Jozini Local Municipality
Annual Financial Statements
for the year ended June 30, 2011

General Information

Legal form of entity	Local Municipality
Grading of local authority	2
Accounting Officer	N N Nkosi
Chief Finance Officer (CFO)	T V Mdluli
Registered office	Circle street , Bottom town Jozini 3969
Postal address	Private Bag x 028 Jozini 3969
Bankers	First national Bank of South Africa (FNB)
Auditors	The Auditor General of South Africa
Executive Committee	Cllr. B.N Mthethwa (The Mayor) Cllr. T.S Mdluli (Deputy Mayor) Cllr. M.Z Nyawo (Speaker) Cllr. H.M Myeni Cllr. J Siyaya Cllr. G.P Moodley Cllr. R.H Gumede Cllr. N.G Fakude Cllr. M.Z Tembe

General Information

Councillors (1 June 2011 - Current)

Cllr. N.S Myeni
Cllr. J.E Buthelezi
Cllr. M.Nxumalo
Cllr. S.M Mthembu
Cllr. M. Mathe
Cllr. T.L Mathenjwa
Cllr. T.J Ndlazi
Cllr. J.M Mpontshane
Cllr. T.Z Nyawo
Cllr. D.M Mthembu
Cllr. S.S Mkhize
Cllr. B.Q Gumede
Cllr. Z.B Ngobe
Cllr.B.I Msweli
Cllr.M.P Mpanza
Cllr. M.E Ndlela
Cllr. B.S Mathenjwa
Cllr. M.L Mavundla
Cllr. D.P Mabika
Cllr. B.N Khumalo
Cllr. T.P Mbamali
Cllr.R.N Ndlovu
Cllr. D.J Mthembu
Cllr. S.M Mathenjwa
Cllr.P.J Mabuyakhulu
Cllr. I.O Young
Cllr.P.R Mngomezulu
Cllr.N.L Mathenjwa
Cllr.S.M Mthembu
Cllr.B.Z Mngomezulu
Cllr.K.N.C Dlamini
Cllr.K.P Mbatha

General Information

Councillors (1 July 2010 - 31 May 2011)	Cllr. T.P Madlopha Mthethwa
	Cllr. N.T Mthembu
	Cllr. H.N Myeni
	Cllr. M.Smelane
	Cllr. N.E Mthethwa
	Cllr. E.M Thabede
	Cllr. B.C Nsukwini
	Cllr. B.N Mthethwa
	Cllr. D.T Khuzwayo
	Cllr. B.P Gumede
	Cllr. R.S Gumbi
	Cllr. D.P Mabika
	Cllr. R.M Mathenjwa
	Cllr. B.B Fakude
	Cllr. S.V Ndlovu
	Cllr. L.E Gumbi
	Cllr. N.P Mpanza
	Cllr. D.G Gumude
	Cllr. D.N Zulu
	Cllr. N.G Fakude
	Cllr. P.R Mngomezulu
	Cllr.Z.W Mathenjwa
	Cllr. J Siyaya
	Cllr. P.J Mabuyakhulu
	Cllr. V.S Gumede
	Cllr. N.G Mngomezulu
	Cllr. T.Z Nyawo
	Cllr. S. Macwele
	Cllr. L.V Khumalo
	Cllr. N.G Ngcamu
	Cllr. M. Mathenjwa
	Cllr. Z.B Ngobe

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

Abbreviations

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

Accounting Officer's Responsibilities and Approval

The Jozini Municipality situated in Circle Street, Bottom Town Jozini is a category B Municipality established in terms of section 12 (1) of the Municipal Structures Act, No. 117 and published in terms of Provisional Government Notice 346 on the 19 September 2000. The Local Government Operations of the Municipality are assigned by section 156 and 229 of the South African Constitution and defined specifically in terms of section 83 of the Municipal Structures Act.

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 35, in terms of Section 126(1) of the Municipal Finance Management Act and which i have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, any payments made to Councillors for loss of office, if any, as disclosed in note 16 of these annual financial statements 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.:

Accounting Officer
Municipal Manager

Report of the Auditor General

To the Provincial Legislature of Jozini Local Municipality

Report on the financial statements

The Auditor General of South Africa

Statement of Financial Position

Figures in Rand		Note(s)	2011	2010
Assets				
Current Assets				
Account Receivables	31.20	4	102,682	9,000
VAT receivable	31.20	5	3,375,416	1,482,182
Consumer debtors	31.20	6	3,077,579	1,701,040
Cash and cash equivalents	32.20	7	25,936,611	17,506,136
			32,492,288	**20,698,358**
Non-Current Assets				
Property, plant and equipment	20.20	2	109,271,602	76,170,811
Intangible assets	23.22	3	47,078	87,221
			109,318,680	**76,258,032**
Total Assets			**141,810,968**	**96,956,390**
Liabilities				
Current Liabilities				
Trade payables	51.20	10	4,307,441	2,533,097
Unspent Conditional grants	43.20	8	23,868,140	17,793,714
Provisions	52.20	9	2,643,123	1,567,429
			30,818,704	**21,894,240**
Total Liabilities			**30,818,704**	**21,894,240**
Net Assets			**110,992,264**	**75,062,150**
Net Assets				
Accumulated surplus	40.24		110,992,264	75,062,150

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Cemetries		3,044	3,525
Property rates		8,581,421	6,238,695
Refuse Removal		1,962,260	1,044,523
Rental of facilities and equipment		95,120	135,135
Traffic Fines		94,592	195,750
Government and provincial grants & subsidies	12	86,140,428	71,710,538
Interest Earned-Outstanding Debtors		2,080,956	1,121,531
Other income	13	295,086	504,329
Interest Earned-External Investment		1,947,931	716,364
Total Revenue		**101,200,838**	**81,670,390**
Expenditure			
Personnel	15	(21,610,122)	(18,930,278)
Remuneration of councillors	16	(5,002,799)	(3,492,897)
Depreciation and amortisation		(2,984,960)	(2,121,145)
Debt impairment		(5,014,831)	(3,031,013)
Repairs and maintenance		(951,564)	(1,486,774)
Contracted services		(3,548,328)	(2,181,079)
Grant Expenditure		(3,910,416)	(12,738,476)
Loss on disposal of property plant and equipment		(41,173)	(226,005)
General Expenses	14	(22,162,536)	(16,350,316)
Total Expenditure		**(65,226,729)**	**(60,557,983)**
Surplus for the year		**35,974,109**	**21,112,407**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 01, 2009	**53,949,743**	**53,949,743**
Changes in net assets		
Surplus for the year	21,112,407	21,112,407
Total changes	21,112,407	21,112,407
Balance at July 01, 2010	**40,696,025**	**40,696,025**
Changes in net assets		
Transters to Accumulated Surplus	34,322,130	34,322,130
Net income (losses) recognised directly in net assets	34,322,130	34,322,130
Surplus for the year	35,974,109	35,974,109
Total recognised income and expenses for the year	70,296,239	70,296,239
Total changes	70,296,239	70,296,239
Balance at June 30, 2011	**110,992,264**	**110,992,264**

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Jozini Local Municipality
Annual Financial Statements for the year ended June 30, 2011

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		6,968,752	7,482,493
Grants		86,140,428	71,710,534
Interest income		1,947,931	716,364
Other receipts		185,749	639,468
Other cash item		(624,760)	(20,285,133)
		94,618,100	60,263,726
Payments			
Employee costs		(26,414,248)	(22,423,175)
Other Payments		(18,031,601)	-
Grants and Subsidies Paid		(4,614,819)	(8,148,114)
Cash Paid to Suppliers		(1,255,469)	(1,350,739)
		(50,316,137)	(31,922,028)
Net cash flows from operating activities	18	**44,301,963**	**28,341,698**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(36,937,517)	(20,921,581)
Proceeds from sale of property, plant and equipment	2	1,116,402	-
Purchase of other intangible assets	3	(52,868)	(29,015)
Proceeds from sale of other intangible assets	3	2,495	-
(Increase)/Decrease in non-current investments		-	218,448
Net cash flows from investing activities		**(35,871,488)**	**(20,732,148)**
Cash flows from financing activities			
Other cash item		-	7,353,696
Net increase/(decrease) in cash and cash equivalents		**8,430,475**	**14,963,246**
Cash and cash equivalents at the beginning of the year		17,506,136	2,542,890
Cash and cash equivalents at the end of the year	7	**25,936,611**	**17,506,136**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.
The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordancewith the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These standards are summarised as follows:
GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statement
GRAP 3 Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4 The Effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 6 Consolidated and Separate Financial Statements
GRAP 7 Investments in Associates
GRAP 8 Investments in Joint Ventures
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events After the Reporting Date
GRAP 16 Investment Properties
GRAP 17 Property, Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 Non-current Assets Held for Sale and Discontinued Operations
GRAP 101 Agriculture
GRAP 102 Intangible Assets
IPSAS 20 Related Party Disclosure
IFRS 39 Financial Instruments

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3.These accounting policies and the applicable disclosures have been based on Generally Recognised Accounting Practice (GRAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 and Directive 5 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

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

Accounting Policies

1.1 Presentation currency
The Annual Financial Statements are presented in South African Rand, which is the Municipality's functional currency.

1.2 Going concern assumption
These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Standards, amendments to standards and interpretations issued but not yet effective
The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of Non-Cash-generating-assets - issued March 2009
GRAP 23 Revenue from Non-Exchange Transactions - issued February 2008
GRAP 24 Presentation of Budget Information - issued November 2007
GRAP 26 Impairment of Cash-generating-assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 25 Employee Benefits - issued 11 January 2009
IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

1.4 Change in accounting policies and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

The details of any resulting changes in accounting policy and comparative restatements are given in note 27 to the Annual Financial Statements.

The municipality changes an accounting policy only if the following instances:
(a) is required by a Standard of GRAP; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity’s financial position, financial performance or cash flow.

The details of any changes in accounting policies and comparative restatements are explained in the relevant policy.

1.5 Property, plant and equipment

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

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

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

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.

1.5.2 Subsequent measurement - cost model

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

(continued)
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 associated with the asset.

1.5.3 Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets.The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure Assets
Roads and Paving 30 years
Stormwater Drainage 20 years
Community Assets
Buildings 30 years
Recreational Facility 20-30 years
Security 5 years
Community Halls 30 years
Libraries 30 years
Parks and gardens 10 years
Finance Lease Assets
Office equipment 4 years

Other Assets
Buildings 30 years
Specialist vehicles 10 years
Other vehicles 5 years
Office equipment 3-7 years
Furniture and fittings 7-10 years
Bins and containers 5 years
Specialised plant and equipment 10-15 years
Landfill sites 15 years
Computer equipment 3 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

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

The municipality changed its accounting policy for property, plant & equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A
GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13 Leases - paragraphs 55-60
GRAP 17 Property, Plant and Equipment - paragraphs 73-83
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102 Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant & equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant & equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

The municipality acquired a transfer(s) of function in 2010 and property, plant & equipment has accordingly been recognised at provisional amounts, as disclosed in 6. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and

(continued)
including the next three financial years impairment and depreciation assessments will not be considered.

1.6 Intangible assets

1.6.1 Initial recognition
An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. 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 capitlised. 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; and
• it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible 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 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 was not determinable, it's deemed cost is the carrying amount of the asset's) given up.

1.6.2 Subsequent measurement - cost model
Intangible assets are subsequently carried at cost less accumulated amoritisation and impairments. 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.

1.6.3 Amortisation and impairment
Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The annual amortisation rates are based on the following estimated average asset lives:
Computer software 5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date.
Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.
The municipality changed its accounting policy for intangible assets in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A
GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13 Leases - paragraphs 55-60
GRAP 17 Property, Plant and Equipment - paragraphs 73-83
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102 Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where intangible assets was

(continued)
acquired through a transfer of functions, the municipality is not required to measure that intangible asset for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and amortisation assessments will not be considered.

1.7 Value added tax
The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services.

The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

1.8 Leases

1.8.1 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 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, equipment or intangibles. 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 derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.
Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

The municipality changed its accounting policy for leases in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A
GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13 Leases - paragraphs 55-60
GRAP 16 Investment property - paragraphs 63-70
GRAP 17 Property, Plant and Equipment - paragraphs 73-83
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102 Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where leasehold asset was acquired through a transfer of functions, the municipality is not required to measure that leasehold asset for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

1.8.2 Municipality as lessor
Under an operating lease, the municipality recognises the lease payments as an expense and expenses them as incurred in terms of a lease agreement .

(continued)

1.9 Revenue recognition

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

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Interest revenue is recognised on a time proportion basis.

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 gazetted tariff. This includes the issuing of licenses and permits.

1.9.2 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.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

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, a deferred income (liability) is recognised.

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.
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 Councilors or officials is virtually certain.

1.9.3 Grants, transfer and donations
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 raised 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.

1.10 Financial instruments

Initial recognition and measurement

1.10.1 Initial recognition

Financial instruments are initially recognised at fair value.

1.10.2 Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held to maturity, loans and receivables, or available for sale.

(continued)

Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.10.2.1 Investments
Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured 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 period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.10.2.2 Trade and other receivables
Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value.

Amounts that are receivable within 12 months from the reporting date are classified as current. An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses.

When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.10.2.3 Financial liabilities: trade and other payables from non exchange tansactions
Financial liabilities consist of trade payables and borrowings. They are categorised as financial liaibilities and are held at cost, as their cost approximates it's fair value.

1.10.2.4 Cash and cash equivalents
Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). 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, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

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: other financial liabilities carried at amortised cost.

1.11 Conditional grants and receipts
Unutilised conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and subsidies.

1.12 Provisions
Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits 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.

Where the effect is material, non-current provisions are discounted to their present value using a pre-tax 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 asset. A contingent liability is disclosed unless the possibility of an outflow of

(continued)
resources embodying economic benefits is remote.

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; and

(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..

1.13 Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. 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.
It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.14 Retirement benefits
The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the South African Municipal Workers Union (SAMWU) and to the Cape Joint Providend Fund (CJPF) to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined contribution funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

1.15 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 the 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 in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 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 (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 in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Fruitless and wasteful expenditure
Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Internal reserves

Capital replacement reserve (CRR)
In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account.

(continued)

The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

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

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its 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.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.
An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit.

The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

The municipality changed its accounting policy for property, plant & equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A
GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13 Leases - paragraphs 55-60
GRAP 17 Property, Plant and Equipment - paragraphs 73-83
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102 Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant & equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant & equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and property, plant & equipment has accordingly

Accounting Policies

(continued)
been recognised at provisional amounts, as disclosed in 6. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered .

1.20 Transitional Provisions
Jozini Local Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A
GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38
GRAP 12 Inventories - paragraphs 45-52
GRAP 13 Leases - paragraphs 55-60
GRAP 16 Investment property - paragraphs 63-70
GRAP 17 Property, Plant and Equipment - paragraphs 73-83
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102 Intangible Assets - paragraph 110-118

2. Property, plant and equipment

	2011			2010		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	25,223,626	(2,033,684)	23,189,942	23,590,790	(1,034,954)	22,555,836
Motor vehicles	3,481,011	(3,285,857)	195,154	3,300,545	(1,970,652)	1,329,893
Office equipment	5,021,711	(1,937,787)	3,083,924	4,269,193	(2,388,916)	1,880,277
Infrastructure	87,213,935	(4,411,353)	82,802,582	53,942,975	(3,538,170)	50,404,805
Total	**120,940,283**	**(11,668,681)**	**109,271,602**	**85,103,503**	**(8,932,692)**	**76,170,811**

Reconciliation of property, plant and equipment - 2011

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Depreciation**	**Total**
Buildings	22,555,836	1,518,874	-	-	(884,768)	23,189,942
Motor vehicles	1,329,893	214,803	(1,054,542)	-	(490,154)	195,154
Office equipment	1,880,277	1,857,379	(61,860)	-	(591,872)	3,083,924
Infrastructure	12,290,222	12,139,697	-	12,169,695	(978,682)	35,620,932
WIP	38,114,582	21,206,764	-	(12,169,695)	-	47,181,650
	76,170,810	**36,937,517**	**(1,116,402)**	**-**	**(2,945,476)**	**109,271,602**

Reconciliation of property, plant and equipment - 2010

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land & Buildings	21,399,415	1,345,445	-	(189,024)	22,555,836
Vehicles	1,921,135	-	(84,197)	(507,045)	1,329,893
Office furniture	1,913,042	753,618	(133,951)	(652,432)	1,880,277
Infrastructure Assets	32,320,934	18,822,518	-	(738,647)	50,404,805
	57,554,526	**20,921,581**	**(218,148)**	**(2,087,148)**	**76,170,811**

2. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Included in the amount for additions for the year is an amount of R which relates to projects not completed at year end. These projects are classified as work in progress for current year because they are not ready for use.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

Transitional provisions

Property, plant and equipment recognised at provisional amounts

The municipality changed its accounting policy for property, plant & equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A
GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13 Leases - paragraphs 55-60
GRAP 17 Property, Plant and Equipment - paragraphs 73-83
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102 Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant & equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant & equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and property, plant & equipment has accordingly been recognised at provisional amounts, as disclosed in 6. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

Property, plant and equipment with a carrying value of R 72 188 215 (2010: R 59 177 564) was recognised at provisional amounts.

The steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of GRAP 17 and the adoption of Directive 4, is as follows:

The Municiality is in the process of appointing suitably qualified consultants to perform a complete valuation of all assets during the next financial year. A detailed analysis of the fair value, residual value, componentisation, impairment and depreciation will be performed over the exemption period.
The date at which full compliance with GRAP 17 is expected, is 30 June 2012.

3. Intangible assets

	2011			2010		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Intangible assets	167,592	(120,514)	47,078	167,592	(80,371)	87,221

Reconciliation of intangible assets - 2011

3. Intangible assets (continued)

	Opening balance	Additions	Disposals	Other changes, movements	Amortisation	Impairment loss	Total
Intangible assets	87,221	52,868	(2,495)	(14,661)	(39,484)	8,245	47,07

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Intangible assets	138,577	29,015	(80,371)	87,221

Transitional provisions

Intangible assets recognised at provisional amounts

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A
GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13 Leases - paragraphs 55-60
GRAP 17 Property, Plant and Equipment - paragraphs 73-83
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102 Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible asset for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and amortisation assessments will not be considered.

Intangible assets with a carrying value of R 780 384 (2009: R 780 384) was recognised at provisional amounts.

The steps taken to establish the values of intangible assets recognised at provisional amounts due to the initial adoption of GRAP 102, is as follows:

The Municiality is in the process of appointing suitably qualified consultants to perform a complete valuation of all intangible assets during the next financial year. A detailed analysis of the fair value, residual value, impairment and amortisation will be performed over the exemption period.

The date at which full compliance with GRAP 102 is expected, is 30 June 2012.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

4. Account Receivables

Other Debtors	9,000	9,000
Staff debtors	93,682	-
	102,682	**9,000**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

5. VAT receivable

VAT	3,375,416	1,482,182

6. Consumer debtors

Gross balances		
Rates	10,809,885	6,737,601
Refuse	4,884,356	2,565,198
	15,694,241	**9,302,799**
Less: Provision for debt impairment		
Rates	(9,210,163)	(7,601,759)
Refuse	(3,406,499)	-
	(12,616,662)	**(7,601,759)**
Net balance		
Rates	1,599,722	(864,158)
Refuse	1,477,857	2,565,198
	3,077,579	**1,701,040**
Rates		
Current (0 -30 days)	7,241,285	522,913
31 - 60 days	228,113	765,739
61 - 90 days	256,575	328,679
91 - 120 days	188,772	334,264
121 - 365 days	4,909,783	8,131,728
Undefined Difference	**33,631**	**-**
	12,858,159	**10,083,323**
Refuse		
Current (0 -30 days)	2,854,288	111,276
31 - 60 days	89,915	98,095
61 - 90 days	101,134	90,015
91 - 120 days	74,408	87,829
121 - 365 days	1,764,611	2,177,983
	4,884,356	**2,565,198**
Reconciliation of debt impairment provision		
Balance at beginning of the year	(7,601,759)	(4,636,814)
Contributions to provision	(5,014,903)	(2,964,945)
	(12,616,662)	**(7,601,759)**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

6. Consumer debtors (continued)

Discounted value of debtors

Agriculture	796,790	-
SPL	3,084,311	-
Residential	3,442,522	-
Rural Communal Land	2,809,333	-
PSI	675,193	-
POW	(918)	-
Commercial	2,402,059	-
	13,209,290	**-**

Debtors were discounted at the market rate of 9% with an average recovery life of approx. 3 years.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,920	-
Bank balances	5,366,161	10,152,440
Short-term deposits	20,568,530	7,353,696
	25,936,611	**17,506,136**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	June 30, 2011	**June 30, 2010**		**June 30, 2011**	**June 30, 2010**	
First National Bank - Mkuze Branch	1,307,975	-	-	1,307,975	8,372,724	-
ABSA Bank Acc no: 4069624954	4,235,908	-	-	4,276,530	1,779,717	-
Total	**5,543,883**	**-**	**-**	**5,584,505**	**10,152,441**	**-**

8. Unspent Conditional grants

Unspent conditional grants and receipts comprises of:

Figures in Rand	2011	2010

8. Unspent Conditional grants (continued)

Unspent conditional grants and receipts

IDP	83,492	83,492
MIG	1,664,103	6,449,265
Area 17 water scheme	521,807	521,807
Ndumo Sports Complex	385,510	385,510
Establishment of internal control unit	150,000	150,000
Ward Committee Induction training	23,355	23,355
Municipal Housing Sector Plan	11,775	11,775
Jozini Upgrading Projects	107,606	611,886
Thusong Services	7,120,816	1,945,394
Bambanana town formalization	69,365	69,365
Synergestic Program	49,595	93,541
Ubuhle Besiko Cultural Village	69,700	69,700
MPRA Transfers	(614,712)	538,100
Bhanjana road	1,895,549	-
corridor developement	1,334,150	-
Library Grant	634,021	-
Implication for pound	1,000,000	-
MSIG	20,972	-
LGSWETA	40,348	-
Finance Management Grant	30,396	-
School crossing	1,080	-
Synergestic participation	3,441,407	-
Development of recycling	35,000	-
LG expert	22,384	22,384
Jozini Town formalization	5,686,023	6,818,140
DBSA Contribution	84,398	-
	23,868,140	**17,793,714**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

These amounts are invested in a ring-fenced investment until utilised.

9. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Leave Pay Provision	1,201,917	206,458	(34,727)	1,373,648
Provision for Landfill Site	250,000	435,000	-	685,000
Provision for Performance Bonus	115,512	33,473	-	148,985
Provisions for annual bonus	-	435,490	-	435,490
	1,567,429	**1,110,421**	**(34,727)**	**2,643,123**

Reconciliation of provisions - 2010

	Opening Balance	Total
Leave	1,201,917	1,201,917
Provision for rehabilitation of landfil site	250,000	250,000
Provision for performance bonuses	115,512	115,512
	1,567,429	**1,567,429**

Provisions for leave pay was made based on the budgeted figure in the budget. Calculated based on 15days multiplied by the applicable rate of each employee.escribe the uncertainties about the amount or timing of the outflow and the major assumptions made concerning future events].

There is no expected reimbursement (from the manufacturer) in respect of this provision.

10. Trade payables

	2011	2010
Trade creditors	2,009,290	560,381
Retention Held	2,298,149	1,972,714
Other payables 2	2	2
	4,307,441	**2,533,097**

11. Revenue

	2011	2010
Cemetries	3,044	3,525
Property rates	8,581,421	6,238,695
Refuse Removal	1,962,260	1,044,523
Rental of facilities & equipment	95,120	135,135
Traffic Fines	94,592	195,750
Government and Provincial grants & subsidies	86,140,428	71,710,538
	96,876,865	**79,328,166**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Cemetries	3,044	3,525
Refuse Removal	1,962,260	1,044,523
Rental of facilities & equipment	95,120	135,135
	2,060,424	**1,183,183**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

11. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	8,581,421	6,238,695
Traffic Fines	94,592	195,750
Transfer revenue		
Government and provincial grants & subsidies	86,140,428	71,710,538
	94,816,441	**78,144,983**

12. Government grants and subsidies

Equitable share	48,546,475	38,297,382
Other grants	37,593,953	33,413,156
	86,140,428	**71,710,538**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

13. Other income

Miscellaneous	42,910	95,806
Tender Monies	-	170,350
Hall hire	73,441	18,212
Building Plan Fee	-	29,440
TLB Income	-	23,203
Insurance Refunds	-	53,488
Commision Recieved	2,315	5,123
Library	5,513	6,766
Sale Of Asset	102,827	101,031
Sundry Income	2,004	910
Other income 11	66,076	-
	295,086	**504,329**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

14. General expenses

Advertising	144,961	80,335
Auditors fees external	1,024,031	1,253,035
Bank charges	80,672	74,186
Cleaning & Teas	63,627	20,826
Consultant fees	1,575,399	112,046
Provision for Annual Bonus expense	435,490	-
Provision for landfill site expense	435,000	-
Entertainment	138,405	163,871
Community development and training	967,149	-
Accomodation Expenses	598,775	734,480
Medical expenses	16,839	-
Licences	46,799	70,511
Fuel and oil	702,923	634,245
Printing and stationery	279,197	317,639
Publicity	660,937	110,642
Security (Guarding of municipal property)	667,888	-
Subscriptions and membership fees	17,027	221,502
Telephone and Postage	378,242	714,686
Staff Training & Bursaries	304,003	48,164
Other Expenses	13,418,713	8,448,427
Provision for Leave Pay Adjustment	206,459	-
Debtors Discount	-	3,345,721
	22,162,536	**16,350,316**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

15. Employee related costs

Salaries & Wages	13,483,543	12,080,016
Bonus	930,017	781,435
Medical aid - company contributions	718,008	749,687
UIF	109,842	380,094
SDL	206,518	-
Post-employment benefits - Pension - Defined contribution plan	1,375,402	1,410,052
Travel, motor car, accommodation, subsistence and other allowances	4,128,070	3,397,526
Overtime payments	202,731	95,932
Acting allowances	93,713	-
Housing benefits and allowances	58,245	35,536
Cellphone Allowance	294,033	-
Clothing Allowance	10,000	-
	21,610,122	**18,930,278**

Remuneration of municipal manager

Annual Remuneration	456,872	622,440
Car Allowance	295,390	-
Performance Bonuses	31,730	-
Other	283,639	206,903
UIF	1,497	1,497
	1,069,128	**830,840**

Remuneration of chief finance officer

Annual Remuneration	456,689	562,590
Car Allowance	245,910	-
Performance Bonuses	57,359	25,380
Other	207,977	111,067
UIF	1,497	1,497
	969,432	**700,534**

Remuneration of Director Technical Services

Annual Remuneration	411,348	562,586
Travel allowances	231,856	149,391
UIF	1,497	1,497
Performance Bonuses	28,679	-
Other	313,221	-
	986,601	**713,474**

Remuneration of Director of Corporate Services

Annual Remuneration	411,348	562,586
Car Allowance	231,856	136,561
Performance Bonuses	57,358	25,380
UIF	1,497	1,497
Other	281,793	-
	983,852	**726,024**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

16. Remuneration of councillors

Mayor's allowance	129,066	180,310
Executive Committee	505,167	817,339
Ordinary Councillors	4,368,566	2,495,248
	5,002,799	**3,492,897**

Figures in Rand	2011	2010

16. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor has two full-time bodyguards/driver

17. Auditors' remuneration

Paid during the year	1,024,031	1,253,035

18. Cash generated from operations

Surplus	35,974,109	21,112,407
Adjustments for:		
Depreciation and amortisation	2,984,960	2,121,145
Debt impairment	5,014,831	-
Contribution to provisions-current	1,075,694	589,276
Loss on sale of asset	-	226,005
Other non-cash items	(218,115)	3,345,722
Changes in working capital:		
Account Receivables	(93,682)	(2,086,855)
Consumer debtors	(6,391,370)	-
Trade payables	1,774,344	(250,233)
(Increase)/Decrease in VAT	(1,893,234)	683,046
Unspent Conditional grants	6,074,426	2,601,185
	44,301,963	**28,341,698**

19. Contingencies

Contingent liabilities

[Claim for damage - ADS (Pty) Ltd
The Municipality is being sued by ADS (Pty) Ltd for termination of a contract. Council is contesting the claim based on legal advice.A court date has not been set. The contingent liability includes legal cost of R 900 000 .
Should council be unsucceful in defending the claim , there is a possibility that the claim will be settled from R 4 300 000
Claim for danages - Ncaphalala

The Municipality is being sued by Ncaphalala for alleged assault by municipality traffic officer .Council is consesting the claim based on legal advice.
A court date has not yet been set . the contingent liability includes legal cost of R 25 000. should council be unsucceful in defending the claim , there is a possibility that the claim will be settled from R 50 000 (These above represent the contigencies that existed for the year ended 2010, and remained contingencies in the year ended 2011.)

Warrant of Execution, regarding unpaid Emolument Attachment Orders to Kloppers Inc. at a cost of R 30 000. Proof of payment has been submitted to the Execution Creditor, and the municipality is awaiting their advice.

Claim for cattle that died by T M Dlamini for an amount of R 21 000. Matter is defended, and chances of success by the municipality is good.

20. Correction of errors

Figures in Rand	2011	2010

20. Correction of errors (continued)

Correction of prior year errors,Debtors 2009/2010.
2.1 Phasing-in on newly rated properties that was supposed to be implemented starting from 2009/2010(25%); 2010/2011(50%) and 2011/2012(75%).

2.2 Closing of duplicate rates and refuse customer accounts, these were erroneously double billed previously.

2.3 Reversal of interest charged on duplicate accounts refferred to above and the interest on accounts that were billed 25% at the first stage/ financial year ,2009/2010.

Statement of financial position		
Accounts receivable	-	(3,345,720)
Statement of Financial Position		
Accumulated surplus	-	3,345,720

21. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The municipality has no existing going concern issues to be noted.

22. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

There were no non-adjusting events after the reporting date in either the current or prior year.

23. Unauthorised expenditure

Unauthorised expenditure	-	-

24. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	-	-

25. Irregular expenditure

Add: Irregular Expenditure - Current year	1,654,156	56,320

Amount disclosed under irregular expenditure is made of service rendered to the municipality by goverment employees which is contrally to SCM regulations.
The municipality will setup control system on the SCM processes to detect this kind of expenditurein future.

An investigation will be conducted to advice the Council on possible actions to be taken against individuals involved will include disceplinary action, recovery of funds, laying of criminal charges or condoment of expenditure.

26. Capital Commitments

Commitments in respect of expenditure		
- approved and contracted for	13,156,988	4,350,000
- approved but not yet contracted for	1,000,000	20,902,460
This expenditure will be financed from		
- Internal sources	-	-

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
26. Capital Commitments (continued)		
- External sources	-	-
other sources	-	-
provincial goverment	14,156,988	25,252,460
	14,156,988	**25,252,460**