	
Land	33 777 166	-	-	-	81 500	33 695 666	-	-	-	-	34 982 669	-	-	682 069	-	-	-	4 183 069	33 695 666
Buildings	34 982 669	-	-	-	-	34 982 669	-	-	-	-	34 982 669	-	-	682 069	-	-	-	4 183 069	30 799 600
68 759 835	-	-	-	-	81 500	68 678 335	-	-	-	-	68 678 335	-	-	682 069	-	-	-	4 183 069	64 495 266
Infrastructure - Electricity	24 248 329	-	-	-	-	24 565 729	-	-	-	-	404 270 447	-	-	519 810	-	-	-	12 328 547	12 137 183
Infrastructure - Road transport	371 365 475	-	-	31 904 972	-	404 270 447	-	-	-	-	195 913 862	-	-	15 435 384	-	-	-	211 349 246	195 921 201
Infrastructure - Drains	11 746 553	-	-	-	-	11 746 553	-	-	-	-	4 053 827	-	-	155 000	-	-	-	4 208 827	7 537 725
Infrastructure - Other	9 549 698	-	-	-	-	9 549 698	-	-	-	-	-	-	-	-	-	-	-	-	9 549 698
417 910 055	317 400	-	-	31 904 972	-	450 132 426	-	-	-	-	650 132 426	-	-	16 130 194	-	-	-	227 886 620	232 245 807
Community Assets	10 489 877	-	-	-	-	10 489 877	-	-	-	-	766 387	-	-	545 616	-	-	-	1 312 003	9 177 874
Cemeteries	40 586 817	-	-	-	-	40 586 817	-	-	-	-	2 198 571	-	-	503 120	-	-	-	2 701 691	36 579 965
Community Halls	499 000	-	-	-	-	499 000	-	-	-	-	44 900	-	-	5 054	-	-	-	49 954	449 046
Libraries	5 167 987	-	-	-	-	5 167 987	-	-	-	-	178 071	-	-	164 607	-	-	-	342 678	4 825 309
Parks & gardens	977 593	-	-	-	-	977 593	-	-	-	-	856	-	-	19 951	-	-	-	20 807	956 786
Buildings - Community Other	39 842 000	-	-	-	-	41 401 809	-	-	-	-	9 842 000	-	-	2 532 147	-	-	-	2 532 147	29 027 662
Recreational facilities	36 548 819	-	-	-	-	36 548 819	-	-	-	-	6 392 053	-	-	1 125 745	-	-	-	7 517 798	29 031 021
Sports Fields & stadia	134 112 094	1 559 809	-	-	-	135 671 903	-	-	-	-	11 347 162	-	-	4 836 241	-	-	-	14 477 077	109 847 664
Leased Assets	812 128	-	-	-	-	1 205 956	-	-	-	-	1 205 956	-	-	470 145	-	-	-	66 080	1 139 876
Furniture and other office equipment	812 128	-	-	-	-	1 205 956	-	-	-	-	1 205 956	-	-	470 145	-	-	-	66 080	1 139 876
Other Assets	2 548 187	-	-	-	-	2 747 825	-	-	-	-	797 411	-	-	498 185	-	-	-	1 235 630	1 512 195
Computers - hardware/equipment	7 216 516	-	-	-	-	7 598 137	-	-	-	-	1 896 852	-	-	836 901	-	-	-	2 701 636	4 896 711
Furniture and other office equipment	20 395 386	-	-	-	-	21 016 853	-	-	-	-	3 723 422	-	-	2 266 187	-	-	-	5 790 083	15 226 850
General vehicles	2 356 414	-	-	-	-	2 556 414	-	-	-	-	242 075	-	-	221 516	-	-	-	309 349	2 247 065
Markets	1 158 313	-	-	-	-	1 158 313	-	-	-	-	272 146	-	-	16 843	-	-	-	493 662	664 651
Plant & equipment	184 000	-	-	-	-	358 190	-	-	-	-	73 701	-	-	3 896 905	-	-	-	90 544	267 646
Other	34 058 816	2 445 756	-	-	-	35 435 732	-	-	-	-	7 005 607	-	-	281 899	-	-	-	10 620 613	24 815 119
Total Asset Register	655 652 927	5 528 921	-	31 904 972	-	691 124 352	-	-	-	-	11 347 162	-	-	26 055 555	-	-	-	257 253 458	422 543 751

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2017

	COST						ACCUMULATED IMPAIRMENT				ACCUMULATED DEPRECIATION				Carrying Value
	OPENING BALANCE		ADDITIONS		Disposals or transfers	Closing Balance	Opening Balance	Normal	Additions	Disposals or transfers	Closing Balance	Normal	Additions	Disposals or transfers	
	Normal	WIP	Residuals	Transfers											
Land	33 777 166	-	-	-	-	33 777 166	-	2 912 854	588 146	-	3 501 000	-	588 146	0	33 777 166
Buildings	30 146 312	4 004 934	-	-	-	34 962 669	-	2 912 854	588 146	-	3 501 000	-	588 146	0	31 481 669
Infrastructure	63 923 478	4 004 934	-	-	-	68 759 835	-	11 314 799	5 700 064	24 761	11 806 737	11 806 737	5 700 064	24 761	12 438 228
Infrastructure - Electricity	21 608 815	2 582 481	-	-	-	24 248 329	69 967	181 748 974	15 002 566	837 678	195 913 862	195 913 862	15 002 566	837 678	176 451 613
Infrastructure - Road transport	354 051 837	14 894 179	-	-	-	372 365 475	1 055 781	3 906 282	147 545	-	4 053 827	4 053 827	147 545	-	7 692 725
Infrastructure - Drains	11 746 553	417 203	-	-	-	11 746 553	-	-	-	-	-	-	-	-	9 549 698
Infrastructure - Other	9 132 494	-	-	-	-	9 549 698	-	-	-	-	-	-	-	-	9 549 698
Community Assets	396 539 699	17 893 863	-	-	-	417 910 055	1 125 748	196 970 056	15 670 175	862 440	211 776 426	196 970 056	15 670 175	862 440	206 332 264
Cemeteries	10 407 993	-	-	-	-	10 489 877	-	674 752	91 635	-	766 387	674 752	91 635	-	9 723 491
Community Halls	41 062 461	160 000	-	-	-	40 586 817	81 884	1 815 167	383 403	-	2 198 571	1 815 167	383 403	-	36 883 085
Libraries	499 000	-	-	-	-	499 000	-	39 912	4 987	-	44 900	39 912	4 987	-	454 100
Parks & gardens	1 323 623	1 204 013	-	-	-	5 167 987	2 640 351	139 608	38 464	-	178 071	139 608	38 464	-	4 989 916
Buildings - Community Other	39 842 000	977 593	-	-	-	977 593	-	-	856	-	856	-	856	-	976 737
Recreational facilities	36 548 819	-	-	-	-	39 842 000	-	5 304 612	1 087 441	-	6 392 053	5 304 612	1 087 441	-	30 000 000
Sports fields & stadia	-	-	-	-	-	36 548 819	-	-	-	-	-	-	-	-	30 156 767
Leased Assets	129 683 896	2 341 606	-	-	-	134 112 094	2 722 235	7 974 050	1 606 785	-	9 580 836	7 974 050	1 606 785	-	113 184 056
Furniture and other office equipment	812 128	-	-	-	-	812 128	-	206 031	202 032	-	408 063	206 031	202 032	-	404 065
Other Assets	812 128	-	-	-	-	812 128	-	206 031	202 032	-	408 063	206 031	202 032	-	404 065
Computers hardware/equipment	2 026 501	685 757	-	-	-	2 548 187	174 071	528 898	332 570	64 058	797 411	528 898	332 570	64 058	1 750 776
Furniture and other office equipment	5 881 942	1 417 921	-	-	-	7 216 516	83 347	1 275 435	661 611	40 195	1 896 852	1 275 435	661 611	40 195	5 319 664
General vehicles	19 736 336	1 324 545	215 000	-	-	20 395 286	900 495	2 613 468	1 261 063	151 109	3 723 422	2 613 468	1 261 063	151 109	16 671 964
Markets	2 556 414	-	-	-	-	2 556 414	-	162 270	79 805	-	244 075	162 270	79 805	-	2 314 339
Plant & equipment	629 638	528 675	-	-	-	1 158 313	-	181 260	90 886	-	272 146	181 260	90 886	-	886 167
Other	184 000	-	-	-	-	184 000	-	37 102	36 599	-	73 701	37 102	36 599	-	110 299
	31 014 831	3 966 897	235 000	-	-	34 058 816	1 157 913	4 758 433	2 462 535	255 362	7 005 607	4 758 433	2 462 535	255 362	27 053 209
Total ASSET REGISTER	621 974 032	11 742 167	235 000	-	-	655 652 927	2 283 660	212 861 423	20 529 674	1 117 802	232 271 931	212 861 423	20 529 674	1 117 802	412 032 469

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
2.1 Property, Plant and Equipment which is in the process of being constructed or developed:		
Infrastructure Assets	44,011,426	30,725,654
Roads	31,879,247	18,593,475
Electricity	2,582,481	2,582,481
Solid Waste	9,549,698	9,549,698
Community Assets	-	7,032,181
Other Assets	-	4,900,697
Total Property, Plant and Equipment under construction	44,011,426	42,658,532
2.2 Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:		
Infrastructure Assets	9,549,698	9,549,698
Solid Waste	9,549,698	9,549,698
Community Assets	-	4,191,490
Total	9,549,698	13,741,188
<i>The Ladyfrere Landfill site has been put on hold indefinitely due to community protests against the development of the site. The land identified forms part of a land claim. Emalahleni Municipality will not proceed with development until a new area has been identified and agreed upon by the community.</i>		
2.3 Property, Plant and Equipment where construction or development has been halted:		
Infrastructure Assets	3,748,436	3,748,436
Roads	3,748,436	3,748,436
Total	3,748,436	3,748,436
<i>The project was incomplete because the service provider appointed to supply and deliver material did not complete the delivery of materials required. The project was then taken over by the municipality as an in house project. The estimated outstanding material cost and labour according to initial quantities is R 1 160 840. The remaining work is estimated to be completed by 29 February 2019 using in-house construction team.</i>		
2.4 Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Employee related costs	1,197,161	1,124,531
Other materials	1,069,228	1,239,789
Contracted Services	1,816,579	2,014,222
Other Expenditure	18,981	10,845
Total Repairs and Maintenance	4,101,949	4,389,387
2.5 Assets pledged as security:		
No assets pledged as security.		
Leased Property, Plant and Equipment of R 1 139 876 is secured for leases as set out in Note 11.		
2.6 Contractual commitments for acquisition of Property, Plant and Equipment:		
Approved and contracted for:	29,148,582	29,261,257
Infrastructure	-	15,282,550
Community	41,524	-
Previously reported	-	13,924,795
Correction of error	-	(13,924,795)
Other	29,107,058	-
Total	29,148,582	15,282,550
This expenditure will be financed from:		
Government Grants	41,524	15,282,550
Own Funds and Borrowings	29,107,058	-
Total	29,148,582	15,282,550

In 2017, Operational commitments amounting to R13 924 795 were incorrectly classified as Capital Commitments - Community assets. These commitments have been removed in the current year as they do not relate to the acquisition of Property, plant and equipment and do not require disclosure in the financial statements in terms of GRAP 17.86(b).

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
3. INVESTMENT PROPERTY		
Net Carrying amount at 1 July	4,154,287	4,162,287
Cost	4,226,300	4,226,300
Buildings	695,572	695,572
Land	3,530,728	3,530,728
Accumulated Depreciation	(72,013)	(64,013)
Accumulated Impairment Loss	-	-
Depreciation for the year	(42,263)	(7,999)
Net Carrying amount at 30 June	4,112,024	4,154,287
Cost	4,226,300	4,226,300
Buildings	695,572	695,572
Land	3,530,728	3,530,728
Accumulated Depreciation	(114,276)	(72,013)
Accumulated Impairment Loss	-	-
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
Revenue from Investment Property		
Revenue derived from the rental of Investment Property	5,734	4,266

	2018 R	2017 R
4. INTANGIBLE ASSETS		
Net Carrying amount at 1 July	308,838	130,766
Cost	1,005,781	801,474
Accumulated Amortisation	(696,943)	(670,708)
Accumulated Impairment Loss	-	-
Acquisitions	202,050	282,540
Amortisation	(53,223)	(26,235)
Net Carrying amount at 30 June	457,665	308,838
Cost	1,207,831	1,005,781
Accumulated Amortisation	(750,166)	(696,943)
Accumulated Impairment Loss	-	-

No intangible asset were assed 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 age no intangible assets pledged as security for llabilities.

There are no contractual commitments for the acquisition of intangible assets.

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
5. HERITAGE ASSETS		
Net Carrying amount at 30 June	182,536	182,536
Cost	182,536	182,536
Accumulated Impairment Loss	-	-

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

There are no Heritage Assets that are used by the municipality for more than one purpose.

There are no heritage assets which is in the process of being constructed or developed.

There was no expenditure incurred to repair and maintain heritage assets during the year.

	2018 R	2017 R
6. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	2,620,242	1,677,745
Property Rentals	2,678,198	2,225,656
Waste Management	40,303,030	40,262,104
Chris Hani Debtor	1,140,309	3,776,090
Total: Receivables from exchange transactions (before provision)	46,741,780	47,941,595
Less: Provision for Debt Impairment	(42,727,516)	(42,258,195)
Total: Receivables from exchange transactions (after provision)	4,014,264	5,683,400

Consumer debtors are payable within 30 days. This credit period granted is considered to be

The fair value of receivables approximate their carrying value.

(Electricity): Ageing

Current (0 - 30 days)	431,184	301,555
31 - 60 Days	230,292	154,735
61 - 90 Days	89,858	118,927
+ 90 Days	1,868,908	1,102,528
Total	2,620,242	1,677,745

(Property Rentals): Ageing

Current (0 - 30 days)	59,475	61,777
31 - 60 Days	55,966	53,182
61 - 90 Days	55,871	52,506
+ 90 Days	2,506,886	2,058,191
Total	2,678,198	2,225,656

(Waste Management): Ageing

Current (0 - 30 days)	556,716	526,288
31 - 60 Days	538,175	500,365
61 - 90 Days	537,002	486,519
+ 90 Days	38,671,138	38,748,932
Total	40,303,030	40,262,104

Chris Hani Debtor: Ageing

+ 90 Days	1,140,309	3,776,090
Total	1,140,309	3,776,090

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<u>(Total): Ageing</u>		
Current (0 - 30 days)	1,047,375	889,619
31 - 60 Days	824,433	708,283
61 - 90 Days	682,731	657,952
+ 90 Days	44,187,241	45,685,741
Total	46,741,780	47,941,595

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	42,258,195	41,888,150
Contribution to provision	5,669,746	4,755,624
Write offs	(5,200,425)	(4,385,579)
Balance at end of year	42,727,516	42,258,195

The total amount of this provision is R42 727 516 (2017: R42 258 195) and consist of:

Services	40,684,875	40,386,621
Other Debtors	2,042,641	1,871,574
Total Provision for Debt Impairment on Receivables from exchange transactions	42,727,516	42,258,195

Ageing of amounts past due but not impaired:

1 month past due	824,433	708,283
2+ months past due	2,142,456	4,085,498
	2,966,888	4,793,780

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade 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 trade receivables.

	2018 R	2017 R
7. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Taxes - Rates	19,420,209	15,458,293
Eskom	3,357,740	14,512,761
Other Receivables	8,634	(51,068)
	22,786,583	29,919,986
Less: Provision for Debt Impairment	(16,876,078)	(13,750,525)
Total Receivables from non-exchange transactions	5,910,505	16,169,462

The fair value of other receivables approximate their carrying value.

Rates 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.

(Rates): Ageing

Current (0 - 30 days)	185,990	124,008
31 - 60 Days	396,910	318,439
61 - 90 Days	369,655	285,053
+ 90 Days	18,467,655	14,730,793
Total	19,420,209	15,458,293

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<u>Reconciliation of Provision for Debt Impairment</u>		
Balance at beginning of year	13,750,525	11,257,775
Contribution to provision	3,186,073	2,492,750
Write offs	(60,519)	-
Reversal of provision	-	-
Balance at end of year	16,876,078	13,750,525

The total amount of this provision is R 16 876 078 (2017: R13 750 525) and consist of:

Taxes	16,876,078	13,750,525
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	16,876,078	13,750,525

Ageing of amounts past due but not impaired:

1 month past due	185,990	124,008
2+ months past due	2,172,151	1,459,752
	2,358,141	1,583,760

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade 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 trade receivables.

	2018 R	2017 R
8. OPERATING LEASE ARRANGEMENTS		
8.1 The Municipality as Lessor (Asset)		
Operating Lease Asset	68,449	78,480
<u>Reconciliation</u>		
Balance at the beginning of the year	78,480	82,746
Movement during the year	(10,031)	(4,266)
Balance at the end of the year	68,449	78,480
At the Statement of Financial Position date, where the municipality acts as a lessor under		
Up to 1 Year	110,327	114,566
1 to 5 Years	207,761	318,088
Total Operating Lease Arrangements	318,088	432,655

This operating lease income determined from contracts that have a specific condition income and does not include leases which has a undetermined conditional income.

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
9. TAXES		
9.1 VAT Payable	(2,826,652)	(3,145,747)
<u>Less:</u> Contribution to Provision for Doubtful Debt Impairment	1,423,358	1,337,006
Total VAT Payable	(1,403,294)	(1,808,741)
9.2 VAT Receivable	7,792,759	11,488,791
Total VAT Receivable	7,792,759	11,488,791
9.3 Net VAT (Payable)/Receivable	6,389,465	9,680,050

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

	2018 R	2017 R
10. BANK ACCOUNTS		
10.1 <u>Cash and Cash Equivalents</u>		
Call Investments Deposits	2,602,716	10,260,055
Bank Accounts	3,263,228	2,873,642
Cash Floats	470	300
Total Cash and Cash Equivalents - Assets	5,866,415	13,133,998

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of

The municipality has the following bank accounts:

Current Accounts

Standard Bank - Current Account - 082-665-958	2,115,668	161,976
Standard Bank - Current Account - 082-630-631	977,032	2,386,023
First National Bank - Current Account - 620-4898-6428	170,528	325,642
	3,263,228	2,873,641

All accounts are cleared daily to Primary Bank Account; current account 082-665-958.

Call Deposits and Investments

Investec Account Number/s: 451/465258	1,334,888	9,624,529
First National Bank Account Number/s: 74366334164	240,743	48,113
First National Bank Account Number/s: 74761667110	13,392	-
Standard Bank Account Number/s: 08 879 9697 - 012	10,879	10,573
Standard Bank Account Number/s: 08 879 9697 - 001	202,057	202,057
ABSA Account Number/s 207951763	387,299	361,984
ABSA Account Number/s 93-25201449	131,218	907
Standard Bank Account Number/s: 08 879 9697 - 020	282,241	11,892
	2,602,716	10,260,055

Details of current accounts are as follow:

Standard Bank - Current Account - 082-665-958

Cash book balance at beginning of year	161,976	78,399
Cash book balance at end of year	2,115,668	161,976
Bank statement balance at beginning of year	161,976	78,399
Bank statement balance at end of year	2,115,668	161,976

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Standard Bank - Current Account - 082-630-631		
Cash book balance at beginning of year	2,386,023	25,063
Cash book balance at end of year	977,032	2,386,023
Bank statement balance at beginning of year	2,386,023	148,508
Bank statement balance at end of year	977,032	2,386,023

First National Bank - Current Account - 620-4898-6428		
Cash book balance at beginning of year	325,642	2,148,408
Cash book balance at end of year	170,528	325,642
Bank statement balance at beginning of year	325,642	2,148,408
Bank statement balance at end of year	170,528	325,642

	2018 R	2017 R
11. LONG TERM BORROWINGS		
Capitalised Lease Liability - At amortised cost	1,147,989	295,485
	1,147,989	295,485
Less: Current Portion transferred to Current Liabilities	(368,752)	(295,485)
Capitalised Lease Liability - At amortised cost	(368,752)	(295,485)
Total Long-term Borrowings - At amortised cost using the effective interest rate method	779,237	-

The obligations under finance leases are scheduled below:

	Minimum payments	
Amounts payable under finance leases:		
Payable within one year	466,954	320,076
Payable within two to five years	856,082	-
	1,323,035	320,076
Less: Future finance obligations	(175,046)	(24,591)
Present value of finance lease obligations	1,147,989	295,485

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Xerox C405	4 x copiers	6.25%	0%	3 Years	30/04/2021
Xerox C7020/5	4 x copiers	3.17%	0%	3 Years	30/04/2021
Xerox WC7225	2 x copiers	6.25%	0%	3 Years	30/04/2021
Xerox C8070	4 x copiers	5.02%	0%	3 Years	30/04/2021
Xerox D95	1 copier	5.02%	0%	3 Years	30/04/2021

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

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
12. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	1,826,946	-
Total Non-current Provisions	1,826,946	-
12.1 Landfill Sites		
The Municipality operate on three landfill sites. The in year actual operational costs is expensed in the statement of financial performance. The provision is calculated in order to finance the rehabilitation cost of each cell when it reaches 100% capacity. The expected cash flow outflow; within one year; relates to all three sites of the case of all three sites there is already a shortcoming in the day to day operations of the sites these cost is represented by the short-term portion of the non-current provision. The landfill sites in operation are Lady Frere; Dordrecht and Indwe.		
Balance 1 July	11,210,331	10,525,917
Unwinding of discounted interest	996,833	684,414
Total provision 30 June	12,207,164	11,210,331
Less: Transfer of Current Portion to Current Provisions - Note 14	(10,380,218)	(11,210,331)
Balance 30 June	1,826,946	-

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows

	Dordrecht	Indwe	Lady Frere
Area (m ²)	10,287	1,005	6,698
Cost of fence (Rand)	953,711	9,367	9,367
Site Clearance (R40/m ³)	30,347	2,965	19,759
Storm Water Control Measure	859,158	223,889	618,537
Capping	1,866,727	186,001	1,648,181
Gas Management	-	-	14,786
Leachate Management	292,013	95,949	212,069
Other costs	446,217	793,676	446,217
Contingencies	456,223	59,071	287,588
Preliminary and general (Rand)	560,274	72,544	353,178
Engineering	376,384	48,734	237,260
Site Supervision	356,802	334,752	335,421

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Location	Estimated	2018 R	2017 R
Lady Frere landfill site is located approximately 2.0km	30/06/2018	4,182,363	3,839,437
Dordrecht landfill site is located off R56 about 900m after	11/09/2016	6,197,855	5,601,824
Indwe landfill site is located east off R56 approximately	31/12/2021	1,826,946	1,769,070
		12,207,164	11,210,331

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
13. NON-CURRENT EMPLOYEE BENEFITS		
Provision for Post Retirement Health Care Benefits	5,685,220	5,171,047
Provision for Long Service Awards	1,970,992	1,706,579
Total Non-current Employee Benefits	7,656,212	6,877,627
	2018 R	2017 R
<u>Post Retirement Health Care Benefits</u>		
Balance 1 July	5,224,110	5,203,204
Contribution for the year	633,797	716,360
Interest Cost	518,530	476,574
Expenditure for the year	(70,872)	(63,407)
Actuarial Loss/(Gain)	(564,255)	(1,108,621)
Total provision 30 June	5,741,310	5,224,110
Less: Transfer of Current Portion to Current Provisions - Note 15	(56,090)	(53,063)
Balance 30 June	5,685,220	5,171,047
Provision for Ex-Gratia payment- CFO		
Balance 1 July	-	172,014
Transfer to revenue	-	(172,014)
Balance 30 June	-	-
<u>Long Service Awards</u>		
Balance 1 July	1,846,855	1,605,773
Contribution for the year	434,627	381,946
Interest Cost	148,329	125,638
Expenditure for the year	(49,263)	(96,574)
Actuarial Loss/(Gain)	(44,953)	(169,927)
Total provision 30 June	2,335,595	1,846,855
Less: Transfer of Current Portion to Current Provisions - Note 15	(364,603)	(140,276)
Balance 30 June	1,970,992	1,706,579
	2018 R	2017 R
13.1 Provision for Post Retirement Health Care Benefits		
The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are		
In-service (employee) members	92	87
In-service (employee) non-members	130	125
Continuation members (e.g. Retirees, widows, orphans)	2	2
Total Members	224	214
The liability in respect of past service has been estimated to be as follows:		
In-service members	3,743,586	3,277,195
In-service non-members	1,210,493	1,136,202
Continuation members	787,231	810,712
Total Liability	5,741,310	5,224,109

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 R
In-service members	4,533,826
In-service non-members	686,646
Continuation members	-
Total Liability	5,220,472

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

Bonitas;
Hosmed
LA Health
Samwumed
Key health

The Current-service Cost for the ensuing year is estimated to be R666 687, whereas the Interest Cost for the next year is estimated to be R559 393.

Key actuarial assumptions used:	2018 %	2017 %
i) Rate of Interest		
Discount rate	9.79%	9.98%
Health Care Cost Inflation Rate	7.51%	8.24%
Net Effective Discount Rate	2.12%	1.61%

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

ii) Mortality rates

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

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60 for females and 65 for males, which then implicitly allows for expected rates of early and ill-health retirement.

iv) Expected rate of salary increases

2017/2018 - Average CPI (Feb 2016 – Jan 2017) + 1 per cent

The three-year Salary and Wage Collective Agreement ends on 30 June 2018.

	2018 R	2017 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	5,741,310	5,224,109
Fair value of plan assets	-	-
	<u>5,741,310</u>	<u>5,224,109</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
Net liability/(asset)	<u>5,741,310</u>	<u>5,224,109</u>

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	5,224,110	5,203,204
Total expenses	1,081,455	1,129,527
Current service cost	633,797	716,360
Interest Cost	518,530	476,574
Benefits Paid	(70,872)	(63,407)
Actuarial (gains)/losses	(564,255)	(1,108,621)
Present value of fund obligation at the end of the year	5,741,310	5,224,110

Sensitivity Analysis on the Accrued Liability on 30 June 2018

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	4.954	0.787	5.741

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	6.023	0.866	6.889	20.00%
Health care inflation	-1%	4.113	0.718	4.831	-16.00%
Discount Rate	1%	4.135	0.720	4.855	-15.00%
Discount Rate	-1%	6.009	0.865	6.874	20.00%
Post-retirement mortality	-1 year	5.113	0.815	5.927	3.00%
Average retirement age	-1 year	5.456	0.787	6.243	9.00%
Continuation of membership at retirement	-10%	3.955	0.787	4.743	-17.00%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumptions		666,700	559,400	1,226,100	
Health care inflation	1%	835,700	671,700	1,507,400	23.00%
Health care inflation	-1%	536,900	470,300	1,007,200	-18.00%
Discount Rate	1%	545,200	521,000	1,066,200	-13.00%
Discount Rate	-1%	825,800	601,800	1,427,600	16.00%
Post-retirement mortality	-1 year	687,800	577,800	1,265,400	3.00%
Average retirement age	-1 year	730,200	608,500	1,338,700	9.00%
Continuation of membership at retirement	-10%	530,100	461,600	991,700	-19.00%

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 Rm	2017 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	0.024	(0.232)
Assets: Gain / (loss)		-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 Rm	2015 Rm	2014 Rm
Liabilities: (Gain) / loss	5,203,000	4,346,117	5,220,000
Assets: Gain / (loss)			

13.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 222 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R500 956 whereas the Interest Cost for the next year is estimated to be R180 753.

Key actuarial assumptions used:	2018 %	2017 %
i) Rate of Interest		
Discount rate	8.38%	8.34%
General Salary Inflation (long-term)	6.02%	6.16%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.23%	2.05%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	2,335,596	1,846,855
Fair value of plan assets	-	-
	<u>2,335,596</u>	<u>1,846,855</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
	<u>-</u>	<u>-</u>
Net liability/(asset)	<u>2,335,596</u>	<u>1,846,855</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1,846,856	1,605,773
Total expenses	533,693	411,010
	<u>434,627</u>	<u>381,946</u>
Current service cost	148,329	125,638
Interest Cost	(49,263)	(96,574)
Benefits Paid		
	<u>(44,953)</u>	<u>(169,927)</u>
Actuarial (gains)/losses		
Present value of fund obligation at the end of the year	<u>2,335,596</u>	<u>1,846,856</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2018

Assumption	Change	Liability (Rm)	% change
Central assumptions		2.336	
General salary inflation	1.00%	2.461	5.00%
General salary inflation	-1.00%	2.220	-5.00%
Discount Rate	1.00%	2.216	-5.00%
Discount Rate	-1.00%	2.469	6.00%
Average retirement age	-2 yrs	2.209	-5.00%
Average retirement age	+2 yrs	2.402	3.00%
Withdrawal rates	-50.00%	2.812	20.00%

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019

	Current Service Cost (R)	Interest Cost (R)	Total (R)
Assumption			
Central Assumptions	501,000	180,800	681,800

The effect of movements in the assumptions are as follows:

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption					
General salary inflation	1.00%	535,100	191,300	726,400	7%
General salary inflation	-1.00%	470,100	171,100	641,200	-6%
Discount Rate	1.00%	473,200	191,100	664,300	-3%
Discount Rate	-1.00%	532,000	169,000	701,000	3%
Average retirement age	-2 yrs	475,400	170,400	645,800	-5%
Average retirement age	+2 yrs	515,000	186,200	701,200	3%
Withdrawal rates	-50%	655,400	220,700	876,100	28%

	2018 Rm	2017 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	67,097	(70,165)
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as

	2016 Rm	2015 Rm	2014 Rm
Liabilities: (Gain) / loss	1,605,773	1,402,424	1,453,534
Assets: Gain / (loss)	-	-	-

13.3 Retirement funds

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

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

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

	2018 R	2017 R
<u>CAPE JOINT RETIREMENT FUND</u>		
The contribution rate paid by the members (9.0%) and Council (18.0%). The last actuarial		
Contributions paid recognised in the Statement of Financial Performance	5,439,889	4,704,055

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<u>DEFINED CONTRIBUTION FUNDS</u>		
Council contribute to the South African Local Authorities Pension Fund, Municipal Councillors		
Contributions paid recognised in the Statement of Financial Performance		
Sala Pension Fund	367,416	417,187
Municipal Councillors Pension Fund	139,567	1,213,042
SAMWU National Provident Fund	888,225	870,397
	<u>1,395,207</u>	<u>2,500,626</u>
	2018 R	2017 R
14. PROVISIONS		
Current Portion of Rehabilitation of Landfill Sites - Note 12	10,380,218	11,210,331
Total Provisions	<u>10,380,218</u>	<u>11,210,331</u>
	2018 R	2017 R
15. CURRENT EMPLOYEE BENEFITS		
Provision for Performance Bonuses	1,186,689	1,078,808
Staff Bonuses accrued	1,716,689	1,429,596
Staff leave accrued	6,259,778	5,974,778
Compensation for Injuries On Duty	397,933	355,653
Current Portion of Non-Current Provisions	420,693	193,339
Current Portion of Post Retirement Benefits - Note 13	56,090	53,063
Current Portion of Long-Service Provisions - Note 13	364,603	140,276
Total Current employee benefits	<u>9,981,781</u>	<u>9,032,175</u>
The movement in current employee benefits are reconciled as follows:		
15.1 <u>Performance Bonuses</u>		
Balance at beginning of year	1,078,808	980,735
Contribution to current portion	1,186,690	1,078,808
Expenditure incurred	(1,078,808)	(980,735)
Balance at end of year	<u>1,186,690</u>	<u>1,078,808</u>
Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is a possibility of reimbursement based on trends in the past.		
15.2 <u>Staff Bonuses</u>		
Balance at beginning of year	1,429,595	1,160,793
Contribution to current portion	3,374,914	2,944,805
Expenditure incurred	(3,087,821)	(2,676,003)
Balance at end of year	<u>1,716,688</u>	<u>1,429,595</u>
Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is a possibility of reimbursement based on trends in the past.		
15.3 <u>Staff Leave</u>		
Balance at beginning of year	5,974,778	4,772,464
Contribution to current portion	1,166,898	2,321,669
Expenditure incurred	(881,898)	(1,119,355)
Balance at end of year	<u>6,259,778</u>	<u>5,974,778</u>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is a possibility of reimbursement based on trends in the past.		

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
15.4 <u>Compensation for Injuries On Duty</u>		
Balance at beginning of year	355,652	354,609
Contribution to current portion	434,835	370,522
Expenditure incurred	(392,554)	(369,479)
Balance at end of year	<u>397,933</u>	<u>355,652</u>

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. There is no possibility of reimbursement.

	2018 R	2017 R
16. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	3,685,149	14,122,334
Third party payables (Payroll)	30,028	1,343,359
Pre- paid electricity paid in advance	183,716	175,442
Advance payments debtors-billing	505,106	504,265
Sundry Deposits	46,009	35,520
Sundry Creditors	68,526	56,206
Retentions and Guarantees	5,341,629	3,803,872
Total Trade Payables	<u>9,860,161</u>	<u>20,040,999</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 trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include Hall, Builders and Housing Deposits.

	2018 R	2017 R
17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Unspent Grants and receipts	-	800,500
District Municipality	-	800,500
Less: Unpaid Grants and receipts	-	(1,691,866)
Provincial Government Grants	-	(1,205,102)
District Municipality	-	(486,764)
Total Unspent Transfers and Subsidies	<u>-</u>	<u>(891,366)</u>

See appendix "E" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

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

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
18. PROPERTY RATES		
<u>Actual</u>		
Rateable Land and Buildings	5,211,974	4,146,296
Residential, Commercial Property, State Agricultural Property	4,319,329 892,645	3,281,889 864,408
Less: Revenue Forgone	-	-
Total Property Rates	5,211,974	4,146,296
 <u>Valuations - 1 July 2017</u>		
Rateable Land and Buildings	1,120,527,404	1,068,610,404
Residential	301,403,201	249,053,000
Agricultural	542,663,400	515,769,900
Government	119,269,300	68,777,900
Business & Commercial	126,135,302	131,085,403
Municipal	14,921,700	88,171,800
Exempt Properties	16,134,501	15,752,401
Total Assessment Rates	1,120,527,404	1,068,610,404
 Basic Rate		
Residential	0.00923	0.00869
Undeveloped land/Vacant land	0.00923	0.00869
Business	0.01385	0.01304
Government	0.01385	0.01304
Agriculture/Farms	0.00231	0.00217
Public Service Infrastructure	-	-
Public Benefit Organisation	0.00231	0.00217
Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.		
Rebates were granted on land with buildings used solely for dwellings purposes as follows:		
Residential -	The first R15 000 on the valuation is exempted.	
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.		
 19. GOVERNMENT GRANTS AND SUBSIDIES		
<u>Unconditional</u>	115,992,000	114,599,000
Equitable Share	115,992,000	114,599,000
 <u>Conditional</u>	39,427,736	43,646,205
Local Government Financial Management Grant (FMG)	2,345,000	2,010,000
Municipal Infrastructure Grant (MIG)	34,061,000	24,758,000
Integrated National Electrification Grant (INEP)	-	9,317,000
Library Grant	900,000	-
Other Grants	2,121,736	7,561,205
Total Government Grants and Subsidies	155,419,736	158,245,205
 Government Grants and Subsidies - Operating	121,753,786	132,075,106
Government Grants and Subsidies - Capital	33,665,950	26,170,100
Total Government Grants and Subsidies	155,419,736	158,245,206

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	115,992,000	114,599,000
Executive & Council	-	332,000
Budget and Treasury Office	2,345,000	2,010,000
Planning and Development	800,500	-
Community & Social Services	900,000	4,127,441
Waste Management	-	200,000
Road Transport	35,382,236	27,659,764
Electricity	-	9,317,000
Total Government Grants and Subsidies	155,419,736	158,245,205

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.

19.1 Equitable Share

Grants received	115,992,000	114,599,000
Conditions met - Operating	(115,992,000)	(114,599,000)
Conditions still to be met	-	-

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

19.2 Local Government Financial Management Grant (FMG)

Grants received	2,345,000	2,010,000
Conditions met - Operating	(2,345,000)	(2,010,000)
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

	2018 R	2017 R
19.3 Municipal Infrastructure Grant (MIG)		
Grants received	34,061,000	24,758,000
Conditions met - Operating	(1,703,050)	(1,587,900)
Conditions met - Capital	(32,357,950)	(23,170,100)
Conditions still to be met	-	-

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

19.4 Integrated National Electrification Grant

Grants received	-	9,317,000
Conditions met - Operating	-	(9,317,000)
Conditions still to be met	-	-

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

19.5 Extended Public Works Program (EPWP)

Grants received	1,308,000	1,415,000
Conditions met - Operating	-	(1,415,000)
Conditions met - Capital	(1,308,000)	-
Conditions still to be met	-	-

The grant is used for job creation projects in previous disadvantage areas.

19.6 Library Grant

Opening balance	-	227,442
Grants received	900,000	900,000
Conditions met - Operating	(900,000)	(1,127,442)
Conditions still to be met	-	-

The grant is used to transform urban and rural community library infrastructure, facilities and services.

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
19.7 Other grants		
Opening balance	(891,366)	930,000
Grants received	1,705,102	4,127,398
Grants transferred	-	(930,000)
Conditions met - Operating	(813,736)	(2,018,764)
Conditions met - Capital	-	(3,000,000)
Conditions still to be met	<u>0</u>	<u>(891,366)</u>
19.8 Total Grants		
Opening balance	(891,366)	1,157,442
Grants received	156,311,102	157,126,398
Grants transferred	-	(930,000)
Conditions met - Operating	(121,753,786)	(132,075,106)
Conditions met - Capital	(33,665,950)	(26,170,100)
Conditions still to be met/(Grant expenditure to be recovered)	<u>0</u>	<u>(891,366)</u>
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	-	800,500
Unpaid Conditional Government Grants and Receipts	-	(1,691,866)
Total	<u>-</u>	<u>(891,366)</u>
	2018 R	2017 R
20. SERVICE CHARGES		
Electricity	10,113,373	11,022,548
Service Charges	<u>10,113,373</u>	<u>11,022,548</u>
Waste Management	3,483,131	3,776,139
Service Charges	<u>5,508,022</u>	<u>5,609,738</u>
Less: Revenue Forgone	<u>(2,024,892)</u>	<u>(1,833,600)</u>
Waste Water Management	-	401
Service Charges	<u>-</u>	<u>401</u>
Total Service Charges	<u>13,596,504</u>	<u>14,799,087</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.		
	2018 R	2017 R
21. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	21,073	43,544
Financial assets	1,161,547	2,269,107
Total Interest Earned - External Investments	<u>1,182,620</u>	<u>2,312,651</u>
	2018 R	2017 R
22. INTEREST EARNED - OUTSTANDING RECEIVABLES		
Property Rates	1,494,171	1,345,990
Refuse	2,962,044	2,988,631
Electricity	200,945	203,809
Rent	196,805	170,343
Total Interest Earned - Outstanding Receivables	<u>4,853,965</u>	<u>4,708,774</u>

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
23. OTHER INCOME		
Building plans	77,487	15,526
Branding of Livestock	4,496	1,921
Cemetery Fees	34,984	38,064
Connection Fees	70,940	53,796
Insurance Income	523,944	138,571
LGSETA	-	97,590
Pound Fees	47,002	7,691
Housing Admin Fees	-	13,500
Sundry Income	70,955	420,099
Total Operational Revenue	829,809	786,757

	2018 R	2017 R
24. EMPLOYEE RELATED COSTS		
Salaries and Wages	51,489,741	45,416,093
Annual bonus	3,374,914	2,944,805
Contributions for UIF, pensions and medical aids	9,873,433	8,295,585
Housing Subsidy	161,797	83,652
Leave Reserve Fund	1,166,898	2,321,669
Long service awards	434,627	381,946
Post Employment Health	633,797	716,360
Scarce Skills Allowance	-	7,569
Performance bonus	1,186,690	1,078,808
Skills development levy	544,607	491,149
Travel, motor car, telephone, assistance and other allowances	3,887,712	3,226,653
Workmen's Compensation	434,835	370,524
Overtime	966,238	840,378
Total Employee Related Costs	74,155,289	66,175,192

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

REMUNERATION OF KEY MANAGEMENT PERSONNEL**Remuneration of the Municipal Manager (MM Dr VS Vatala)**

Annual Remuneration	1,771,561	1,610,510
Leave encashment	-	148,167
Telephone, assistance and other allowances	34,848	31,680
Contributions to UIF, SDL, Bargaining council	1,785	18,464
Performance Bonus	225,471	204,974
Total	2,033,665	2,013,795

Remuneration of the Manager Corporate Services (Manager Corporate Services - P Sohe)

Annual Remuneration	1,329,305	1,208,458
Leave encashment	254,306	38,671
Acting Allowance	-	33,504
Telephone, assistance and other allowances	29,964	27,240
Contributions to UIF, SDL, Bargaining council	1,785	12,614
Performance Bonus	169,184	153,804
Total	1,784,544	1,474,291

Remuneration of the Chief Financial Officer (GP de Jager)

Annual Remuneration	1,387,576	1,261,433
Leave encashment	26,641	170,546
Telephone, assistance and other allowances	29,964	27,240
Contributions to UIF, SDL, Bargaining council	1,785	14,307
Performance Bonus	176,601	160,546
Total	1,622,566	1,634,071

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Remuneration of the Manager IPED Services (N Mntuydwa)		
Annual Remuneration	1,329,305	1,208,459
Telephone, assistance and other allowances	29,964	27,240
Leave encashment	102,664	38,671
Acting allowance	-	9,138
Contributions to UIF, SDL, Bargaining council	1,785	12,447
Performance Bonus	169,184	153,804
Total	1,632,902	1,449,758
Remuneration of the Director Infrastructure and Human Settlements (D Njilo)		
Annual Remuneration	1,329,305	1,208,459
Leave encashment	-	198,187
Telephone, assistance and other allowances	29,964	27,240
Contributions to UIF, SDL, Bargaining council	1,785	15,216
Performance Bonus	169,184	153,804
Total	1,530,238	1,602,906
Remuneration of the Director Community Services (N Nyezi)		
Annual Remuneration	1,329,305	1,208,099
Telephone, assistance and other allowances	37,129	27,240
Leave encashment	25,666	135,347
Contributions to UIF, SDL, Bargaining council	1,785	14,436
Performance Bonus	169,184	153,804
Acting allowance	22,113	-
Total	1,585,182	1,538,926

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
25. REMUNERATION OF COUNCILLORS		
Executive Mayor - N Nyukwana	836,713	768,799
Speaker - Kalolo DS	677,531	616,790
Executive Committee Member - Lali N- Chief Whip	637,736	569,762
Executive Committees - Cllrs S Liwani (full time exco)	637,736	582,155
Executive Committees - T Kulashe (Ndyumbo) (full time exco)	637,736	583,882
Executive Committees - Limba M (full time exco)	637,736	520,291
Executive Committees - K Nkasela (Ex-part time exco member)	-	36,242
Executive Committees - K Nkasela (Ex-part time exco member)	-	303,378
Other Councillors - L Mooi (Ex-Sec 79 chair person)	-	35,307
Other Councillors - Mapete L (Part time - Sec 79 chair person)	364,042	320,327
Ordinary Councillor- Dlikili N [Part-time Coucillor]	-	28,055
Ordinary Councillor- Dyonase Z [Part-time Coucillor]	-	28,055
Ordinary Councillor- Ziduli NM [Part-time Coucillor]	292,677	261,020
Ordinary Councillor- Jordaan VB [Part-time Coucillor]	-	28,055
Ordinary Councillor- Godla MM [Part-time Coucillor]	-	28,055
Ordinary Councillor- Mnyuko ST [Part-time Coucillor]	-	28,055
Ordinary Councillor- Nobaza P [Part-time Coucillor]	-	27,838
Ordinary Councillor- Bobotyane CH [Part-time Coucillor]	292,677	261,020
Ordinary Councillor- Peter N [Part-time Coucillor]	-	28,055
Ordinary Councillor- Koni NF [Part-time Coucillor]	219,508	261,020
Ordinary Councillor- Teka ZH [Part-time Coucillor]	-	28,055
Ordinary Councillor- Dudumashe TR [Part-time Coucillor]	-	28,055
Ordinary Councillor- Komani B [Part-time Coucillor]	-	28,055
Ordinary Councillor- Qhashani N [Part-time Coucillor]	-	28,055
Ordinary Councillor- Ndlela TM [Part-time Coucillor]	292,677	261,020
Ordinary Councillor- Holana NB [Part-time Coucillor]	-	28,055
Ordinary Councillor- Kwatshana TW [Part-time Coucillor]	-	28,055
Ordinary Councillor- Mjezu K [Part-time Coucillor]	292,677	261,020
Ordinary Councillor- Kraqa NN [Part-time Coucillor]	292,677	260,420
Ordinary Councillor-Mketsu ZW [Part-time Coucillor]	-	28,055
Ordinary Councillor-Greyling PF [Part-time Coucillor]	292,677	261,020
Ordinary Councillor-Papiso ZZ [Part-time Coucillor]	-	28,055
Ordinary Councillor-Sixishe TD [Part-time Coucillor]	292,677	261,020
Ordinary Councillor- Boklan SN [Part-time Coucillor]	-	28,055
Ordinary Councillor- Zama SE [Part-time Coucillor]	292,677	232,965
Ordinary Councillor- Fatyela LA [Part-time Coucillor]	292,677	232,965
Ordinary Councillor- Bongo S [Part-time Coucillor]	292,677	232,965
Ordinary Councillor- Feni RZ [Part-time Coucillor]	292,677	232,965
Ordinary Councillor- Moshane ZG [Part-time Coucillor]	292,677	232,965
Ordinary Councillor- Mondile TF [Part-time Coucillor]	292,677	232,965
Ordinary Councillor- Mahola ZD [Part-time Coucillor]	292,677	232,965
Ordinary Councillor- Qomoyi MS [Part-time Coucillor]	292,677	232,965
Ordinary Councillor- Makatesi M [Part-time Coucillor]	292,677	232,965
Ordinary Councillor- Mrwebi T [Part-time Coucillor]	292,677	232,965
Ordinary Councillor- Mthandeki FM [Part-time Coucillor]	292,677	232,965
Ordinary Councillor- Tyulu NM [Part-time Coucillor]	292,677	232,965
Ordinary Councillor- Kama N [Part-time Coucillor]	292,677	232,965
Ordinary Councillor- Oyiya MP (Part time exco member)	348,302	232,965
Ordinary Councillor- Paul LN [Part-time Coucillor]	292,677	237,269
Ordinary Councillor- Njadu XH [Part-time Coucillor]	292,677	232,965
Ordinary Councillor- Nqono N [Part-time Coucillor]	292,677	232,965
Executive Committees - N Mtyobile (Part time exco member)	373,818	-
Other Councillors - B Twala (Part time - Sec 79 chair person)	364,042	-
Ordinary Councillor- Nqono N [Part-time Coucillor]	-	296,556
Other payments	-	50,536
Total Councillors' Remuneration	12,466,471	11,184,958

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Cell phone Allowance	Contributions	Total
Mayor	795,913	-	40,800	-	836,713
Speaker	636,731	-	40,800	-	677,531
Executive Committee Members	3,028,264	-	244,800	-	3,273,064
Councillors	6,628,563	-	1,050,600	-	7,679,163
Total Councillors' Remuneration	11,089,471	-	1,377,000	-	12,466,471

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

In-kind Benefits

The Mayor, Speaker, and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

Certification by the Municipal Manager

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



.....
Signed: Municipal Manager

	2018 R	2017 R
26. DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	26 055 555	20 529 674
Intangible Assets	53 223	26 235
Investment Property carried at cost	42 263	7 999
Total Depreciation and Amortisation	26 151 041	20 563 908
	2018 R	2017 R
27. FINANCE COSTS		
Landfill site	996 833	684 414
Long service awards	518 530	125 638
Long-term Liabilities	49 780	76 517
Post Employment Health	148 329	476 574
Total Finance Costs	1 713 472	1 363 144
	2018 R	2017 R
28. BULK PURCHASES		
Electricity	12 931 660	12 948 236
Total Bulk Purchases	12 931 660	12 948 236

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
29. GENERAL EXPENSES		
Advertisements	136,487	336,250
Assets written off	786,941	-
Auditors Remuneration	3,619,146	3,783,504
Bank Charges	187,994	200,988
Books, Magazines & Publication	17,886	21,392
Cleaning	600,508	158,285
Conferences and Seminars	630,670	1,087,710
Congress Fee	5,675	39,755
Consulting and Professional fees	996,133	1,430,090
Consumables	312,709	33,448
Data Cleansing	1,682,303	250,116
Disaster Expenditure	-	329,181
Drivers License Cards	58,540	24,727
Electricity Service Charges	240,360	169,388
Entertainment	55,238	-
Field Band Project	719,535	708,828
Fleet Management	63,634	73,628
FMS Expenditure and Licences	690,556	849,670
Fuel and oil	1,625,006	1,704,954
Indigent registration	284,050	-
Internal charges	86,863	237,231
Insurance	2,010,533	1,664,045
Learnerships	270,540	-
Legal fees	739,069	-
Lease rentals on operating lease	305,856	464,335
License Fees	817,892	701,389
Marketing	263,562	447,854
Material Stores	1,078,776	2,799,589
Mayor Cup	580,790	980,358
Medical Exams	154,161	-
Network Infrastructure Improvement	-	30,391
Pauper Burials	67,850	29,830
Plant Hire	-	195,000
PMS & IDP Compliance	57,297	384,985
Policies	-	39,817
Postage	4,886	6,438
Printing and stationery	1,179,939	1,555,730
Projects	2,665,921	3,092,086
Protective Clothing	900,000	799,077
Public participation	710,850	1,054,690
Refuse Bags	399,897	326,974
Relocation Cost	-	21,600
Revenue Enhancement Strategy	318,163	1,287,754
Schools	199,715	167,112
Security	3,912,295	3,164,236
Special Community Projects; example Youth day	979,804	783,629
Staff Tools Of Trade	40,291	279,056
Subscription and Membership fees	897,647	954,602
Subsistence and Travel	2,930,149	2,881,391
Telephone and fax	1,888,143	1,865,271
Traditional Leaders Expenditure	237,000	173,444
Training	500,702	751,649
Transport and freight	829,834	629,725
Travel - local	4,147,701	5,538,498
Valuation Roll	795,386	62,466
Ward Committee cost	329,235	472,120
Wellness Day	434,638	325,162
Total General expenses	43,448,754	45,369,448

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
30. CORRECTION OF ERROR IN TERMS OF GRAP 3		
The following adjustments were made to amounts previously reported in the annual financial		
30.1 Opening Accumulated surplus		
Balance previously reported	-	400,462,233
Correction of Eskom bulk purchases 2012-2016	-	12,730,492
Restated Balance	-	413,192,725
<i>Eskom overcharged Emalahleni Municipality with R12 730 492 for electricity purchases during the years 2012 until 2016. A receivable was recognised for the overpayments made by Emalahleni Municipality in this regard. The adjustment to opening accumulated surplus represents the actual electricity charges, excluding Value added tax.</i>		
30.2 Receivables from non-exchange transactions		
Balance previously reported	-	1,656,701
Correction of Eskom bulk purchases 2012-2016	-	14,512,761
Restated Balance	-	16,169,462
<i>Eskom overcharged Emalahleni Municipality with R12 730 492 for electricity purchases during the years 2012 until 2016. A receivable was recognised for the overpayments made by Emalahleni Municipality in this regard. The adjustment to receivables from non-exchange transactions represents the actual electricity charges, including Value added tax.</i>		
30.3 Taxes		
Balance previously reported	-	11,462,319
Correction of Eskom bulk purchases 2012-2016	-	(1,782,269)
Restated Balance	-	9,680,050
<i>Eskom overcharged Emalahleni Municipality with R12 730 492 for electricity purchases during the years 2012 until 2016. A receivable was recognised for the overpayments made by Emalahleni Municipality in this regard. The adjustment to Taxes represents the reversal of input VAT on the actual electricity charges.</i>		

	2018 R	2017 R
31. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH		
Surplus/(Deficit) for the year	(6,166,524)	1,665,548
Adjustments for:		
Depreciation and Amortisation	26,151,041	20,563,846
Loss/(Gain) on Sale of Fixed Assets	(33,412)	1,244,154
Assets written off	786,941	-
Contributed Property, Plant and Equipment	-	(36,664)
Contribution to provisions – Non-Current Provisions	996,833	2,384,932
Contribution from/to provisions - Non-Current - Expenditure Incurred	-	(331,995)
Movement in employee benefits	1,728,193	291,683
Debt Impairment	3,508,522	2,327,348
Bad Debts written off	5,260,944	5,079,096
Operating lease income accrued	10,030	4,266
Operating Surplus/(Deficit) before changes in working capital	32,242,567	33,192,214
Changes in working capital	(2,840,258)	(11,280,735)
Increase/(Decrease) in Trade and Other Payables	(10,180,835)	(1,797,964)
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(800,500)	(356,942)
Increase/(Decrease) in Unpaid Conditional Government Grants and Receipts	1,691,866	(1,691,866)
Increase/(Decrease) in Taxes	3,290,585	(5,434,784)
(Increase)/Decrease in Receivables from exchange and non-exchange transactions	3,158,626	(1,999,179)
Cash generated/(absorbed) by operations	29,402,309	21,911,479

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
32. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 10	2,602,716	10,260,055
Call Deposits and Investments - Note 10	3,263,228	2,873,642
Cash Floats - Note 10	470	300
Total cash and cash equivalents	5,866,415	13,133,998

	2018 R	2017 R
33. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 32	5,866,415	13,133,998
Less:	-	891,366
Unspent Transfers and Subsidies - Note 17	-	891,366
Net cash resources available for internal distribution	5,866,415	14,025,364
Allocated to:		
Employee Benefits Reserve	(9,981,781)	(9,032,175)
Non-Current Provisions Reserve	(12,207,164)	(11,210,331)
Resources available for working capital requirements	(16,322,530)	(6,217,142)

	2018 R	2017 R
34. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 11	1,147,989	295,485
Used to finance property, plant and equipment - at cost	(1,147,989)	(295,485)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

	2018 R	2017 R
35. BUDGET INFORMATION		
35.1 Explanation of variances between approved and final budget amounts		
The reasons for the variances between the approved and final budgets are mainly due to		
Statement of Financial Position		
35.1.1 Current Assets		
Cash		
<i>Improvement in the collection rate in the first half of the year and the opening balance used in the Original Budget was less than the actual balance at year end.</i>		
Consumer Debtors		
<i>Improvement in the collection rate in the first half of the year.</i>		
Consumer Debtors		
<i>Possible misalignment in budget between this line item and consumer Debtors</i>		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

35.1.2 Non-current Assets

Investment Property

Amounts in the original Budget were before finalisation of the Fixed Asset Register, and corrected in the Adjustment Budget

Property, Plant and Equipment

Amounts in the original Budget were before finalisation of the Fixed Asset Register, and corrected in the Adjustment Budget

Intangible Assets

Amounts in the original Budget were before finalisation of the Fixed Asset Register, and corrected in the Adjustment Budget

35.1.3 Current Liabilities

Current borrowings

The lease contract was expiring in May 2018.

Trade and Other Payables

Aligned to the expenditure patterns and prior year trends where most invoices are submitted by suppliers towards year end.

Current provisions

Expected increases based on the current market trends and annual increases

35.1.4 Non-current Liabilities

Non-current borrowings

Reduction as the initial planned long-term loan was not taken up.

Non-current provisions

Reduced to the reasonable expected long-term portion based on assumptions and prior years trends.

Statement of Financial Performance**35.1.5 Revenue**

Property rates

Increased based on the data cleansing performed which corrected the billing and debtor accounts

Service Charges - Electricity Revenue

Reduced based on the underperformance of the line item and reduced demand of electricity.

Service Charges - Refuse Revenue

Increased based on trends the result of the line item performing above the original budgeted figures.

Rental of Facilities and Equipment

Increased based on the improved and expected further improvement on the collection rate.

Interest Earned - External Investments

Reduced due to underperformance due to lower grant amount received and time monies are invested.

Interest Earned - Outstanding Debtors

Reduced due to expected improved collection rate.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Fines

Reduced to underperformance due to lack of resources in Traffic Department.

Licences and Permits

Slightly reduced to bring it in line with current trends.

Agency Services

Slightly reduced to bring it in line with current trends.

Transfers Recognised - Operational

Correction of the EPWP Grant which was moved to Capital and correction of other amounts incorrectly budgeted for transfers.

Contributions Recognised - Capital

Correction of the EPWP Grant which was moved to Capital and correction of other incorrectly budgeted for transfers.

Other Revenue

Increased to keep it in line with current trends.

35.1.6 Expenditure

Employee Related Costs

Reduced to keep it in line with current trends and to use the projected savings on other line items.

Remuneration of Councillors

Increased to agree the balance to the issued Gazette for Public Office Bearers

Debt Impairment

Reduced due to the expected improved collection rate.

Depreciation and Asset Impairment

Increased based on the expected Depreciation for the year (increased additions)

Bulk Purchases

Reduced based on the Credit given by Eskom and the low demand of electricity during the year.

Other Materials

Reclassification of expenditures to the correct line items

Contracted Services

Reclassification of expenditures to the correct line items

Transfers and Grants

Reclassification of expenditures to the correct line items

Other Expenditure

Reclassification of expenditures to the correct line items

Cash flow statement

35.1.7 Cash flow from operating activities

Taxation

Expected increased/improved collection rate.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Service Charges

Expected increased/improved collection rate.

Other Revenue

Expected improvement in revenue due to implementation of the Revenue enhancement.

Government - Operating

Correcting the Government Grants to be received.

Government - Capital

Adding the EPWP to Capital as it was utilised for Capital Projects

Interest

Reduction due to current trends and the expected collection rate.

35.1.8 Cash flow from investing activities

Proceeds on disposal of PPE

Expected proceeds for the current year.

Payments - Capital Assets

Reduction based on the Loan to fund other Capital projects not being taken up.

35.1.9 Cash flow from financing activities

Borrowing long term/refinancing

Resulting from the 8 million loan not being taken up.

Repayment of Borrowing

Expected payments for the existing Finance Lease.

Explanation of variances greater than 5%: Final Budget and Actual Amounts**Statement of Financial Position****35.2.1 Current Assets**

Cash

Due to increased expenditure than initially budgeted for as explained in St. of Fin Perfmance variances and reduced Creditors balance at year end.

Consumer Debtors

Due to collection rate being lower than anticipated and possible misalignment in budget between this line item and Other Debtors.

Other Debtors

Possible misalignment in budget between this line item and consumer Debtors.

35.2.2 Non-Current Assets

Investment Property

As a result more assets being classified as Investment Property.

Property, Plant and Equipment

Due to lower disposals/write-offs than anticipated and increased additions.

Intangible Assets

Due to higher amortization and lesser additions than anticipated.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

35.2.3 Current Liabilities**Borrowing**

New Finance Lease taken up during the year which was not budgeted for.

Trade and Other Payables

Improved payment turnaround time and compliance to the MFMA payment requirements.

Provisions

Overprovided for these provisions based on the prior years as they are only raised at year end.

35.2.4 Non-Current Liabilities**Borrowing**

New Finance Lease taken up during the year which was not budgeted for.

Provisions

Overprovided for these provisions based on the prior years as they are only raised at year end.

35.2.5 Net Assets**Accumulated Surplus/(Deficit)**

Variance considered reasonable

Statement of Financial Performance**35.2.6 Revenue****Property Rates**

Differences due to data cleansing and correction of debtor accounts, difference immaterial and

Service Charges - Electricity Revenue

Difference due to increased demand towards the end of the year resulting in excess sales and

Service Charges - Refuse Revenue

Difference due to interruptions in services due to the 2 week strike resulting in reduced billing.

Rental of Facilities and Equipment

Slightly overbudgeted for Rentals based on increased revenue for the first half of the year.

Interest Earned - External Investments

Improved interest income due to better cashflow management.

Interest Earned - Outstanding Debtors

Linked to the reduced Refuse Service Charges as explained above.

Fines

Underperformance by the Traffic Department due to limited resources.

Licences and Permits

Difference considered reasonable.

Agency Services

Line item was overbudgeted for based on prior years outcomes.

Transfers Recognised - Operational

Difference considered reasonable.

Other Revenue

Line item was overbudgeted for based on prior years outcomes.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

35.2.7 Expenditure

Employee Related Costs

Difference due to savings from unfilled and vacated posts.

Remuneration of Councillors

Difference considered reasonable.

Debt Impairment

Underbudgeted for the line item due to the expected improvement in the collection rate.

Depreciation and Asset Impairment

Difference considered reasonable.

Finance Charges

Underbudgeted for the item based on prior years outcomes (only post to line item at year end).

Bulk Purchases

Underbudgeted due to credits that were received from Eskom and low demand that was

Other Materials

Difference is as a result in different classification between the mSCOA budgeting and the actual

Contracted Services

Difference is as a result in different classification between the mSCOA budgeting and the actual

Transfers and Grants

Difference is as a result in different classification between the mSCOA budgeting and the actual

Other Expenditure

Difference is as a result in different classification between the mSCOA budgeting and the actual

Cash Flow Statement**35.2.8 Net Cash from Operating Activities**

Taxation

Slight overcollection due to realistic and conservative budget approach used when budgeting

Government - Operating

Variance is considered reasonable.

Government - Capital

Variance is considered reasonable.

Interest

Improvement in the interest collected from Debtors when compared to prior years.

Suppliers and Employees

This is as a result of more creditors being paid before year end than was expected (reduced

Finance costs

The budget had also provided for Unwinding of discounted interest on landfill sites.

Transfers and Grants

Difference in classification between the mSCOA budget and GRAP reporting.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

35.2.9 Net Cash from Investing Activities

Proceeds on disposal of PPE

Expected disposals not done before year end as the asset count was concluded towards year end.

Capital Assets

*Internally funded capital assets not fully procured due to financial challenges.***35.2.10 Net Cash from Financing Activities**

Borrowing long term/refinancing

The budget includes the initial recognition of finance lease liability, however the cash flow

Repayment of Borrowing

Budget was only for the existing finance leases that finished during the year and not for the new

	2018 R	2017 R				
36. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED						
36.1 Unauthorised expenditure						
Reconciliation of unauthorised expenditure:						
Opening balance	-	21,573,064				
Unauthorised expenditure current year - operational	5,533,802	-				
Unauthorised expenditure current year - capital	-	-				
Approved by Council or condoned	-	(21,573,064)				
	<u>5,533,802</u>	<u>-</u>				
Unauthorised expenditure awaiting authorisation	<u>5,533,802</u>	<u>-</u>				
Unauthorised expenditure can be summarised as follow:						
<table border="1" style="width: 100%;"><thead><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr></thead><tbody><tr><td>Over expenditure of approved budget</td><td>None</td></tr></tbody></table>	Incident	Disciplinary steps/criminal proceedings	Over expenditure of approved budget	None	5,533,802	-
Incident	Disciplinary steps/criminal proceedings					
Over expenditure of approved budget	None					
	<u>5,533,802</u>	<u>-</u>				

	2018 Actual R	2018 Final Budget R	2018 Variance R	2018 Unauthorised R
Unauthorised expenditure current year - operating				
Vote 1 - Executive and Council	32,151,772.08	31,513,607.00	638,165	638,165
Vote 2 - Corporate Services	19,971,937.70	19,325,278.00	646,660	646,660
Vote 3 - Budget and Treasury	39,191,329.30	35,915,421.00	3,275,908	3,275,908
Vote 4 - Economic Development Tourism and Agriculture (8,236,424.37	8,138,713.77	97,711	97,711
Vote 5 - Community and Social Services	33,233,025.64	33,230,827.10	2,199	2,199
Vote 6 - Infrastructure and Human Settlement (IDHS)	57,653,802.27	56,780,642.00	873,160	873,160
	<u>190,438,291</u>	<u>184,904,489</u>	<u>5,533,802</u>	<u>5,533,802</u>

	2018 Actual R	2018 Final Budget R	2018 Variance R	2018 Unauthorised R
Unauthorised expenditure current year - capital				
Vote 1 - Executive and Council	1,381,825	1,719,901	(338,076)	-
Vote 2 - Corporate Services	2,066,927	2,066,931	(4)	-
Vote 3 - Budget and Treasury	-	-	-	-
Vote 4 - Economic Development Tourism and Agriculture (1,209,709	1,330,145	(120,436)	-
Vote 5 - Community and Social Services	2,280,105	2,499,521	(219,416)	-
Vote 6 - Infrastructure and Human Settlement (IDHS)	30,321,589	32,975,710	(2,654,121)	-
	<u>37,260,154</u>	<u>40,592,208</u>	<u>(3,332,054)</u>	<u>-</u>

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
36.2 <u>Fruitless and wasteful expenditure</u>		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	1,262	69,296
Fruitless and wasteful expenditure current year	13,848	-
Condoned or written off by Council	-	(68,034)
Fruitless and wasteful expenditure recovered	(4,626)	-
	10,484	1,262

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Interest incurred on late payment of			
Department of Transport	<i>Under investigation.</i>	9,388	-
Eskom	<i>Under investigation.</i>	348	-
Interest was paid to Eskom and Telkom	<i>Investigated and recovered after year-end</i>	-	1,262
SA Post Office	<i>Under investigation.</i>	120	-
Vox	<i>Under investigation.</i>	628	-
		10,484	1,262

	2018 R	2017 R
36.3 <u>Irregular expenditure</u>		
Reconciliation of irregular expenditure:		
Opening balance	1,850,629	27,476,747
Irregular expenditure current year	-	1,850,629
Written off	(1,850,629)	(27,476,747)
	-	1,850,629

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
SCM procedures not followed with inactive SCM Regulations 32 contracts	<i>Written off by council during the Fifth Special Council meeting on 29 March 2018, via resolution SCM 347/03/2018.</i>	-	1,850,629
		-	1,850,629

	2018 R	2017 R
37. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
37.1 <u>Contributions to organised local government - (MFMA 125 (1)(b)) - (SALGA CONTRIBUTIONS)</u>		
Council subscriptions	789,260	620,560
Amount paid - current year	(789,260)	(620,560)
	-	-
Balance unpaid (Included in creditors)	-	-

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
37.2 <u>Audit fees - [MFMA 125 (1)(c)]</u>		
Opening balance	(161,898)	-
Current year audit fee	3,619,146	3,783,504
External Audit - Auditor-General	3,619,146	3,783,504
Amount paid - current year	(3,457,248)	(3,945,402)
Balance unpaid (Included in creditors)	-	(161,898)

	2018 R	2017 R
37.3 <u>VAT - [MFMA 125 (1)(c)]</u>		
Opening balance	(2,855,849)	(3,951,047)
Amounts received - previous year	2,855,849	3,951,047
Amounts received - current year	6,108,244	446,068
Amounts claimed - current year	(6,213,794)	(3,301,917)
Closing balance	(105,550)	(2,855,849)

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid

	2018 R	2017 R
37.4 <u>PAYE and UIF - [MFMA 125 (1)(c)]</u>		
Opening balance	1,211,446	-
Current year payroll deductions and Council Contributions	11,250,818	10,348,473
Amount paid - previous year	(1,211,446)	-
Amount paid - current year	(11,250,818)	(9,137,027)
Balance unpaid (Included in creditors)	-	1,211,446

	2018 R	2017 R
37.5 <u>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</u>		
Current year payroll deductions and Council Contributions	15,578,814	15,042,714
Amount paid - current year	(15,578,814)	(15,042,714)
Balance unpaid (Included in creditors)	-	-

	2018 R	2017 R
37.6 <u>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</u>		
The following Councillors had arrear accounts for more than 90 days as at 30 June 2018:		
	Outstanding more than 90 days	Outstanding more than 90 days
Total Councillor Arrear Consumer Accounts	-	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

37.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation

	<u>Type of Deviation</u>				
	Amount	Single Supplier	Impossible	Impractical	Emergency
September	23,356	23,356	-	-	-
October	44,166	44,166	-	-	-
November	35,541	35,541	-	-	-
January	72,382	59,762	-	12,620	-
February	74,748	59,695	-	15,053	-
March	157,955	139,688	-	18,268	-
April	77,244	58,939	-	18,304	-
May	130,252	111,154	-	19,098	-
June	403,134	381,851	-	21,282	-
	<u>1,018,777</u>	<u>914,152</u>	<u>-</u>	<u>104,625</u>	<u>-</u>

37.8 Material lossesElectricity distribution losses

	2018 R	2017 R
Units purchased (Kwh)	9,340,721	10,546,184
Units lost during distribution (Kwh)	2,052,150	2,827,768
Percentage lost during distribution	21.97%	26.81%

38. FINANCIAL RISK MANAGEMENT

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

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity'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 entity 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 entity's surplus/(deficit) for the year due to

	2018 R	2017 R
1% (2017: 1%) Increase in interest rates	(2,779)	148,901
1% (2017: 1%) Decrease in interest rates	1,389	(74,628)

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(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 financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade 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 receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to note 6 and 7 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Balances past due not impaired:

	2018 %	2018 R	2017 %	2017 R
<u>Non-exchange Receivables</u>				
Rates	12.14%	2,358,141	10.25%	1,583,760
<u>Exchange Receivables</u>				
Services	6.35%	2,966,888	10.00%	4,793,780
	6.35%	2,966,888	10.00%	4,793,780

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 6 and 7 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2018 %	2018 R	2017 %	2017 R
<u>Non-exchange Receivables</u>				
Rates	28.31%	16,876,078	24.55%	13,750,525
<u>Exchange Receivables</u>				
Services	71.69%	42,727,516	75.45%	42,258,195
	100.00%	59,603,594	100.00%	56,008,720

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The provision for bad debts could be allocated between the different categories of receivables as follow:

	Exchange Receivables	Non-exchange Receivables
<u>Ageing of amounts past due but not impaired are as follow:</u>		
2018		
1 month past due	824,433	185,990
2+ months past due	2,142,456	2,172,151
	<u>2,966,888</u>	<u>2,358,141</u>
2017		
1 month past due	708,283	124,008
2+ months past due	4,085,498	1,459,752
	<u>4,793,780</u>	<u>1,583,760</u>

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

Other Debtors are individually evaluated annually at Balance Sheet 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:

Receivables from exchange transactions	4,014,264	5,683,400
Receivables from non-exchange transactions	5,910,505	16,169,462
Cash and Cash Equivalents	5,866,415	13,133,998
	<u>15,791,184</u>	<u>34,986,859</u>

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and 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 entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The table below analyses the entity'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	Between 5 and 10 years	More than 10 years
2018				
Long-term Liabilities	466,954	856,082	-	-
Trade and Other Payables	9,171,340	-	-	-
Unspent Conditional Grants and Receipts	-	-	-	-
	<u>9,638,293</u>	<u>856,082</u>	<u>-</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2017				
Long-term Liabilities	320,076	-	-	-
Trade and Other Payables	19,361,292	-	-	-
Unspent Conditional Grants and Receipts	800,500	-	-	-
	<u>20,481,868</u>	<u>-</u>	<u>-</u>	<u>-</u>

		2018 R	2017 R
39. FINANCIAL INSTRUMENTS			
In accordance with GRAP 104.45 the financial liabilities and assets of the municipality are classified as follows:			
39.1 Financial Assets	Classification		
		2018 R	2017 R
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	2,620,242	1,677,745
Property Rentals	Financial Instruments at amortised cost	2,678,198	2,225,656
Waste Management	Financial Instruments at amortised cost	40,303,030	40,262,104
Chris Hani Debtor	Financial Instruments at amortised cost	1,140,309	3,776,090
		2018 R	2017 R
Receivables from Non-Exchange Transactions			
Eskom	Financial Instruments at amortised cost	3,357,740	14,512,761
Other Receivables	Financial Instruments at amortised cost	8,634	(51,068)
		2018 R	2017 R
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	2,602,716	10,260,055
Call Deposits	Financial Instruments at amortised cost	3,263,228	2,873,642
Cash Floats and Advances	Financial Instruments at amortised cost	470	300
Total Financial Assets		<u>55,974,568</u>	<u>75,537,286</u>

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
Financial Instruments at amortised cost:			
Receivables from Exchange Transactions	Electricity	2,620,242	1,677,745
Receivables from Exchange Transactions	Property Rentals	2,678,198	2,225,656
Receivables from Exchange Transactions	Waste Management	40,303,030	40,262,104
Receivables from Exchange Transactions	Chris Hani Debtor	1,140,309	3,776,090
Receivables from Non-exchange Transactions	Eskom	3,357,740	14,512,761
Receivables from Non-exchange Transactions	Other Receivables	8,634	(51,068)
Cash and Cash Equivalents	Bank Balances	2,602,716	10,260,055
Cash and Cash Equivalents	Call Deposits	3,263,228	2,873,642
Cash and Cash Equivalents	Cash Floats and Advances	470	300
		<u>55,974,568</u>	<u>75,537,286</u>
		2018 R	2017 R
39.2	<u>Financial Liabilities</u>		
	<u>Classification</u>		
Long-term Liabilities			
Capitalised Lease Liability	Financial Instruments at amortised cost	1,147,989	295,485
Trade and Other Payables			
Trade Payables	Financial Instruments at amortised cost	3,685,149	14,122,334
Third party payables (Payroll)	Financial Instruments at amortised cost	30,028	1,343,359
Sundry Deposits	Financial Instruments at amortised cost	46,009	35,520
Sundry Creditors	Financial Instruments at amortised cost	68,526	56,206
Retentions and Guarantees	Financial Instruments at amortised cost	5,341,629	3,803,872
Other payables			
Unspent conditional grants and receipts	Financial Instruments at amortised cost	-	800,500
		<u>10,319,328</u>	<u>20,457,277</u>
SUMMARY OF FINANCIAL LIABILITIES			
Financial instruments at amortised cost:			
Long-term Liabilities	Capitalised Lease Liability	1,147,989	295,485
Trade and Other Payables	Trade Payables	3,685,149	14,122,334
Trade and Other Payables	Third party payables (Payroll)	30,028	1,343,359
Trade and Other Payables	Sundry Deposits	45,789	35,520
Trade and Other Payables	Sundry Creditors	68,526	56,206
Trade and Other Payables	Other Payables	37,017	-
Trade and Other Payables	Retentions and Guarantees	5,341,629	3,803,872
Unspent conditional grants and receipts	Unspent conditional grants and receipts	-	800,500
		<u>10,356,125</u>	<u>20,457,277</u>
		2018 R	2017 R
40.	STATUTORY RECEIVABLES		
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:			
Taxes			
VAT Receivable		7,792,759	11,488,791
Receivables from Non-Exchange Transactions			
Rates		19,420,209	15,458,293
		<u>19,420,209</u>	<u>15,458,293</u>
Total Statutory Receivables (before provision)		27,212,969	26,947,084
Less: Provision for Debt Impairment		<u>(16,876,078)</u>	<u>(13,750,525)</u>
Total Statutory Receivables (after provision)		<u>10,336,890</u>	<u>13,196,560</u>

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Reconciliation of Provision for Debt Impairment		
Balance at beginning of year	13,750,525	11,257,775
Contribution to provision	3,186,073	2,492,750
Write offs	(60,519)	-
Balance at end of year	16,876,078	13,750,525

Ageing of amounts past due and impaired:

1 month past due	-	-
2+ months past due	17,062,069	13,874,533
	17,062,069	13,874,533

	2018 R	2017 R
--	-----------	-----------

Ageing of amounts past due but not impaired:

1 month past due	185,990	124,008
2+ months past due	2,172,151	1,459,752
	2,358,141	1,583,760

Interest Received from Statutory Receivables

Taxes	-	-
Receivables from Non-Exchange Transactions	1,494,171	1,345,990
	1,494,171	1,345,990

	2018 R	2017 R
--	-----------	-----------

41. CONTINGENT LIABILITY

The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:

Description of event

Summons was issued against Emalahleni Municipality by W.MKuyane. The Plaintiff, Mr Mkuyana, has sued the Municipality for damages based on non compliance with the contract of employment by the employer. The matter was set down for trial in the Mthatha High Court in June 2016. The matter was postponed sine die during the June 2016 hearing. A cost order was granted against the Plaintiff. During December 2017 certain properties of the Plaintiff were attached and subsequently sold on auction. An amount of R40 000.00 was realised from the auction. The matter was handled by BLC Attorneys because it was a pending matter before their contract with the Municipality expired.	3,191,000	3,191,000
Magwayi vs Emalahleni Local Municipality: The Plaintiff is suing on behalf of the minor child, who was electricuted at the Dodrecht sub -station. The Plaintiff is suing for damages based on the negligence of the Municipality to properly secure the substation. The Plaintiff is suing for an amount of R3,500 000.00 in damages. All papers have been exchanged between parties. The matter is set down for trial in August, pending negotiations between the parties.	4,000,000	-
Vatala vs Emalahleni Local Municipality: The Municipal Manager and Director: Corporate services took the Municipality to court after council rescent their appointment. Council had rescended that decision . Matter is still in court.	300,000	-
Claims against Council	7,491,000	3,191,000

CONTINGENT ASSETS

A fraud case against employees amounted to R332 186.94 is in the process of investigation and mitigation.	322,187	322,187
Claims by Council	322,187	322,187

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	R	R

42. RELATED PARTIES

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

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

42.1 Related Party Transactions

	Rates	Service Charges	Other	Outstanding Balance
Year ended 30 June 2018				
Councillors				
MS LIMBA	-	1,089	9	0
LCN NYUKWANA	1	-	-	1
PF GREYLING	13,474	2,177	41	(1,421)
PF GREYLING	-	1,089	3	(1)
PF GREYLING	1,321	2,177	10	1
PF GREYLING	2,298	-	6	(211)
PF GREYLING	811	-	9	(148)
PF GREYLING	113	-	0	(10)
PF GREYLING	583	-	2	(53)
PF GREYLING	5,235	-	15	(480)
PF GREYLING	10,049	-	25	(922)
	<u>33,885</u>	<u>6,533</u>	<u>119</u>	<u>(3,245)</u>
Year ended 30 June 2017				
Councillors				
MS LIMBA	-	853	219	86
LCN NYUKWANA	12,693	2,046	41	171
PF GREYLING	-	1,023	2	85
PF GREYLING	1,249	2,046	10	171
PF GREYLING	2,173	-	2	(85)
PF GREYLING	636	-	1	-
PF GREYLING	107	-	0	-
PF GREYLING	549	-	1	-
PF GREYLING	4,950	-	5	-
PF GREYLING	9,503	-	9	-
PF GREYLING	5,209	-	5	-
	<u>37,069</u>	<u>5,968</u>	<u>295</u>	<u>427</u>

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

42.2 Related Party Loans

None

42.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 24 to the Annual Financial Statements.

42.4 Other related party transactions

The following entity exist during the year where Councillors or staff have an interest:

			2018	2017
			R	R
Company Name	Related Party	Service Capacity		
Universal Garage	P. Greyling	Councillor	297,034	445,776
Khazimla Holdings (Pty) Ltd	NM. Ziduli	Councillor	125,970	174,945
Mtyobile Trading and Projects (P N Mtyobile		Councillor	2,565	-
			<u>425,569</u>	<u>620,721</u>

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

42.5 Other related party balances

The following entity exist at year-end where Councillors or staff have an interest:

Company Name	Related Party	Service Capacity		
Universal Garage	P. Greyling	Councillor	50,029	-
Khazimla Holdings (Pty) Ltd	NM. Ziduli	Councillor	12,125	56,295
			<u>62,154</u>	<u>56,295</u>

43. FINANCIAL SUSTAINABILITY

Management is of the opinion that will municipality will continue to operate as a going concern and perform it's functions as set out in the Constitution.

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current ratio decreased to 0.73:1 from 1.12:1 in the prior year.

The municipality have budgeted for a surplus of R 9 139 706 for the 2018/2019 financial year. The municipality is also budgeting for positive cash flows during 2018/2019 and 2019/2020 amounting to R 24 853 340 and R 34 940 037 respectively.

The average debtors' payment days increased to 841 days from 748 days. The debtors impairment ratio increased to 86% from the previous year's 72%.

The average creditors' payment days decreased to 20 days from 65 days.

A deficit for the year was realised.

A net current liability position was realised.

The municipality's assets exceeded its liabilities by R408 691 749 (2017: R414 858 269).

Other Indicators

Possible outflow of resources due the contingent liability disclosed in note 41.

**APPENDIX A
EMALAHLENI MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2017	Correction of Error	Received during the period	Redeemed or written off during the period	Balance at 30 June 2018	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with the MFMA
LEASE LIABILITY										
Aloe Office & Business Solutions	17.39%	-	2018/05/26	138 098	-	-	(138 098)	-	-	-
Aloe Office & Business Solutions	17.72%	-	2018/06/11	109 041	-	-	(109 041)	-	-	-
FINTECH	9.75%	-	2018/04/29	48 345	-	-	(48 345)	-	-	-
Xerox C405	6.25%	-	30/04/2021	-	-	18 813	(904)	17 908	17 782	-
Xerox C405	6.25%	-	30/04/2021	-	-	18 813	(904)	17 908	17 782	-
Xerox C405	6.25%	-	30/04/2021	-	-	18 813	(904)	17 908	17 782	-
Xerox C7020/5	6.25%	-	30/04/2021	-	-	18 813	(904)	17 908	17 782	-
Xerox C7020/5	3.17%	-	30/04/2021	-	-	47 095	(2 264)	44 831	44 515	-
Xerox C7020/5	3.17%	-	30/04/2021	-	-	47 095	(2 264)	44 831	44 515	-
Xerox C7020/5	3.17%	-	30/04/2021	-	-	47 095	(2 264)	44 831	44 515	-
Xerox WC7225	6.25%	-	30/04/2021	-	-	47 095	(2 264)	44 831	44 515	-
Xerox WC7225	6.25%	-	30/04/2021	-	-	47 095	(2 264)	44 831	44 515	-
Xerox C8070	5.02%	-	30/04/2021	-	-	145 896	(7 013)	138 883	137 901	-
Xerox C8070	5.02%	-	30/04/2021	-	-	145 896	(7 013)	138 883	137 901	-
Xerox C8070	5.02%	-	30/04/2021	-	-	145 896	(7 013)	138 883	137 901	-
Xerox D95	5.02%	-	30/04/2021	-	-	264 552	(12 716)	251 835	250 056	-
Total Lease Liabilities				295 484	-	1 205 956	(353 451)	1 147 989	1 139 876	-
TOTAL EXTERNAL LOANS				295 484	-	1 205 956	(353 451)	1 147 989	1 139 876	-

APPENDIX B
EMALAHLENI MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
120 347 481	(38 685 148)	81 662 333	Budget and Treasury	120 041 088	(41 912 911)	78 128 177
5 070 766	(17 744 943)	(12 674 177)	Community Services	2 000 657	(20 510 185)	(18 509 528)
97 730	(19 123 166)	(19 025 436)	Corporate Services	-	(19 971 938)	(19 971 938)
6 626 664	(21 550 560)	(14 923 896)	Council	6 669 540	(21 931 485)	(15 261 945)
20 597 362	(24 997 594)	(4 400 233)	Electricity	10 385 363	(16 383 788)	(5 998 425)
204 000	(12 074 188)	(11 870 188)	Executive	-	(10 250 288)	(10 250 288)
-	-	-	Fire fighting and rescue service	-	(631 263)	(631 263)
13 500	(2 475 017)	(2 461 517)	Housing Services	-	(2 489 258)	(2 489 258)
17 622	(5 639 995)	(5 622 372)	IPED	884 425	(7 656 513)	(6 772 088)
6 965 348	(8 523 016)	(1 557 667)	Refuse	6 445 179	(9 132 966)	(2 687 787)
28 833 075	(36 295 173)	(7 462 098)	Roads Transport	37 021 777	(38 780 757)	(1 758 979)
800	-	800	Water and Sanitation	-	-	-
188 774 348	(187 108 800)	1 665 548	Total	183 448 030	(189 651 351)	(6 203 321)

APPENDIX C
EMALAHLENI MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
MUNICIPAL VOTES CLASSIFICATIONS

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
6 830 664	(33 624 748)	(26 794 084)	Executive & Council	6 669 540	(32 181 772)	(25 512 232)
120 347 481	(38 685 148)	81 662 333	Budget and Treasury Office	120 041 088	(41 912 911)	78 128 177
97 730	(19 123 166)	(19 025 436)	Corporate Services	-	(19 971 938)	(19 971 938)
17 622	(5 639 995)	(5 622 372)	Planning and Development	884 425	(7 656 513)	(6 772 088)
-	-	-	Health	-	-	-
5 070 766	(16 637 305)	(11 566 539)	Community & Social Services	1 994 914	(19 971 215)	(17 976 301)
13 500	(2 475 017)	(2 461 517)	Housing	-	(2 489 258)	(2 489 258)
35 951	(1 090 287)	(1 054 336)	Public Safety	11 896	(587 404)	(575 508)
-	(1 107 639)	(1 107 639)	Sport and Recreation	5 743	(1 170 233)	(1 164 490)
6 965 348	(8 523 016)	(1 557 667)	Waste Management	6 445 179	(9 132 966)	(2 687 787)
800	-	800	Waste Water Management	-	-	-
28 833 075	(36 295 173)	(7 462 098)	Road Transport	37 021 777	(38 780 757)	(1 758 979)
-	-	-	Water	-	-	-
20 561 411	(23 907 307)	(3 345 897)	Electricity	10 373 468	(15 796 384)	(5 422 916)
-	-	-	Other	-	-	-
188 774 348	(187 108 800)	1 665 548	Total	183 448 030	(189 651 351)	(6 203 321)

**APPENDIX D
EMALAHLENI MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 June 2017	Contributions during the year	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2018	Unspent 30 June 2018 (Creditor)	Unpaid 30 June 2018 (Debtor)
<u>National Government Grants</u>							
Equitable Share	-	115 992 000	(115 992 000)	-	-	-	-
Finance Management Grant	-	2 345 000	(2 345 000)	-	-	-	-
Municipal System Improvement Grant	-	-	-	-	-	-	-
Municipal Infrastructure Grant	-	34 061 000	(1 703 050)	(32 357 950)	0	0	-
Integrated National Electrification Grant	-	-	-	-	-	-	-
Extended Public Works Program	-	1 308 000	-	(1 308 000)	-	-	-
Total National Government Grants	-	153 706 000	(120 040 050)	(33 665 950)	0	0	-
<u>Provincial Government Grants</u>							
Housing	-	-	-	-	-	-	-
Library	-	900 000	(900 000)	-	-	-	-
Department of Roads and Public Works	(1 205 102)	1 205 102	-	-	0	0	-
Total Provincial Government Grants	(1 205 102)	2 105 102	(900 000)	-	0	0	-
<u>District Municipality</u>							
Paving and beautification	(486 764)	500 000	(13 236)	-	-	-	-
Construction of Feedlot	800 500	-	(800 500)	-	-	-	-
Total District Municipality Grants	313 736	500 000	(813 736)	-	-	-	-
Total Grants	(891 366)	156 311 102	(121 753 786)	(33 665 950)	0	0	-

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.