

[These financial statements have not been audited]

**ANNUAL FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED  
**30 JUNE 2016**

# EMALAHLENI MUNICIPALITY

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# EMALAHLENI MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### GENERAL INFORMATION

#### NATURE OF BUSINESS

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

#### COUNTRY OF ORIGIN AND LEGAL FORM

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

#### JURISDICTION

The Emalahleni Municipality includes the following towns and surrounding rural areas:

*Dordrecht  
Indwe  
Lady Frere*

#### MUNICIPAL MANAGER

Dr. S. W. Vatala

#### CHIEF FINANCIAL OFFICER

*GP De Jager*

#### REGISTERED OFFICE

*Emalahleni Municipality; 37 Indwe Road; Lady Frere; 5410*

#### AUDITORS

*Office of the Auditor General*

#### PRINCIPLE BANKERS

*Standard Bank; 92 Cathcart RD; Queenstown; 5320*

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

# EMALAHLENI MUNICIPALITY

## MEMBERS OF THE EMALAHLENI MUNICIPALITY

### COUNCILLORS

1 Nyukwana, N.	Mayor	ANC	Mayor Ward 8
2 Lali, N.	Speaker	ANC	Speaker Ward 13
3 Liwani, S.	Chief Whip	ANC	Executive Committee Ward 6
4 Kalolo, D.S.	Executive Committee	ANC	Executive Committee Ward 7
5 Kulashe, T.	Executive Committee	ANC	Executive Committee Ward 11
6 Twala, B.P.	Executive Committee	ANC	Executive Committee Ward 10
7 Nkasela, K.	Executive Committee part time	ANC	Executive Committee Ward 2
8 Mooi, L.	Chairperson of Section 79 Committee	ANC	Ward Councillor 2
9 Koni, N.F.	Councillor	ANC	Ward Councillor 1
10 Ziduli, N.	Councillor	ANC	Ward Councillor 3
11 Bobotyana, H.C.	Councillor	ANC	Ward Councillor 4
12 Mapete, P.	Councillor	ANC	Ward Councillor 5
13 Qashani, N.	Councillor	ANC	Ward Councillor 6
14 Peter, N.	Councillor	ANC	Ward Councillor 7
15 Nobaza, P.	Councillor	ANC	Ward Councillor 8
16 Dudumashe, T.R.	Councillor	ANC	Ward Councillor 9
17 Gwegwana, L.	Councillor	ANC	Ward Councillor 10
18 Teka, Z.H.	Councillor	ANC	Ward Councillor 11
19 Dyonase, Z.	Councillor	ANC	Ward Councillor 12
20 Kraqa, N.	Councillor	ANC	Ward Councillor 13
21 Godla, M.	Councillor	ANC	Ward Councillor 14
22 Mnyuko, S.	Councillor	ANC	Ward Councillor 15
23 Komani, B.	Councillor	ANC	Ward Councillor 16
24 Papiso, Z.	Councillor	ANC	Proportional Ward 17
25 Jordaan, V.	Councillor	ANC	Proportional Ward 4
26 Dlikilli, N.	Councillor	UDM	Proportional Ward 14
27 Holana, N.	Councillor	ANC	Proportional Ward 17
28 Ndelela, T.R.	Councillor	DA	Proportional Ward 12
29 Mjezu, K.	Councillor	UDM	Proportional Ward 10
30 Greyling, P.	Councillor	DA	Proportional Ward 14
31 Mketsu, Z.	Councillor	COPE	Proportional Ward 5
32 Kwatshana, T.	Councillor	PAM	Proportional Ward 16
33 Sixishe, TD.	Councillor	ANC	Proportional Ward 3
34 Boklaini, SN	Councillor	ANC	Proportional Ward 10

## APPROVAL OF FINANCIAL STATEMENTS


I am responsible for the preparation of these annual financial statements year ended 30 June 2015, which are set out on pages 1 to 54 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2016 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

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

  
\_\_\_\_\_  
Dr. S. W. Vataala  
ACCOUNTING OFFICER

30 AUGUST 2015  
Date

**EMALAHLENI MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

	Notes	2016 R	2015 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>410 145 516</b>	<b>406 169 906</b>
Accumulated Surplus/(Deficit)		410 145 516	406 169 906
<b>Non-Current Liabilities</b>		<b>7 000 234</b>	<b>6 241 284</b>
Long-term Liabilities	2	295 485	546 924
Employee benefits	3	6 704 748	5 694 360
Non-Current Provisions	4	(0)	0
<b>Current Liabilities</b>		<b>40 974 839</b>	<b>37 201 143</b>
Current Employee benefits	5	7 129 458	7 097 272
Provisions	4	10 525 917	11 514 635
Payables from exchange transactions	6	21 809 158	17 977 075
Unspent Conditional Government Grants and Receipts	7	1 157 442	348 701
Current Portion of Long-term Liabilities	2	352 864	263 459
<b>Liabilities associated with Discontinued Operations</b>	<b>48.1</b>		<b>2 265 864</b>
<b>Total Net Assets and Liabilities</b>		<b>458 120 588</b>	<b>451 878 197</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>412 848 269</b>	<b>395 298 224</b>
Property, Plant and Equipment	9	408 287 626	388 475 177
Investment Property	10	4 247 340	6 433 760
Capitalised Restoration cost	11	-	-
Intangible Assets	12	130 767	206 751
Heritage Assets	13	182 536	182 536
<b>Current Assets</b>		<b>45 272 319</b>	<b>56 579 971</b>
Receivables from exchange transactions	14	7 469 630	18 389 276
Receivables from non-exchange transactions	15	2 826 452	4 192 596
Unpaid Conditional Government Grants and Receipts	7	-	-
Operating Lease Asset	16	82 746	77 416
VAT	8	6 597 929	2 144 284
Cash and Cash Equivalents	17	28 295 562	31 776 400
<b>Total Assets</b>		<b>458 120 588</b>	<b>451 878 197</b>

EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 Actual R	2015 Restated R	2015 Correction of Error R	2015 Previously reported R
<b>REVENUE</b>					
Revenue from Non-exchange Transactions		181 677 990	148 389 883	-	148 389 883
Taxation Revenue		3 744 290	3 719 278	-	3 719 278
Property rates	18	3 744 290	3 719 278	-	3 719 278
Transfer Revenue		175 804 259	143 279 952	-	143 279 952
Government Grants and Subsidies - Capital	19	30 614 700	30 399 227	-	30 399 227
Government Grants and Subsidies	19	145 189 559	112 880 725	-	112 880 725
Other Revenue		2 129 440	1 390 653	-	1 390 653
Actuarial Gains		164 568	926 454	-	926 454
Reversal of Impairment		635 644	10 341	-	10 341
Reversal of contribution landfill site rehabilitation cost		988 718	-	-	-
Fines		81 510	107 783	-	107 783
Contributed Assets		259 000	346 075	-	346 075
Revenue from Exchange Transactions		22 462 553	22 244 529	-	22 244 529
Service Charges	20	11 598 216	11 179 543	-	11 179 543
Rental of Facilities and Equipment		739 596	720 791	-	720 791
Interest Earned - external investments	21	3 846 124	3 349 949	-	3 349 949
Interest Earned - outstanding debtors	21	4 632 959	3 929 602	-	3 929 602
Licences and Permits		444 382	462 097	-	462 097
Agency Services		58 723	65 702	-	65 702
Other Income	22	782 563	2 536 845	-	2 536 845
Gain on disposal of Property, Plant and Equipment		359 990	-	-	-
<b>Total Revenue</b>		<b>204 140 543</b>	<b>170 634 411</b>	<b>-</b>	<b>170 634 411</b>
<b>EXPENDITURE</b>					
Employee related costs	23	53 213 170	42 787 564	4 955	42 782 608
Remuneration of Councillors	24	10 884 836	10 103 758	-	10 103 758
Debt Impairment	25	7 787 477	13 567 042	-	13 567 042
Depreciation and Amortisation	26	22 801 615	23 007 507	940 990	22 066 517
Impairments	10,11,12	-	9 247 688	-	9 247 688
Repairs and Maintenance	28	7 019 692	5 285 970	202 671	5 083 299
Finance Charges	27	622 053	786 929	-	786 929
Bulk Purchases	29	15 628 893	14 809 208	-	14 809 208
Contracted services		4 822 446	5 614 118	49 728	5 564 390
Other Operating Grant Expenditure	30	28 906 458	23 215 456	155 000	23 060 456
General Expenses	31	41 553 053	34 569 792	997 937	33 571 856
Loss on disposal of Property, Plant and Equipment		9 191 107	1 147 498	-	1 147 498
<b>Total Expenditure</b>		<b>202 430 798</b>	<b>184 142 530</b>	<b>2 351 280</b>	<b>181 791 250</b>
Discontinued Operations	48.2	(2 265 864)	-	-	-
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>3 975 608</b>	<b>(13 508 119)</b>	<b>(2 351 280)</b>	<b>(11 156 838)</b>

# EMALAHLENI MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Accumulated Surplus/(Deficit)	Total
	R	R
<b>Balance at 1 JULY 2014</b>	<b>469 543 323</b>	<b>469 543 323</b>
Correction of errors	(49 865 298)	(49 865 298)
<b>Restated Balance at 1 JULY 2014</b>	<b>419 678 025</b>	<b>419 678 025</b>
Net Deficit for the year	(13 508 119)	(13 508 119)
<b>Balance at 30 JUNE 2015</b>	<b>406 169 906</b>	<b>406 169 906</b>
Net Surplus for the year	3 975 608	3 975 608
<b>Balance at 30 JUNE 2016</b>	<b>410 145 514</b>	<b>410 145 514</b>

# EMALAHLENI MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Notes	30 JUNE 2016 R	30 JUNE 2015 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		23 739 723	(1 107 620)
Government - operating	19	145 189 559	112 880 721
Government - capital	19	30 614 700	28 981 271
Interest		8 479 083	7 279 551
<b>Payments</b>			
Suppliers		(104 144 665)	(78 877 391)
Employees	23	(47 904 202)	(40 841 931)
Councillors	24	(10 884 836)	(10 103 751)
Finance charges	28	(120 034)	(57 781)
<b>Cash generated by operations</b>	33	<u>44 969 328</u>	<u>18 153 061</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	13	(48 503 117)	(36 827 581)
Proceeds on disposal of PPE		359 989	
Purchase of Heritage Assets		-	(58 531)
Purchase of Intangible Assets	12	(10 950)	(70 061)
<b>Net Cash from Investing Activities</b>		<u>(48 154 078)</u>	<u>(36 956 181)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(296 088)	(413 721)
(Decrease)/Increase in Consumer Deposits		-	
<b>Net Cash from Financing Activities</b>		<u>(296 088)</u>	<u>(413 721)</u>
<b>NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(3 480 837)</u>	<u>(19 216 851)</u>
Cash and Cash Equivalents at the beginning of the year		31 776 400	50 993 251
Cash and Cash Equivalents at the end of the year	34	28 295 562	31 776 400
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>(3 480 838)</u>	<u>(19 216 851)</u>

**EMALAHLENI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2016 R	2016 R	2016 R	
	(Actual)	(Final Budget)	(Variance)	%
<b>ASSETS</b>				
Current assets				
Cash	2 272 122		2 272 122	
Call investment deposits	26 023 440	16 578 000	9 445 440	56.98%
Consumer debtors	7 469 630	25 831 000	(18 361 370)	-71.08%
Other Receivables	9 507 127	2 285 000	7 222 127	316.07%
Inventory				
<b>Total current assets</b>	<b>45 272 319</b>	<b>44 694 000</b>	<b>578 319</b>	
Non current assets				
Investment property	4 247 340	6 434 000	(2 186 660)	-33.95%
Property, plant and equipment	408 287 626	464 801 000	(56 513 374)	-12.18%
Intangible Assets	130 767	104 000	26 767	25.74%
Heritage Assets	182 536	183 000	(464)	100.00%
<b>Total non current assets</b>	<b>412 848 269</b>	<b>471 621 000</b>	<b>(58 772 731)</b>	
<b>TOTAL ASSETS</b>	<b>458 120 588</b>	<b>516 315 000</b>	<b>(58 194 412)</b>	
<b>LIABILITIES</b>				
Current liabilities				
Borrowing	352 864	250 000	102 864	100.00%
Trade and other payables	22 966 600	20 099 000	2 867 600	14.27%
Provisions and Employee Benefits	17 655 375	20 564 000	(2 908 625)	-14.14%
<b>Total current liabilities</b>	<b>40 974 839</b>	<b>40 913 000</b>	<b>61 839</b>	
Non current liabilities				
Borrowing	285 485	300 000	(4 515)	-1.50%
Provisions and Employee Benefits	6 704 748	5 517 000	1 187 748	21.53%
<b>Total non current liabilities</b>	<b>7 000 234</b>	<b>5 817 000</b>	<b>1 183 234</b>	
<b>TOTAL LIABILITIES</b>	<b>47 975 072</b>	<b>46 730 000</b>	<b>1 245 072</b>	
<b>NET ASSETS</b>	<b>410 145 516</b>	<b>469 585 000</b>	<b>(59 439 484)</b>	<b>-12.66%</b>
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	410 145 516	469 585 000	(59 439 484)	-12.66%
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>410 145 516</b>	<b>469 585 000</b>	<b>(59 439 484)</b>	<b>-0</b>

Explanations for material variances more than 10% of a specific line-item with a minimum of R2 million

**EMALAHLENI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

**ADJUSTMENTS TO APPROVED BUDGET**

	2016 R	2016 R	2016 R	%	Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million
	(Approved Budget)	(Adjustments)	(Final Budget)		
<b>ASSETS</b>					
Current assets					
Cash	577 000	(577 000)		-100%	
Call investment deposits	20 579 000	(4 001 000)	16 578 000	-19%	
Consumer debtors	5 437 000	20 384 000	25 821 000	375%	
Other Receivables	5 385 000	(3 080 000)	2 305 000	-57%	
Inventory	650 000	(650 000)		-100%	
<b>Total current assets</b>	<b>32 608 000</b>	<b>12 086 000</b>	<b>44 694 000</b>		
Non current assets					
Investment property	8 394 000	(1 960 000)	6 434 000	-23%	
Property, plant and equipment	457 164 000	7 737 000	464 901 000	2%	
Intangible Assets	88 000	16 000	104 000	18%	
Other Assets	-		183 000	100%	
<b>Total non current assets</b>	<b>485 646 000</b>	<b>5 793 000</b>	<b>471 821 000</b>		
<b>TOTAL ASSETS</b>	<b>498 254 000</b>	<b>17 879 000</b>	<b>516 315 000</b>		
<b>LIABILITIES</b>					
Current liabilities					
Trade and other payables	9 875 000	10 224 000	20 099 000	104%	
Provisions and Employee Benefits	7 288 000	13 296 000	20 584 000	183%	
Borrowing	-		250 000	100%	
<b>Total current liabilities</b>	<b>17 143 000</b>	<b>23 520 000</b>	<b>40 913 000</b>		
Non current liabilities					
Borrowing	551 000	(251 000)	300 000	-46%	
Provisions and Employee Benefits	9 446 000	(3 929 000)	5 517 000	-42%	
<b>Total non current liabilities</b>	<b>9 997 000</b>	<b>(4 180 000)</b>	<b>5 817 000</b>		
<b>TOTAL LIABILITIES</b>	<b>27 140 000</b>	<b>19 340 000</b>	<b>46 730 000</b>		
<b>NET ASSETS</b>	<b>471 114 000</b>	<b>(1 461 000)</b>	<b>469 585 000</b>	0%	
<b>COMMUNITY WEALTH</b>					
Accumulated Surplus/(Deficit)	471 114 000	(1 529 000)	469 585 000	0%	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>471 114 000</b>	<b>(1 529 000)</b>	<b>469 585 000</b>	<b>(0)</b>	

**EMALAHLENI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2016 R	(Actual)	2016 R	(Adjustment Budget)	2016 R	(Variance)	2016 R	Special Adjustments / Unforeseen & Unavoidable	2016 R	(Final Budget)	(Variance)	2016 R	%
<b>REVENUE BY SOURCE</b>													
Property rates	3 744 290		3 443 000		301 290		-		-				8.0%
Service charges	11 598 216		11 530 000		68 216		-		-				0.6%
Rental of facilities and equipment	739 596		733 000		6 596		-		-				0.9%
Interest earned - external investments	3 846 124		3 399 000		447 124		-		-				11.6%
Interest earned - outstanding debtors	4 632 559		4 114 000		518 559		-		-				11.2%
Fines	81 510		119 000		(37 490)		-		-				-46.0%
Licences and permits	444 382		822 000		(377 618)		-		-				-85.0%
Agency services	58 723		74 000		(15 277)		-		-				-26.0%
Government Grants and Subsidies - Operating	145 189 559		145 427 000		(237 441)		-		-				-0.2%
Other revenue	988 718		643 000		345 718		-		-				59.4%
Reversal of contribution landfill site rehabilitation cost	359 890		410 000		(50 010)		-		-				0.0%
Gain on disposal of Property, Plant and Equipment	259 000		-		259 000		-		-				-13.9%
Contributed Assets											259 000		
<b>Total Operating Revenue</b>	<b>173 525 843</b>		<b>170 716 000</b>		<b>2 809 843</b>		<b>-</b>		<b>-</b>		<b>259 000</b>		
<b>EXPENDITURE BY TYPE</b>													
Employee related costs	53 213 170		54 765 000		(1 551 830)		-		-				-2.9%
Remuneration of councillors	10 884 836		10 895 000		(11 164)		-		-				-0.1%
Debt impairment	7 787 477		2 300 000		5 487 477		-		-				70.5%
Depreciation & asset impairment	22 801 615		24 432 000		(1 630 385)		-		-				-7.2%
Finance charges	622 053		500 000		122 053		-		-				19.6%
Bulk purchases	15 628 893		18 040 000		(2 411 107)		-		-				-15.4%
Contracted services	4 822 446		3 960 000		862 446		-		-				17.5%
Other expenditure	77 479 202		86 374 000		(8 894 798)		-		-				-11.5%
Loss on disposal of PPE	9 191 107		-		9 191 107		-		-				
<b>Total Operating Expenditure</b>	<b>202 430 796</b>		<b>201 289 000</b>		<b>1 141 796</b>		<b>-</b>		<b>-</b>		<b>9 191 107</b>		<b>0.6%</b>
<b>Operating Deficit for the year</b>	<b>(28 904 956)</b>		<b>(30 573 000)</b>		<b>1 668 044</b>		<b>-</b>		<b>-</b>		<b>(8 932 107)</b>		<b>-5.8%</b>
Government Grants and Subsidies - Capital	30 614 700		30 615 000		(300)		-		-				0.0%
<b>Net Surplus for the year</b>	<b>1 709 744</b>		<b>42 000</b>		<b>1 667 744</b>		<b>-</b>		<b>-</b>		<b>21 682 593</b>		<b>97.5%</b>

Explanations for material variances more than 10% of a specific line-item with a minimum of R2 million

## ADJUSTMENTS TO APPROVED BUDGET

[illegible]

**EMALAHLENI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2016 R	2016 R	2016 R	
	(Actual)	(Final Budget)	(Variance)	%
				Explanations for material variances more than 10% of a specific line-item with a minimum of R1 million
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Receipts				
Ratepayers and other	23 739 723	8 681 000	15 058 723	173%
Government - operating	145 189 559	145 427 000	(237 441)	0%
Government - capital	30 614 700	30 615 000	(300)	0%
Interest	8 479 083	7 513 000	966 083	13%
Payments				
Suppliers and Employees	(162 933 703)	(157 136 000)	(5 797 703)	4%
Finance charges	(120 034)	(500 000)	379 966	-76%
Transfers and Grants	-	-	-	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>44 989 328</b>	<b>34 600 000</b>	<b>-</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments				
Capital assets	(48 154 078)	(49 537 000)	1 382 922	-3%
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(48 154 078)</b>	<b>(49 537 000)</b>	<b>1 382 922</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments				
Repayment of borrowing	(296 088)	(260 000)	(36 088)	14%
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(296 088)</b>	<b>(260 000)</b>	<b>-36 088</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(3 480 838)</b>	<b>(15 198 000)</b>	<b>1 346 834</b>	
Cash and Cash Equivalents at the beginning of the year	31 776 400	31 776 000	400	0%
Cash and Cash Equivalents at the end of the year	28 295 562	16 578 000	11 717 562	71%

**EMALAHLENI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

**ADJUSTMENTS TO APPROVED BUDGET**

	2016 R	2016 R	2016 R	
	(Approved Budget)	(Adjustments)	(Final Budget)	%
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Receipts				
Ratepayers and other	25 733 000	(17 052 000)	8 681 000	-66%
Government - operating	143 753 000	1 674 000	145 427 000	1%
Government - capital	30 615 000	-	30 615 000	0%
Interest	4 867 000	2 646 000	7 513 000	54%
Payments				
Suppliers and Employees	(146 080 000)	(11 056 000)	(157 136 000)	8%
Finance charges	(730 000)	230 000	(500 000)	-32%
Transfers and Grants	(28 390 000)	28 390 000	-	-100%
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>29 768 000</b>	<b>4 832 000</b>	<b>34 600 000</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments				
Capital assets	(42 515 000)	(7 022 000)	(49 537 000)	17%
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(42 515 000)</b>	<b>(7 022 000)</b>	<b>(49 537 000)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments				
Repayment of borrowing	(5 000)	(255 000)	(260 000)	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(5 000)</b>	<b>(255 000)</b>	<b>(260 000)</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(12 752 000)</b>	<b>(2 445 000)</b>	<b>(15 198 000)</b>	
Cash and Cash Equivalents at the beginning of the year	33 908 000	(2 132 000)	31 776 000	-6%
Cash and Cash Equivalents at the end of the year	21 156 000	(4 578 000)	16 578 000	-22%

## **1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

### **1.1. BASIS OF PREPARATION**

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

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

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

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

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

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

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

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

### **1.2. PRESENTATION CURRENCY**

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

### **1.3. GOING CONCERN ASSUMPTION**

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

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#### **1.4. COMPARATIVE INFORMATION**

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

#### **1.5 AMENDED DISCLOSURE POLICY**

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

#### **1.6. MATERIALITY**

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

#### **1.7. PRESENTATION OF BUDGET INFORMATION**

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

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

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

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

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

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

**EMALAHLENI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2015/16 financial year.

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

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

**EMALAHLENI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	<p>functions between entities not under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.</p>	
<b>GRAP 107</b> <b>(Original – Nov 2010)</b>	<p><b>Mergers</b></p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions and no such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2015</b>
<b>GRAP 108</b> <b>(Original – Sept 2013)</b>	<p><b>Statutory Receivables</b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	<b>Unknown</b>
<b>IGRAP 11</b>	<p><b>Consolidation - Special Purpose Entities (SPE)</b></p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	<b>1 April 2015</b>
<b>IGRAP 12</b>	<p><b>Jointly Controlled Entities non-monetary contributions</b></p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	<b>1 April 2015</b>

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

**1.9. LEASES**

**1.9.1 Municipality as Lessee**

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

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

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

#### **1.9.2 Municipality as Lessor**

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

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

#### **1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

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

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

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

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

#### **1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

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

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

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

#### **1.12. PROVISIONS**

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

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

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

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

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

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

### **1.13. EMPLOYEE BENEFITS**

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

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

#### **1.13.1 Post-Retirement Medical Obligations**

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

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

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance

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in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**1.13.2 Long Service Awards**

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

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

**1.13.3 Staff Leave accrued**

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

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Unused leave is being capped at 48 days.

Accumulated leave is vesting.

**1.13.4 Staff Bonuses Accrued**

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

**1.13.5 Provision for Performance Bonuses**

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

**1.13.6 Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors.

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

The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

#### **1.13.7 Other Short-term Employee Benefits**

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

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

#### **1.14. BORROWING COSTS**

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

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

#### **1.15. PROPERTY, PLANT AND EQUIPMENT**

##### **1.15.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

**1.15.2 Subsequent Measurement – Cost Model**

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

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

**1.15.3 Depreciation and Impairment**

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

The annual depreciation rates are based on the following estimated useful lives:

**EMALAHLENI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

<b>Asset Class</b>	<b>Asset Sub-grouping</b>	<b>Useful Life (Yrs)</b>
Land	None	Indefinite
Buildings	None	20 - 100
Infrastructure	Landfill Site	10 – 100
	Electricity	2 – 75
	Water	12 – 182
	Roads	2 – 103
	Security Measures	5 – 50
Community Assets	Cemetries & Fencing	10 – 100
	Halls	90 - 100
	Library	90 - 100
	Buildings Other	20 – 100
	Parks and Gardens	10 - 50
	Recreation	5 - 100
Leased Asset	None	1 - 13
Heritage	None	Indefinite
Other Assets	Computer Hardware	2 – 15
	Plant and Equipment	1 – 20
	Furniture and Other Office Equipment	2 – 35
	Vehicles and Specialised Vehicles	2 – 55

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

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

#### **1.15.4 De-recognition**

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

#### **1.15.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2010.

### **1.16. INTANGIBLE ASSETS**

#### **1.16.1 Initial Recognition**

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

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

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

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

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

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

Intangible assets are initially recognised at cost.

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

#### **1.16.2 Subsequent Measurement – Cost Model**

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

#### **1.16.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<b><u>Intangible Assets</u></b>	<b><u>Years</u></b>
Computer Software	2 - 10
Computer Software Licenses	2 - 10

**1.16.4 De-recognition**

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

**1.16.5 Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2010.

**1.17. INVESTMENT PROPERTY****1.17.1 Initial Recognition**

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

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

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied

property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### **1.17.2 Subsequent Measurement – Cost Model**

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

#### **1.17.3 Depreciation and Impairment – Cost Model**

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

<u>Investment Property</u>	<u>Years</u>
Buildings	20 - 100

#### **1.17.4 De-recognition**

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

#### **1.17.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

### **1.18. HERITAGE ASSETS**

#### **1.18.1 Initial Recognition**

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

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

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

**1.18.2 Subsequent Measurement – Cost Model**

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

**1.18.3 Depreciation and Impairment**

Heritage assets are not depreciated

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

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

**1.18.4 De-recognition**

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

**1.18.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

**1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.19.1 Cash-generating assets**

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

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

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

- (a) External sources of information

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

(b) Internal sources of information

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

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur

when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable

amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### **1.19.2 Non-cash-generating assets**

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

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

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

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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

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

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

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

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

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

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

## **1.20. INVENTORIES**

### **1.20.1 Initial Recognition**

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

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

**1.20.2 Subsequent Measurement**

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

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

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

**1.21. FINANCIAL INSTRUMENTS**

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

**1.21.1 Initial Recognition**

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

**1.21.2 Subsequent Measurement**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

1.21.2.1 Receivables

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

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

and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

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

1.21.2.2 Payables and Annuity Loans

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

and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.21.2.3 Cash and Cash Equivalents**

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

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

**1.21.2.4 Non-Current Investments**

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

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

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

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

**1.21.3 De-recognition of Financial Instruments**

**1.21.3.1 Financial Assets**

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

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

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

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

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

#### 1.21.3.2 Financial Liabilities

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

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

#### 1.21.4 **Offsetting of Financial Instruments**

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

### 1.22 **STATUTORY RECEIVABLES**

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

#### 1.22.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised.

#### 1.22.2 Measurement

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

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

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference

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

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

### **1.22.3 Derecognition**

The Municipality derecognises a statutory receivable when:

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

## **1.23. REVENUE**

### **1.23.1 *Revenue from Non-Exchange Transactions***

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

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such

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amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

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

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

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

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

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

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

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

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

### **1.23.2 Revenue from Exchange Transactions**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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

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

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

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

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

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

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

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Interest revenue is recognised using the effective interest rate method.

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

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

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

Revenue from the sale of goods is recognised when:

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

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

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

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

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable.

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

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

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

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

#### **1.24. RELATED PARTIES**

The Municipality resolved to formulate an accounting policy based on the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

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

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

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

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

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

Management personnel include:

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

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

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

#### **1.25. UNAUTHORISED EXPENDITURE**

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

#### **1.26. IRREGULAR EXPENDITURE**

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

**1.27. FRUITLESS AND WASTEFUL EXPENDITURE**

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

**1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability. A Contingent assets usually arise from unplanned or other unexpected events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefits or service potential to the entity.

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

Management judgement is required when recognising and measuring contingent liabilities and assets.

**1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

**1.29.1 *Post-retirement medical obligations and Long service awards***

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

**1.29.2 *Impairment of Receivables***

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

**1.29.3 *Property, Plant and Equipment***

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

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

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

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

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

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

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

#### **1.29.4 Intangible Assets**

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

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

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

**1.29.5 Provisions and Contingent Liabilities**

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

**1.29.6 Investment Property**

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

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

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

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

**1.29.7 Revenue Recognition**

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

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

**1.29.8 Provision for Landfill Sites**

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

Management referred to the following when making assumptions regarding provisions:

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

**1.29.9 Staff leave accrued**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated. Unused leave is being capped at 48 days.

**1.29.10 Provision for Performance bonuses**

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

**1.29.11 Pre-paid electricity estimation**

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

**1.29.12 Componentisation of Infrastructure assets**

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

**1.29.13 Impairments of assets – Capitalised Restoration Cost**

Impairment charges relating to capitalised restoration costs are linked to fluctuations in the discount rate used to unwind the provision relating to this asset. This discount rate is linked to the prime interest rate and any movement in this rate will result in the impairment/reversal of impairment of the asset.

**1.30. TAXES – VALUE ADDED TAX**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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

**1.31. CAPITAL COMMITMENTS**

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

**1.32. EVENTS AFTER REPORTING DATE**

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

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

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

**1.33. DISCONTINUED OPERATIONS**

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

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

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

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

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**LONG-TERM LIABILITIES**

	2016 R	2015 R
Capitalised Lease Liability - At amortised cost	575 286	664 370
Hire Purchase	73 063	146 012
	<b>648 349</b>	<b>810 383</b>
Less: Current Portion transferred to Current Liabilities	352 864	263 459
Capitalised Lease Liability - At amortised cost	279 801	190 510
Hire Purchase	73 063	72 950
<b>Total Long-term Liabilities - At amortised cost</b>	<b>295 485</b>	<b>546 924</b>

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	352 890	292 251
Payable within two to five years	320 076	561 795
Payable after five years	-	-
	672 965	854 046
<b>Less: Future finance obligations</b>	(97 679)	(189 676)
<b>Present value of lease obligations</b>	<b>575 286</b>	<b>664 370</b>

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Aloe Office and Business Solutions	1 x Xerox D95A CP PRO	17.39%	0%	3 Years	26/05/2018
Aloe Office and Business Solutions	2 x Xerox 7970 CPSF	17.72%	0%	3 Years	11/06/2018
Aloe Office and Business Solutions	5 x Xerox 5325 CPSF	17.39%	0%	3 Years	26/05/2018
Aloe Office and Business Solutions	8 x Xerox 6505 CPSF	17.39%	0%	3 Years	26/05/2018
Aloe Office and Business Solutions	2 x FASTBACK MODL 20	9.75%	0%	2.5 Years	29/04/2018

The obligations under hire purchase agreements are scheduled below:

	Minimum hire purchase payments	
Amounts payable under hire purchase agreements:		
Payable within one year	76 491	83 445
Payable within two to five years	-	76 491
Payable after five years	-	-
	76 491	159 936
<b>Less: Future finance obligations</b>	(3 429)	(13 924)
<b>Present value of hire purchase obligations</b>	<b>73 063</b>	<b>146 012</b>

Leases are secured by property, plant and equipment - Note

The capitalised hire purchase liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Standard Bank	TOYOTA COROLLA	9.25%	0%	5 Years	15/05/2017
Standard Bank	NISSAN QASHQAI	9.25%	0%	5 Years	15/05/2017

The Toyota Corolla is no longer in use.

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

3

**EMPLOYEE BENEFITS**

Post Retirement Benefits - Refer to Note 3.1  
 Long Service Awards - Refer to Note 3.2  
**Total Non-current Employee Benefit Liabilities**  
 Less: Transferred to Discontinued Operations - Note 51.2  
**Balance 30 June**

2016 R	2015 R
5 156 680	5 476 374
1 376 055	1 445 055
<b>6 532 735</b>	<b>6 921 429</b>
-	<b>(1 384 612)</b>
<b>6 532 735</b>	<b>5 536 817</b>

**Post Retirement Benefits**

Balance 1 July  
 Contribution for the year  
 Interest Cost  
 Expenditure for the year  
 Actuarial Gain  
**Total post retirement benefits 30 June**  
 Less: Transfer of Current Portion - Note 5  
**Balance 30 June**  
 Plus/Less: Transferred to Discontinued Operations - Note 50.2  
**Balance 30 June**

2016 R	2015 R
4 346 117	5 220 472
601 840	698 798
400 101	479 769
(60 651)	-
(84 203)	(905 337)
<b>5 203 204</b>	<b>5 493 702</b>
(46 524)	(17 328)
<b>5 156 680</b>	<b>5 476 374</b>
-	<b>(1 147 585)</b>
<b>5 156 680</b>	<b>4 328 789</b>

**Long Service Awards**

Balance 1 July  
 Contribution for the year  
 Interest Cost  
 Expenditure for the year  
 Actuarial Loss/(Gain)  
**Total long service 30 June**  
 Less: Transfer of Current Portion - Note 5  
**Balance 30 June**  
 Less: Transferred to Discontinued Operations - Note 50.2  
**Balance 30 June**

1 402 424	1 453 534
281 148	290 393
101 918	104 381
(99 352)	(115 773)
(80 365)	(21 117)
<b>1 605 773</b>	<b>1 711 418</b>
(229 718)	(266 363)
<b>1 376 055</b>	<b>1 445 055</b>
-	<b>(237 027)</b>
<b>1 376 055</b>	<b>1 208 028</b>

**TOTAL NON-CURRENT EMPLOYEE BENEFITS**

Balance 1 July  
 Contribution for the year  
 Interest cost  
 Expenditure for the year  
 Actuarial Loss/(Gain)  
**Total employee benefits 30 June**  
 Less: Transfer of Current Portion - Note 5  
**Balance 30 June**  
 Less: Transferred to Discontinued Operations - Note 50.2  
**Balance 30 June**

5 748 541	6 674 006
882 988	989 191
502 019	584 150
(160 003)	(115 773)
(164 568)	(926 454)
<b>6 808 977</b>	<b>7 205 120</b>
(276 242)	(283 691)
<b>6 532 735</b>	<b>6 921 429</b>
-	<b>(1 384 612)</b>
<b>6 532 735</b>	<b>5 536 817</b>

3.1

**Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined contribution plan, of which the members are made up as follows:

In-service (employee) members  
 In-service (employee) non-members  
 Continuation members (e.g. Retirees, widows, orphans)  
**Total Members**

87	88
108	116
2	1
<b>197</b>	<b>205</b>

The liability in respect of past service has been estimated to be as follows:  
 In-service members  
 In-service non-members  
 Continuation members  
**Total Liability**

3 298 654	4 192 116
1 097 831	1 009 782
806 719	291 804
<b>5 203 204</b>	<b>5 493 702</b>

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

	2014 R	2013 R
In-service members	4 533 826	3423100
In-service non-members	686 646	248482
Continuation members	-	-
<b>Total Liability</b>	<b>5 220 472</b>	<b>3 671 582</b>

Experience adjustments were calculated as follows:

	2016 Rm	2015 Rm	2014 Rm
Liabilities: (Gain) / loss	(0.082)	(0.914)	0.282

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

3

**EMPLOYEE BENEFITS (CONTINUED)**

**2016**

**2015**

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

Bonitas;  
 Hosmed  
 LA Health  
 Samwumed  
 Key health

Key actuarial assumptions used:

**i) Rate of interest**

Discount rate	9.20%	9.22%
Health Care Cost Inflation Rate	8.29%	8.32%
Net Effective Discount Rate	0.84%	0.84%

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

**ii) Mortality rates**

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

**iii) Normal retirement age**

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

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

	R	R
Present value of fund obligations	5 203 204	5 493 702
<b>Total Liability</b>	<b>5 203 204</b>	<b>5 493 702</b>

The fund is entirely unfunded.

The municipality has elected to recognise the full increase in this defined contribution liability immediately as per GRAP 25

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	4 346 117	5 220 472
Total expenses	941 290	1 178 567
Current service cost	601 840	698 798
Interest Cost	400 101	479 769
Benefits Paid	(60 651)	-
Actuarial (gains)/losses	(84 203)	(905 337)
Present value of fund obligation at the end of the year	5 203 204	5 493 702
<b>Less:</b> Transfer of Current Portion - Note 5	(46 524)	(17 328)
<b>Balance 30 June</b>	<b>5 156 680</b>	<b>5 476 374</b>
<b>Less: Transferred to Discontinued Operations - Note 50.2</b>	<b>-</b>	<b>(1 147 585)</b>
<b>Balance 30 June</b>	<b>5 156 680</b>	<b>4 328 789</b>

**Sensitivity Analysis on the Accrued Liability**

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	4.396	0.807	5.203	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	5.394	0.896	6.290	21%
Health care inflation	-1%	3.617	0.730	4.347	-16%
Discount Rate	1%	3.628	0.731	4.359	-16%
Discount Rate	-1%	5.395	0.896	6.291	21%
Post-retirement mortality	-1 year	4.558	0.837	5.395	4%
Average retirement age	-1 year	4.871	0.807	5.678	9%
Continuation of membership at retirement	-10%	3.504	0.807	4.311	-17%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		601 840	400 101	1 001 941	
Health care inflation	1%	750 600	485 300	1 235 900	22%
Health care inflation	-1%	487 200	333 000	820 200	-18%
Discount Rate	1%	493 400	370 200	863 600	-14%
Discount Rate	-1%	744 000	432 800	1 176 800	17%
Post-retirement mortality	-1 year	623 900	415 000	1 038 900	4%
Average retirement age	-1 year	655 700	439 400	1 095 100	9%
Continuation of membership at retirement	-10%	479 000	329 300	808 300	-19%

## 3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

195

204

Key actuarial assumptions used:

2016  
%2015  
%

## i) Rate of interest

Discount rate

8.41%

7.80%

General Salary Inflation (long-term)

7.08%

6.95%

Net Effective Discount Rate applied to salary-related Long Service Bonuses

1.25%

0.79%

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

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

R

R

Present value of fund obligations

1 605 773

1 711 418

Net liability

1 605 773

1 711 418

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

2014  
R2013  
R

Total Liability

1 453 534

1 169 744

Experience adjustments were calculated as follows:

2016  
R2015  
R2014  
R

Liabilities: (Gain) / loss

(33 788)

88 604

107 994

The municipality performed their first actuarial valuation on 30 June 2012. Thus there are no experience adjustment figures available on or before 30 June 2012 to fully comply with GRAP 25

Reconciliation of present value of fund obligation:

R

R

Present value of fund obligation at the beginning of the year

1 402 424

1 453 534

Total expenses

283 714

279 001

Current service cost

281 148

290 393

Interest Cost

101 918

104 381

Benefits Paid

(99 352)

(115 773)

Actuarial (gains)/losses

(80 365)

(21 117)

Present value of fund obligation at the end of the year

1 605 773

1 711 418

Less: Transfer of Current Portion - Note 5

(229 718)

(266 363)

Balance 30 June

1 376 055

1 445 055

Less: Transferred to Discontinued Operations - Note 50.2

-

(237 027)

Balance 30 June

1 376 055

1 208 028

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption

Change

Liability  
(R)

% change

Central assumptions

1.606

6%

General salary inflation

1.00%

1.697

6%

General salary inflation

-1.00%

1.522

-5%

Discount Rate

1.00%

1.518

-5%

Discount Rate

-1.00%

1.703

6%

Average retirement age

-2 yrs

1.513

-6%

Average retirement age

+2 yrs

1.663

4%

Withdrawal rates

-50.00%

1.926

20%

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

3

**EMPLOYEE BENEFITS (CONTINUED)**

2016

2015

**3.2 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

195	204
-----	-----

Key actuarial assumptions used:

2016 %	2015 %
-----------	-----------

**i) Rate of interest**

Discount rate	8.41%	7.80%
General Salary Inflation (long-term)	7.08%	6.95%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.25%	0.79%

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

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

R	R
---	---

Present value of fund obligations

1 605 773	1 711 418
-----------	-----------

**Net liability**

1 605 773	1 711 418
-----------	-----------

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

2014 R	2013 R
-----------	-----------

**Total Liability**

1 453 534	1 169 744
-----------	-----------

Experience adjustments were calculated as follows:

2016 R	2015 R	2014 R
(33 788)	88 604	107 994

The municipality performed their first actuarial valuation on 30 June 2012. Thus there are no experience adjustment figures available on or before 30 June 2012 to fully comply with GRAP 25

Reconciliation of present value of fund obligation:

R	R
---	---

Present value of fund obligation at the beginning of the year

1 402 424	1 453 534
-----------	-----------

Total expenses

283 714	279 001
---------	---------

Current service cost

281 148	290 393
---------	---------

Interest Cost

101 918	104 381
---------	---------

Benefits Paid

(99 352)	(115 773)
----------	-----------

Actuarial (gains)/losses

(80 385)	(21 117)
----------	----------

Present value of fund obligation at the end of the year

1 605 773	1 711 418
-----------	-----------

**Less:** Transfer of Current Portion - Note 5

(229 718)	(286 363)
-----------	-----------

**Balance 30 June**

1 376 055	1 445 055
-----------	-----------

**Less: Transferred to Discontinued Operations - Note 50.2**

-	(237 027)
---	-----------

**Balance 30 June**

1 376 055	1 208 028
-----------	-----------

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		1.606	
General salary inflation	1.00%	1.697	6%
General salary inflation	-1.00%	1.522	-5%
Discount Rate	1.00%	1.518	-5%
Discount Rate	-1.00%	1.703	6%
Average retirement age	-2 yrs	1.513	-6%
Average retirement age	+2 yrs	1.663	4%
Withdrawal rates	-50.00%	1.926	20%

## EMALAHLENI MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## EMPLOYEE BENEFITS (CONTINUED)

## 3.3 Retirement funds

2016

2015

<u>CAPE JOINT PENSION FUND</u>		Contributing members
The contribution rate payable is 9% by members and 18% by Council.		130

Contributions paid recognised in the Statement of Financial Performance

R  
3 593 856R  
2 530 353DEFINED CONTRIBUTION FUNDS

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

	Last Actuarial Valuation	Contributing members
<u>South African Local Authorities Pension Fund</u>	2013/06/30	24
<u>Municipal Councillors Pension Fund</u>	2009/06/30	32
<u>SAMWU National Provident Fund</u>	2008/06/30	39

The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a

Note: The results of the actuarial valuations dated 30 June 2008 for SAMWU National Provident Fund and 30 June 2009 for Municipal Councillors Pension Funds are not yet available.

Contributions paid recognised in the Statement of Financial Performance

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

Sala Pension Fund	469 162	739 864
Municipal Councillors Pension Fund	899 359	761 782
SAMWU National Provident Fund	821 241	1 185 255
	<b>2 189 762</b>	<b>2 686 901</b>

**3.4 Provision for Ex-Gratia payment- CFO**

Balance at beginning of year	157 542	142 160
Contribution to current portion	14 472	15 382
<b>Balance at end of year</b>	<b>172 014</b>	<b>157 542</b>

In terms of the section 57 Employment contract of the Chief Financial Officer, an amount of 15% of his total package must be paid to him at the time of termination of employment

**4 NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Landfill-sites	(0)	0
<b>Total Non-current Provisions</b>	<b>(0)</b>	<b>0</b>

The Municipality operate on three landfill sites. The in year actual operational costs is expensed in the statement of financial performance. The provision is calculated in order to finance the rehabilitation cost of each cell when it reaches 100% capacity. The expected cash flow outflow; within one year; relates to all three sites of the case of all three sites there is already a shortcoming in the day to day operations of the sites these cost is represented by the short-term portion of the non-current provision. The landfill sites in operation are Lady Frere; Dordrecht and Indwe.

<b>Landfill Sites</b>	<b>R</b>	<b>R</b>
Balance 1 July	11 514 635	2 767 937
Increase in Estimate		8 601 703
Unwinding of discounted interest	(988 718)	144 994
<b>Total provision 30 June</b>	<b>10 525 917</b>	<b>11 514 635</b>
<b>Less: Transfer to Current provisions</b>	<b>(10 525 917)</b>	<b>(11 514 635)</b>
<b>Balance 30 June</b>	<b>(0)</b>	<b>0</b>

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

<u>Location</u>	<u>Estimated decommission date</u>	<u>Rehabilitation cost of cell in use</u>	<u>Rehabilitation cost of cell in use</u>
		<b>R</b>	<b>R</b>
Lady Frere landfill site is located approximately 2.0km west off Indwe road R 394	30/06/2018	3 607 207	6 750 984
Dordrecht landfill site is located off R56 about 900m after the Dordrecht town to Queenstown Route	11/09/2016	5 261 506	3 898 739
Indwe landfill site is located east off R56 approximately 260m before the town of Indwe	30/06/2019	1 657 204	864 912
		<b>10 525 917</b>	<b>11 514 635</b>

**Material Assumptions used**

<u>Area of landfill site consumed</u>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Lady Frere landfill site is located approximately 2.0km west off Indwe road R 394	40.45%	100.00%	100.00%
Dordrecht landfill site is located off R56 about 900m after the Dordrecht town to Queenstown Route	74.83%	100.00%	100.00%
Indwe landfill site is located east off R56 approximately 260m before the town of Indwe	89.78%	100.00%	100.00%
Discount Rate used	4.71%	5.24%	

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

5

**CURRENT EMPLOYEE BENEFITS**

	2016 R	2015 R
Current Portion of Post Retirement Benefits - Note 3	46 524	17 328
Current Portion of Long-Service Provisions - Note 3	229 718	266 363
Staff leave accrued	4 772 464	5 156 292
Provision for Performance Bonuses	980 735	720 918
Staff Bonuses accrued	745 407	1 080 569
Provision for Compensation for injuries on duty contribution	354 609	737 054
<b>Total Current Employee Benefits</b>	<b>7 129 458</b>	<b>7 978 524</b>
Less: Transferred to Discontinued Operations - Note 50.2		<b>(881 252)</b>
<b>Total Current Employee Benefits Continued</b>	<b>7 129 458</b>	<b>7 097 272</b>

The movement in current employee benefits is reconciled as follows:

Staff leave accrued

Balance at beginning of year	4 484 110	4 126 161
Contribution to current portion	702 667	1 443 856
Expenditure incurred	(414 313)	(413 725)
<b>Balance at end of year</b>	<b>4 772 464</b>	<b>5 156 292</b>
Less: Transferred to Discontinued Operations - Note 50.2		<b>(672 181)</b>
<b>Balance 30 June</b>	<b>4 772 464</b>	<b>4 484 110</b>

Staff leave accrued to employees according to collective agreement. An accrual is made for the full cost of accrued leave at reporting date. The accrual will be realised as employees take leave. There is a possibility of reimbursement based on trends in the past.

Provision for Performance Bonuses

Balance at beginning of year	720 918	511 610
Contribution to current portion	1 031 547	714 879
Expenditure incurred	(771 730)	(505 572)
<b>Balance at end of year</b>	<b>980 736</b>	<b>720 918</b>

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council.

Staff Bonuses accrued

Balance at beginning of year	943 465	936 324
Contribution to current portion	1 814 910	2 268 155
Expenditure incurred	(2 012 968)	(2 123 910)
<b>Balance at end of year</b>	<b>745 407</b>	<b>1 080 569</b>
Less: Transferred to Discontinued Operations - Note 50.2	137 104	<b>(137 104)</b>
<b>Balance 30 June</b>	<b>882 511</b>	<b>943 465</b>

Bonuses are being paid to all permanent employed municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

Provision for Compensation for injuries on duty contribution

Balance at beginning of year	737 054	338 599
Contribution to current portion	374 837	398 455
Expenditure incurred	(757 282)	-
<b>Balance at end of year</b>	<b>354 609</b>	<b>737 054</b>

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. The balance represents the best estimate the outflow of resources. The timing and amount of the outflow is dependant on when an assessment is received from the relevant authorities.

6

**PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Payables	16 083 803	10 684 264
Third party payables (Payroll)	16 339	1 035 923
Pre- paid electricity paid in advance	210 486	89 579
Advance payments debtors-billing	1 247 469	689 036
Retentions and Guarantees	4 134 813	4 207 194
Sundry Deposits	21 640	11 900
Sundry Creditors	94 608	1 259 180
<b>Total Trade Payables</b>	<b>21 809 158</b>	<b>17 977 075</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value. All payables are unsecured. Sundry deposits include hall, tender and other general deposits. The Municipality did not default on any of their payables

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

<b>7</b>	<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>	<b>R</b>	<b>R</b>
	<b>Unspent Grants</b>	<b>1 157 442</b>	<b>348 701</b>
	National Government Grants	-	43 176
	Provincial Government Grants	1 157 442	305 525
	District Municipality	-	-
	<b>Less: Unpaid Grants</b>	<b>-</b>	<b>-</b>
	National Government Grants	-	-
	<b>Total Conditional Grants and Receipts</b>	<b>1 157 442</b>	<b>348 701</b>
	See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
	Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.		
<b>8</b>	<b>VAT</b>	<b>R</b>	<b>R</b>
<b>8.1</b>	<b>VAT PAYABLE</b>		
	VAT Payable	3 281 166	3 171 013
	Less: Impairment of VAT receivables	(698 046)	-
	<b>Total Vat payable</b>	<b>2 583 120</b>	<b>3 171 013</b>
<b>8.2</b>	<b>VAT RECEIVABLE</b>		
	VAT Receivable	9 181 049	5 315 297
	<b>Total VAT receivable</b>	<b>9 181 049</b>	<b>5 315 297</b>
<b>8.3</b>	<b>NET VAT RECEIVABLE/(PAYABLE)</b>	<b>5 899 883</b>	<b>2 144 284</b>
	VAT RECEIVABLE/(PAYABLE)	6 597 929	2 144 284
	<b>NET VAT RECEIVABLE/(PAYABLE)</b>	<b>6 597 929</b>	<b>2 144 284</b>
	VAT is receivable/payable on the cash basis.		

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

9	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	2016 R	2015 R
	No assets pledged as security.		
	<b>Impairment of property plant and equipment for the year</b>		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Community Assets	-	635 644
		-	635 644
	The impairments occurred due to assets found when performing the asset count. The value of the impairment is equal to the carrying value as at the end of the reporting date.		
	Reversal of impairment charges took place during the year of reporting.	635 644	-
	<b>Cumulative impairment charges included in major balances</b>		
	Community Assets	11 347 162	11 987 452
		11 347 162	11 987 452

The effect of a change in accounting estimate will have on the current period and subsequent periods:

	2016 R	2017 R	2018 R
Effect on Property, plant and equipment	(116 445)	(161 321)	22 913

Assessment of impairment of assets was performed on other assets.

10	INVESTMENT PROPERTY	R	R
	<b>Net Carrying amount at 1 July</b>	6 433 761	8 394 358
	Cost	6 541 462	8 491 400
	Buildings	695 572	1 016 985
	Land	5 845 890	7 474 415
	Accumulated Depreciation	(107 701)	(97 042)
	Acquisitions		1 000
	Depreciation for the year	(5 507)	(10 658)
	Disposals	(2 180 914)	(18 500)
	Transfers to/from other classes		(1 932 438)
	<b>Net Carrying amount at 30 June</b>	4 247 340	6 433 761
	Cost	4 360 548	6 541 462
	Buildings	695 572	695 572
	Land	3 664 976	5 845 890
	Accumulated Depreciation	(113 208)	(107 701)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

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

The fair value of investment property approximates the carrying amount as reflected in these financial statements.

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
<b>11</b>	<b>CAPITALISED RESTORATION COST</b>		
	Net Carrying amount at 1 July	-	951 638
	Additions	-	8 601 703
	Depreciation	-	(951 638)
	Impairments	-	(8 612 044)
	Reversal of impairments	-	10 341
	Net Carrying amount at 30 June	-	-
	Cost	-	10 685 431
	Accumulated Depreciation	-	(1 964 815)
	Accumulated Impairments	-	(8 700 816)
	Restoration cost financed by way of a provision - Refer to note 4 for further details		
<b>12</b>	<b>INTANGIBLE ASSETS</b>	R	R
	Computer Software		
	Net Carrying amount at 1 July	206 752	258 564
	Cost	922 273	911 380
	Accumulated Amortisation	(715 521)	(652 816)
	Acquisitions	10 950	70 066
	Disposals	(53 228)	(59 173)
	Amortisation	(33 707)	(62 706)
	Net Carrying amount at 30 June	130 767	206 751
	Cost	879 995	922 273
	Accumulated Amortisation	(749 228)	(715 521)
	No intangible asset was assessed as having an indefinite useful life. There are no internally generated intangible assets at reporting date. There are no intangible assets whose title is restricted. There are no intangible assets pledged as security for liabilities. There are no contractual commitments for the acquisition of intangible assets.		
<b>13</b>	<b>HERITAGE ASSETS</b>		
	Net Carrying amount at 1 July	182 536	124 000
	Acquisitions	-	58 536
	Net Carrying amount at 30 June	182 536	182 536
	Cost	182 536	182 536
<b>14</b>	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>	R	R
	Electricity	4 344 623	3 595 000
	Refuse	39 044 782	34 080 441
	Sewerage	(0)	0
	Rental	1 991 531	1 893 350
	Other Consumer Debtors	-	3 838 868
	Chris Hani Debtor	3 776 090	14 540 111
	Sundry Receivables	200 754	501 793
	Total Receivables from Exchange Transactions	49 357 780	58 449 564
	Less: Provision for Impairment	(41 888 150)	(40 060 287)
	Total Net Receivables from Exchange Transactions	7 469 630	18 389 276
	Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

14

**RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)**

	2016 R	2015 R
Ageing of Receivables from Exchange Transactions:		
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	180 126	535 256
31 - 60 Days	153 898	114 743
61 - 90 Days	130 116	99 746
+ 90 Days	3 880 483	2 845 254
<b>Total</b>	<b>4 344 623</b>	<b>3 595 000</b>
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	505 946	773 391
31 - 60 Days	522 726	537 627
61 - 90 Days	502 501	443 162
+ 90 Days	37 513 609	32 326 261
<b>Total</b>	<b>39 044 782</b>	<b>34 080 441</b>
<u>(Rental): Ageing</u>		
Current (0 - 30 days)	62 425	91 115
31 - 60 Days	55 980	53 214
61 - 90 Days	55 617	53 187
+ 90 Days	1 817 509	1 695 835
<b>Total</b>	<b>1 991 531</b>	<b>1 893 350</b>
<u>(Other): Ageing</u>		
Current (0 - 30 days)	-	2 669
31 - 60 Days	-	0
61 - 90 Days	-	253
+ 90 Days	-	3 835 947
<b>Total</b>	<b>-</b>	<b>3 838 869</b>
<u>(Total): Ageing</u>		
Current (0 - 30 days)	748 496	1 402 430
31 - 60 Days	732 604	705 584
61 - 90 Days	688 234	596 348
+ 90 Days	43 211 601	40 703 297
<b>Total</b>	<b>45 380 936</b>	<b>43 407 660</b>
<b>Reconciliation of Provision for Bad Debts</b>		
Balance at beginning of year	40 060 287	102 369 174
Contribution to provision/(Reversal of provision)	5 113 430	5 735 079
Written offs	-3 285 568	
Transferred to Discontinued Operations - note 48.2		(68 043 965)
<b>Balance at end of year</b>	<b>41 888 150</b>	<b>40 060 287</b>
The Provision for Impairment could be allocated between the different classes of receivables as follows:		
Electricity	1 063 603	700 411
Refuse	38 774 125	34 224 239
Other	2 050 423	5 135 637
	<b>41 888 150</b>	<b>40 060 287</b>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables. Assessment of arears on Rates and Service accounts in terms of MFMA Sec:121 (3) (e) by the Accounting Officer.

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

15	RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	2016 R	2015 R
	Rates	14 078 302	12 123 667
	Other Receivables	5 926	24 693
	Other Receivables	<u>5 926</u>	<u>24 693</u>
	<b>Total Receivables from Non-Exchange Transactions</b>	<b>14 084 228</b>	<b>12 148 360</b>
	Less: Provision for Impairment	<u>(11 257 775)</u>	<u>(7 955 764)</u>
	<b>Total Net Receivables from Non-Exchange Transactions</b>	<b><u>2 826 452</u></b>	<b><u>4 192 596</u></b>

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

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

Current (0 - 30 days)

31 - 60 Days

61 - 90 Days

+ 90 Days

**Total**

R	R
110 769	391 221
349 062	253 834
279 803	225 130
<u>13 338 764</u>	<u>11 253 483</u>
<b><u>14 078 397</u></b>	<b><u>12 123 667</u></b>
7 955 764	12 168 602
3 302 011	5 154 932
	<u>(9 367 770)</u>
<b><u>11 257 775</u></b>	<b><u>7 955 764</u></b>

**Reconciliation of Provision for Impairment**

Balance at beginning of year

Contribution to provision/(Reversal of provision)

Bad Debts Written Off

**Balance at end of year**

The entire provision for bad debts relates to the outstanding rates balance.

Concentrations of credit risk with respect to these receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables. Assessment of arrears on Rates and Service accounts in terms of MFMA Sec:121 (3) (e) by the Accounting Officer.

**16 OPERATING LEASE ARRANGEMENTS**

**16.1 The Municipality as Lessor (Asset)**

Balance on 1 July

Movement during the year

Balance on 30 June

R	R
77 416	63 222
5 330	14 194
<b><u>82 746</u></b>	<b><u>77 416</u></b>

At the Statement of Financial Position date, where the municipality acts as a Lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year

1 to 5 Years

More than 5 Years

**Total Operating Lease Arrangements**

135 118	125 522
432 655	459 896
107 876	107 876
<b><u>567 772</u></b>	<b><u>693 294</u></b>

The Municipality does not engage in any sub-lease arrangements.

The Municipality did not receive any contingent rent during the year

Certain of the Municipality's properties are leased to third parties to generate rental income. Leases receipts escalate annually on average by 10%. Lease agreements are non-cancellable and have terms from 3 to 10 years.

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

17

**CASH AND CASH EQUIVALENTS**

Assets

Call Investments Deposits  
 Bank Accounts  
 Cash Floats

**Total Cash and Cash Equivalents - Assets**

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

The Municipality has the following bank accounts:

Current Accounts

Standard Bank - Current Account - 082-665-958  
 Standard Bank - Current Account - 082-630-631  
 First National Bank - Current Account - 620-4898-6428

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

**Standard Bank - Current Account - 082-665-958**

Cash book balance at beginning of year  
 Cash book balance at end of year

Bank statement balance at beginning of year  
 Bank statement balance at end of year

**Standard Bank - Current Account - 082-630-631**

Cash book balance at beginning of year  
 Cash book balance at end of year

Bank statement balance at beginning of year  
 Bank statement balance at end of year

**First National Bank - Current Account - 620-4898-6428**

Cash book balance at beginning of year  
 Cash book balance at end of year

Bank statement balance at beginning of year  
 Bank statement balance at end of year

Call Investment Deposits

Call investment deposits consist of the following accounts:

Call Investments Deposits

Investec Account Number/s: 451/465258  
 First National Bank Account Number/s: 74366334164  
 Standard Bank Account Number/s: 08 879 9697 - 012  
 Standard Bank Account Number/s: 08 879 9697 - 001

2016  
R

26 023 440  
2 251 871  
20 252  
**28 295 562**

2015  
R

28 563 011  
3 192 247  
21 142  
**31 776 400**

R

78 399  
25 063  
2 148 408  
**2 251 871**

R

470 729  
1 863 238  
858 280  
**3 192 247**

470 729  
78 399

5 108 340  
470 729

470 729  
78 399

5 108 340  
470 729

1 863 238  
25 063

2 713 783  
1 863 238

1 863 238  
25 063

2 713 783  
1 863 238

858 280  
2 148 408

1 539 671  
858 280

858 280  
2 148 408

1 539 671  
858 280

26 023 440

28 563 011

11 140 266  
14 357 428  
43 333  
202 057

14 403 649  
13 492 487  
464 818  
202 057

18

**PROPERTY RATES**

Actual

**Rateable Land and Buildings**

Residential, Commercial Property, State  
 Agricultural

Less: Rebates

**Total Assessment Rates**

3 744 290

3 000 310  
743 980

3 719 278

3 449 090  
270 188

**3 744 290**

**3 719 278**

Valuations

**Rateable Land and Buildings:**

Residential  
 Agricultural  
 Government  
 Business & Commercial  
 Municipal  
 Exempt Properties

**Total Assessment Rates**

239 505 604  
491 459 300  
52 397 600  
128 211 401  
83 834 400  
27 679 652  
**1 023 087 957**

233 374 200  
491 572 100  
56 766 100  
101 116 200  
93 718 300  
45 764 200  
**1 022 311 100**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2014.  
 Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

19	Government Grants and Subsidies	2016 R	2015 R
	<b>Unconditional Grants</b>	<b>116 537 000</b>	<b>92 038 000</b>
	Equitable share	<u>116 537 000</u>	<u>92 038 000</u>
	<b>Conditional Grants</b>	<b>59 267 259</b>	<b>51 241 952</b>
	Grants and subsidies	<u>59 267 259</u>	<u>51 241 952</u>
	<b>Total Government Grants and Subsidies</b>	<b><u>175 804 259</u></b>	<b><u>143 279 952</u></b>
	Government Grants and Subsidies - Capital	30 614 700	30 399 227
	Government Grants and Subsidies - Operating	<u>145 189 559</u>	<u>112 880 725</u>
		<b><u>175 804 259</u></b>	<b><u>143 279 952</u></b>
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Budget and Treasury	113 314 000	88 678 883
	Community Services	892 789	1 130 846
	Electricity	21 000 000	11 000 000
	IPED	31 470	96 133
	Refuse	200 000	1 801 881
	Roads Transport	<u>34 226 000</u>	<u>34 373 209</u>
		<b><u>175 804 259</u></b>	<b><u>143 279 952</u></b>
	The municipality does not expect any significant changes to the level of grants.		
<b>19.1</b>	<b>Equitable share</b>		
	Opening balance	-	- ##
	Grants received	116 537 000	92 038 000
	Conditions met - Operating	(116 537 000)	(92 038 000)
	Conditions met - Capital	-	-
	Conditions still to be met	<u>-</u>	<u>-</u>
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
<b>19.2</b>	<b>Local Government Financial Management Grant (FMG)</b>		
	Opening balance	-	-
	Grants received	1 875 000	1 800 000
	Conditions met - Operating	(1 875 000)	(1 800 000)
	Conditions met - Capital	-	-
	Conditions still to be met	<u>-</u>	<u>-</u>
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
<b>19.3</b>	<b>Municipal Systems Improvement Grant (MSIG)</b>		
	Opening balance	-	-
	Grants received	930 000	934 000
	Conditions met - Operating	(930 000)	(934 000)
	Conditions met - Capital	-	-
	Conditions still to be met	<u>-</u>	<u>-</u>
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
<b>19.4</b>	<b>Municipal Infrastructure Grant (MIG)</b>		
	Opening balance	-	720 893
	Grants received	32 226 000	30 970 000
	Conditions met - Operating	(1 611 300)	(1 548 500)
	Conditions met - Capital	(30 614 700)	(30 142 393)
	Conditions still to be met	<u>-</u>	<u>-</u>
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

19	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2016 R	2015 R
19.5	<b>Integrated National Electrification Grant (INEP)</b>		
	Opening balance	-	-
	Grants received	21 000 000	11 000 000
	Conditions met - Operating	(21 000 000)	(11 000 000)
	Conditions met - Capital	-	-
	Grant expenditure to be recovered	-	-
	The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
19.6	<b>Other Grants</b>		
	Opening balance	348 699	1 045 759
	Grants received	4 045 000	5 153 770
	Grants transferred	-	(33 771)
	Conditions met - Operating	(3 236 259)	(5 560 225)
	Conditions met - Capital	-	(256 834)
	Conditions still to be met	<u>1 157 442</u>	<u>348 699</u>
	Various grants were received from other spheres of government (e.g. Library fund and Extended Public Works Program)		
19.7	<b>Total Grants</b>		
	Opening balance	348 701	1 766 653
	Grants received	176 613 000	141 895 770
	Grants transferred	-	(33 771)
	Conditions met - Operating	(145 189 559)	(112 880 725)
	Conditions met - Capital	(30 614 700)	(30 399 227)
	Conditions still to be met/(Grant expenditure to be recovered)	<u>1 157 442</u>	<u>348 700</u>
	Disclosed as follows:		
	Unspent Conditional Government Grants and Receipts	1 157 441	348 701
	Unpaid Conditional Government Grants and Receipts	-	-
		<u>1 157 441</u>	<u>348 701</u>
20	<b>SERVICE CHARGES</b>		
	Electricity	8 746 028	8 822 735
	Water	27	-
	Refuse removal	4 124 109	2 810 797
	Sewerage and Sanitation Charges	(47 065)	-
	Less: Rebates	12 823 099	11 633 532
		(1 224 883)	(453 988)
	<b>Total Service Charges</b>	<u>11 598 216</u>	<u>11 179 543</u>
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
21	<b>INTEREST EARNED</b>		
	<b>External Investments</b>		
	Interest Investments	3 784 565	3 312 533
	Interest Bank Balance	61 560	37 416
	Interest Other	-	-
	<b>Total External Investments</b>	<u>3 846 124</u>	<u>3 349 949</u>
	<b>Outstanding Debtors</b>		
	Property Rates	1 436 406	1 290 637
	Refuse	2 650 830	2 244 607
	Electricity	378 413	238 644
	Rent	167 309	155 713
	<b>Total Outstanding Debtors</b>	<u>4 632 959</u>	<u>3 929 602</u>
	Less: Transferred to Discontinued Operations - Note 50.2	-	-
	<b>Total Outstanding Debtors Continued</b>	<u>4 632 959</u>	<u>3 929 602</u>
	<b>Total Interest Earned</b>	<u>8 479 083</u>	<u>7 279 550</u>

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

22

**OTHER INCOME**

	2016 R	2015 R
Administration charges	-	1 961 201
Building plans	19 833	19 890
Branding of Livestock	4 688	41 560
Cemetery Fees	29 145	31 622
Chris Hani DM (Water & Sanitation)	-	22 393 720
Connection Fees	198 813	53 232
Insurance Income	232 494	251 175
LGSETA	73 079	67 090
Pound Fees	21 613	12 341
Registrations	8 442	123
Housing Admin Fees	33 550	-
Sundry Income	2 426 771	98 610
<b>Total Other Income</b>	<b>3 048 427</b>	<b>24 930 565</b>
<b>Less: Transferred to Discontinued Operations - Note 50.2</b>	<b>(2 265 864)</b>	<b>(22 393 720)</b>
<b>Total Other Income Continued</b>	<b>782 563</b>	<b>2 536 845</b>

Sundry income represents sundry income such as cleaning of sites, private work and fees for items not included under service charges.

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**EMPLOYEE RELATED COSTS**

	2016 R	2015 R
Salaries and Wages	37 569 353	37 407 093
Annual bonus	1 814 910	2 983 035
Contributions for UIF, pensions and medical aids	6 791 347	6 214 787
Housing Subsidy	62 300	91 718
Leave Reserve Fund	702 667	1 443 856
Long service awards	281 148	290 393
Overtime	839 790	1 383 106
Post Employment Health	601 840	698 798
Scarce Skills Allowance	3 301	-
Performance bonus	1 031 547	-
Skills development levy	350 456	336 691
Travel, motor car, telephone, assistance and other allowances	2 775 202	1 500 280
Provision for Ex-Gratia payment- CFO	14 472	15 382
Workmen's Compensation	374 837	398 455
<b>Total Employee Related Costs</b>	<b>53 213 170</b>	<b>52 763 573</b>
<b>Less: Transferred to Discontinued Operations - Note 50.2</b>	<b>-</b>	<b>(9 976 009)</b>
<b>Total Employee Related Costs Continued</b>	<b>53 213 170</b>	<b>42 787 564</b>

Municipal Manager and all other Senior Managers are appointed on fixed term contracts.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

*Remuneration of the Municipal Manager (MM Dr VS Vatala)*

Annual Remuneration	1 464 100	1 340 719
Performance Bonuses	186 340	185 900
Leave encashment	-	42 592
Telephone, assistance and other allowances	26 136	26 138
Contributions to UIF, SDL, Bargaining council	16 641	15 886
<b>Total</b>	<b>1 693 217</b>	<b>1 611 235</b>

*Remuneration of the Director Technical Services (M Mkuyana - only 4 months 2014)*

Annual Remuneration	-	-
Ex-gratia	-	-
Performance Bonuses	-	1 134 916
Leave encashment	-	-
Telephone, assistance and other allowances	-	-
Contributions to UIF, SDL, Bargaining council	-	-
<b>Total</b>	<b>-</b>	<b>1 134 916</b>

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

Annual Remuneration	1 098 599	999 364
Performance Bonuses	109 860	127 111
Leave encashment	-	31 959
Acting Allowance	-	15 699
Telephone, assistance and other allowances	22 506	22 506
Contributions to UIF, SDL, Bargaining council	12 336	12 071
<b>Total</b>	<b>1 243 301</b>	<b>1 208 709</b>

*Remuneration of the Chief Financial Officer (GP de Jager)*

Annual Remuneration	1 146 757	1 050 282
Performance Bonuses	145 951	173 648
Leave encashment	-	33 360
Telephone, assistance and other allowances	18 600	18 600
Contributions to UIF, SDL, Bargaining council	13 517	13 118
<b>Total</b>	<b>1 324 825</b>	<b>1 289 008</b>

*Remuneration of the Director Community Services (NP Mnyengeza for 9 months 2014)*

Annual Remuneration	-	-
Ex-gratia	-	-
Leave encashment	-	1 134 916
Telephone, assistance and other allowances	-	-
Contributions to UIF, SDL, Bargaining council	-	-
<b>Total</b>	<b>-</b>	<b>1 134 916</b>

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Remuneration of the Manager IPED Services (N Mntuydwa)**

Annual Remuneration  
Performance Bonuses  
Telephone, assistance and other allowances  
Contributions to UIF, SDL, Bargaining council

**Total**

**Remuneration of the Director Strategic Services (AM Stemela 9 months 2014)**

Annual Remuneration  
Ex-gratia  
Leave encashment  
Telephone, assistance and other allowances  
Contributions to UIF, SDL, Bargaining council

**Total**

**Remuneration of the Director Infrastructure and Human Settlements (D Njilo)**

Annual Remuneration  
Performance Bonuses  
Acting Allowance  
Telephone, assistance and other allowances  
Contributions to UIF, SDL, Bargaining council

**Total**

**Remuneration of the Director Community Services (N Nyezi)**

Annual Remuneration  
Performance Bonuses  
Telephone, assistance and other allowances  
Contributions to UIF, SDL, Bargaining council

**Total**

2016	2015
1 098 599	1 004 446
49 936	63 555
18 600	18 600
11 883	11 235
<b>1 179 018</b>	<b>1 097 837</b>
<b>2016</b>	<b>2015</b>
-	-
-	1 134 916
-	-
-	-
-	-
-	<b>1 134 916</b>
<b>1 098 599</b>	<b>998 726</b>
<b>139 822</b>	<b>18 159</b>
<b>15 783</b>	<b>18 600</b>
<b>18 600</b>	<b>11 069</b>
<b>13 866</b>	<b>11 069</b>
<b>1 286 670</b>	<b>1 046 554</b>
<b>1 098 599</b>	<b>998 726</b>
<b>139 822</b>	<b>13 619</b>
<b>18 600</b>	<b>30 000</b>
<b>13 149</b>	<b>10 604</b>
<b>1 270 169</b>	<b>1 052 949</b>

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**REMUNERATION OF COUNCILLORS**

Mayor  
Speaker  
Executive Committee Members  
Councillors  
Total Councillors' Remuneration

R	R
778 880	739 363
627 278	588 264
2 692 548	2 356 602
6 916 659	6 419 529
<b>10 884 836</b>	<b>10 103 758</b>

**In-kind Benefits**

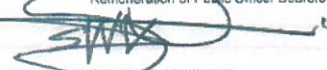
The Mayor and Speaker are full-time. The Mayor and Speaker are provided with offices and secretarial support at the cost of the Council. The Mayor has use of a Council owned vehicle and a driver for official duties.

**COUNCILLORS**

1 Nyukwana, N.	Mayor	ANC	Mayor Ward 8	778 880	739 363
2 Lali, N.	Speaker	ANC	Speaker Ward 13	627 278	464 936
3 Liwani, S.	Chief Whip	ANC	Executive Committee Ward 6	589 378	559 740
4 Kalolo, D.S.	Executive Committee	ANC	Executive Committee Ward 7	589 378	572 812
6 Kulashe, T.	Executive Committee	ANC	Executive Committee Ward 11	589 378	559 740
7 Twala, B.P.	Executive Committee	ANC	Executive Committee Ward 10	589 378	471 500
8 Nkasela, K.	Executive Committee part time	ANC	Executive Committee Ward 2	335 036	287 833
9 Mooli, L.	Chairperson of Section 79 Committee	ANC	Ward Councillor 2	314 085	297 488
10 Koni, N.F.	Councillor	ANC	Ward Councillor 1	249 349	354 070
11 Ziduli, N.	Councillor	ANC	Ward Councillor 3	249 349	236 416
12 Bobotyana, H.C.	Councillor	ANC	Ward Councillor 4	249 349	236 416
13 Mapete, P.	Councillor	ANC	Ward Councillor 5	249 349	236 416
14 Qashani, N.	Councillor	ANC	Ward Councillor 6	249 349	236 416
15 Peter, N.	Councillor	ANC	Ward Councillor 7	249 349	236 416
16 Nobaza, P.	Councillor	ANC	Ward Councillor 8	249 349	236 416
17 Dudumasho, T.R.	Councillor	ANC	Ward Councillor 9	249 349	236 416
18 Gwegwana, L.	Councillor	ANC	Ward Councillor 10 Deceased April 2016	207 791	236 416
19 Teka, Z.H.	Councillor	ANC	Ward Councillor 11	249 349	236 416
20 Dyonase, Z.	Councillor	ANC	Ward Councillor 12	249 349	236 416
21 Kraga, N.	Councillor	ANC	Ward Councillor 13	249 349	236 416
22 Godia, M.	Councillor	ANC	Ward Councillor 14	249 349	236 416
23 Mnyuko, S.	Councillor	ANC	Ward Councillor 15	249 349	236 416
24 Komani, B.	Councillor	ANC	Ward Councillor 16	249 349	236 416
25 Papiso, Z.	Councillor	ANC	Proportional Ward 17	249 349	236 416
26 Jordaan, V.	Councillor	ANC	Proportional Ward 4	249 349	236 416
27 Dikili, N.	Councillor	ANC	Proportional Ward 14	249 349	236 416
28 Holana, N.	Councillor	ANC	Proportional Ward 17	249 349	236 416
29 Ndlela, T.R.	Councillor	ANC	Proportional Ward 12	249 349	236 418
30 Mani, M.	Councillor	ANC	Proportional Deceased mid March 2015	-	181 693
31 Mjezu, K.	Councillor	UDM	Proportional Ward 10	249 349	236 416
32 Greyling, P.	Councillor	DA	Proportional Ward 14	249 349	236 416
33 Mketsu, Z.	Councillor	COPE	Proportional Ward 5	249 349	236 416
34 Kwatsihana, T.	Councillor	PAM	Proportional Ward 16	249 349	236 416
35 Suishe, T.D.	Councillor	ANC	Proportional Ward 3	249 349	177 312
36 Boklaini, SN	Councillor	ANC	Proportional Ward 10	249 349	19 701
Telephone cost refund				30 629	-
<b>Gazette amounts</b>				<b>10 884 836</b>	<b>10 103 758</b>

**Certification by the Accounting Officer**

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



Signed: Accounting Officer

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

<b>25</b>	<b>DEBT IMPAIRMENT</b>	<b>2016</b>	<b>2015</b>
	Trade Receivables from exchange transactions - Note 14	4 485 465	8 412 111
	Trade Receivables from non-exchange transactions - Note 15	3 302 011	5 154 932
	<b>Total Contribution to Debt Impairment</b>	<b>7 787 477</b>	<b>13 567 043</b>
<b>26</b>	<b>DEPRECIATION AND AMORTISATION</b>		
	Property Plant and Equipment	22 762 401	21 982 504
	Capitalised Restoration Cost	-	951 638
	Investment Property	5 507	10 658
	Intangible Assets	33 707	62 706
	<b>Total Depreciation and Amortisation</b>	<b>22 801 615</b>	<b>23 007 505</b>
<b>27</b>	<b>FINANCE CHARGES</b>		
	Landfill site	-	144 994
	Long service awards	101 918	104 381
	Long-term Liabilities	120 034	57 785
	Post Employment Health	400 101	479 769
	<b>Total finance charges</b>	<b>622 053</b>	<b>786 929</b>
<b>28</b>	<b>REPAIR AND MAINTENANCE</b>		
	Roads, Pavements & Bridges	1 436 506	1 245 268
	Storm water	122 209	324 142
	Electricity Transmission & Reticulation	1 401 761	337 847
	Street Lighting	719 681	14 000
	Water Reticulation	-	2 589 282
	Sanitation Reticulation	-	61 650
	Parks & gardens	14 000	234 894
	Sportsfields & stadia	101 027	2 879
	Cemeteries	450	477 536
	General vehicles	1 072 011	1 002 548
	Plant & equipment	436 992	2 642 510
	Furniture and other office equipment	69 440	65 476
	Civic Land and Buildings	1 645 615	1 549 331
	<b>Total repair and maintenance</b>	<b>7 019 692</b>	<b>10 547 363</b>
	<b>Less: Transferred to Discontinued Operations- Note 50.2</b>		<b>(5 261 393)</b>
		<b>7 019 692</b>	<b>5 285 970</b>
<b>29</b>	<b>BULK PURCHASES</b>		
	Electricity	15 628 893	14 809 208
	<b>Total Bulk Purchases</b>	<b>15 628 893</b>	<b>14 809 208</b>
<b>30</b>	<b>OTHER OPERATING GRANT EXPENDITURE</b>		
	Operating grant expenditure per vote		
	Budget and Treasury	4 259 905	3 715 617
	Corporate Services	-	33 077
	Electricity	18 421 053	9 767 754
	IPED	442 729	2 365 990
	Refuse	206 750	1 696 416
	Roads Transport	5 532 845	5 636 601
	Water and Sanitation	-	-
	<b>Total Operating grant expenditure</b>	<b>28 906 458</b>	<b>23 215 456</b>

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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	2016	2015
	R	R
<b>GENERAL EXPENSES</b>		
Administration charges	-	21 562
Advertisements	670 490	383 513
Auditors Remuneration	3 958 284	3 073 459
Bank Charges	256 550	190 773
Books, Magazines & Publication	18 202	15 113
Chris Hani DM (Capital items)	-	1 678 589
Cleaning	467 870	131 655
Cleaning Materials	-	17 318
Conferences and Seminars	1 540 580	1 177 122
Congress Fee	18 630	3 600
Consulting and Professional fees	1 880 744	1 545 007
Consumables	71 851	33 764
Data Cleansing	115 657	9 529
Disaster Expenditure	609 069	879 924
Electricity Service Charges	405 639	349 294
Entertainment	312 171	-
Field Band Project	1 200 370	482 736
Fleet Management	19 958	59 271
FMS Expenditure and Licences	761 521	750 135
Fuel and oil	1 298 791	2 780 505
Insurance	1 297 677	1 108 081
Leasenerhip	-	82 400
Lease rentals on operating lease	361 828	398 628
Library Assets	-	174 921
License Fees	488 508	484 262
Marketing	896	137 821
Material Stores	59 001	1 337 564
Mayor Cup	200 286	466 125
Medical Exams	1 140	220
Network Infrastructure Improvement	301 037	501 800
New Connections	-	205
Pauper Burials	19 860	2 650
Plant Hire	51 200	69 757
PMS & IDP Compliance	477 804	387 234
Policies	162 610	261 001
Postage	7 999	10 348
Printing and stationery	1 458 251	1 670 164
Projects	3 440 047	2 584 221
Protective Clothing	698 100	302 059
Public participation	1 029 793	647 863
Refuse Bags	338 300	229 622
Relocation Cost	57 600	33 000
Revenue Enhancement	-	-
Revenue Enhancement Strategy	135 116	327 994
Sanitation Green Drop	-	29 250
Security	2 953 986	1 765 575
Special Community Projects; example Youth day	1 568 593	1 644 573
Staff Tools Of Trade	-	8 772
Study Assistance	200 000	226 576
Subscription and Membership fees	977 618	779 950
Subsistence and Travel	2 466 531	2 265 456
Telephone and fax	1 881 570	1 553 796
Traditional Leaders Expenditure	74 990	70 490
Training	471 455	665 040
Transport and freight	617 933	558 434
Travel - local	4 571 798	5 217 194
Valuation Roll	57 750	8 080
Ward Committee cost	725 646	463 342
Water Blue Drop	-	86 044
Water Purification	-	818 809
Water samples	-	344 169
Wellness Day	791 755	419 751
<b>General Expenses</b>	<b>41 553 053</b>	<b>41 726 110</b>
<b>Less: Transferred to Discontinued Operations - Note 50.2</b>		<b>(7 156 318)</b>
<b>General Expenses Continued</b>	<b>41 553 053</b>	<b>34 569 792</b>

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**  
**CORRECTION OF ERROR IN TERMS OF GRAP 3**

**32.01 Narratives of the corrections of errors**

- (i) Amounts payable for trade creditors applicable for the 2014/15 financial year were received after the reporting period, with the result that the Payables from Exchange Transactions and Input VAT were understated and Accumulated Surplus overstated. This error is now rectified retrospectively with the following entries : (Dt) Accumulated Surplus R1 410 290.43, (Ct) Payables from Exchange transactions R1 476 722.01 and (Dt) VAT R66 431.58
- (ii) Credit amounts of R7 572.01, R229.72 and R437.20 respectively were included under Receivables from Exchange transactions during 2014/2015. This error is now corrected.
- (iii) Payments received in advance from debtors in the Billing System were incorrectly disclosed as Recivables- Exchange and Receivables Non Exchange Transactions. It should have been disclosed as Payables from Exchange Transactions with the result that all the compoments were understated and therefore now corrected.
- (iv) A COAF was issued during the previous year audit to rectify assets. The previous errors are now corrected with the following entries : (Dt) Accumulated Surplus R377 251.51 (Dt) Other Assets -cost R184 000 (Ct) Accumulated Depreciation-Other Assets R502.39 (Ct) Accumulated Depreciation- Community Assets R560 749.12
- (v) First-time recognition of Community Youth Centrum -Erf 883 Dordrecht with the following entries : (Dt) PPE- Community Assets R1 398 881.64 (Ct) Accumulated Depreciation R97 921.71 (Ct) Accumulated Surplus-prior years -R1 314 948.74 (Dt) Accumulated Surplus-current year (depreciation) R13 988.82
- (vi) First-time recognition of Land and Buildings previously not in asset register. This error is now corrected with the following entries : (Dt) PPE-Land and Buildings R4 919 900, (Ct) Accumulated Depreciation R896 350 (Ct) Accumulated Surplus -prior years R4 151 600 (Dt) Accumulated Surplus -current year-(depreciation) R 128 050.00
- (vii) First-time recognition of Other Assets found with the annual asset count previously not included in the asset register. This error is now retrospectively corrected with the following entries : PPE -Other Assets R247 870.96 (Ct) Accumulated Depreciation R117 867.26 (Ct) Accumulated Surplus -prior years R150 663.08, (Dt) Accumulated Surplus- current year (Depreciation) R20 659.36
- (viii) Assets were last year incorrectly capitalised as work in progress. This error is now rectified with the following entries : (Dt) Accumulated Surplus -current year R401 832.17, (Ct) Accumulated Depreciation- Community Assets R391 208.65 (Ct) Accumulated Depreciation- Land and Buildings R10 623.52
- (ix) The municipality has unbundled numerous infrastructure items in the Asset register with the result that due to changes in the useful lives of components of some of the unbundled assets, the accumulated depreciation for infrastructure changed dramatically due to the retrospectively application of the correction of errors. The entries to correct the accumulated depreciation to reflect the correct book value of the assets as at the previous year, are as follows : (Dt) Accumulated Surplus-prior years R55 105 258 Accumulated Surplus current year- (depreciation) R360 331 and (Ct) Accumulated Depreciation Infrastructure R55 465 589
- (x) An error in the calculation of depreciation in a single item in the Land and Buildings assets register was found. The error is now corrected with the following entries : (Dt) Accumulated Surplus -prior year R16 129.03 (Dt) Accumulated Surplus-current year (depreciation) R16 129.03 and (Ct) Accumulated Depreciation Land and Buildings with R32 258.06

	2015 R	2014 R
<b>32.02 ACCUMULATED SURPLUS</b>		
Balance previously reported		
Payables from Exchange Transactions - see note 33.01 (i)	458 386 485	469 543 326
Property Plant and Equipment see note 33.01(iv)	(1 410 290)	
Property Plant and Equipment see note 33.01(v)	(377 252)	(377 252)
Property Plant and Equipment see note 33.01(vi)	1 300 960	1 314 949
Property Plant and Equipment see note 33.01(vii)	4 023 550	4 151 600
Property Plant and Equipment see note 33.01(viii)	130 004	150 663
Property Plant and Equipment see note 33.01(ix)	(401 832)	-
Property Plant and Equipment see note 33.01(x)	(55 465 589)	(55 105 258)
	(16 129)	
Restated balance 30/06/2015	<u>406 169 906</u>	<u>419 678 028</u>
	2015 R	2014 R
<b>32.03 PROPERTY, PLANT AND EQUIPMENT</b>		
Balance previously reported		
Accumulated Depreciation Community Assets - see note 33.01(iv)	439 281 466	422 240 399
Accumulated Depreciation Other Assets - see note 33.01(iv)	(502)	(502)
Other Assets -Cost-see note 33.01(iv)	(560 749)	(560 749)
Community Assets-cost- see note 33.01(v)	184 000	184 000
Community Assets- Accumulated Depreciation- see note 33.01(v)	1 398 882	1 398 882
Land and Buildings -cost- see note 33.01(vi)	(97 922)	(83 933)
Land and Buildings -cost- see note 33.01(vi)	1 078 400	1 078 400
Land and Buildings Accumulated Depreciation- see note 33.01(vi)	3 841 500	3 841 500
Other Assets -Cost-see note 33.01(vii)	(896 350)	(768 300)
Other Assets accumulated Depreciation- see note 33.01(vii)	247 871	247 871
Land and Buildings Accumulated Depreciation- see note 33.01(viii)	(117 867)	(97 208)
Community Assets- Accumulated Depreciation- see note 33.01(viii)	(10 624)	
Infrastructure Assets-Accumulated Depreciation-see note 33.01(ix)	(391 209)	-
Land and Buildings-Accumulated Depreciation-see note 33.01(x)	(55 465 589)	(55 105 258)
	(16 129)	
	<u>388 475 178</u>	<u>372 375 101</u>

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**32.04 PAYABLES FROM EXCHANGE TRANSACTIONS**

Balance previously reported	15 803 079	15 077 414
Accumulated Surplus -see note 33.01 (i)	1 476 722	-
Receivables from non Exchange Transactions-see note 33.01(ii)	8 239	-
Receivables from non Exchange Transactions-see note 33.01(iii)	272 461	
Receivables from Exchange Transactions-see note 33.01(iii)	416 575	
Restated balance 30/06/2015	<u>17 977 076</u>	<u>15 077 414</u>

**32.05 VAT**

Balance previously reported	2 077 852	2 522 476
Payables from Exchange transactions-see note 33.01(i)	66 432	
Restated balance 30/06/2015	<u>2 144 284</u>	<u>2 522 476</u>

**32.06 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS**

Balance previously reported	3 920 135	5 860 616
Payables from Exchange transactions-see note 33.01(iii)	272 461	
Restated balance 30/06/2015	<u>4 192 596</u>	<u>5 860 616</u>

**32.07 RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Payables from Exchange transactions-see note 33.01(ii)	17 964 462	10 402 833
Payables from Exchange transactions-see note 33.01(iii)	8 239	
Restated balance 30/06/2015	<u>18 389 276</u>	<u>10 402 833</u>

**32.08 STATEMENT OF FINANCIAL PERFORMANCE**

	2015 R	2014 R
DEFICIT PREVIOUSLY REPORTED	11 156 838	-
Payables from Exchange Transactions - see note 33.01 (i)	1 410 290	
Property Plant and Equipment-see notes 33.01 (v)-(x)	940 990	
Restated balance 30/06/2015	<u>13 508 119</u>	<u>-</u>

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
<b>33 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>	<b>R</b>	<b>R</b>
Surplus/(Deficit) for the year	3 975 608	(13 508 119)
<u>Adjustments for:</u>		
Depreciation/Amortisation	22 801 615	23 007 507
Gain on disposal of property, plant and equipment	(359 990)	
Loss on disposal of property, plant and equipment	9 191 107	1 142 617
Contributed Assets	(259 000)	(346 075)
Impairment Loss	-	9 247 688
Impairment (Reversals)	(635 644)	(10 341)
Contribution from/to provisions - Non-Current	410 760	1 733 719
Contribution from/to provisions - Non-Current - Expenditure incurred	(160 003)	(115 773)
Contribution from/to provisions - Non-Current - Actuarial gains	(164 568)	(926 454)
Contribution to provisions - current	(3 956 293)	4 825 345
Contribution to provisions - current - Expenditure incurred	3 923 962	(3 043 206)
Debt Impairment	7 787 477	13 567 042
Operating lease income / (expenses) accrued	(5 330)	(14 194)
Operating Surplus/(Deficit) before changes in working capital	42 549 701	35 559 756
Changes in working capital	4 685 492	(17 406 697)
Increase/(Decrease) in Payables from exchange transactions	3 832 083	2 899 665
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	808 741	(1 452 636)
Increase/(Decrease) in Unpaid Conditional Government Grants and Receipts	-	34 684
Increase/(Decrease) in Taxes	(4 453 645)	378 190
(Increase)/Decrease in Inventory	-	618 665
(Increase)/Decrease in Receivables from exchange and non-exchange transactions	4 498 313	(19 885 465)
<b>Cash generated/(absorbed) by operations</b>	<b>47 235 193</b>	<b>18 153 059</b>
<b>34 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 17	26 023 440	28 563 011
Cash Floats - Note 17	20 252	21 142
Bank - Note 17	2 251 871	3 192 247
<b>Total cash and cash equivalents</b>	<b>28 295 562</b>	<b>31 776 400</b>
<b>35 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 34	28 295 562	31 776 400
Less:	28 295 562	31 776 400
Unspent Committed Conditional Grants - Note 7	1 157 442	348 701
<b>Resources available for working capital requirements</b>	<b>27 138 120</b>	<b>31 427 699</b>
<b>Allocated to:</b>		
Current Employee Benefits	7 129 458	7 097 272
Non-Current Provisions	10 525 917	11 514 635
<b>Resources available for working capital requirements</b>	<b>9 482 745</b>	<b>12 815 792</b>
<b>36 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - Note 2	648 349	810 383
Used to finance property, plant and equipment - at cost	(648 349)	(810 383)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

37

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**37.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

Opening balance	-	-
Unauthorised expenditure for the year - capital	12 624 240	9 856 654
Unauthorised expenditure for the year - operating		(9 856 654)
Written off by council		
Unauthorised expenditure awaiting authorisation	<u>12 624 240</u>	<u>-</u>

Unauthorised expenditure on operating votes is mainly due to depreciation and debt impairment charges

Incident	Disciplinary steps/criminal proceedings
Over expenditure on approved operational and capital budget.	None; report has been presented to Council

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 R (Unauthorised)
<b>Unauthorised expenditure current year - operating</b>				
Budget and Treasury Office	40 037 381	31 154 184	8 883 196	8 883 196
Community and Social Services	16 399 371	17 221 118	(821 747)	-
Corporate Services	17 997 709	18 131 416	(133 707)	-
Electricity	36 977 286	42 001 984	(5 024 698)	-
Executive and Council	33 347 651	34 146 147	(798 496)	-
Housing	1 251 842	1 257 070	(5 228)	-
Planning and Development	5 814 726	5 949 924	(135 198)	-
Public Safety	1 530 396	1 532 453	(2 057)	-
Refuse	-	-	-	-
Road Transport	37 397 353	41 903 312	(4 505 959)	-
Sport and Recreation	1 103 526	1 158 771	(55 245)	-
Water	-	-	-	-
Waste Water Management	-	-	-	-
Waste Management	10 573 558	6 832 513	3 741 045	3 741 045
	<u>202 430 797</u>	<u>201 288 892</u>	<u>(2 599 138)</u>	<u>12 624 240</u>
<b>Unauthorised expenditure current year - capital</b>				
	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 R (Unauthorised)
Budget and Treasury	-	838 000	(838 000)	-
Community and Social Services	-	14 265 613	(14 265 613)	-
Corporate Services	-	8 218 000	(8 218 000)	-
Executive and Council	-	5 976 655	(5 976 655)	-
IPED	-	1 210 000	(1 210 000)	-
Technical Services	-	13 439 574	(13 439 574)	-
	<u>-</u>	<u>43 947 842</u>	<u>(43 947 842)</u>	<u>-</u>

## 37

2016  
R2015  
R

Reconciliation of fruitless and wasteful expenditure:

Incident	Disciplinary steps/criminal proceedings
Interest was paid to Eskom and Telkom	<i>Investigated</i>
Interest and penalties were paid on Eskom and Telkom accounts	<i>Written off</i>
Interest was paid to Eskom and Telkom prior year	<i>None</i>
W.Mkuyana salary paid incorrectly	<i>To be recovered</i>

## Reconciliation of irregular expenditure:

Reconciliation of irregular expenditure:		
Opening balance	73 498 943	132 804 408
Irregular expenditure for the year	7 217 045	20 259 703
Irregular expenditure for the prior year		
Written off	<u>(80 715 988)</u>	<u>(79 565 168)</u>
Irregular expenditure awaiting further action	-	73 498 943

Incident	Disciplinary steps/criminal proceedings	
SCM procedures not followed current year	None	17 785 496
Litaba Basadi Investment	None	1 604 746
Mzileni/Umkhwiwa Construction JV	None	869 461
SCM procedures not followed prior year	Investigated	53 239 242
SCM procedures not followed-Edzan Prop Developers	Written off	4 362 655
SCM procedures not followed-Litabha Basadi Investments	Written off	2 854 391
		<b>7 217 045</b>
		<b>73 498 945</b>

### Electricity distribution losses

Units purchased (Kwh)	12 985 655	14 531 976
Units sold (Kwh)	7 434 124	8 926 336
Units lost during distribution (Kwh)	5 551 531	5 605 640
Percentage lost during distribution	42.74%	38.57%

**38.1 Contributions to organised local government - (MFMA 125 (1)(b)) - SALGA CONTRIBUTIONS**

**38.1 Contributions to organised local government - (MFMA 125 (1)(b)) - SALGA CONTRIBUTIONS**

Opening balance	-	-
Council subscriptions	500 000	506 000
Amount paid - current year	(500 000)	(506 000)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

### 38.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	-	-
Current year audit fee	3 958 284	2 989 417
External Audit - Auditor-General	3 958 284	2 989 417
Amount paid - current year	(3 958 284)	(2 989 417)
Balance unpaid (included in creditors)	-	-

### 38.3 VAT - IMFMA 125 (1)(c)

Opening balance	(2 093 628)	1 070 930
Amounts received - current year	7 271 186	5 223 304
Amounts received - previous years	1 262 752	1 702 885
Amounts claimed - current year	(10 391 357)	(10 090 747)
Closing balance - (Receivable) / Payable	(3 951 044)	(2 093 628)

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

### 38.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]

Opening balance	949 831	-
Current year payroll deductions and Council Contributions	9 379 047	9 606 870
Amount paid - current year	(10 328 878)	(8 657 039)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>949 831</b>

### 38.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]

Opening balance		
Current year payroll deductions and Council Contributions	12 478 870	11 296 347
Amount paid - current year	(12 478 870)	(11 296 347)
Balance unpaid (included in creditors)		

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**38 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)**

**38.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]**

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

	2016 R Outstanding more than 90 days	2015 R Outstanding more than 90 days
Komani, B.	51 591	25 214
Godia, M	162	
<b>Total Councillor Arrear Consumer Accounts</b>	<b>51 753</b>	<b>25 214</b>

Councillor Komani's account has been handed over for collection. Councillor Godia's property has been sold to Mr LM Ngcongca however the property has not been transferred and thus Councillor Godia still reflects as the debtor on the system.

**38.7 Other non-compliance (MFMA 125(2)(e))**

Terms of Section 65(2)(e) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) (MFMA).  
Some Creditors were not paid within 30 days.

**38.8 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

	Total Suppliers	Amount
Deviations (Sole Suppliers) approved by Municipal Manager	3	1 716 507

**39 CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure:**

Approved and contracted for:

Infrastructure  
Community  
Other

R	R
4 690 800	17 555 426
4 690 800	17 555 426
-	-
-	-

Approved but not yet contracted for

Total

-	-
4 690 800	17 555 426

This expenditure will be financed from:

External Loans  
Capital Replacement Reserve  
Government Grants

-	-
-	-
4 690 800	17 555 426
4 690 800	17 555 426

Total

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**FINANCIAL RISK MANAGEMENT**

2016

2015

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

**(a) Foreign Exchange Currency Risk**

The municipality did not engage in any foreign currency transaction.

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

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

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

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

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

	2016	2015
	R	R
1% (2012 - 0.5%) increase in interest rates	161 964	356 705
0.5% (2012 - 0.5%) Decrease in interest rates	(80 982)	(178 353)

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

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

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

The credit quality of receivables are assessed on individual debtors basis. The accounts are then impaired on a individual basis based on the risk profile/credit quality associated with that individual account.

All rates and services are payable within 30 days from invoice date. Refer to note 14 and 15 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 14 for balances included in receivables that were re-negotiated for the period under review.

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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**FINANCIAL RISK MANAGEMENT (CONTINUED)**

Balances past due not impaired:

	2016 %	2016 R	2015 %	2015 R
<u>Non-Exchange Receivables</u>				
Rates and other receivables	100.00%	2 826 452	100.00%	4 192 596
<u>Exchange Receivables</u>				
Electricity	41.93%	3 132 116	15.21%	2 796 531
Refuse	-69.05%	(5 157 721)	-26.84%	(4 935 192)
Other	127.12%	9 495 235	111.63%	20 527 937
	100.00%	7 469 630	100.00%	18 389 276

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 14 and 15 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2016 %	2016 R	2015 %	2015 R
<u>Non-Exchange Receivables</u>				
Rates and other receivables	100.00%	11 257 775	100.00%	7 955 764
<u>Exchange Receivables</u>				
Electricity	2.54%	1 063 603	1.99%	798 468
Refuse	92.57%	38 774 125	97.39%	39 015 633
Other	4.89%	2 050 423	0.61%	246 186
	100.00%	41 888 150	100%	40 060 287

An amount of R 3 285 568 debt was written of - (see also note 15)

The entity only deposits cash with major banks with high quality credit standing. An amount of R100 000 is pledge as security on call deposits with Standard Bank. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity has no non-current investment transactions.

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

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

All receivables are individually evaluated annually at Statement of Financial Position date for impairment.

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

	2016 R	2015 R
Receivables from exchange transactions	7 469 630	18 389 276
Receivables from non-exchange transactions	2 826 452	4 192 596
Cash and Cash Equivalents	28 295 562	31 776 400
Unpaid conditional grants and subsidies	-	-
	<u>38 591 644</u>	<u>54 358 272</u>

**FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(e) Liquidity Risk**

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

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

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

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2016</b>				
Long Term liabilities - Finance Lease Liability	352 890	320 076	-	-
Capital repayments	279 801	295 485		
Interest	73 089	24 591		
Long Term liabilities - Hire purchase Lease Liability	76 491	-	-	-
Capital repayments	73 063	0	-	-
Interest	3 429	(0)	-	-
Trade and Other Payables	20 351 204	-	-	-
Unspent conditional government grants and receipts	1 157 442	-	-	-
	<b>21 938 026</b>	<b>320 076</b>	<b>-</b>	<b>-</b>

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2015</b>				
Long Term liabilities - Finance Lease Liability	232 895	-	-	-
Capital repayments	203 916	-	-	-
Interest	28 979	-	-	-
Long Term liabilities - Hire purchase Lease Liability	133 825	256 499	-	-
Capital repayments	107 383	234 735	-	-
Interest	26 442	21 764	-	-
Trade and Other Payables	11 391 065	-	-	-
Unspent conditional government grants and receipts	348 701	-	-	-
	<b>12 106 486</b>	<b>256 499</b>	<b>-</b>	<b>-</b>

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

41	FINANCIAL INSTRUMENTS	2016 R	2015 R
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:		
	The fair value of financial instruments approximates the amortised costs as reflected below.		
41.1	<b>Financial Assets</b>		
	<b>Classification</b>		
	<b>Investments</b>		
	Fixed Deposits	-	-
	<b>Receivables</b>		
	Receivables from exchange transactions	7 469 630	18 389 276
	Receivables from non-exchange transactions	2 826 452	4 192 596
	<b>Other Receivables</b>		
	Government Subsidies and Grants	-	-
	<b>Short-term Investment Deposits</b>		
	Call Deposits	26 023 440	28 563 011
	<b>Bank Balances and Cash</b>		
	Bank Balances	2 251 871	3 192 247
	Cash Floats and Advances	20 252	21 142
		<b>38 591 644</b>	<b>54 358 272</b>
	<b>SUMMARY OF FINANCIAL ASSETS</b>		
	Financial instruments at amortised cost	38 591 644	54 358 272
	At amortised cost	<b>38 591 644</b>	<b>54 358 272</b>
41.2	<b>Financial Liability</b>		
	<b>Classification</b>		
	<b>Long-term Liabilities</b>		
	Capitalised Lease Liability	295 485	473 860
	Hire Purchase	0	73 062
	<b>Payables from exchange transactions</b>		
	Trade Payables	16 083 803	10 684 264
	Third party payables (Payroll)	16 339	1 035 923
	Payments received in advance-pre paid electricity	210 486	89 579
	Sundry Deposits	21 640	11 900
	Sundry Creditors	94 608	1 259 180
	<b>Other Payables</b>		
	Government Subsidies and Grants	1 157 442	348 701
	<b>Current Portion of Long-term Liabilities</b>		
	Capitalised Lease Liability	279 801	190 510
	Hire Purchase	73 063	72 950
		<b>22 367 481</b>	<b>18 447 124</b>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>		
	Financial instruments at amortised cost	<b>22 367 481</b>	<b>18 447 124</b>
42	<b>EVENTS AFTER THE REPORTING DATE</b>		
	None		
43	<b>IN-KIND DONATIONS AND ASSISTANCE</b>		
	None		
44	<b>PRIVATE PUBLIC PARTNERSHIPS</b>		
	Council has not entered into any private public partnerships during the financial year.		

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

<b>45</b>	<b>CONTINGENT LIABILITY</b>	<b>2016</b>	<b>2015</b>
	The municipality is being sued by Mgumane for damages whereby the claimant allegedly suffered constitutional damages.	1 000 000	15 000
	The Municipality is being sued by D S O'Reilly for damages suffered due to negligence by the municipality in failing to maintain and monitor the structure of the dam wall and dam outlet of Hogsett Dam.	50 000	100 000
	Ex Gratia Gratuities are payable regarding contracts for Sec. 56 Managers on termination of contract.	1 261 432	1 155 311
	Claims against Council	<u>2 311 432</u>	<u>1 270 311</u>
	In all the above cases a possible obligation to pay for the events remain at 30 June 2016, but uncertainty prevails of the actual time of the outflow of funds.		

<b>46</b>	<b>CONTINGENT ASSETS</b>		
	A fraud case occurred after AFS was submitted to the amount of R332 186.94.		
	Claims by Council	<u>322 187</u>	<u>322 187</u>
		<u>322 187</u>	<u>322 187</u>
	In all the above cases, possible recovery of funds remain at 30 June 2016, but uncertainty prevails of the actual time of the inflow of funds.		

**47 RELATED PARTIES**

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

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

**47.1 Related Party Loans**

None

**47.2 Compensation of key management personnel**

The compensation of key management personnel is set out in note 23 to the Annual Financial Statements.

**47.3 Other related party transactions**

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

<u>Councillor/Staff Member</u>	<u>Entity</u>	<u>Amount of Transactions</u>	<u>Payments made</u>	<u>Outstanding Payments</u>
P Greyling	UNIVERSAL GARAGE	R 227 578.48	R 227 578.48	R 0.00
M Dyubele	E.N Dyubele Builders	R 255 499.00	R 255 499.00	R 0.00
N Ziduli	Khazimla Holdings (Pty) LTD	R 135 555.71	R 135 555.71	R 0.00

**DISCONTINUED OPERATIONS**

The Municipality acted as Water Service Provider (WSP) for the provision of water and sanitation services on behalf of the Water Service Authority, Chris Hani District Municipality. The Water Service Authority resolved to resume full accountability for the Revenue functions as from 1 July 2014.

**The effect of Discontinued Operations on the Statement of Financial Position is as follows:**

48.1

**Liabilities associated with Discontinued Operations**

	2016	2015
Employee Benefits	-	1 147 585
Post Retirement Benefits - Refer to Note 3.1	-	237 027
Long Service Awards - Refer to Note 3.2	-	1 384 612
<b>Total Non-current Employee Benefit Liabilities</b>		
<u>Post Retirement Benefits</u>		
Balance 1 July	1 147 585	1 003 746
Contribution for the year	-	123 413
Interest Cost	-	92 246
Expenditure for the year	-	(71 820)
Actuarial Loss/(Gain)	(1 147 585)	-
Recovered	-	1 147 585
<b>Total post retirement benefits 30 June</b>		
<b>Less: Transfer of Current Portion - Note 3.1</b>		
<b>Balance 30 June</b>		<b>1 147 585</b>
<u>Long Service Awards</u>		
Balance 1 July	237 027	264 040
Contribution for the year	-	49 738
Interest Cost	-	19 295
Expenditure for the year	-	-
Actuarial Loss/(Gain)	(237 027)	(24 079)
Recovered	-	308 994
<b>Total long service 30 June</b>		<b>(71 967)</b>
<b>Less: Transfer of Current Portion - Note 3.2</b>		
<b>Balance 30 June</b>		<b>237 027</b>
<b>TOTAL NON-CURRENT EMPLOYEE BENEFITS</b>	<b>1 384 612</b>	<b>1 267 786</b>
Balance 1 July	-	173 151
Contribution for the year	-	111 541
Interest cost	-	-
Expenditure for the year	-	(95 899)
Actuarial Loss/(Gain)	(1 384 612)	-
Recovered	-	1 456 579
<b>Total employee benefits 30 June</b>		<b>(71 967)</b>
<b>Less: Transfer of Current Portion - Note 3.1</b>		
<b>Balance 30 June</b>	<b>(1 384 612)</b>	<b>1 384 612</b>
<b>CURRENT EMPLOYEE BENEFITS</b>		
Current Portion of Post Retirement Benefits - Note 5	-	-
Current Portion of Long-Service Provisions - Note 5	(71 967)	71 967
Provision for Staff Leave Note 5	(672 181)	672 181
Staff Bonuses accrued Note 5	(137 104)	137 104
<b>Total Current Employee Benefits</b>	<b>(881 252)</b>	<b>881 252</b>
<b>The movement in current employee benefits is reconciled as follows: Note 5</b>		
<u>Provision for Staff Leave</u>		
Balance at beginning of year	-	587 888
Contribution to current portion	-	84 293
Expenditure incurred	-	-
Recovered	(672 181)	-
<b>Balance at end of year</b>	<b>(672 181)</b>	<b>672 181</b>
<u>Staff Bonuses accrued</u>		
Balance at beginning of year	-	107 372
Contribution to current portion	-	-
Expenditure incurred	-	-
Recovered	(137 104)	-
<b>Balance at end of year</b>	<b>(137 104)</b>	<b>137 104</b>
<b>Total Liabilities associated with Discontinued Operations</b>	<b>(2 265 864)</b>	<b>2 265 864</b>
<b>Assets associated with Discontinued Operations</b>		
Trade Receivables from exchange transactions	-	32 816 228
Water	-	36 083 924
Sewerage	-	-
<b>Total: Trade receivables from exchange transactions (before provision) - Note 15</b>		<b>68 900 152</b>
<b>Less: Provision for impairments - Note 15</b>		<b>(68 900 152)</b>
Water	-	(32 816 228)
Sewerage	-	(36 083 924)
VAT	-	-
<b>Total: Trade receivables from exchange transactions (after provision) - Note 15</b>		<b>-</b>
<b>Total: Assets associated with Discontinued Operations</b>		<b>-</b>

**EMALAHLENI MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

48.2	<u>The effect of Discontinued Operations on the Statement of Financial Performance is as follows:</u>	2016	2015
	Revenue from Exchange Transactions		
	Service Charges	-	-
	Less: Rebates	-	-
	<b>Total Service Charges - Note 21</b>	<b>-</b>	<b>-</b>
	Interest Earned - Outstanding Debtors	-	-
	Actuarial Gains	-	-
	Other Income	-	22 393 720
	<b>Total Revenue</b>	<b>-</b>	<b>22 393 720</b>
	<b>EXPENDITURE</b>		
	Employee related costs	-	9 976 009
	Debt Impairment	-	-
	Depreciation and Amortisation	-	-
	Repairs and Maintenance	-	5 261 393
	Other Operating Grant Expenditure	-	-
	General Expenses	-	7 156 318
	<b>Total Expenditure</b>	<b>-</b>	<b>22 393 720</b>
	<b>NET SURPLUS / (DEFECIT) FOR THE YEAR</b>	<b>-</b>	<b>-</b>

**APPENDIX A - Unaudited**  
**EMALAHLENI MUNICIPALITY**  
**SCHEDULE OF LONG-TERM LIABILITIES AS AT 30 JUNE 2016**

LONG-TERM LIABILITIES	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2015	,	Balance at 1 JULY 2015 Restated	Received during the period	Adjustments	Interest portion payable at period end	Redeemed or written off during the period	Balance at 30 JUNE 2016
<b>HIRE PURCHASE</b>											
Standard Bank	9.00%	43454526/0007	2017/06/01	146 012	-	146 012	-	-		72 950	73 062
<b>Total Hire Purchase</b>				<b>146 012</b>	-	<b>146 012</b>	-	-		<b>72 950</b>	<b>73 062</b>
<b>LEASE LIABILITY</b>											
Aloe Office & Business Solutions	17.39%		2018/05/26	377 086	-	377 086				109 205	267 881
Aloe Office & Business Solutions	17.72%		2018/06/11	287 284	-	287 284				81 305	205 979
FINTECH	9.75%		2018/04/29	-	-	-	134 054			32 629	101 425
<b>Total Lease Liabilities</b>				<b>664 370</b>	-	<b>664 370</b>	<b>134 054</b>	-	-	<b>223 138</b>	<b>575 286</b>
<b>TOTAL LONG-TERM LIABILITIES</b>				<b>810 382</b>	-	<b>810 382</b>	<b>134 054</b>	-	-	<b>296 088</b>	<b>648 348</b>

**APPENDIX B - Unaudited**  
**EMALAHLENI MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**  
**MUNICIPAL VOTES CLASSIFICATION**

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
100 933 507	(27 010 993)	73 922 514	Budget and Treasury	125 516 195	(40 037 381)	85 478 814
2 054 992	(13 307 652)	(11 252 661)	Community Services	1 863 327	(17 502 897)	(15 639 570)
68 161	(19 134 228)	(19 066 067)	Corporate Services	140 556	(17 997 709)	(17 857 153)
6 545 075	(18 974 028)	(12 428 953)	Council	6 399 000	(22 454 415)	(16 055 415)
20 114 962	(38 020 342)	(17 905 380)	Electricity	30 324 445	(38 507 682)	(8 183 237)
107 300	(7 600 901)	(7 493 601)	Executive	51 410	(10 893 236)	(10 841 826)
-	(882 840)	(882 840)	Housing Services	33 550	(1 251 842)	(1 218 292)
157 622	(7 473 558)	(7 315 937)	IPED	56 295	(5 814 726)	(5 758 431)
6 413 638	(17 285 845)	(10 872 206)	Refuse	7 374 857	(10 573 558)	(3 198 701)
34 839 155	(35 052 143)	(212 988)	Roads Transport	34 693 788	(37 397 353)	(2 703 565)
22 393 720	(22 393 720)	-	Water and Sanitation	(47 016)	-	(47 016)
193 628 131	(207 136 250)	(13 508 119)	Sub Total	206 406 407	(202 430 798)	3 975 608
-	-	-		-	-	-
<b>193 628 131</b>	<b>(207 136 250)</b>	<b>(13 508 119)</b>	<b>Total</b>	<b>206 406 407</b>	<b>(202 430 798)</b>	<b>3 975 608</b>

**APPENDIX C - Unaudited**  
**EMALAHLENI MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
6 652 375	(26 574 929)	(19 922 554)	Executive and Council	6 450 410	(33 347 651)	(26 897 241)
100 933 507	(27 010 993)	73 922 514	Budget and Treasury Office	125 516 195	(40 037 381)	85 478 814
68 161	(19 134 228)	(19 066 067)	Corporate Services	140 556	(17 997 709)	(17 857 153)
157 622	(7 473 558)	(7 315 937)	Planning and Development	56 295	(5 814 726)	(5 758 431)
-	-	-	Health	-	-	-
2 054 992	(12 368 923)	(10 313 931)	Community and Social Services	1 862 539	(16 399 371)	(14 536 832)
-	(882 840)	(882 840)	Housing	33 550	(1 251 842)	(1 218 292)
4 925	(562 016)	(557 091)	Public Safety	67 355	(1 530 396)	(1 463 041)
-	(938 730)	(938 730)	Sport and Recreation	788	(1 103 526)	(1 102 738)
6 413 638	(17 285 845)	(10 872 206)	Waste Management	7 374 857	(10 573 558)	(3 198 701)
3 411 749	(3 411 749)	-	Waste Water Management	(47 043)	-	(47 043)
34 839 155	(35 052 143)	(212 988)	Road Transport	34 693 788	(37 397 353)	(2 703 565)
18 981 971	(18 981 971)	-	Water	27	-	27
20 110 037	(37 458 326)	(17 348 289)	Electricity	30 257 090	(36 977 286)	(6 720 196)
-	-	-	Other	-	-	-
<b>193 628 131</b>	<b>(207 136 250)</b>	<b>(13 508 119)</b>	<b>Total</b>	<b>206 406 407</b>	<b>(202 430 798)</b>	<b>3 975 608</b>

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

UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	Balance 1 JULY 2015	Corrections Prior year	Restated Balance JULY 2014	Grants Received	Total Grants Available	Write Offs / Transfers	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2016	Unspent 30 JUNE 2016 Current Liability	Unpaid 30 JUNE 2016 Current Asset
	R	R	R	R	R	R	R	R	R	R	R
<b>National Government Grants</b>											
Equitable share	43 176	-	43 176	173 568 000	173 611 176	-	142 996 476	30 614 700	-	-	-
Local Government Financial Management Grant (FMG)	-	-	-	116 537 000	116 537 000	-	116 537 000	-	-	-	-
Municipal Infrastructure Grant (MIG)	-	-	-	1 875 000	1 875 000	-	1 875 000	-	-	-	-
Municipal Systems Improvement Grant (MSIG)	-	-	-	32 226 000	32 226 000	-	1 611 300	30 614 700	-	-	-
Department of Water affairs and forestry (DWAF)	43 176	-	43 176	930 000	930 000	-	930 000	-	-	-	-
Integrated National Electrification Grant (INEP)	-	-	-	21 000 000	21 000 000	-	43 176	-	-	-	-
Extended Public Works Program (EPWP)	-	-	-	1 000 000	1 000 000	-	21 000 000	-	-	-	-
							1 000 000	-	-	-	-
<b>Provincial Government Grants</b>											
LED	305 525	-	305 525	1 733 000	2 038 525	-	881 083	-	1 157 442	1 157 442	-
Library	31 470	-	31 470	-	31 470	-	31 470	-	-	-	-
Rural Development	274 055	-	274 055	803 000	1 077 055	-	849 613	-	227 442	227 442	-
									930 000	930 000	-
<b>District Municipality Grants</b>											
Greenest Municipality Grant	-	-	-	1 312 000	1 312 000	-	1 312 000	-	-	-	-
Paving and beautification	-	-	-	200 000	200 000	-	200 001	-	-	-	-
Indigent Application Project	-	-	-	1 000 000	1 000 000	-	1 000 000	-	-	-	-
	-	-	-	112 000	112 000	-	112 000	-	-	-	-
<b>Total</b>	<b>348 701</b>	<b>-</b>	<b>348 701</b>	<b>176 613 000</b>	<b>176 961 701</b>	<b>-</b>	<b>145 189 559</b>	<b>30 614 700</b>	<b>1 157 441</b>	<b>1 157 442</b>	<b>-</b>