



***Emakhazeni Local Municipality***  
Financial statements  
for the year ended 30 June 2014

## Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

### **Municipal Manager's approval of Annual Financial Statements**

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I, T.J Shoba, the Accounting Officer of Emakhazeni Local Municipality am responsible for the preparation of the Annual Financial Statements which are set out on pages 1 to 74 in terms of Section 126(1) of the Municipal Finance Management Act.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 26 of these Annual Financial Statements are within the upper limits of the framework as envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Beares Act No. 20 of 1998.

Furthermore, I wish to confirm that the draft AFS were submitted to the shared Audit Committee on the 22nd of August 2014 and a special Audit Committee meeting was held on the 25th of August 2014 wherein the members of the Audit Committee had an opportunity to review the financial statements prior to submission to the Auditor General.

I now submit the annual financial statements and have signed them on behalf of the municipality.



T.J SHOBA  
Municipal Manager

Date  
29 August 2014

# Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

## General Information

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<b>Legal form of entity</b>	Municipality
<b>Municipal demarcation code</b>	MP314
<b>Council</b>	
Executive Mayor	Mr XS Ngwenya
Speaker	Mr TD Ngwenya
Chief Whip	Ms M Kambula
Mayoral Committee members	Mr MU Hadebe (Chairperson Section 80 Technical & Community Services) Ms NA Mashele (Chairperson Section 80 Corporate Services) Ms ES Radebe (Chairperson Section 80 Finance and Economic Affairs)
Other council members	Ms AA Botha (Member - Proportional) Ms SP Gwebu (Member - Ward 6) Mr RB Mashele (Member - Ward 4) Mr CV Lello (Member - Proportional) Ms BS Mabuza (Member - Proportional) Mr XD Masina (Member - Proportional) Mr SM Mondlane (Member - Ward 7) Ms CN Nkosi (Member - Proportional) Mr JJ Stevens (Member - Ward 8)
<b>Grading of local authority</b>	Emakhazeni is a Grade Two Local Authority
<b>Chief Finance Officer (CFO)</b>	Mrs MM Ngwenya
<b>Accounting Officer</b>	Mrs TJ Shoba
<b>Registered office</b>	Municipal Buildings 25 Scheepers Street Belfast 1100
<b>Contact Detail:</b>	Tel: (013) 253 7600 E-mail: <a href="mailto:municipality@emakhazenilm.co.za">municipality@emakhazenilm.co.za</a>
<b>Postal address</b>	PO Box 17 Belfast 1100
<b>Auditors</b>	Auditor General of SA
<b>Capacity of local authority</b>	Local Municipality
<b>Attorneys</b>	Ntuli Noble Inc
<b>Bankers</b>	First National Bank Branch Code: 270351 Account Number: 62028195510

# Emakhazeni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Chief Financial Officer's Report

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The Chief Financial officer submits her report for the year ended 30 June 2014.

### 1. Introduction

It is a great pleasure for me to present the Annual Financial Statements for the year ended 30 June 2014 which are attached hereto.

It is our responsibility to ensure that Annual Financial Statements of Emakhazeni Local Municipality present financial position of the municipality and the financial performance, as well as the cash flow for the financial year ended as required by section 126 of Municipal Financial Management Act, Act No 56 of 2003.

The management and leadership of the municipality played a significant role to fulfill the mandate and responsibility by managing limited economic resources whilst focusing an effective service delivery. It is the municipality's commitment to promote sound and good governance in pursuit of clean audit.

Again political leadership and support provided in this regard is commendable and appreciated.

### 2. Accounting Framework

The municipality is complying with the number of GRAP Standards as they were effective from the 01 April 2012 as provided by Accounting Standards Board.

The following GRAP Standards have been fully complied with:

- GRAP 1
- GRAP 2
- GRAP 3
- GRAP 13
- GRAP 17
- GRAP 19
- GRAP 21
- GRAP 23
- GRAP 24
- GRAP 25
- GRAP 26
- GRAP 27
- GRAP 31
- GRAP 103
- GRAP 104

It must be noted that where GRAP Standards are silence in accounting of certain transaction-IFRIS is applicable.

### 3. Review of Operational Results

#### 3.1 General

The 2013/14 budget of Emakhazeni Local Municipality was approved by Council on the 27<sup>th</sup> of June 2013 and the adjustment was approved by Council on the 27 February 2014.

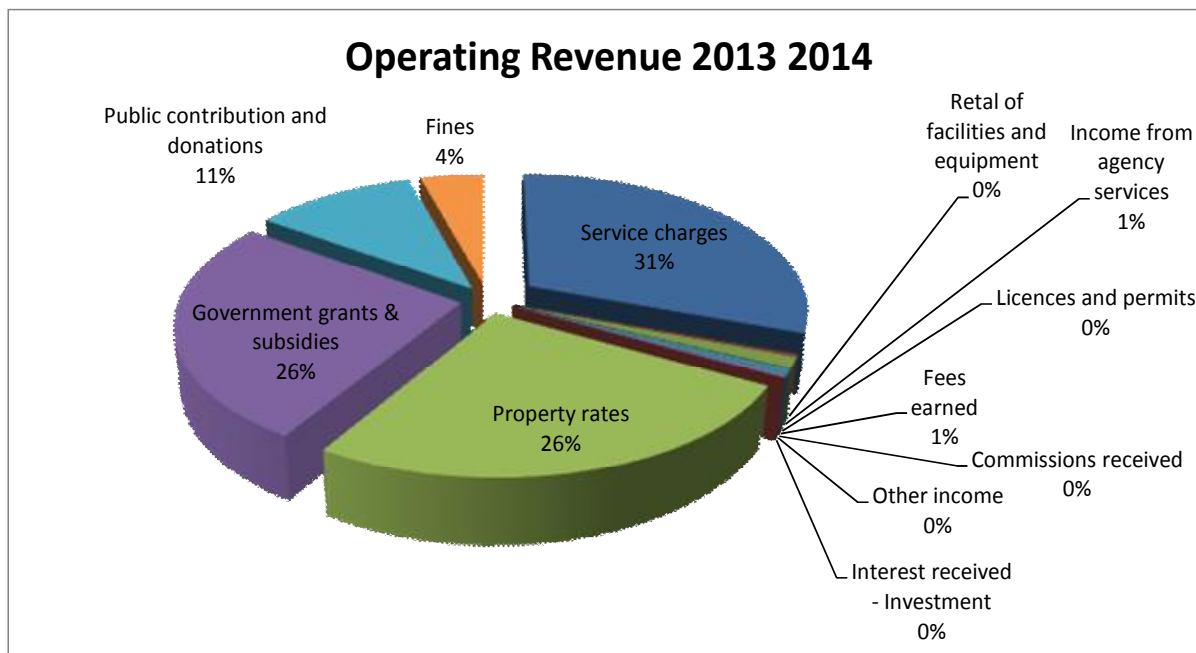
#### 3.2 Operating Revenue

Details of the 2013/14 operating results for department and classification of revenue and expenditure are included in the statement of financial performance and Appendix D. Below is the graphical presentation of Income & Expenditure.

## Emakhazeni Local Municipality

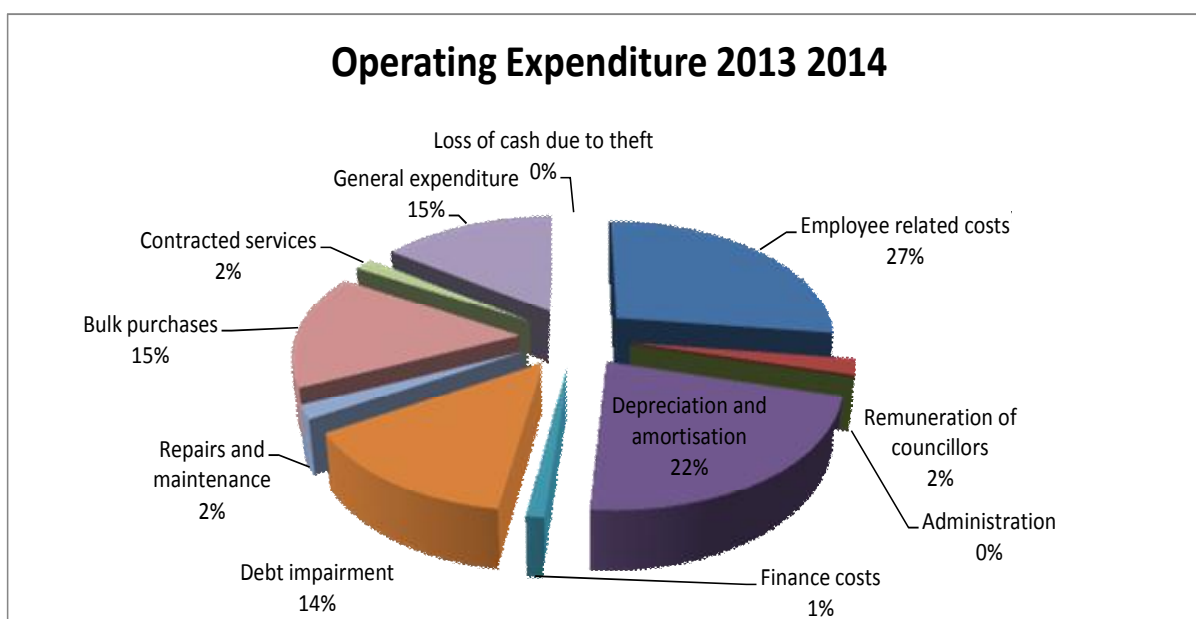
Annual Financial Statements for the year ended 30 June 2014

### Chief Financial Officer's Report



### 3.3 Operating Expenditure

The following graph represents the breakdown per main expenditure group.



# Emakhazeni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Chief Financial Officer's Report

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### 4. Government Grants and Subsidies

The following table shows the amounts received in terms of grants contribution and subsidies from National Government.

No	Name of Grant	Conditional or Non-Conditional Grant	Amount
1	Equitable Share	Non- Conditional	R 38,535,000.00
2	Municipal Infrastructure Grant	Conditional	R 13 322 000.00
3	Financial Management Grant	Conditional	R 1 550 000.00
4	Municipal System Improvement	Conditional	R 890 000.00
5	Expanded Public Works Programme	Conditional	R 1 000 000.00

### 5. Receivables

Details regarding the debtors are provided in Note 10 of the Note to the Annual Financial Statements.

The total receivables has increased to the total amount of R 57 139 050 the collection rate for the municipality is calculated on the total levies for a period compared to the total payments received during the same period to measure revenue recovery. The credit control policy and the actions taken in terms of the policy did not produced positive results since the average rate is 60% for the 2013/14 financial year.

### 6. Fixed Asset Register

Fixed assets register that complied with GRAP 17 was still a challenge within the municipality, but Nkangala District Municipality come to our rescue again by appointing a service provider again to assist the municipality with the methodology document in order to comply with GRAP. The municipality has now an Assets Management Unit which deals with the assets of the municipality. Verification, review of useful life, impairment etc were performed during the 2013/14 financial year and at end of the year to ensure GRAP compliant fixed assets register.

### 7. Treatment of the matters raised by the Auditor General during the previous Audit

Emakhazeni Local Municipality received a qualified audit opinion for the 2012/13 financial year. The matters of qualification were the GRAP 17 methodology document which could not be explained to Auditor General., Consumer receivables and Cash flow.

The municipality has a clean audit committee which is chaired by the Executive Mayor. This committee mainly deals with the progress on correcting the findings of the Auditor General.

### 8. Appreciation

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, Municipal Managers and Senior Managers for the support they have given me and also thank the finance staff for the hard work during the 2013/14 financial year, that has ensure that the Annual Financial Statement are prepared and submitted in time to the Auditor General.

**MM NGWENYA**  
**CHIEF FINANCIAL OFFICER**

# Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

## Index

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MIG	Municipal Infrastructure Grant (previously CMIP)
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

**Emakhazeni Local Municipality**  
Financial Statements for the year ended 30 June 2014

**Statement of Financial Position as at 30 June 2014**

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	12	4,290,042	6,023,396
Receivables from non-exchange transactions	10	33,064,241	15,844,245
Inventories	9	2,149,601	1,759,773
Receivables from exchange transactions	11	24,074,809	30,968,246
		<b>63,578,693</b>	<b>54,595,660</b>
Non-Current Assets			
Investment property	3	34,710,303	34,756,058
Property, plant and equipment	4	469,613,733	496,959,366
Heritage assets	6	-	-
Intangible assets	5	523,094	627,080
		<b>504,847,130</b>	<b>532,342,504</b>
Non-current assets held for sale and assets of disposal groups	8	76,000	76,000
<b>Total Assets</b>		<b>568,501,823</b>	<b>587,014,164</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	16	89,141,474	76,113,739
Payables from non-exchange transactions	17	470,606	500,606
Unspent conditional grants and receipts	13	-	11,160,659
VAT payable	18	5,606,623	5,780,640
Provisions	14	28,777,584	27,123,472
Long service award	15	3,251,000	2,845,000
		<b>127,247,287</b>	<b>123,524,116</b>
Non-Current Liabilities			
Post employment medical aid liability	7	8,887,000	10,167,000
<b>Total Liabilities</b>		<b>136,134,287</b>	<b>133,691,116</b>
<b>Net Assets</b>		<b>432,367,536</b>	<b>453,323,048</b>
<b>Net Assets</b>			
Accumulated surplus		432,367,536	453,323,048

\* See Note 41



# Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Revenue</b>			
Property rates	20	54,522,901	31,358,480
Service charges	21	64,938,340	64,057,588
Rental of facilities and equipment		435,338	529,314
Income from agency services		2,794,432	2,567,592
Public contributions and donations	24	10,278,563	23,084,969
Fines		9,206,921	5,483,026
Licences and permits		23,172	32,020
Government grants & subsidies	22	55,297,000	54,216,836
Fees earned		1,067,306	1,278,795
Commissions received		4,423	4,055
Other income	23	738,622	442,849
Interest received - investment		218,287	463,559
<b>Total revenue</b>		<b>199,525,305</b>	<b>183,519,083</b>
<b>Expenditure</b>			
Employee related costs	26	(60,499,221)	(58,653,144)
Remuneration of councillors	27	(4,811,990)	(4,507,203)
Administration	28	-	(10,000)
Depreciation and amortisation	31	(49,319,512)	(45,060,185)
Finance costs	32	(2,161,754)	(2,390,626)
Debt impairment	29	(31,225,459)	8,742,327
Repairs and maintenance		(4,129,125)	(6,364,428)
Bulk purchases	36	(34,256,229)	(30,837,352)
Contracted services	35	(3,548,460)	(2,701,959)
General expenses	25	(33,313,472)	(50,298,329)
<b>Total expenditure</b>		<b>(223,265,222)</b>	<b>(192,080,899)</b>
<b>Operating deficit</b>		<b>(23,739,917)</b>	<b>(8,561,816)</b>
Gain/(loss) on disposal of assets		8,167	22,499
Gain/(loss) on actuarial valuation		2,791,000	(1,129,380)
Gain/(loss) on impairment of assets		(14,756)	-
Gain/(loss) of cash due to theft		-	(472,250)
		<b>2,784,411</b>	<b>(1,579,131)</b>
<b>Surplus/(Deficit) for the year</b>		<b>(20,955,506)</b>	<b>(10,140,947)</b>

\* See Note 41

# Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Changes in Net Assets

Figures in Rand	Appropriation Account	Total net assets
Opening balance as previously reported 01 July 2012	487,922,916	487,922,916
Adjustments		
Prior year adjustments	(24,458,921)	(24,458,921)
<b>Restated balance at 01 July 2012</b>	<b>463,463,995</b>	<b>463,463,995</b>
Changes in net assets		
Surplus/(deficit) for the year	(10,140,947)	(10,140,947)
Total changes	(10,140,947)	(10,140,947)
Opening balance as previously reported for 01 July 2013	456,779,052	456,779,052
Adjustments		
Prior year adjustments (Note 41)	(3,456,010)	(3,456,010)
<b>Restated balance as at 01 July 2013</b>	<b>453,323,042</b>	<b>453,323,042</b>
Changes in net assets		
Surplus/(deficit) for the year	(20,955,506)	(20,955,506)
Total changes	(20,955,506)	(20,955,506)
<b>Balance at 30 June 2014</b>	<b>432,367,536</b>	<b>432,367,536</b>
Note(s)		

\* See Note 41

**Emakhazeni Local Municipality**  
Financial Statements for the year ended 30 June 2014

**Cash Flow Statement**

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		158,548,754	128,181,734
Grants		55,297,000	54,216,836
Interest income		218,287	463,559
		<u>214,064,041</u>	<u>182,862,129</u>
<b>Payments</b>			
Employee costs		(60,499,221)	(58,653,144)
Suppliers		(131,711,693)	(84,413,643)
Finance costs		(2,161,754)	(2,390,626)
		<u>(194,372,668)</u>	<u>(145,457,413)</u>
<b>Net cash flows from operating activities</b>	37	<b><u>19,691,373</u></b>	<b><u>37,404,716</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(21,741,227)	(34,951,010)
Disposal of property, plant and equipment	4	72,333	12,000
Proceeds from sale of investment property	3	8,167	22,500
Purchase of other intangible assets	5	(170,000)	-
<b>Net cash flows from investing activities</b>		<b><u>(21,830,727)</u></b>	<b><u>(34,916,510)</u></b>
<b>Cash flows from financing activities</b>			
Movement in long service award		406,000	510,001
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(1,733,354)</u></b>	<b><u>2,998,207</u></b>
Cash and cash equivalents at the beginning of the year		6,023,396	3,025,189
<b>Cash and cash equivalents at the end of the year</b>	12	<b><u>4,290,042</u></b>	<b><u>6,023,396</u></b>

\* See Note 41

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	70,285,525	(2)	<b>70,285,523</b>	64,938,340	<b>(5,347,183)</b>	
Rental of facilities and equipment	573,943	(155,206)	<b>418,737</b>	435,338	<b>16,601</b>	Note 47 No 3
Income from agency services	2,239,000	(5,000)	<b>2,234,000</b>	2,794,432	<b>560,432</b>	Note 47 No 2
Licences and permits	49,560	1	<b>49,561</b>	23,172	<b>(26,389)</b>	Note 47 No 4
Fees earned	1,105,617	53,988	<b>1,159,605</b>	1,067,306	<b>(92,299)</b>	
Commissions received	16,650	-	<b>16,650</b>	4,423	<b>(12,227)</b>	Note 47 No 5
Other income	583,192	(209,490)	<b>373,702</b>	738,622	<b>364,920</b>	Note 47 No 6
Interest received - investment	381,011	(169,011)	<b>212,000</b>	218,287	<b>6,287</b>	
<b>Total revenue from exchange transactions</b>	<b>75,234,498</b>	<b>(484,720)</b>	<b>74,749,778</b>	<b>70,219,920</b>	<b>(4,529,858)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	32,933,922	22,800,000	<b>55,733,922</b>	54,522,901	<b>(1,211,021)</b>	
Government grants & subsidies	58,297,000	76,667	<b>58,373,667</b>	55,297,000	<b>(3,076,667)</b>	
<b>Transfer revenue</b>						
Public contributions and donations	13,320	(13,320)	-	10,278,563	<b>10,278,563</b>	Note 47 No 7
Fines	5,601,054	(299,898)	<b>5,301,156</b>	9,206,921	<b>3,905,765</b>	Note 47 No 1
<b>Total revenue from non-exchange transactions</b>	<b>96,845,296</b>	<b>22,563,449</b>	<b>119,408,745</b>	<b>129,305,385</b>	<b>9,896,640</b>	
<b>Total revenue</b>	<b>172,079,794</b>	<b>22,078,729</b>	<b>194,158,523</b>	<b>199,525,305</b>	<b>5,366,782</b>	
<b>Expenditure</b>						
Personnel	(69,723,787)	(2,716,538)	<b>(72,440,325)</b>	(60,499,221)	<b>11,941,104</b>	Note 47 No 8
Remuneration of councillors	(4,753,851)	(33,695)	<b>(4,787,546)</b>	(4,811,990)	<b>(24,444)</b>	
Administration	(71,400)	60,551	<b>(10,849)</b>	-	<b>10,849</b>	Note 47 No 9
Depreciation and amortisation	(49,980,000)	-	<b>(49,980,000)</b>	(49,319,512)	<b>660,488</b>	
Finance costs	-	(2,162,000)	<b>(2,162,000)</b>	(2,161,754)	<b>246</b>	
Debt impairment	(8,670,000)	-	<b>(8,670,000)</b>	(31,225,459)	<b>(22,555,459)</b>	Note 47 No 10
Repairs and maintenance	(9,257,531)	1,041,302	<b>(8,216,229)</b>	(4,129,125)	<b>4,087,104</b>	Note 47 No 11
Bulk purchases	(37,728,758)	-	<b>(37,728,758)</b>	(34,256,229)	<b>3,472,529</b>	
Contracted Services	(2,716,766)	(833,230)	<b>(3,549,996)</b>	(3,548,460)	<b>1,536</b>	
General Expenses	(33,773,317)	643,809	<b>(33,129,508)</b>	(33,313,472)	<b>(183,964)</b>	
<b>Total expenditure</b>	<b>(216,675,410)</b>	<b>(3,999,801)</b>	<b>(220,675,211)</b>	<b>(223,265,222)</b>	<b>(2,590,011)</b>	
<b>Operating deficit</b>	<b>(44,595,616)</b>	<b>18,078,928</b>	<b>(26,516,688)</b>	<b>(23,739,917)</b>	<b>2,776,771</b>	
Gain/(loss) on disposal of assets	3,200,000	(2,516,705)	<b>683,295</b>	8,167	<b>(675,128)</b>	Note 47 No 12
Gain/(loss) on actuarial valuations	-	(1,400,000)	<b>(1,400,000)</b>	2,791,000	<b>4,191,000</b>	Note 47 No 13
Gain/(loss) on impairment of assets	-	-	-	(14,756)	<b>(14,756)</b>	Note 47 No 14
	<b>3,200,000</b>	<b>(3,916,705)</b>	<b>(716,705)</b>	<b>2,784,411</b>	<b>3,501,116</b>	
<b>Deficit before taxation</b>	<b>(41,395,616)</b>	<b>14,162,223</b>	<b>(27,233,393)</b>	<b>(20,955,506)</b>	<b>6,277,887</b>	

## Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(41,395,616)</b>	<b>14,162,223</b>	<b>(27,233,393)</b>	<b>(20,955,506)</b>	<b>6,277,887</b>	

## **Accounting Policies**

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### **1. Presentation of Financial Statements**

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with prior periods, except for the changes set out in Changes in Accounting policy note.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

#### **1.1 Going concern assumption**

We draw attention to the fact that at the end of the reporting period, the entity had a deficit of R20 955 705 and the current liabilities exceeds the current assets. The annual financial statements have been prepared on the basis applicable to a going concern. This basis presumes that the funds will be available to finance further operations and the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary courses of business.

The ability of the entity to continue as a going concern is dependent on:

- \* collection rate of consumer debtors to increase
- \* benchmarking and prioritization of expenditure

#### **1.2 Significant judgements and sources of estimation uncertainty**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### **Trade receivables**

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### **Impairment testing**

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions used may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates and supply and demand, together with economic factors such as inflation and interest rates.

## **Accounting Policies**

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### **1.2 Significant judgements and sources of estimation uncertainty (continued)**

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

#### **Useful lives of property, plant and equipment and other assets**

The municipality's management determines the estimated useful lives and related depreciation/ amortisation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

#### **Post retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7 - Employee benefit obligations.

#### **Effective interest rate**

The municipality used the prime interest rate to discount future cash flows.

#### **Allowance for debt impairment**

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### **1.3 Presentation currency**

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

### **1.4 Net basis**

Transactions arising from a group of similar transactions are reported on a net basis, unless when it is material, then it is disclosed separately.

### **1.5 Comparative information**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

#### Change in accounting policy:

The adoption of GRAP Standards, it will be considered to be a change in accounting policy and therefore all the comparative information will be restated as retrospective changes will be done.

#### Change in accounting estimate:

All changes in accounting estimates will be prospectively changed and therefore no restatement of comparative information will be required

## **Accounting Policies**

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### **1.5 Comparative information (continued)**

#### Errors:

All errors that are material will be corrected retrospectively and therefore all the comparative information will be restated, while non material errors will be corrected prospectively and the comparative information is therefore not restated.

### **1.6 Borrowing costs**

### **1.7 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

A contingent asset is a possible asset 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 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; or
- \* 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 or service potential will be required to settle the obligation
  - the amount of the obligation cannot be measured with sufficient reliability

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

### **1.8 Employee benefits**

#### **Short-term employee benefits**

Short -term employee benefits include items such as:

- wages, salaries and social security contributions;



## **Accounting Policies**

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### **1.8 Employee benefits (continued)**

- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees rendered the related service.

When an employee has rendered services 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 the 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.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. Present obligation exists when the municipality has no realistic alternative, but to make the payments.

#### **Other post retirement obligations**

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefits are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of the expected life span. Independent qualified actuaries carry out valuations of these obligations.

The municipality has an obligation to provide long service leave benefits to all of its employees who was and is in continued service at the same employer. According to the rules of the leave policy, which the municipality instituted and operates, an employee qualifies for these long service benefits on the following periods:

- \* After 10 years service - 10 working days
- \* After 15 years service - 20 working days
- \* After 20 years service - 30 working days
- \* After 25 years service - 30 working days
- \* After 30 years service - 30 working days
- \* After 35 years service - 30 working days
- \* After 40 years service - 30 working days
- \* After 45 years service - 30 working days

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Funding Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- \* the present value of the defined benefit obligation at the reporting date;
- \* minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

## **Accounting Policies**

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### **1.8 Employee benefits (continued)**

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- \* actuarial gains and losses, which is recognised immediately
- \* the effect of any curtailments or settlements

### **1.9 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

<b>Item</b>	<b>Useful life</b>
Investment Property	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the investment property. Such difference is recognised in surplus or deficit when the investment property is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

### **1.10 Property, plant and equipment**

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 period.

## **Accounting Policies**

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### **1.10 Property, plant and equipment (continued)**

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured 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 management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

## Accounting Policies

### 1.10 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

<b>Assets</b>	<b>Useful lives (years)</b>
Land	Land is not depreciated as it is regarded as having an infinite life.
Buildings	
• Commercial buildings	25 - 30
• Holiday resort	25 - 30
• Industrial buildings	05 - 50
Infrastructure assets- Electricity	
• Electricity meters	04 - 20
• Electricity lines	10 - 45
• Substations	02 - 30
Infrastructure assets - Roads	
• Curbs	04 - 05
• Road surfaces	02 - 50
• Speed bumps	02 - 25
Infrastructure assets - water	
• Water meters	04 - 15
• Water purification - electrical	02 - 20
• Water purification - mechanical works	02 - 40
Infrastructure assets - sewerage	
• Pump station	04 - 65
• Reticulation and purification	03 - 65
• Waste purification works	02 - 35

## Accounting Policies

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### 1.10 Property, plant and equipment (continued)

#### Community Assets

- |  |         |
|--|---------|
| • Cemeteries   | 25 - 30 |
| • Community centres and public entertainment buildings | 15 - 30 |
| • Driver and vehicle testing facilities                | 25 - 30 |

#### Other Assets

- |   |         |
|---|---------|
| • Advertising boards and air conditioners | 05 - 10 |
| • Computer hardware                       | 02 - 10 |
| • Emergency equipment                     | 05 - 10 |

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.11 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

## **Accounting Policies**

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### **1.12 Heritage assets**

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises a heritage asset as an asset 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 can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in the note for Heritage assets.

Heritage assets are measured at cost. Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Subsequent to initial measurement heritage assets are carried at its cost less any accumulated impairment losses.

The municipality assesses at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indications exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### **1.13 Intangible assets**

An asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised 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.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

## Accounting Policies

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### 1.13 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	10 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

### 1.14 Impairment of cash-generating assets

Cash generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash or non-cash generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

## **Accounting Policies**

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### **1.14 Impairment of cash-generating assets (continued)**

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

#### **Cash-generating units**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

#### **Reversal of impairment loss**

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. 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.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

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



## Accounting Policies

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### 1.14 Impairment of cash-generating assets (continued)

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.15 Financial instruments

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other receivables	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other payables	Financial liabilities measured at amortised cost

#### Initial recognition and measurement

Initial recognition of financial assets or financial liabilities:

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial asset using trade date accounting.

Initial measurement of financial assets and financial liabilities:

The municipality measures a financial asset or a financial liability, other than those subsequently measured at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial asset and financial liability initially at its fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- \* a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan, or:  
non-exchange revenue, in accordance with the Standards of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### Subsequent measurement of financial assets and financial liabilities

## **Accounting Policies**

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### **1.15 Financial instruments (continued)**

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- \* financial instruments at fair value;
- \* financial instruments at amortised cost
- \* financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability in the case of a financial asset.

#### **Fair value measurement considerations**

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

#### **Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### **Impairment and uncollectability of financial assets**

The municipality assesses at each statement of financial position date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the recoverable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets are measured at amortised cost.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the use of an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

## **Accounting Policies**

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### **1.15 Financial instruments (continued)**

Were financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets are measured at cost.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

#### **Derecognition**

##### **Financial assets**

The municipality derecognises financial assets using trade accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to receive cash flows from the financial asset have expired, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset 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:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### **Financial liabilities**

The municipality removes a financial liability (or part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

##### **Receivables from exchange transactions**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. An allowance for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the statement of financial performance.

## **Accounting Policies**

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### **1.15 Financial instruments (continued)**

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks with original maturities of three months or less, and bank overdrafts.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments 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, cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

### **1.16 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

#### **Operating leases - lessor**

Revenue for leases is disclosed under revenue in statement of financial performance.

Operating lease payments are recognised as an expense according to the signed contract.

#### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

### **1.17 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

## **Accounting Policies**

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### **1.17 Inventories (continued)**

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### **1.18 Impairment of non-cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

Useful life is either:

- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

#### **Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### **Value in use**

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### **Restoration cost approach**

## **Accounting Policies**

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### **1.18 Impairment of non-cash-generating assets (continued)**

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. 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 determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### **Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

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

#### **Reversal of an impairment loss**

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating 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 a non-cash-generating 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. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. 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.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

### **1.19 Share capital / contributed capital**

An equity instrument is any contract that evidences a residual interest in the assets of the municipality after deducting all of its liabilities.

### **1.20 Grants in aid**

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

### **1.21 Events after the reporting date**

Events after the reporting date that are classified as adjustments events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

### **1.22 Revenue from exchange transactions**

## **Accounting Policies**

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### **1.22 Revenue from exchange transactions (continued)**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Sale of goods**

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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- \* 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 stage of completion of the transaction at the reporting date can be measured reliably; and
- \* the costs incurred for the transaction and the costs to complete the transaction can be measured reliably

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

### **1.23 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

## **Accounting Policies**

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### **1.23 Revenue from non-exchange transactions (continued)**

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

#### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have been met, a liability is recognised.

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the 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 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 is recognised as revenue.

#### **Transfers**

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### **Rates, including collection charges and penalties**

Revenue for rates, including collection charges and penalty interest, is recognised when:

- \* it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- \* the amount of the revenue can be measured reliably; and
- \* to the extent that there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### **Gifts and donations, including goods in-kind**



## **Accounting Policies**

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### **1.23 Revenue from non-exchange transactions (continued)**

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### **Services in-kind**

Services in-kind are not recognised.

#### **Concessionary loans received**

A concessionary loan is a loan granted to or received by the property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

### **1.24 Unauthorised expenditure**

Unauthorised expenditure is expenditure that has not been budgeted and is expenditure that is not in terms of the conditions of an allocation received from of a grant that is not permitted in terms of the Municipal Finance Management Act ( Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.25 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.26 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.27 Value added tax**

The municipality accounts for Value Added Tax on the cash basis.

### **1.28 Taxation**

The municipality is exempted from tax in terms of Section 10(1)cB(i)(ff) of the Income Tax Act.

## **Accounting Policies**

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### **1.29 Budget information**

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from the 1st of July to the 30th of June of the current financial year.

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the statement of financial performance and the budget for the reporting period have been included in the statement of comparison of budget and actual amounts.

### **1.30 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management is those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members whom may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### **1.31 Commitments**

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are include in the disclosure notes in the following cases:

- \* approved and contracted commitments;
- \* where the expenditure has been approved and the contract has been awarded at the reporting date; and
- \* where disclosure is required by a specific standards of GRAP

# Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand

2014

Restated  
2013

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### **GRAP 25: Employee benefits**

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an 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 as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;

## Notes to the Financial Statements

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### 2. New standards and interpretations (continued)

- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

The effective date of the standard is for years beginning on or after 01 April 2013.

The impact of the standard is set out in note Changes in Accounting Policy.

### 2.2 Standards and Interpretations early adopted

The municipality has chosen not to early adopt standards and interpretations in this current financial year.

### 2.3 Standards and interpretations not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

#### **GRAP 105: Transfers of functions between entities under common control**

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

## Notes to the Financial Statements

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### 2. New standards and interpretations (continued)

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

#### **GRAP 106: Transfers of functions between entities not under common control**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

#### **GRAP 107: Mergers**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

#### **GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's financial statements contain 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.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

## Notes to the Financial Statements

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### 2. New standards and interpretations (continued)

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that 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. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. 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); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

#### **IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue**

Paragraphs .03, .04, .05, .06, .08 and .10, were amended and paragraph .02 was added in the Interpretation of the Standards of GRAP.

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

- (a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and

## Notes to the Financial Statements

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### 2. New standards and interpretations (continued)

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This Interpretation of the Standards of GRAP supersedes the Interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

#### **GRAP32: Service Concession Arrangements: Grantor**

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

The impact of this standard is currently being assessed.

#### **GRAP108: Statutory Receivables**

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

The impact of this standard is currently being assessed.

### 2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods but are not relevant to its operations:

#### **GRAP 18: Segment reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

## Notes to the Financial Statements

### 2. New standards and interpretations (continued)

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions on the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2015.

The impact of this standard is currently being assessed.

### 3. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	34,985,694	(275,391)	34,710,303	34,985,694	(229,636)	34,756,058

#### Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	34,756,058	(45,755)	34,710,303

#### Reconciliation of investment property - 2013

	Opening balance	Classified as held for sale	Depreciation	Total
Investment property	34,846,418	(33,000)	(57,360)	34,756,058

Restrictions on the reliabilities of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.



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### 4. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	68,840,667	-	68,840,667	68,913,000	-	68,913,000
Buildings	24,304,023	(4,413,936)	19,890,087	24,304,023	(3,531,519)	20,772,504
Infrastructure	518,772,127	(209,768,999)	309,003,128	511,135,540	(165,961,819)	345,173,721
Community	44,180,928	(4,708,191)	39,472,737	45,468,379	(4,708,191)	40,760,188
MIG Work in progress	14,536,128	-	14,536,128	3,456,040	-	3,456,040
Other property, plant and equipment	36,911,247	(19,040,261)	17,870,986	33,889,691	(16,005,778)	17,883,913
<b>Total</b>	<b>707,545,120</b>	<b>(237,931,387)</b>	<b>469,613,733</b>	<b>687,166,673</b>	<b>(190,207,307)</b>	<b>496,959,366</b>

# Emakhazeni Local Municipality

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### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Land	68,913,000	-	(72,333)	-	68,840,667
Buildings	20,772,504	-	-	(882,417)	19,890,087
Infrastructure	345,173,721	7,636,587	-	(43,807,180)	309,003,128
Community	40,760,188	-	-	(1,287,451)	39,472,737
MIG Work in progress	3,456,040	11,080,088	-	-	14,536,128
Other property, plant and equipment	17,883,913	3,024,552	-	(3,037,479)	17,870,986
	<b>496,959,366</b>	<b>21,741,227</b>	<b>(72,333)</b>	<b>(49,014,527)</b>	<b>469,613,733</b>

#### Reconciliation of property, plant and equipment - 2013

	Restated opening balance (cost)	Additions	Disposals	Classified as held for sale	Other changes, movements	Acc Depreciation	Total
Land	68,968,000	-	(12,000)	(43,000)	-	-	68,913,000
Buildings	21,654,629	-	-	-	-	(882,125)	20,772,504
Infrastructure	351,057,613	13,564,773	-	-	19,874,010	(39,322,675)	345,173,721
Community	36,822,919	5,142,448	-	-	-	(1,205,179)	40,760,188
MIG Work in progress	10,530,650	12,799,400	-	-	(19,874,010)	-	3,456,040
Other property, plant and equipment	17,833,680	3,444,389	-	-	-	(3,394,156)	17,883,913
	<b>506,867,491</b>	<b>34,951,010</b>	<b>(12,000)</b>	<b>(43,000)</b>	<b>-</b>	<b>(44,804,135)</b>	<b>496,959,366</b>

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### 4. Property, plant and equipment (continued)

#### Additional information

An attachment of moveable property was made by the sheriff on Municipal assets in terms of a court order in relation to the payment of a judgement in favour of the Municipal Employee Pension Fund. The attachment will remain in effect until the entire amount of R 3,151,603 as per the court order has been settled. The carrying value of assets are as follows:

Other Assets	-	9,389,931
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A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

On the 31st of August 2013 this judgement was fully paid and therefore this attachment became ineffective on the 1st of September 2013.

Cash deposits were received from the Department of Sports and Recreation and Department of Education to secure the purchase of property.

### 5. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,866,796	(1,343,702)	523,094	1,746,806	(1,119,726)	627,080

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Impaired	Amortisation	Acc Amortisation on Impairment	Total
Computer software	627,080	170,000	(50,010)	(259,229)	35,253	523,094

#### Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software	825,772	(198,692)	627,080

### 6. Heritage assets

#### Heritage assets which fair values cannot be reliably measured

##### Berg-en-dal monument

The following heritage asset were not recognised due to a reliable measurement not being possible on initial recognition: Berg-en-dal Monument is located just outside Emakhazeni (Belfast) on the N4 road towards Nelspruit. Erected in 1935, the monument honours those killed at the Battle of Berg-en-dal in Belfast, one of the largest battles of the Anglo-Boer War (1899-1902) in South Africa.

# Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

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### 7. Post employment medical aid liability

#### Medical Scheme Arrangements

The municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several approved medical aid scheme, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-retirement, the surviving dependants may continue membership of the medical scheme.

#### Contribution rate structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

#### Subsidy arrangements

The municipality has agreed to subsidise the medical aid contributions of retired members in the following way:

- All new pensioners will receive a 60% subsidy subject to the maximum amount of R3,618.04 per month per employee for (R3,557.65 in 2013)
- Some continuation members that were retired prior to the introduction of the current policy will continue to receive a 60% subsidy.
- The maximum subsidy is expected to increase at 75% of inflation in 2013 and now in 2014 it reduced to 50%

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Current service cost	8,887,000	10,167,000
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The fair value of plan assets includes:

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	10,167,000	8,179,000
Current service cost	789,000	630,000
Interest cost	821,000	661,000
Benefits paid	(288,000)	(221,380)
Actuarial loss/ (gain)	(2,602,000)	918,380
<b>Closing balance</b>	<b>8,887,000</b>	<b>10,167,000</b>

Net expense recognised in the statement of financial performance

Current service cost	789,000	630,000
Interest cost	821,000	661,000
Actuarial (gains) losses	(2,602,000)	918,380
	<b>(992,000)</b>	<b>2,209,380</b>

# Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

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### 7. Post employment medical aid liability (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.94 %	7.89 %
Consumer price inflation	7.05 %	6.14 %
Medical aid contribution inflation	8.05 %	7.14 %
Maximum subsidy increase rate	0.82 %	0.70 %

#### Discount rate

IAS 19 defines the determination of the discount rate assumption to be used as the rate that can be determined by reference to market yields at the financial position date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at financial position date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations.

The discount rate was therefore set as the yield of the R209 South African government bond as the valuation date. In the event that the valuation is performed prior to the effective valuation date. The actual yield on the R209 bond was sourced from the RMB Global Markets website on the 30th of June 2014.

#### Medical aid inflation

The medical aid inflation rate was reference to the past relationship between CPI and medical aid contribution rate inflation. We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields (R209) and current index-linked yields (R202).

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical schemes contribution inflation outstripped general CPI by almost 3% year on year. The current year's actuaries do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

#### Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Total accrued liability	9,374,000	8,286,000
Interest cost	852,000	752,000
Service cost	602,000	531,000

The amounts for the current annual reporting period and previous reporting period:

	30 June 2014	30 June 2013
Present value of obligation	- 8,887,000	10,167,000

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### 8. Assets held for sale

The municipality decided to dispose of some stands. At year end the disposals were not completed.

The disposals are expected to be completed within the next twelve months.

	2014	2013
Property, plant and equipment	76,000	76,000

### 9. Inventories

Water	-	64,983
Inventory	2,149,601	1,694,790
	<b>2,149,601</b>	<b>1,759,773</b>

### 10. Receivables from non-exchange transactions

Employee Debtors	30,421	31,728
Government grants and subsidies spend but not yet received	34,294	443,372
Other receivables from non-exchange revenue	-	79,409
Expenditure in advance	1,018,530	-
Property rates	67,383,716	35,196,528
Property rates impairment	(35,402,720)	(19,906,792)
	<b>33,064,241</b>	<b>15,844,245</b>

#### Net balance

	2014	2013
Employee receivables	30,425	31,728
Government grants and subsidies spent but not yet received	34,294	443,372
Other receivables from non-exchange revenue	-	79,409
Expenditure in advance	1,018,530	-
Property rates	31,980,996	15,289,736
	<b>33,064,245</b>	<b>15,844,245</b>

#### Property rates

	2014	2013
Current (0-30 days)	3,705,699	1,717,727
31-60 days	3,285,074	1,183,251
61-90 days	3,098,755	1,074,190
91-120 days	3,064,760	970,314
121->365 days	54,229,428	30,251,046
Allowance for impairment	(35,402,720)	(19,906,792)
	<b>31,980,996</b>	<b>15,289,736</b>

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	19,906,792	20,144,102
Amounts written off as uncollectible	15,495,928	-
Unused amounts reversed	-	(237,310)
	<b>35,402,720</b>	<b>19,906,792</b>

# Emakhazeni Local Municipality

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## Notes to the Financial Statements

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<b>11. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Other receivables	1,468,113	1,540,235
Consumer receivables	77,660,557	68,752,342
	<b>79,128,670</b>	<b>70,292,577</b>
<b>Less: Allowance for impairment</b>		
Consumer receivables	(55,053,861)	(39,324,331)
<b>Net balance</b>		
Other receivables	1,468,113	1,540,235
Consumer receivables	22,606,696	29,428,011
	<b>24,074,809</b>	<b>30,968,246</b>
<b>Other receivables</b>		
> 365 days	1,468,113	1,540,235
<b>Net Consumer receivables</b>		
Current (0 -30 days)	4,193,631	5,755,628
31 - 60 days	3,436,461	2,491,716
61 - 90 days	1,784,977	2,072,742
91 - 120 days	1,701,871	1,737,967
121 - >365 days	63,927,734	56,690,075
Impairment	(55,043,862)	(39,320,117)
	<b>20,000,812</b>	<b>68,748,128</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(39,324,331)	(47,829,347)
Contributions to allowance	(15,729,530)	8,505,016
	<b>(55,053,861)</b>	<b>(39,324,331)</b>

The following councilors consumer debtor's receivable's owing at 30 June 2014:

T.D. Ngwenya	(Account nr 1205334)	R	731.81
B.S. Mabuza	(Account nr 1205790)	R	59.88
S.P. Gwebu	(Account nr 0701108)	R	262.51

## 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	13,976	15,976
Bank	262,704	467,660
Short-term deposits	4,013,362	5,539,760
	<b>4,290,042</b>	<b>6,023,396</b>

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### 12. Cash and cash equivalents (continued)

#### Cash and cash equivalents pledged as guarantee

Total financial assets pledged as guarantee for Eskom	26,300	26,300
Debt factoring arrangement in which the financial counter parties retain recourse in the event of receivables default		

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
FIRST NATIONAL BANK - CHEQUE ACC - 62028195510	189,461	463,618	506,819	262,704	586,536	360,564
FIRST NATIONAL BANK - CALL ACC - 61165004600	1,306,249	2,175	4,025	1,306,249	2,175	4,025
FIRST NATIONAL BANK - 32-DAY ACC- 74006889065	2,000	2,000	2,000	2,000	2,000	2,000
FIRST NATIONAL BANK - CALL ACC - 62178430212	1,803,062	5,422,255	2,647,870	1,803,062	5,422,255	2,647,870
FIRST NATIONAL BANK - CALL ACC - 62076419508	902,050	113,329	10,730	902,050	113,329	10,730
<b>Total</b>	<b><u>4,202,822</u></b>	<b><u>6,003,377</u></b>	<b><u>3,171,444</u></b>	<b><u>4,276,065</u></b>	<b><u>6,126,295</u></b>	<b><u>3,025,189</u></b>

### 13. Unspent conditional grants and receipts

#### Unspent conditional grants and receipts comprises of:

Municipal Infrastructure Grant	-	11,093,354
EPWP Grant	-	67,305
	<b>-</b>	<b><u>11,160,659</u></b>

See note 22 for reconciliation of grants from National/Provincial Government.



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### 14. Provisions

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Landfill site rehabilitation cost	27,123,472	1,654,112	28,777,584

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Reversed during the year	Total
Landfill site rehabilitation cost	8,737,725	18,385,747	-	27,123,472
Other provisions	30,330	-	(30,330)	-
	<b>8,768,055</b>	<b>18,385,747</b>	<b>(30,330)</b>	<b>27,123,472</b>

#### Environmental rehabilitation costs

The municipality engages in waste disposal operations from residential and business areas within the borders of the municipality.

The remaining site life for a disposal facility can only be determined for a licensed site, where the maximum permitted waste body height is stipulated in the permit/license. Together with this, a topographical survey of the site is required to determine the remaining airspace volumes. From the site's waste data (disposal rate) the remaining lifetime can be estimated. If a site does not have a weighbridge, assumptions must be made as to the volume of waste landfilled at the site in question. Compaction factors and the volume of cover material used will also need to be assumed if this cannot be provided by the site owner/operator.

Due to information not being available, facilities not being licensed or for reasons stated above, the following list of assumptions were made in order to provide an estimation for the rehabilitation of the sites addressed:

- the rehabilitation requirements for Dullstroom and Machadodorp were assumed to be G:C:B- for reasons stated above
- all sites assumed to be B- stated above
- it is assumed that the footprints that require rehabilitation as described and indicated above are correct and will be verified by ELM
- minimal shaping of the waste body required
- the rates for topsoil and/or selected cover material are based on the assumption that it could be imported from nearby areas and that sufficient quantities are available and the material is free of charge
- it was assumed that all the sites are fenced as indicated in the available documentation
- it was assumed that insufficient volumes of clay would be available for the Belfast capping layers and it was replaced with Geosynthetic Clay Liner in the estimation

#### Legal proceedings provisions

1) During the prior year a driver of the municipality was involved in an accident with an AFGRI (Pty) Ltd vehicle while driving a municipal vehicle. As a result of the collision AFGRI (Pty) Ltd suffered damages to the value of R 30,330. There is uncertainty toward the outflow of this provision as the timing is uncertain. The outflow will happen as and when it is needed.

The damages costs claimed for R30, 330 by AFGRI (Pty) Ltd from Emakhazeni Local Municipality has been reversed as the claimant did not proceed with claim.

# Emakhazeni Local Municipality

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### 15. Long service award

Long service award arrangements

As per government gazette an employee shall qualify long service reward in terms of leave days credits for the various periods of continuous service completed at the same employer as follows:

- \* After 10 years of service - 10 working days
- \* After 15 years of service - 20 working days
- \* After 20 years of service - 30 working days
- \* After 25 years of service - 30 working days
- \* After 30 years of service - 30 working days
- \* After 35 years of service - 30 working days
- \* After 40 years of service - 30 working days
- \* After 45 years of service - 30 working days

The leave mentioned may be wholly or partially converted (per day) on the date on which an employee qualifies or at any stage thereafter.

Long service benefits are awarded in the form of a number of leave days awarded once the employee completes a certain number of years in service.

#### Valuation of assets

The long service leave awards liability of the municipality is unfunded. No dedicated assets have been set aside to meet this number of years in service.

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Present value

30 June 2014	30 June 2013
3,251,000	2,845,000

#### Changes in the present value of the defined benefit obligation are as follows:

	30 June 2014	30 June 2013
Opening balance	2,845,000	2,335,000
Current service cost	360,000	308,000
Interest cost	216,000	192,000
Benefits paid	(269,000)	(201,000)
Actuarial loss / (gain)	99,000	211,000
	<b>3,251,000</b>	<b>2,845,000</b>

#### Net expenses recognised in the statement of financial performance

	30 June 2014	30 June 2013
Current service cost	360,000	308,000
Interest cost	216,000	192,000
Actuarial loss / (gain)	99,000	211,000
	<b>675,000</b>	<b>711,000</b>

#### Key assumptions

	30 June 2014	30 June 2013
Discount rate	7.96 %	7.40 %
Consumer price inflation	6.33 %	5.66 %
Normal salary increase rate	7.33 %	6.66 %
Net effective discount rate	0.59 %	0.69 %
	<b>22.21 %</b>	<b>20.41 %</b>

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### 15. Long service award (continued)

#### Sub-heading

The effect of a 1% p.a. change in the normal salary inflation assumptions are as follows:

	One percentage point increase	One percentage point decrease
Total accrued liability	3,549,000	2,985,000
Current service cost	429,000	350,000
Interest cost	289,000	241,000
	<b>4,267,000</b>	<b>3,576,000</b>

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the long service awards liability.

The interest cost is based on the discount rate assumption for the current valuation which is based on one point on the curve.

The liability amounts for the current annual reporting period and previous reporting period are as follows:

	30 June 2014	30 June 2013
Present value of obligation	3,251,000	2,845,000

### 16. Payables from exchange transactions

Trade payables	60,877,153	49,247,539
Consumer deposits	1,609,164	1,534,635
Deferred revenue	12,070,645	11,591,040
Unallocated receipts	7,734,252	7,645,032
Auditor General	-	40,000
Retention	2,191,051	1,117,841
Employee Accrual	279,111	472,937
Leave pay provision	4,282,648	4,464,715
Consumer Refunds	97,450	-
	<b>89,141,474</b>	<b>76,113,739</b>

### 17. Payable from non-exchange transactions

Advance receipts	146,264	176,264
Other payables from non-exchange transactions	324,342	324,342
	<b>470,606</b>	<b>500,606</b>

### 18. VAT payable

VAT receivable	(38,614,941)	(37,503,019)
VAT payable	44,221,564	43,283,659
<b>Net VAT Payable</b>	<b>5,606,623</b>	<b>5,780,640</b>

# Emakhazeni Local Municipality

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## Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
<b>19. Revenue (excl Interest &amp; other revenue)</b>		
Service charges	64,938,340	64,057,588
Rental of facilities and equipment	435,338	529,314
Income from agency services	2,794,432	2,567,592
Licences and permits	23,172	32,020
Fees earned	1,067,306	1,278,795
Commissions received	4,423	4,055
Other income	738,622	442,849
Interest received - investment	218,287	463,559
Property rates	54,522,901	31,358,480
Government grants & subsidies	55,297,000	54,216,836
Public contributions and donations	10,278,563	23,084,969
Fines	9,206,921	5,483,026
	<b>199,525,305</b>	<b>183,519,083</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	64,938,340	64,057,588
Rental of facilities and equipment	435,338	529,314
Income from agency services	2,794,432	2,567,592
Licences and permits	23,172	32,020
Fees earned	1,067,306	1,278,795
Commissions received	4,423	4,055
Other income	738,622	442,849
Interest received - investment	218,287	463,559
	<b>70,219,920</b>	<b>69,375,772</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	54,522,901	31,358,480
<b>Transfer revenue</b>		
Government grants & subsidies	55,297,000	54,216,836
Public contributions and donations	10,278,563	23,084,969
Fines	9,206,921	5,483,026
	<b>129,305,385</b>	<b>114,143,311</b>
<b>20. Property rates</b>		
<b>Rates received</b>		
Residential	54,522,901	31,358,480
<b>21. Service charges</b>		
Sale of electricity	35,437,602	36,926,649
Sale of water	13,992,246	12,544,690
Sewerage and sanitation charges	7,702,383	7,254,609
Refuse removal	7,806,109	7,331,640
	<b>64,938,340</b>	<b>64,057,588</b>

# Emakhazeni Local Municipality

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Figures in Rand	2014	Restated 2013
<b>22. Government grants and subsidies</b>		
Equitable share	36,151,000	33,750,000
Equitable share Councillors	2,384,000	1,898,000
Financial Management Grant	1,550,000	1,500,000
Municipal Systems Improvement Grant	890,000	800,000
Municipal Infrastructure Grant	13,322,000	15,336,141
Expanded Public Works Program Incentive Grant	1,000,000	932,695
	<b>55,297,000</b>	<b>54,216,836</b>
<b>Housing Project</b>		
Current year receipts	3,470,105	2,936,718
Conditions met - expenditure	(3,470,105)	(2,936,718)
<b>Restated closing balance</b>	<b>-</b>	<b>-</b>
Emakhazeni is acting as an agent on behalf of the Department of Human Settlement with regard to this subsidy by receiving the subsidy on behalf of the contractor and paying the contractor on behalf of the department.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	11,093,354	10,558,081
Current year receipts	13,322,000	15,929,000
Conditions met transferred to revenue	(13,644,414)	(15,393,727)
MIG money paid back to Treasury (by means of withholding of funds)	(10,770,940)	-
<b>Accumulative Rollover</b>	<b>-</b>	<b>11,093,354</b>
This grant is a conditional grant. The purpose of this grant is for the construction and upgrade of infrustructure to a basic level to ensure service delivery.		
The unspent rollover of R 10,770 million have been repaid to National Revenue Fund as from July 2013 until June 2014 (by means of withholding of funds) in three equal installments.		
<b>Financial Management Grant</b>		
Current year receipts	1,550,000	1,500,000
Conditions met - transferred to revenue	(1,550,000)	(1,500,000)
<b>Rollover</b>	<b>-</b>	<b>-</b>
This grant is a conditional grant. This grant is for the purpose to assist in financial management of the Financial department within a municipality.		
<b>Municipal Systems Improvement Grant</b>		
Balance unspent at beginning of year	-	207,000
Current year receipts	890,000	800,000
Conditions met - transferred to revenue	(890,000)	(800,000)
MSIG money refunded to National Revenue Fund	-	(207,000)
<b>Rollover</b>	<b>-</b>	<b>-</b>
This is a conditional grant. The purpose of this grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Syses Act of 2000.		

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### 22. Government grants and subsidies (continued)

#### Expanded Public Works Programme

Balance unspent at beginning of year	67,305	-
Current year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(932,695)
EPWP money paid back to Treasury (by means of withholding of funds)	(67,305)	-
<b>Rollover</b>	<b>-</b>	<b>67,305</b>

This is a conditional grant. The purpose of this grant to create temporary work opportunities and income for unemployed community members.

### 23. Other income

Sundry revenue	463,301	201,102
Medical continued members	-	24,064
Membership fees	6,321	6,633
Contribution to bulk services	-	10,050
Long service award movement	269,000	201,000
	<b>738,622</b>	<b>442,849</b>

### 24. Donations

In kind: Other assets	2,682,103	3,040,300
Cash: Youth development	30,000	13,000
Cash: Madala/Paardeplaas project	-	220,008
In kind: Inventory	-	1,083,920
In kind: Infrastructure assets	7,566,460	18,727,741
	<b>10,278,563</b>	<b>23,084,969</b>

# Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
<b>25. General expenses</b>		
Advertising	208,493	166,888
Auditors remuneration	2,919,293	2,346,972
Bank charges	516,160	682,036
Information books	53,203	80,186
Cleaning	121,798	82,864
Community development and training	293,085	432,970
Consulting and professional fees	3,256,053	2,908,674
Donations	48,741	34,054
Entertainment	94,061	113,942
Free basic services	2,340,069	1,813,094
Fuel and oil	2,775,863	3,036,800
Milk and water sample testings	-	478,903
Protective clothing	662,647	449,752
Insurance	512,213	543,411
Indigent fund	374,139	1,616,060
IT Expenses	31,843	113,446
Licenses fees	969,309	1,075,461
Water manufacturing expenses	6,470,763	6,474,657
Material and Stock	92,063	42,230
Other expenses	1,063,370	842,763
Printing and stationery	1,019,672	1,354,647
Promotions	-	2,445
Rebates on assessment rates	36,258	70,315
Refuse	43,216	33,829
Rental expenses	705,689	1,043,576
Rehabilitation landfill site (sites not licensed)	1,654,122	18,385,765
Subscriptions and membership fees	46,053	1,138,079
Telephone and fax	1,417,927	1,406,119
TMT expenditure	4,736,785	2,670,940
Tollgate	45,918	58,739
Training	325,335	262,788
Transport/travel cost & Subsistence	479,331	534,854
Valuations	-	1,070
	<b>33,313,472</b>	<b>50,298,329</b>

In terms of Sec 125 (c) of MFMA the Audit Fees not yet paid on 30 June 2014 amounted to R 2, 422, 297.

Consulting and professional fees are made up of the following services:	2012/2013	2012/2013
* Economic services	R 736,427	R 335,712
* Engineering services	R 2,519,626	R 2,572,962

# Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
<b>26. Employee related costs</b>		
Basic	35,585,097	33,407,716
Bonus	2,651,208	2,355,516
Medical aid - company contributions	2,451,967	2,217,293
UIF	366,230	348,702
Skills Development Levy	471,341	450,809
Leave pay provision charge	287,509	1,528,314
SALGBC	24,892	23,365
Group & Provident Fund	27,107	26,755
Medical retirement benefit	1,865,025	1,438,587
Pension	7,206,815	6,793,149
Overtime payments	2,525,655	3,080,441
Long-service awards	576,000	500,000
Standby allowances	397,056	236,325
Car allowances	4,660,334	4,714,033
Housing benefits and allowances	48,974	47,588
PMU salaries	209,789	796,450
Acting allowances	941,165	523,932
Telephone allowance	203,057	164,169
	<b>60,499,221</b>	<b>58,653,144</b>

In terms of Sec 125 (c) of MFMA the following amounts are still outstanding as at 30 June 2014:

PAYE: R 5 670 333.17

Pension fund contributions: R 916 691.21

Medical aid contributions: R 419 857.60

Emakhazeni is a category 2 municipality as per the Categorization and Job Evaluation Wage Curves Agreement that whereby employee cost and council members remuneration are implemented as a category 2 municipality.

### Remuneration of ON Nkosi - Municipal Manager

Annual remuneration	-	313,897
Car allowance	-	131,031
Contributions to UIF, medical and pension funds	-	85,975
SALGBC & skills development contributions	-	4,827
Leave paid	-	61,192
	-	<b>596,922</b>

Mr ON Nkosi served as Municipal Manager to 08/03/2013

The expenditure of the Municipal Manager is included under Employee related cost - this is only a breakdown.

### Remuneration of TJ Shoba - Municipal Manager

Annual remuneration	440,241	372,715
Car allowance	125,300	125,300
Leave paid out	94,812	-
Contributions to UIF, medical and pension funds	135,886	117,688
SALGBC and Skills development	7,884	5,614
Acting Allowance	106,501	47,562
Back pay	34,690	27,486
	<b>945,314</b>	<b>696,364</b>

Mrs TJ Shoba served as Acting Municipal Manager since 09/03/2013 until 18/03/2014.

Mrs TJ Shoba serves as Municipal Manager as from 19/03/2014.



# Emakhazeni Local Municipality

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### 26. Employee related costs (continued)

The expenditure of the Municipal Manager is included under Employee related cost - this is only a breakdown.

#### Remuneration of SA Khumalo - Technical Services Manager

Annual remuneration	206,654	345,717
Car allowance	91,987	162,983
Contributions to UIF, medical and pension funds	66,435	106,823
SALGBC & skills development contributions	3,695	5,141
Back pay	23,590	27,486
Leave paid out	58,584	-
	<b>450,945</b>	<b>648,150</b>

Mr SA Khumalo served as Manager Technical Services until 24/01/2014.

The expenditure of the Manager Technical Services Manager is included under Employee related cost - this is only a breakdown.

#### Remuneration of N Singh - Community Services Manager

Annual remuneration	385,480	353,172
Car allowance	150,077	150,077
Telephone allowance	9,000	7,804
Contributions to UIF, medical and pension funds	123,223	112,430
SALGBC & skills development contributions	5,535	5,224
Back pay	23,590	27,486
	<b>696,905</b>	<b>656,193</b>

The expenditure of the Community Services Manager is included under Employee related cost - this is only a breakdown.

#### Remuneration of IM Abdullah - Acting Corporate Services Manager

Acting allowance	100,984	31,693
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Mr IM Abdullah serves as Acting Corporate Services Manager since 09/03/2013.

The expenditure of the Acting Corporate Services Manager is included under Employee related cost - this is only a breakdown.

#### Remuneration of LO Sindane - Acting Technical Service Manager

Acting Allowance	50,465	-
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Mr LO Sindane served as Acting Manager Technical Service since 20/12/2013 to 30/04/2014

The expenditure of Acting Technical Service Manager has been included under Employee related cost - This is only a breakdown.

#### Remuneration of LC Oosthuizen - Acting Community Manager

Acting Allowance	3,877	-
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Mr LC Oosthuizen served as Acting Manager Community Service since 20/12/2013 to 08/01/2014.

# Emakhazeni Local Municipality

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### 26. Employee related costs (continued)

The expenditure for Acting Manager Community Service has been included under Employee related cost - this is only a breakdown

#### Remuneration of LD Mkhonza - Planning and Development Manager

Annual remuneration	252,289	-
Car Allowance	60,263	-
Telephone Allowance	5,250	-
Acting Allowance	49,498	-
Contributions to UIF, Medical and Pension funds	78,723	-
SALGBC & Skills development	3,041	-
Back pay	6,129	-
	<b>455,193</b>	<b>-</b>

Mr LD Mkhonza served as Acting Manager Planning and Development since 01/07/2013 to 03/12/2013.

The expenditure for Manager Planning and Development is included under Employee related costs - This is only a breakdown.

#### Remuneration of MM Ngwenya - Chief Financial Officer

Annual remuneration	116,255	-
Car Allowance	22,627	-
Telephone Allowance	2,352	-
Leave Paid Out.	53,743	-
Contributions to UIF, Medical and Pension funds	32,196	-
SALGBC and Skills development	1,957	-
Back pay	6,529	-
	<b>235,659</b>	<b>-</b>

Mrs MM Ngwenya serves as Chief Financial Officer as from 19/03/2014.

#### Remuneration of MJ Maake - Chief Financial Officer

Annual remuneration	-	152,371
Contributions to UIF, medical and pension funds	-	19,960
SALGBC & skills development contributions	-	1,506
	<b>-</b>	<b>173,837</b>

Mr MJ Maake served as Chief Financial Officer from 01/07/2012 to 03/09/2012.

The expenditure of the Chief Financial Officer is included under Employee related cost - this is only a breakdown.

#### Remuneration of MD Minnaar - Acting Chief Financial Officer

Acting allowance	-	25,347
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Mrs MD Minnaar served as Acting Chief Financial Officer from to 01/11/2012 to 14/02/2013.

The expenditure of the Chief Financial Officer is included under Employee related cost - this is only a breakdown.

# Emakhazeni Local Municipality

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### 26. Employee related costs (continued)

#### Remuneration of KA Ramosibi - Acting Chief Financial Officer

Acting allowance	-	46,481
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Ms KA Ramosibi served as Acting Chief Financial Officer from 01/07/2012 to 30/10/2012.

The expenditure of the Chief Financial Officer is included under Employee related cost - this is only a breakdown.

### 27. Remuneration of councillors

Total	4,811,990	4,507,203
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#### Executive Mayor

	Annual remuneration	Telephone allowance	Vehicle allowance	Housing allowance	Backpay	Company contributions
Ngwenya XSH	336,288	20,287	154,263	35,000	18,211	95,210

#### Executive Committee

	Annual remuneration	Telephone allowance	Vehicle allowance	Housing allowance	Backpay	Company contributions
Hadebe MU	269,388	20,287	115,697	-	13,803	80,388
Mashele NA	281,240	20,287	115,697	-	13,803	68,450
Radebe ES	289,663	20,287	115,697	-	13,803	59,966
	<b>840,291</b>	<b>60,861</b>	<b>347,091</b>	<b>-</b>	<b>41,409</b>	<b>208,804</b>

#### Speaker

	Annual remuneration	Telephone allowance	Vehicle allowance	Housing allowance	Backpay	Company contributions
Ngwenya TD	296,723	20,287	123,410	29,000	14,684	47,297

#### Councillors

	Annual remuneration	Telephone allowance	Vehicle allowance	Housing allowance	Backpay	Company contributions
Botha AA	120,727	15,926	46,279	-	10,231	19,175
Gwebu SP	96,360	15,926	46,279	-	10,231	43,719
Kambula M	160,970	15,926	-	-	10,231	25,012
Lello CV	120,727	15,926	46,279	-	10,231	19,175
Mabuza BS	120,727	15,926	46,279	-	10,231	19,175
Mashele RB	136,603	15,926	-	-	10,231	49,556
Masina XD	120,727	15,926	46,279	-	10,231	19,175
Mondlane SM	160,970	15,926	-	-	10,231	25,012
Nkosi CN	148,814	15,926	-	-	10,231	37,257
Stevens JJ	78,764	15,926	46,279	-	10,231	60,985
	<b>1,265,389</b>	<b>159,260</b>	<b>277,674</b>	<b>-</b>	<b>102,310</b>	<b>318,241</b>

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

### 28. Administrative expenditure

Administration and management fees - third party	-	10,000
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### 29. Debt impairment

Contributions to debt impairment provision	31,225,459	(8,742,327)
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# Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
<b>30. Investment revenue</b>		
<b>Interest revenue</b>		
Interest on cheque account	21,928	2,347
Interest on investment account	196,359	461,212
	<b>218,287</b>	<b>463,559</b>
The amount included in Investment revenue arising from exchange transactions amounted to R 218 287 for the current year.		
<b>31. Depreciation and amortisation</b>		
Property, plant and equipment	49,014,528	44,367,264
Investment property	45,755	494,229
Intangible assets	259,229	198,692
	<b>49,319,512</b>	<b>45,060,185</b>
<b>32. Finance costs</b>		
Interest paid	2,161,754	2,390,626
Total interest revenue, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R218 287 (2013: R463 559).		
<b>33. Auditors' remuneration</b>		
Fees	2,919,293	2,346,972
<b>34. Operating lease</b>		
A lease contract was entered into between the municipality and Ms AD Nel for the lease of a premises. The premises is leased to facilitate the municipality's Technical services offices. The lease period is for 5 years with 6.5% yearly lease payment escalation.		
<b>Minimum lease payments due</b>		
- within one year	-	370,502
- in second year to fifth year	-	-
	<b>-</b>	<b>370,502</b>
A lease contract was entered into between the municipality and Mpumalanga Copiers for the rental of photocopier machines. This lease is for the period of three years ending in November 2013 with no purchase option. The lease repayment is at a fixed amount over the lease term with no escalation clause.		
<b>Minimum lease payments due</b>		
- within one year	-	152,300
<b>35. Contracted services</b>		
Security Services	3,548,460	2,701,959
<b>36. Bulk purchases</b>		
Electricity	34,256,229	30,837,352

# Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
<b>37. Cash generated from operations</b>		
Deficit	(20,955,506)	(10,140,947)
<b>Adjustments for:</b>		
Depreciation and amortisation	49,319,512	45,060,185
Gain/(loss) on sale of assets	(8,167)	(22,499)
Loss of money due to theft	-	472,250
Gain/(loss) on actuarial valuation	(2,791,000)	1,129,380
Gain/(loss) on impairment of assets	14,756	-
Debt impairment	31,225,459	(8,742,327)
Increase in assets	-	-
Movements in retirement benefit assets and liabilities	(1,280,000)	1,988,000
Movements in provisions	1,654,112	18,355,417
<b>Changes in working capital:</b>		
Inventories	(389,828)	(1,327,964)
Consumer receivables	(24,332,022)	(1,563,942)
Other receivables from non-exchange transactions	(17,220,003)	(15,844,245)
Payables from exchange transactions	15,818,736	6,948,429
VAT	(174,017)	741,366
Taxes and transfers payable (non exchange)	(30,000)	(43,965)
Unspent conditional grants and receipts	(11,160,659)	395,578
	<b>19,691,373</b>	<b>37,404,716</b>

## 38. Commitments

### Authorised current expenditure

#### Approved and contracted for

- Contractors	760,805	1,763,797
- Insurance	85,187	85,187
- Security	-	3,282,976
	<b>845,992</b>	<b>5,131,960</b>

### Authorised capital expenditure

#### Approved and contracted for

• Roads, Pavements, Bridges & Stormwater	1,113,703	3,308,525
• Water & Sewer Reticulation	421,128	18,635,104
• Water Reservoir	355,734	-
• Land	-	315,000
• Other	13,366	52,035
	<b>1,903,931</b>	<b>22,310,664</b>

The committed capital expenditure relates to plant and equipment and will be financed by external funds (conditional grants).

The committed current expenditure relates to operating expenditure and will be financed by internal funds.

This expenditure will be financed for 2013/2014 from:

- 1.) Government Grants R 1 903 931
- 2.) Own Funds R 845 992

This expenditure will be financed for 2012/2013 from:

- 1.) Government Grants R 22 310 664
- 2.) Own Funds R 5 131 960

# Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand

2014

Restated  
2013

### 39. Contingencies

#### Contingent liabilities

Forthwith is a list of possible liability claims where the outcome was unknown at year end.

- 1). Parimolapo Developers CC - The plaintiff claims that a contract between Emakhazeni Local Municipality and themselves had been unlawfully terminated. The claim is for the amount of R 992 774.
- 2). Collin Zimu and others - this claim relates to injuries sustained by the plaintiff due to an electrical shock received when he entered an unsecured electrical substation while playing outside his house. The claim is for the amount of R 2 100 000.
- 3). C. Meadows - Municipality received a claim damages for collision of Municipal TLB driven by France Mahlangu and a vehicle. The claim is for the amount of R48 000
- 4). M. Saunders - Ms Saunders claimed that she fell into a storm water drain which was opened in Dullstroom and as a result she sustained serious injuries. The claim is for the amount of R100 000
- 5). ELMIR Holdings - This claim relates to the land that was sold to plaintiff with R500 00 next to the hospital for the purpose of development. it was then later realised that two portions of that land doesn't belong to the Municipality but to a private owner. The claim is for the amount of R1 500 000 as the plaintiff added their expenses incurred for designs and studies.

#### Contingent assets

- 1) SAMWU Provident Fund - this claim relates to a refund due to the Municipality for Provident Fund Contributions made toward members who was found to have transferred to the Municipal Employees Pension Fund. The claim is for the amount of R 3 151 603
- 2) P.E. Fakude - this claim relates to the former employee of Emakhazeni LM she was charged for the money that she collected for banking purposes but she did not bank such money amounting to R361 062

### 40. Related parties

Members of key management - Section 57  
(Refer to note 27 for remuneration etc)

Ms TJ Shoba (Accounting officer)  
Ms MM Ngwenya (Chief Financial Officer)  
Mr SA Khumalo (Manager Technical Services)  
Mr LO Sindane (Acting Manager Technical Services)  
Ms N Singh (Manager Community Services)  
Mr LC Oosthuizen (Acting Manager Community Services)  
Mr I Abdulla (Acting Manager Corporate Services)  
Mr LD Mkhonza (Manager Planning and Development)

Members of council  
(Refer to note 28 for remuneration etc)

.....  
Mr XS Ngwenya (Executive Mayor)  
Mr TD Ngwenya (Speaker)  
Ms M Kambula (Chief Whip)  
Mr MU Hadebe (Mayoral Committee member)  
Ms NA Mashele (Mayoral Committee member)  
Ms ES Radebe (Mayoral Committee member)  
Ms AA Botha (Council member)  
Ms SP Gwebu (Council member)  
Mr RB Mashele (Council member)  
Mr CV Lello (Council member)  
Ms BS Mabuzza (Council member)  
Mr XD Masina (Council member)  
Mr SM Mondlane (Council member)  
Ms CN Nkosi (Council member)  
Mr JJ Stevens (Council member)

No related parties transactions were incurred by councillors, management and staff of Emakhazeni.

# Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
<b>41. Prior period errors</b>		
Nature	Ref note nr	Restated Amount
1.) Overstated Payables from exchange transaction (Trade payables) and overstated General expenditure (Other Expenditure), due to accidental wrong allocation.	Note 25	170,000
2.) Overstated Provisions and overstated General expenditure (Consulting and Profession Fees), due to lack of information which lead to wrong allocation.	Note 25	30,330
3.) Understated Payables from exchange transactions (Trade payables) and understated General expenditure (Auditors remuneration), due to accidental wrong allocation.	Note 25	(446)
4.) Understated Payables from exchange transactions (Trade payables) and understated Finance cost, due to overlooking of lack of supporting documentation.	Note 32	(302,838)
5.) Understated Payables from exchange transactions (Trade payables) and understated Bulk purchases, due to overlooking of lack of supporting documentation.	Note 36	(518,351)
6.) Understated Payables from exchange transactions (Deferred Revenue) and overstated Other revenue, due to overlooking of lack of supporting documentation.	Note 23	(4,386)
7.) Understated Payables from exchange transactions (Trade payables) and understated Finance cost, due to overlooking of lack of supporting documentation.	Note 32	(831,446)
8.) Understated Payables from exchange transactions (Trade payables) and understated Bulk purchases, due to overlooking of lack of supporting documentation.	Note 36	(1,038,238)
9.) Understated Payables from exchange transactions (Trade payables) and understated Repairs and Maintenance, due to overlooking of lack of supporting documentation.	Statement of Performance	(4,524)
10.) Understated Payables from exchange transactions (Deferred Revenue) and overstated Other revenue, due to overlooking of lack of supporting documentation.	Note 23	(1,557)
11.) Understated Receivables from exchange transactions (Consumer receivables) and understated Other revenue, due to insufficient information available which lead to wrong allocation.	Note 23	4,214
12.) Understated Payables from exchange transactions (Trade payables) and understated General expenditure (Membership fees), due to overlooking of lack of supporting documentation.	Note 25	(1,061,430)
13.) Overstated Payables from exchange transaction (Trade payables) and overstated Repairs and Maintenance, due to a wrong calculation which lead to wrong allocation.	Statement of Performance	5,442
14.) Understated Payables from exchange transactions (Trade payables) and understated General expenditure (Consulting and Professional Fees), due to overlooking of lack of supporting documentation.	Note 25	(27,826)
15.) Understated Receivables from exchange transactions (Other receivables) and understated Other revenue, due to insufficient information available which lead to wrong allocation.	Note 23	15,504
16.) Understate Payables from exchange transactions (Deferred Revenue) and overstated Other revenue, due to insufficient information available which lead to wrong allocation.	Note 23	1,360
17.) Overstated PPE, overstated (Deferred Revenue) and understated Gain on sale of assets, due to insufficient information available which lead to wrong allocation.	Note 4	22,500
18.) Overstated Payables from exchange transactions (Trade) and overstated Expenditure (Repairs and maintenance).	Statement of Performance	88,400
19.) Employee cost classification (Basic salaries) decreased with same amount the Employee cost classification (telephone allowance) increased.	Note 26	-
20.) Employee cost classification (Travel and subsistence) decreased with same amount the general expenditure(transport cost) increased with.	Note 26	-
21.) General expenditure (Auctuarial losses) were wrongly classfied and therefore the Auctuarial losses were reclassified under gains and losses.	Statement of Performance	-
		<b>(3,456,010)</b>

# Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
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### 42. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk), cash flow interest rate risk, credit risk and liquidity risk.

#### Liquidity risk

Emakhazeni manages its liquidity risks by managing its working capital, capital expenditure, external borrowings.

#### Interest rate risk

Emakhazeni is exposed to interest rate risks on its financial liabilities. In the prior financial years the municipality had 11 variable interest bearing finance leases with Wesbank, these leases were repaid and therefore at the end of the financial year there were no interest bearing finance leases. Refer to Appendix A.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

#### Currency risk

Emakhazeni is not exposed to any Currency risks as all transactions are undertaken in Rands.

### 43. Unauthorised expenditure

Unauthorized expenditure for the prior year (non-cash items)	42,960,082	-
Unauthorised expenditure incurred in the current year (non-cash item)	1,309,763	42,960,082
	-	8,799,837
Condoned during the year	(42,960,082)	(8,799,837)
	<b>1,309,763</b>	<b>42,960,082</b>

The unauthorised expenditure for the financial year 2013/2014 was, due to expenditure (non-cash items) which were not budgeted for in the annual and adjustment budget. The line item that created the unauthorized expenditure is the TMT Services expenditure. The TMT services generated more revenue received by ELM than anticipated (which means the revenue budget was exceeded) and therefore the contra transaction for expenditure related to this services exceeded the budget expenditure.

The unauthorised expenditure for the financial year 2012/2013 were condoned by council in the current financial year.

The unauthorised expenditure for the financial year 2012/2013 was, due to expenditure (non-cash items) which were not budgeted for in the annual and adjustment budget. These two items is:

- 1) Depreciation
- 2) Provision Landfill site rehabilitation.

### 44. Fruitless and wasteful expenditure

Opening balance	1,134,283	-
Fruitless and wasteful expenditure incurred during the year	2,161,754	2,390,626
Fruitless and wasteful expenditure condoned during the year	(1,729,787)	(1,256,343)
	<b>1,566,250</b>	<b>1,134,283</b>

The 2013/2014 fruitless and wasteful expenditure were incurred due to interest paid or to be paid to creditors. A draft report on the fruitless and wasteful expenditure have been submitted and condoned, but additional transactions will reflect in the final report and this report will still have to be submitted to council.



# Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
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### 44. Fruitless and wasteful expenditure (continued)

The 2012/2013 fruitless and wasteful expenditure were incurred due to interest paid or to be paid to creditors. The amount of fruitless and wasteful expenditure increase due to prior year error and therefore prior error transactions will still have to be submitted to council.

### 45. Irregular expenditure

Opening balance	1,736,285	-
Add: Irregular Expenditure - current year	3,400,973	2,109,180
Less: Amounts condoned	(3,400,973)	(372,895)
	<b>1,736,285</b>	<b>1,736,285</b>

#### Details of irregular expenditure condoned

	Condoned by Council	
SCM: Less than three quotations obtained	Reported to Section 80 on monthly basis	<u>3,400,973</u>

### 46. Budget differences

#### Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% will be treated as material differences between the final budget and the actual amounts.

1) Fines - the variance is attributable to the fact that the traffic fines collected were more than anticipated for the current year whereby the services of TMT Service were utilised.

2) Income from agency - the variance is attributable to the fact that licencing department collected more money on behalf of the Mpumalanga Provincial Government for Learners licences, Card licences etc, which lead to the municipality earning more revenue for services rendered than anticipated.

3) Rental facilities - the variance is attributable to the fact that the municipality had more clients were renting the community hall more and the escalation incurred in the last months of the financial year.

4) License and Permits - the variance is attributable to the fact that the municipality did not collect the anticipated revenue from trade, dog and angling permits as planned.

5) Commissions received - the variance is attributable to the lower earning of commissions than budgeted for and it seems that actual is on par to prior actuals and the budgeted needed to be reviewed.

6) Other income - actual receipts exceeding budget is due to the movement in long service awards which was not budgeted for as well as sundry revenue receive of which was not budgeted.

7) Public contributions and donations - the variance is attributable to a donation received which was not confirmed at the time of the budget, but which realized.

8) Personnel - the non realising of the budget is due to vacancies that is not yet filled.

9) Administration - due to cash flow circumstances the planned administration cost were not incurred.

10) Debt Impairment - the variance is attributable to the fact that the collection rate on the long outstanding debtors were anticipated to increase, but did not realize due to number of factors and therefore the provision for doubtful debts increase significantly more than budgeted.

11) Repairs and maintenance - due to cash flow circumstances the planned repairs and maintenance were not executed as budgeted.

12) Gain/(loss) on sale of assets - the variance is attributable to lower profit margin than anticipated in the budget as well as less property were sold than anticipated.

# Emakhazeni Local Municipality

Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
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### 46. Budget differences (continued)

13) Gain/(loss) on actuarial valuation - the variance is due to the fact that a loss was budgeted for and instead the actual was a gain.

14) Gain/(loss) on impairment of assets - this was due to the fact that a planned impairment was not planned for, but unforeseen events lead to the impairment of an asset.

### 47. Losses

#### Electricity losses:

	2014	2013
Total sales in KWH	-	32,051,787
Internal usage in KWH	-	2,340,000
Total KWH sales	-	34,391,787
Total KWH Purchased	-	48,439,136
Losses in Kwh	-	14,047,349

#### Electricity losses in Rand

-	7,304,621
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#### Water losses:

	2014	2013
Total production in mega liters	-	3,357
Total sales in mega liters	-	2,640
Total loss in mega liters	-	717

#### Water losses in Rand

-	1,426,830
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### 48. Deviation from procurement processes

Refere to Appendix D for the report on deviation from procurement processes.

**Emakhazeni Local Municipality**  
**Appendix A**  
June 2014

**Schedule of external loans as at 30 June 2013**

Loan Number	Redeemable	Balance at 30	Capitalized	Redeemed/	Balance at 30	Carrying Value	Other Costs in
		June 2013	during the	repayment	June 2014	of Property, Plant & Equip	accordance
		Rand	period	during the	Rand	Rand	with the MFMA
				period			Rand
Lease liability							
		-	-	-	-	-	-
Total external loans							
		-	-	-	-	-	-

# Emakhazeni Local Municipality

## Appendix B

June 2014

### Analysis of property, plant and equipment as at 30 June 2014 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Error: Correction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Error: Correction Rand	Other changes, movements Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>											
Land (Separate for AFS purposes)	68,925,000	-	(12,000)	(72,333)	68,840,667	-	-	-	-	-	68,840,667
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	24,304,023	-	-	-	24,304,023	(3,531,519)	(882,417)	-	-	(4,413,936)	19,890,087
	<b>93,229,023</b>	<b>-</b>	<b>(12,000)</b>	<b>(72,333)</b>	<b>93,144,690</b>	<b>(3,531,519)</b>	<b>(882,417)</b>	<b>-</b>	<b>-</b>	<b>(4,413,936)</b>	<b>88,730,754</b>
<b>Infrastructure</b>											
Roads, Pavements & Bridges and Storm water	267,518,437	-	-	-	267,518,437	(120,109,822)	(31,409,430)	-	-	(151,519,252)	115,999,185
Electricity meters	5,156,154	-	-	-	5,156,154	(1,011,238)	(229,978)	-	-	(1,241,216)	3,914,938
Street lighting	6,839,041	-	-	-	6,839,041	(1,624,928)	(579,389)	-	-	(2,204,317)	4,634,724
Water Reservoirs & Reticulation	73,038,949	5,015,507	-	-	78,054,456	(10,746,985)	(3,127,146)	-	-	(13,874,131)	64,180,325
Water purification	34,875,767	2,550,950	-	-	37,426,717	(6,242,390)	(1,595,262)	-	-	(7,837,652)	29,589,065
Water meters	2,272,737	-	-	-	2,272,737	(749,059)	(303,806)	-	-	(1,052,865)	1,219,872
Electricity Reticulation	37,274,950	-	-	-	37,274,950	(9,946,485)	(2,544,656)	-	-	(12,491,141)	24,783,809
Sewerage purification & Reticulation	83,431,777	-	-	-	83,431,777	(14,949,205)	(3,850,341)	-	-	(18,799,546)	64,632,231
Street names and signs	727,727	-	-	-	727,727	(586,653)	(148,326)	-	-	(734,979)	(7,252)
Work in progress	3,456,040	11,080,088	-	-	14,536,128	-	-	-	-	-	14,536,128
	<b>514,591,579</b>	<b>18,646,545</b>	<b>-</b>	<b>-</b>	<b>533,238,124</b>	<b>(165,966,765)</b>	<b>(43,788,334)</b>	<b>-</b>	<b>-</b>	<b>(209,755,099)</b>	<b>323,483,025</b>
<b>Community Assets</b>											
Parks & grounds	27,000	-	-	-	27,000	-	-	-	-	-	27,000

# Emakhazeni Local Municipality

## Appendix B

June 2014

### Analysis of property, plant and equipment as at 30 June 2014 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Error: Correction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Error: Correction Rand	Other changes, movements Rand	Closing Balance Rand	Carrying value Rand
Sportfields	1,615,830	-	-	-	1,615,830	(32,027)	(7,335)	-	-	(39,362)	1,576,468
Community centers and churches	7,078,658	-	-	-	7,078,658	(343,595)	(244,420)	-	-	(588,015)	6,490,643
Libraries	1,786,103	-	-	-	1,786,103	(176,151)	(7,335)	-	-	(183,486)	1,602,617
Hostels	17,635,285	-	-	-	17,635,285	(2,562,190)	(586,776)	-	-	(3,148,966)	14,486,319
Schools	11,441,807	-	-	-	11,441,807	(1,409,205)	(352,000)	-	-	(1,761,205)	9,680,602
Cemeteries	3,464,308	-	-	-	3,464,308	-	-	-	-	-	3,464,308
Fire stations	731,171	-	-	-	731,171	(15,277)	(17,706)	-	-	(32,983)	698,188
Driver and vehicle	1,155,216	-	-	-	1,155,216	(168,143)	(38,507)	-	-	(206,650)	948,566
Testing											
Taxi ranks	533,002	-	-	-	533,002	(1,602)	(367)	-	-	(1,969)	531,033
	<b>45,468,380</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,468,380</b>	<b>(4,708,190)</b>	<b>(1,254,446)</b>	<b>-</b>	<b>-</b>	<b>(5,962,636)</b>	<b>39,505,744</b>

# Emakhazeni Local Municipality

## Appendix B

June 2014

### Analysis of property, plant and equipment as at 30 June 2014 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Error: Correction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Error: Correction Rand	Other changes, movements Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>											
War Cemeteries	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	7,679,431	1,061,181	-	-	8,740,612	(2,835,066)	(711,032)	-	-	(3,546,098)	5,194,514
Machinery & equipment	367,701	22,818	-	-	390,519	(33,137)	(13,399)	-	-	(46,536)	343,983
IT Equipment	2,860,208	20,357	-	-	2,880,565	(1,607,746)	(331,002)	-	-	(1,938,748)	941,817
Office Furniture and Equipment	3,658,386	42,315	-	-	3,700,701	(1,948,657)	(408,824)	-	-	(2,357,481)	1,343,220
Heavy Duty Vehicles	17,223,841	1,040,781	-	-	18,264,622	(8,560,663)	(1,318,927)	-	-	(9,879,590)	8,385,032
Trailers and Accessories	280,000	-	-	-	280,000	(168,135)	(24,500)	-	-	(192,635)	87,365
Domestic and Hostel furniture	338,195	-	-	-	338,195	(144,268)	(26,125)	-	-	(170,393)	167,802
Other	1,481,929	88,400	-	-	1,570,329	(708,104)	(178,089)	-	-	(886,193)	684,136
<b>Total property plant and equipment</b>	<b>33,889,691</b>	<b>2,275,852</b>	<b>-</b>	<b>-</b>	<b>36,165,543</b>	<b>(16,005,776)</b>	<b>(3,011,898)</b>	<b>-</b>	<b>-</b>	<b>(19,017,674)</b>	<b>17,147,869</b>
Land and buildings	93,229,023	-	(12,000)	(72,333)	93,144,690	(3,531,519)	(882,417)	-	-	(4,413,936)	88,730,754
Infrastructure	514,591,579	18,646,545	-	-	533,238,124	(165,966,765)	(43,788,334)	-	-	(209,755,099)	323,483,025
Community Assets	45,468,380	-	-	-	45,468,380	(4,708,190)	(1,254,446)	-	-	(5,962,636)	39,505,744
Heritage assets	-	-	-	-	-	-	-	-	-	-	-
Other assets	33,889,691	2,275,852	-	-	36,165,543	(16,005,776)	(3,011,898)	-	-	(19,017,674)	17,147,869
<b>Intangible assets</b>	<b>687,178,673</b>	<b>20,922,397</b>	<b>(12,000)</b>	<b>(72,333)</b>	<b>708,016,737</b>	<b>(190,212,250)</b>	<b>(48,937,095)</b>	<b>-</b>	<b>-</b>	<b>(239,149,345)</b>	<b>468,867,392</b>

**Emakhazeni Local Municipality**  
**Appendix B**  
June 2014

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation**  
**Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Error: Correction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Error: Correction Rand	Other changes, movements Rand	Closing Balance Rand	Carrying value Rand
Computers - software	1,746,806	170,000	-	(50,010)	1,866,796	(1,119,726)	(259,229)	-	35,253	(1,343,702)	523,094
	<b>1,746,806</b>	<b>170,000</b>	<b>-</b>	<b>(50,010)</b>	<b>1,866,796</b>	<b>(1,119,726)</b>	<b>(259,229)</b>	<b>-</b>	<b>35,253</b>	<b>(1,343,702)</b>	<b>523,094</b>
Investment properties											
Investment property	34,985,694	-	-	-	34,985,694	(229,636)	(45,755)	-	-	(275,391)	34,710,303
	<b>34,985,694</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,985,694</b>	<b>(229,636)</b>	<b>(45,755)</b>	<b>-</b>	<b>-</b>	<b>(275,391)</b>	<b>34,710,303</b>
Total											
Land and buildings	93,229,023	-	(12,000)	(72,333)	93,144,690	(3,531,519)	(882,417)	-	-	(4,413,936)	88,730,754
Infrastructure	514,591,579	18,646,545	-	-	533,238,124	(165,966,765)	(43,788,334)	-	-	(209,755,099)	323,483,025
Community Assets	45,468,380	-	-	-	45,468,380	(4,708,190)	(1,254,446)	-	-	(5,962,636)	39,505,744
Heritage assets	-	-	-	-	-	-	-	-	-	-	-
Other assets	33,889,691	2,275,852	-	-	36,165,543	(16,005,776)	(3,011,898)	-	-	(19,017,674)	17,147,869
Intangible assets	1,746,806	170,000	-	(50,010)	1,866,796	(1,119,726)	(259,229)	-	35,253	(1,343,702)	523,094
Investment properties	34,985,694	-	-	-	34,985,694	(229,636)	(45,755)	-	-	(275,391)	34,710,303
	<b>723,911,173</b>	<b>21,092,397</b>	<b>(12,000)</b>	<b>(122,343)</b>	<b>744,869,227</b>	<b>(191,561,612)</b>	<b>(49,242,079)</b>	<b>-</b>	<b>35,253</b>	<b>(240,768,438)</b>	<b>504,100,789</b>

**Emakhazeni Local Municipality**

**Appendix C**

**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**

June 2014

Name of Grants		Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	
Equitable Share		16,055,694	12,844,755	9,634,551	-	10,829,000	14,861,000	3,211,250	9,633,750	Yes
Municipal Systems Improvement		890,000	-	-	-	25,950	15,068	19,088	829,894	Yes
Financial Management		1,550,000	-	-	-	1,084,735	336,813	65,501	62,951	Yes
Municipal Infrastructure		5,790,000	7,532,000	-	-	220,616	1,431,079	9,591,089	2,079,216	Yes
Integrated National Electrification Programme		-	-	-	-	-	-	-	-	Yes
Expanded Public Works Programme		400,000	300,000	300,000	-	297,484	295,259	253,310	153,947	Yes
Incentive Grant										
		24,685,694	20,676,755	9,934,551	-	12,457,785	16,939,219	13,140,238	12,759,758	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.



## APPENDIX D

### DEVIATION FROM PROCUREMENT PROCESSES

NO	NAME OF SERVICE PROVIDER	ACCOUNT TYPE	REASON FOR DEVIATION	AMOUNT PAID (R)
1	BABCOCK INTERNATIONAL GROUP	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 8 606. 58
2	BARLOWORLD TOYOTA MIDDELBURG	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 12 996. 00
3	BELL EQUIPMENT SALES SA LIMITED	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 23 201. 50
4	BELL EQUIPMENT SALES SA LIMITED	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 22 655. 29
5	BELL EQUIPMENT SALES SA LIMITED	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 22 020. 18
6	BELL EQUIPMENT SALES SA LIMITED	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 9 377. 04
7	CONLOG (PTY) LTD	REPLACEMENT OF METER	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 93 963. 36
8	DEPERTMENT OF SAFETY, SECURITY AND LIASON	BOOKS & ORDINANCES	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 14 072. 10
9	FZ PROIJECTS	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 130 158.27
10	GOVERNMENT PRINTING WORKS	IMPLEMENTATION OF MP	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 3 267. 30
11	IHHASHI ELEMPLOPHE SECURITY SERVICES	SECURITY	EMERGENCY	R288 000. 00
12	KEMACH EQUIPMENT (PTY)LTD	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 67 317. 80
13	MAGNA BUSINESS CONSULTING (PTY) LTD	BOOKS & ORDINANCES	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 25 479. 00
14	MUNSOFT (PTY) LTD	CASEWARE	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 93 708. 00
15	MUNSOFT (PTY) LTD	INTERN CAP: FURNITURE	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 14 820. 00

16	OH FREWIN	PRINTING & STATIONERY	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 11 949. 48
17	REPUBLIC BUS & TRUCK CC	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 5 525. 44
18	REPUBLIC BUS & TRUCK CC	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 5 525. 44
19	REPUBLIC BUS & TRUCK CC	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 5 525. 44
20	REPUBLIC BUS & TRUCK CC	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 5 525. 44
21	SALVATION ARMY		EMPLOYEE DEDUCTION	R 2 000. 00
22	SOFTLINE VIP	PRINTING & STATIONERY	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 6 354. 36
23	STOLS HYDRAULIC SERVICES CC	REPAIR OF MACHINERY & EQUIP	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 45 214. 68
24	SOLLY'S MIDDELBURG	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 7 046. 91
25	SOLLY'S MIDDELBURG	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 4 291. 15
26	SOLLY'S MIDDELBURG	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 6 177. 73
27	SOLLY'S MIDDELBURG	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R106 688. 47
28	TOMCO ELECTRICAL AND MECHANICAL ENGINEERING (PTY)LTD	MAINTENANCE TRANSFOR	EMERGENCY	R 25 650. 00
29	MBALI DLAMINI	MAYORAL FUND	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 3 000. 00
30	SOFTLINE VIP	PRINTING & STATIONARY	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 6 354. 36
31	RETROSPECTIVE WATER CARE CC	RETICULATION NETWORK	EMERGENCY	R 20 316. 93
32	BABCOCK INTERNATIONAL GROUP	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 8 606. 58
33	CONLOG (PTY)LTD	REPLACEMENT OF METER	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 93 963. 36

34	BELFAST TOTAL	FUEL AND OIL	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 2 157 954.78
35	BELFAST ROYAL HOTEL	TRAVEL AND SUBSISTENCE	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 43 660. 00
			<b>TOTAL</b>	<b>R3 400 972. 97</b>