Jozini Local Municipality
(Registration number KZN 272)
Annual Financial Statements
for the year ended 30 June 2014

General Information

Legal form of entity	Local Municipality	
Nature of business and principal activities	Service Delivery	
Municipal Council		
Executive Committee members	BN Mthethwa	Mayor
	TS Mdluli	Deputy Mayor
	MZ Nyawo	Speaker
	PJ Mabuyakhulu	Exco member
	J Siyaya	Exco member
	DP Mabika	Exco member
	RH Gumede	Exco member
	NG Fakude	Exco member
	MZ Tembe	Exco member
Ordinary Councillors		
	JE Buthelezi	Ordinary councillor
	BZ Mngomezulu	Ordinary councillor
	SM Mthembu	Ordinary councillor
	M Mathe	Ordinary councillor
	TL Mathenjwa	Ordinary councillor
	JM Mpontshane	Ordinary councillor
	TZ Nyawo	Ordinary Councillor
	DM Mthembu	Ordinary councillor
	SS Mkhize	Ordinary councillor
	BQ Gumede	Ordinary councillor
	ZB Ngobe	Ordinary councillor
	BI Msweli	Ordinary councillor
	GE Ngcamphalala	Ordinary councillor
	ME Ndlela	Ordinary councillor
	BS Mathenjwa	Ordinary councillor
	BN Khumalo	Ordinary councillor
	RN Ndlovu	Ordinary councillor
	TP Mbhamali	Ordinary councillor
	DJ Mthembu	Ordinary councillor
	SM Mathenjwa	Ordinary councillor
	IO Young	Ordinary councillor
	ML Mavundla	Ordinary councillor
	SS Macwele	Ordinary councillor
	GP Moodley	Ordinary councillor
	NL Mathenjwa	Ordinary councillor
	KB Madonsela	Ordinary councillor
	KNC Dlamini	Ordinary councillor
	KP Mbhatha	Ordinary councillor
	NS Myeni	Ordinary councillor
	T J Ndlanzi	Chief Whip
Accounting Officer	Mr L Maka Acting Municipal Manager	
Chief Finance Officer (CFO)	Mr VI Gumede Acting CFO	

General Information

Postal address	Private Bag x 028 Jozini 3969
Physical address	Bottom Town Circle Street Jozini 3969
Bankers	ABSA Bank FNB Bank
Attorneys	Weich and Kriel
Preparer	The annual financial statements were internally compiled by: Mr VI Gumede

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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 accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I certify that the salaries, allowances and benefits of Councillors ,loans made to Councillors, if any , and payments made to Councillors for the loss of office ,if any, as disclosed in notes 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 Office Bearers Act and the Minister of Local Government's determination in accordance within this act.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 46, which have been prepared on the going concern basis, were approved by the accounting officer on 31 March 2014 and were signed on its behalf by:

Accounting Officer
Acting Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2014.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year x number of meetings were held.

Name of member	Number of meetings attended
Mr IZ Ngcobo (Chairperson)	5
Mr SP Kunene	4
Mr DL Mponshane	4

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the accounting officer of the municipality during the year under review.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: ______________________

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	2	140 479	2 794 438
Consumer debtors	3	6 763 703	5 695 873
VAT receivable	4	1 511 623	2 502 866
Cash and cash equivalents	5	8 641 319	30 088 577
		17 057 124	**41 081 754**
Non-Current Assets			
Property, plant and equipment	6	212 393 984	178 709 435
Intangible assets	7	59 091	124 444
		212 453 075	**178 833 879**
Total Assets		**229 510 199**	**219 915 633**
Liabilities			
Current Liabilities			
Payables from exchange transactions	8	22 445 343	15 924 240
Employee benefit obligation	37	1 301 000	1 453 000
Unspent conditional grants and receipts	9	8 428 923	21 446 239
Provisions	10	230 625	482 049
Deposit & refund		18 044	-
		32 423 935	**39 305 528**
Non-Current Liabilities			
Provisions	10	6 842 467	6 340 028
Total Liabilities		**39 266 402**	**45 645 556**
Net Assets		**190 243 797**	**174 270 077**
Accumulated surplus		190 243 797	174 270 077

* See Note 35 & 38

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	13	3 389 418	1 992 983
Rental of facilities and equipment		765 640	595 073
Licences and permits		863 361	730 650
Interest earned on overdue account		6 446 946	5 118 552
Other income	15	1 663 927	2 018 841
Interest received - investment		2 011 226	2 715 312
Total revenue from exchange transactions		**15 140 518**	**13 171 411**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	12	12 904 241	11 910 914
Transfer revenue			
Government grants & subsidies	14	131 127 105	118 420 966
Fines		1 199 370	236 875
Transfer of halls		-	5 839 066
Total revenue from non-exchange transactions		**145 230 716**	**136 407 821**
Total revenue	11	**160 371 234**	**149 579 232**
Expenditure			
Personnel	17	(29 730 493)	(30 465 754)
Remuneration of councillors	18	(9 811 181)	(7 660 908)
Depreciation and amortisation	32	(12 697 832)	(11 213 362)
Finance costs	19	(125 000)	(470 125)
Debt impairment	30	(2 891 060)	(563 124)
Allowance for Debt Impairement		(14 553 603)	(15 985 944)
Repairs and maintenance		(10 063 317)	(3 033 845)
Contracted services	33	(4 799 086)	(3 191 815)
Grants and subsidies paid	21	(4 609 770)	(12 581 756)
Cost of housing sold		-	(407 772)
General Expenses	16	(55 666 173)	(36 533 247)
Total expenditure		**(144 947 515)**	**(122 107 652)**
Operating surplus		**15 423 719**	**27 471 580**
Acturial (Gain)/Loss		550 000	-
Surplus for the year		**15 973 719**	**27 471 580**

* See Note 35 & 38

Jozini Local Municipality
(Registration number KZN 272)
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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2012	**148 251 498**	**148 251 498**
Changes in net assets		
Restatement - post retirement obligation	(1 453 001)	(1 453 001)
Net income (losses) recognised directly in net assets	(1 453 001)	(1 453 001)
Surplus for the year	27 471 580	27 471 580
Total recognised income and expenses for the year	26 018 579	26 018 579
Total changes	26 018 579	26 018 579
Restated* Balance at 01 July 2013	**174 270 078**	**174 270 078**
Changes in net assets		
Surplus for the year	15 973 719	15 973 719
Total changes	15 973 719	15 973 719
Balance at 30 June 2014	**190 243 797**	**190 243 797**

* See Note 35 & 38

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 296 735	1 992 983
Grants		126 097 766	118 497 743
Interest income		2 011 226	2 715 312
Other receipts		17 948 333	14 982 460
		147 354 060	138 188 498
Payments			
Employee costs		(37 355 859)	(40 245 884)
Suppliers		(61 449 213)	(7 321 860)
Finance costs		(125 000)	(470 125)
Other payments		(11 379 604)	(12 852 783)
Other cash item		(12 153 222)	(23 824 281)
		(122 462 898)	(84 714 933)
Net cash flows from operating activities	25	**24 891 162**	**53 473 565**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(46 278 954)	(60 768 924)
Proceeds from sale of property, plant and equipment	6	-	591 690
Purchase of other intangible assets	7	(77 510)	(233 139)
Net cash flows from investing activities		**(46 356 464)**	**(60 410 373)**
Cash flows from financing activities			
Deposit & Refund		18 044	-
Net increase/(decrease) in cash and cash equivalents		**(21 447 258)**	**(6 936 808)**
Cash and cash equivalents at the beginning of the year		30 088 577	37 025 385
Cash and cash equivalents at the end of the year	5	**8 641 319**	**30 088 577**

* See Note 35 & 38

Jozini Local Municipality
(Registration number KZN 272)
Annual Financial Statements for the year ended 30 June 2014

Statement of comparison between Budget and Actual

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2014											
Financial Performance											
Property rates	17 985 624	(12 575)	17 973 049	-		17 973 049	12 904 241		(5 068 808)	72 %	72 %
Service charges	3 492 922	971 488	4 464 410	-		4 464 410	3 389 418		(1 074 992)	76 %	97 %
Investment revenue	4 710 132	(2 000 000)	2 710 132	-		2 710 132	2 011 226		(698 906)	74 %	43 %
Transfers recognised - operational	89 911 000	150 000	90 061 000	-		90 061 000	129 984 515		39 923 515	144 %	145 %
Other own revenue	7 983 795	3 002 653	10 986 448	-		10 986 448	11 730 782		744 334	107 %	147 %
Total revenue (excluding capital transfers and contributions)	**124 083 473**	**2 111 566**	**126 195 039**	**-**		**126 195 039**	**160 020 182**		**33 825 143**	**127 %**	**129 %**
Employee costs	(32 083 793)	3 173 150	(28 910 643)	-	-	(28 910 643)	(29 730 493)	-	(819 850)	103 %	93 %
Remuneration of councillors	(10 201 358)	(256 317)	(10 457 675)	-	-	(10 457 675)	(9 811 181)	-	646 494	94 %	96 %
Debt impairment	(2 000 000)	-	(2 000 000)			(2 000 000)	(2 891 060)	-	(891 060)	145 %	145 %
Depreciation and asset impairment	(1 000 000)	-	(1 000 000)			(1 000 000)	(12 697 832)	-	(11 697 832)	1 270 %	1 270 %
Finance charges	-	-	-	-	-	-	(125 000)	-	(125 000)	- %	- %
Transfers and grants	(4 391 000)	1 800 000	(2 591 000)	-	-	(2 591 000)	(4 609 770)	-	(2 018 770)	178 %	105 %
Other expenditure	(62 921 590)	(11 061 899)	(73 983 489)	-	-	(73 983 489)	(84 532 179)	-	(10 548 690)	114 %	134 %
Total expenditure	**(112 597 741)**	**(6 345 066)**	**(118 942 807)**	**-**	**-**	**(118 942 807)**	**(144 397 515)**	**-**	**(25 454 708)**	**121 %**	**128 %**
Surplus/(Deficit)	**11 485 732**	**(4 233 500)**	**7 252 232**	**-**		**7 252 232**	**15 622 667**		**8 370 435**	**215 %**	**136 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	44 891 000	(8 425 000)	36 466 000	-		36 466 000	-		(36 466 000)	- %	- %
Surplus (Deficit) after capital transfers and contributions	**56 376 732**	**(12 658 500)**	**43 718 232**	**-**		**43 718 232**	**15 622 667**		**(28 095 565)**	**36 %**	**28 %**
Surplus/(Deficit) for the year	**56 376 732**	**(12 658 500)**	**43 718 232**	**-**		**43 718 232**	**15 622 667**		**(28 095 565)**	**36 %**	**28 %**
Capital expenditure and funds sources											
Total capital expenditure	55 571 000	4 680 000	60 251 000	-		60 251 000	154 678 162		94 427 162	257 %	278 %
Cash flows											
Net cash from (used) operating	59 376 000	(15 658 419)	43 717 581	-		43 717 581	24 891 162		(18 826 419)	57 %	42 %
Net cash from (used) investing	(46 644 636)	(4 679 859)	(51 324 495)	-		(51 324 495)	(46 356 464)		4 968 031	90 %	99 %
Net cash from (used) financing	-	-	-	-		-	18 044		18 044	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**12 731 364**	**(20 338 278)**	**(7 606 914)**	**-**		**(7 606 914)**	**(21 447 258)**		**(13 840 344)**	**282 %**	**(168)%**
Cash and cash equivalents at the beginning of the year	37 177 519	-	37 177 519	-		37 177 519	30 088 577		(7 088 942)	81 %	81 %
Cash and cash equivalents at year end	**49 908 883**	**(20 338 278)**	**29 570 605**	**-**		**29 570 605**	**8 641 319**		**20 929 286**	**29 %**	**17 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget

Refer to Note 42 for explanations on material differences between the budget and actual amounts.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 37.

Effective interest rate

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

Allowance for doubtful debts

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

1.4 Property, plant and equipment

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. items for property plant and equipment are initially recognised as assets on acquisition date and are initially recorderd at cost. the cost of an item of property plant and equipment is the purchase price and other costs attributable to bring 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 the Property, plant and equipment has useful lives, they are accounted for as seperate items (major components) of 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 when:
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

Major spare parts and servicing equipment qualify as property plant, and equipment where 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.

Subsequent measurements-cost model

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

Where the municipality replaces parts of an asset, it derecognises the part of that 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.

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

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:

Classes of Assets	Average useful life
Land	
• Landfill site	15 Years
• Parkhomes	10 Years
Infrastructure	
• Buildings	30 Years
• Roads and Pavements	30 Years
• Storm water Drainage	20 Years
• Community Assets Buildings	30 Years
• Community Halls	30 Years
• Libraries	30 Years

Accounting Policies

1.4 Property, plant and equipment (continued)

• Parkings and gardens	10 Years
• Recreational facilities	30 Years
Furniture and fixtures	
• Furniture and fittings	5 Years
• Bins and Containers	5 Years
Motor vehicles	
• Other Vehicles	5 Years
Office equipment	
• Office Equipment	5 Years
• Computer Equipment	5Years

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

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

1.5 Intangible assets

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

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

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

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

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

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

1.6 Financial instruments

Initial recognition and measurement

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at .

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends or similar distributions and interest.

Accounting Policies

1.6 Financial instruments (continued)

Investments

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. 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. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities consist of trade and other payables. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised which is initially carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.7 Leases

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

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

1.8 Impairment of cash-generating assets

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

1.8 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.9 Impairment of non-cash-generating assets

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

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Accounting Policies

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognise 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 entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Accounting Policies

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 22.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

Accounting Policies

1.11 Provisions and contingencies (continued)

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 Revenue from exchange transactions

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

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

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

1.13 Revenue from non-exchange transactions

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

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

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.13 Revenue from non-exchange transactions (continued)

Measurement

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

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

Value Added Tax

In line with the Value Added Tax Act of 1991, the municipality is registered as VAT vendor on a payment basis. Thus, the municipality declares output tax and claims input tax in the respective tax period only to the extent to which payment of the consideration is received or made in that tax period.

Fines

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

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

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

1.14 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

Accounting Policies

1.18 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’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.

1.19 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2010/04/01 to 2011/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.20 Related parties

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

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

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

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

Accounting Policies

1.21 Offsetting

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

1.22 Commitments

Capital commitments disclosed in the notes to the annual financial statements represents the balance committed to capital projects as at the reporting date which will be incurred in the period subsequent to the specific reporting period.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

2. Receivables from exchange transactions

Trade debtors	11 305 756	10 643 030
Rentals debtors	943 926	520 716
Allowence for debt impairment	(12 109 203)	(8 369 308)
	140 479	**2 794 438**

3. Receivables from non-exchange transactions

Rates Debtors	35 591 317	25 832 003
Councillors Debtors	9 000	9 000
Staff Debtors	3 832	3 832
Traffic Debtors	943 650	-
Allowence for debt impairment	(29 784 096)	(20 148 962)
	6 763 703	**5 695 873**

Rates		
Current (0 -30 days)	2 231 725	1 619 775
31 - 60 days	1 255 777	911 437
61 - 90 days	1 168 981	848 441
91 - 120 days	2 102 810	1 526 209
121 - 365 days	28 832 024	20 926 141
	35 591 317	**25 832 003**

Refuse removal		
Current (0 -30 days)	263 426	379 947
31 - 60 days	13 332	213 794
61 - 90 days	157 225	199 017
91 - 120 days	284 178	197 444
121 - 365 days	408 085	3 986 873
> 365 days	12 746 137	5 665 955
	13 872 383	**10 643 030**

Councillors debtors		
> 365 days	3 832	3 832

Summary of debtors by customer classification

Balance at beginning of the year	(20 148 962)	(9 702 735)
Contributions to allowance	-	(10 446 227)

4. VAT receivable

VAT	1 511 623	2 502 866

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

5. Cash and cash equivalents (continued)

Petty Cash	465	5 000
Bank balances	6 765 875	8 274 804
Short-term deposits	1 874 979	21 808 773
	8 641 319	**30 088 577**

5. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Description	Account number	Bank Statement 30 June 2014	Bank Statement 30 June 2013	Cashbook balances 30 June 2014	Cashbook balances 30 June 2013
FNB: Main account	6202 418 5452	6 457 728	858 172	6 457 728	858 172
Petty cash		-	5 000	465	5 000
ABSA: Operational account	4069 624 954	1 541 150	2 400 528	270 739	2 400 528
FNB: Investment	7437 121 6430	-	-	-	-
Grindrod: Investment	16520	-	47 870	-	47 870
Grindrod: Investment	164419/11000 034006	100 895	96 024	100 895	96 024
STD: Investment	268741042	-	5 000 488	-	5 000 488
ABSA: Investment	2073276014	-	5 000 000	-	5 000 000
Cashier's collection		-	15 617	37 409	15 617
FNB: Unspent conditional grant	62406733164	1 598 669	16 664 878	1 598 669	16 664 878
FNB MIG	62424077403	174 611	-	174 611	-
Ithala: Investment	18607525	803	-	803	-
		9 873 856	**30 088 577**	**8 641 319**	**30 088 577**

6. Property, plant and equipment

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	76 746 608	(6 968 029)	69 778 579	49 727 857	(5 058 832)	44 669 025
Motor vehicles	6 515 855	(2 651 868)	3 863 987	4 964 821	(2 114 041)	2 850 780
Office equipment	7 088 235	(4 366 092)	2 722 143	5 885 222	(3 379 776)	2 505 446
Infrastructure	177 139 456	(87 024 931)	90 114 525	171 549 516	(78 105 570)	93 443 946
Work-in-progress(WIP)	45 914 750	-	45 914 750	35 240 238	-	35 240 238
Total	**313 404 904**	**(101 010 920)**	**212 393 984**	**267 367 654**	**(88 658 219)**	**178 709 435**

Reconciliation of property, plant and equipment - 2014

	Opening balance		Additions	Transfers	Depreciation	Impairment loss	Total
Buildings	44 669 025		120 171	27 435 990	(1 974 037)	-	69 778 57
Motor vehicles	2 850 780		1 740 993	-	(727 787)	-	3 863 98
Office equipment	2 505 446		1 254 760	-	(998 617)	(40 058)	2 722 14
Infrastructure	93 443 946		362 670	4 689 858	(8 854 528)	-	90 114 52
Work-in-progress(WIP)	35 240 238	-	42 800 360	(32 125 848)	-	-	45 914 75
	178 709 435		**46 278 954**	**-**	**(12 554 969)**	**(40 058)**	**212 393 98**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	21 527 624	13 470 258	(6 223)	10 700 824	(1 023 458)	44 669 025
Motor vehicles	701 222	2 745 302	(353 130)	-	(242 614)	2 850 780
Office equipment	2 488 220	1 147 676	(232 337)	-	(898 113)	2 505 446
Infrastructure	91 902 290	4 734 087	-	5 232 091	(8 424 522)	93 443 946
Work-in-progress (WIP)	12 486 101	38 671 601	-	(15 917 464)	-	35 240 238
	129 105 457	**60 768 924**	**(591 690)**	**15 451**	**(10 588 707)**	**178 709 435**

7. Intangible assets

	2014			2013		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software and systems	568 943	(509 852)	59 091	491 431	(366 987)	124 444

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software and systems	124 444	77 510	(142 863)	59 091

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software and systems	135 283	233 139	(243 978)	124 444

8. Payables from exchange transactions

	2014	2013
Trade payables	6 309 963	3 373 898
Retention and surity	14 508 970	11 880 350
Accrued bonus	1 626 410	669 992
	22 445 343	**15 924 240**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

9. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Housing grant	83 492	83 492
MIG	-	81 364
Area 17 water scheme	521 807	521 807
Ndumo sport field	721 230	1 203 736
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	107 606
Fresh produce market	234 683	867 014
Bhambanana town formalisation	69 365	69 365
Synegistic program	7 224	7 224
Ubuhle besiko cultural village	69 700	69 700
Bhanjana road	624 412	624 412
Umnothophansi	1 184 150	1 184 150
Library grant	222 306	416 789
IDP Grant	240	240
MSIG	19 140	269
FMG	48 246	404
National electrification grant	164 807	9 671 450
Development of recycling centre	10 730	10 730
LG Expert	22 384	22 384
Jozini town formalisation	1 758 152	3 921 752
DBSA contribution for plan	10 365	10 365
Implemantation of pound	51 652	74 754
Supply of solar water gyser	2 312 102	2 312 102
	8 428 923	**21 446 239**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

10. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Reversed during the year	Total
Provision for long service award	780 000	298 000	-	1 078 000
Provision for landfill site	3 585 025	204 439	-	3 789 464
Provision for leave pay	56 449	174 176	-	230 625
Provision for performance	425 600	-	(425 600)	-
Provision -Leave pay Long tern portion	1 975 003	-	-	1 975 003
	6 822 077	**676 615**	**(425 600)**	**7 073 092**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Provision for long service award	780 000	-	780 000
Provision for landfill site	3 585 025	-	3 585 025
Provision for leave pay	56 449	-	56 449
Provision for performance bonus	425 600	-	425 600
Employee benefit cost	-	1 975 003	1 975 003
	4 847 074	**1 975 003**	**6 822 077**

	2014	2013
Non-current liabilities	6 842 467	6 340 028
Current liabilities	230 625	482 049
	7 073 092	**6 822 077**

11. Revenue

	2014	2013
Service charges	3 389 418	1 992 983
Rental of facilities and equipment	765 640	595 073
Licences and permits	863 361	730 650
Interest earned on overdue account	6 446 946	5 118 552
Other income	1 663 927	2 018 841
Interest received - investment	2 011 226	2 715 312
Property rates	12 904 241	11 910 914
Government grants & subsidies	131 127 105	118 420 966
Fines	1 199 370	236 875
Transfer of halls	-	5 839 066
	160 371 234	**149 579 232**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2014	2013
Service charges	3 389 418	1 992 983
Rental of facilities and equipment	765 640	595 073
Licences and permits	863 361	730 650
Interest earned on overdue account	6 446 946	5 118 552
Other income	1 663 927	2 018 841
Interest received - investment	2 011 226	2 715 312
	15 140 518	**13 171 411**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

11. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	12 904 241	11 910 914
Transfer revenue		
Government grants & subsidies	131 127 105	118 420 966
Fines	1 199 370	236 875
Transfer of halls	-	5 839 066
	145 230 716	**136 407 821**

12. Property rates

Rates received

Residential	1 110 508	443 021
Commercial	3 819 674	8 928 504
Small holdings and farms	906 530	684 505
Rural Communal Land	3 177 830	2 991 909
Public Service	17 627	9 972
Specialised Properties	5 794 459	4 231 524
Less: Income forgone	(1 922 387)	(5 378 521)
	12 904 241	**11 910 914**

13. Service charges

Commercial	1 918 556	373 334
Rural communal land	731 016	422 059
Residential	1 705 524	913 509
Specialised properties	(965 678)	284 081
	3 389 418	**1 992 983**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

14. Government grants and subsidies

Operating grants		
Equitable share	83 913 176	70 314 944
FMG	1 601 754	1 636 381
Fresh produce market	632 331	780 196
LGWSETA	-	317 128
Library grant	1 081 683	1 150 116
MSIG	870 860	939 095
Supply of water	-	1 753 097
School crossing	-	13 740
Synergetic services	-	3 658
Jozini Town formalisation	2 163 599	849 236
Implementation of KZN Pound Act	23 102	775 558
EPWP	1 000 000	-
Department of Human Settlement	1 142 590	-
	92 429 095	78 533 149
Capital grants		
National Electrification Program Grant	4 449 504	7 385 690
MIG	31 761 175	32 495 354
Sports and Recreation	2 487 331	6 773
	38 698 010	39 887 817
	131 127 105	**118 420 966**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

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

Housing Grant

Balance unspent at beginning of year	83 492	83 492

Conditions still to be met - remain liabilities (see note 9).

The project was completed and an application was submitted to COGTA to utilise the balance of funds for a project of a similar nature.

Municipal infrastructure grant

Balance unspent at beginning of year	81 364	3 254 718
Current-year receipts	31 891 000	29 322 000
Conditions met - transferred to revenue	(31 972 364)	(32 495 354)
	-	**81 364**

Conditions still to be met - remain liabilities (see note 9).

Provide explanations of conditions still to be met and other relevant information.

Area 17 water scheme

Balance unspent at beginning of year	521 807	521 807

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

14. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 9).

The project was completed and an application was submitted to COGTA to utilise the balance of funds for a project of a similar nature.

Ndumo Sportfield

Balance unspent at beginning of year	1 203 736	385 510
Current-year receipts	2 225 000	825 000
Conditions met - transferred to revenue	(2 707 506)	(6 774)
	721 230	**1 203 736**

Conditions still to be met - remain liabilities (see note 9).

Establishement of internal control unit

Balance unspent at beginning of year	150 000	150 000

Conditions still to be met - remain liabilities (see note 9).

Ward committee induction training

Balance unspent at beginning of year	23 355	23 355

Conditions still to be met - remain liabilities (see note 9).

Municipal housing sector plan

Balance unspent at beginning of year	11 775	11 775

Conditions still to be met - remain liabilities (see note 9).

Jozini upgrading project

Balance unspent at beginning of year	107 606	107 606

Conditions still to be met - remain liabilities (see note 9).

Jozini value adding centre

Balance unspent at beginning of year	867 014	647 210
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	(632 331)	(780 196)
	234 683	**867 014**

Conditions still to be met - remain liabilities (see note 9).

Bhambanana town formalisation

Balance unspent at beginning of year	69 365	69 365

Conditions still to be met - remain liabilities (see note 9).

Synergistic programme

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

14. Government grants and subsidies (continued)

Balance unspent at beginning of year	7 224	10 882
Conditions met - transferred to revenue	-	(3 658)
	7 224	**7 224**

Conditions still to be met - remain liabilities (see note 9).

Ubuhle besiko cultural village

Balance unspent at beginning of year	69 700	69 700

Conditions still to be met - remain liabilities (see note 9).

Bhajana road

Balance unspent at beginning of year	624 412	624 412

Conditions still to be met - remain liabilities (see note 9).

Umnothophansi Ndumo and maize milling project

Balance unspent at beginning of year	1 184 150	1 184 150

Conditions still to be met - remain liabilities (see note 9).

Library grant

Balance unspent at beginning of year	416 789	731 104
Current-year receipts	886 000	835 800
Conditions met - transferred to revenue	(1 080 483)	(1 150 115)
	222 306	**416 789**

Conditions still to be met - remain liabilities (see note 9).

IDP Grant

Balance unspent at beginning of year	240	240

Conditions still to be met - remain liabilities (see note 9).

MSIG grant

Balance unspent at beginning of year	269	139 364
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(871 129)	(939 095)
	19 140	**269**

Conditions still to be met - remain liabilities (see note 9).

FMG

Balance unspent at beginning of year	404	136 785
Current-year receipts	1 650 000	1 500 000
Conditions met - transferred to revenue	(1 602 158)	(1 636 381)

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

14. Government grants and subsidies (continued)

	48 246	**404**

Conditions still to be met - remain liabilities (see note 9).

Provide explanations of conditions still to be met and other relevant information.

Intergrated national electrification

Balance unspent at beginning of year	9 671 450	8 057 139
Current-year receipts	3 000 000	9 000 000
Conditions met - transferred to revenue	(12 506 643)	(7 385 689)
	164 807	**9 671 450**

Conditions still to be met - remain liabilities (see note 9).

Development of recycling centre

Balance unspent at beginning of year	10 730	10 730

Conditions still to be met - remain liabilities (see note 9).

LG expert

Balance unspent at beginning of year	22 384	22 384

Conditions still to be met - remain liabilities (see note 9).

Jozini town formalisation

Balance unspent at beginning of year	3 921 752	1 270 987
Current-year receipts	-	3 500 000
Conditions met - transferred to revenue	(2 163 600)	(849 235)
	1 758 152	**3 921 752**

Conditions still to be met - remain liabilities (see note 9).

DBSA contribution

Balance unspent at beginning of year	10 365	10 365

Conditions still to be met - remain liabilities (see note 9).

Implementation of pound

Balance unspent at beginning of year	74 754	850 312
Conditions met - transferred to revenue	(23 102)	(775 558)
	51 652	**74 754**

Conditions still to be met - remain liabilities (see note 9).

Spply of solar, water and gyser

Balance unspent at beginning of year	2 312 102	2 665 199
Current-year receipts	-	1 400 000

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

14. Government grants and subsidies (continued)

Conditions met - transferred to revenue	-	(1 753 097)
	2 312 102	**2 312 102**

Conditions still to be met - remain liabilities (see note 9).

15. Other income

Miscellanous	7 851	4 838
School crossing DOT	49 680	-
Stadiums, Hall hire and Cemetries	93 545	29 953
Pound fines	38 443	-
Town planning fees	622 812	-
Refunds	81 172	193 391
Commission received	13 446	36 832
Library fines, Combo signs and trading licences	6 947	13 903
Sale of documents	60 160	136 324
Clearance Certificate	3 540	900
Penalties	5 943	462
Ashbin waste management	53 200	6 260
Penalties	-	1 286 358
Employees cellphone deduction	260 361	284 369
Discount received	192 639	20 173
Coffins for Majalantini	200	2 718
Donations	15 500	-
Insurance claims	155 320	-
Direct deposit clearing	3 168	2 360
	1 663 927	**2 018 841**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

16. General expenses

Advertising	394 584	309 279
Audit committee fees	36 142	59 445
Auditors remuneration	2 829 337	2 380 166
Bank charges	107 729	60 000
Cleaning	94 750	82 550
Legal fees	534 016	1 459 952
Bonus Annual provision	-	90 741
Entertainment	1 013 466	332 769
Wellness	1 285 292	811 466
Accomodation expense	2 125 903	1 428 453
Levies	-	213 965
Motor vehicle Licences	68 808	15 305
Fuel and oil	1 215 440	597 044
Printing and stationery	641 764	524 849
Publicity	198 236	363 974
Security (Guarding of municipal property)	2 839 283	1 035 026
Subscriptions and membership fees	450 096	400 000
Postage and Telephone	4 148 794	3 876 955
Training	1 006 995	563 672
Subsistance and travelling	4 346 784	2 119 225
Uniforms	350 677	377 757
Other Expenditure	3 846 372	1 456 463
Learners license expenses	62 764	47 484
Municipal special programmes and events	4 631 670	2 017 447
Poverty alleviation	12 657 146	14 283 171
Job expansion programme	2 888 000	249 395
Valuation roll expense	1 165 287	-
Disaster management	1 026 106	837 315
Community participation programmes	447 335	539 379
OSS	1 110 807	-
Casual workers	3 000 000	-
Department of Human Settlement	1 142 590	-
	55 666 173	**36 533 247**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

17. Employee related costs

Basic	19 081 000	19 887 623
Bonus	1 352 054	1 067 638
Medical aid - company contributions	1 169 902	940 266
UIF	206 846	137 793
SDL	304 335	189 877
Leave pay provision and Bonus charge	704 720	1 058 144
Short term benefit 3	273 000	-
Defined contribution plans	3 400 193	3 055 161
Travelling allowences	1 593 215	1 326 309
Overtime payments	791 458	527 302
Long-service awards	-	1 926 671
Acting allowances	-	5 499
Housing benefits and allowances	79 261	144 868
Cellphone allowance	774 509	198 603
	29 730 493	**30 465 754**

Remuneration of municipal manager

Annual Remuneration	485 916	292 834
Car Allowance	263 474	156 917
Performance Bonuses	80 550	-
Contributions to UIF, Medical and Pension Funds	193 048	192 589
Other	51 563	31 499
	1 074 551	**673 839**

Remuneration of chief finance officer

Annual Remuneration	435 585	262 500
Car Allowance	234 090	139 417
Performance Bonuses	71 550	-
Contributions to UIF	147 235	86 796
Other	4 019	52 849
	892 479	**541 562**

Remuneration of Director Technical

Annual Remuneration	476 666	187 347
Car Allowance	176 303	95 417
Contributions to UIF	91 171	86 733
Other	-	3 763
	744 140	**373 260**

Remuneration of Director Corporate

Annual Remuneration	543 019	363 503
Car Allowance	215 610	143 778
Performance Bonuses	36 778	-
Contributions to UIF	112 727	64 750
Other	10 242	14 849
	918 376	**586 880**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

18. Remuneration of councillors

Executive Major	719 369	448 900
Deputy Executive Mayor	435 565	211 759
Mayoral Committee Members	2 318 600	1 188 197
Speaker	756 159	387 008
Councillors	5 581 488	5 425 044
	9 811 181	**7 660 908**

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has two full-time bodyguards

19. Finance costs

Finance cost	-	470 125
Other interest paid	125 000	-
	125 000	**470 125**

20. Auditors' remuneration

Fees	2 829 337	2 380 166

21. Expenditure related to grants

Expenditure related to operational conditional grants		
FMG	1 623 333	1 462 330
Ndumo Sports field	2 017	6 773
Library grant	1 070 783	856 248
MSIG	358 545	939 095
School crossing DOT	-	32 970
Synegistc	(1)	122 374
EPWP	998 953	-
Jozini town formalisation	556 140	503 861
LGWSETA	-	9 576
Supply of solar water gysers	-	1 753 097
Electricity Reticulation/Technical	-	6 895 432
	4 609 770	**12 581 756**

22. Contingencies

Contingent liabilities

Matter	Name of claimant	Date of claim	Possible Liability	Progress on claim	Total
Unlawful arrest and assault	Mr Mthembu& Mr Ngcamphalala	-	90 000	Awaiting claimant to apply for trial date	90 000
Breach of contracts	Mothey consulting engineers	-	1 200 000	Awaiting trial date. have attended to municipalitiy's discovery Affidavit. Awaiting requested iterms from claimant's discovery affidavit	1 200 000
VAT Services	Preson investments (pty) LTD	-	3 500 000	Awaiting trial date	3 500 000
Contract	Nkombankombane General Trading cc	-	300 000	Pleading closed. matter due to be heard on the 12 September 2014. awaiting for details from Municipality as to whom will be testifying in the court.	300 000
Claim for travelling and accomodation arrangements	Rennies travel (pty) LTD	-	64 000	Received settlement proposal from claimant's attorney's. awaiting for municipalitiy's instruction	64 000
Breach of contract	Eezy-Ads	-	1	Awaiting claimant to take further steps	1
Breach of contracts	Siyakwethemba construction JV Mbuthuma construction	-	670 754	Have filed Municipalitiy's plea and counterclaims. Awaiting claimant's plea to Municipality's plea and counterclaim	670 754
Unfair dismissals	Ntuli, Ngiba and Hlatshwayo	-	15 114 045	Have placed on record that Municipality disputes liability for amount claimed. Awaiting claimants reply thereto. awaiting for Municipality's further instructions. Summons not yet issued	15 114 045
Claim for defamation	Ntuli,Ngiba and Hlatshwayo	-	3 650 000	Letter of demand issued. summons not yet issued.	3 650 000
		-	**24 588 800**		**24 588 800**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

23. Related parties

Relationships

The Municipal Mayor	Refer to note 18
The Deputy Mayor	Refer to note 18
The Speaker	Refer to note 18
Executive director corporate and community	Refer to note 17
Executive director technical and planning	Refer to note 17
Chief financial officer	Refer to note 17

Related party transactions

The following councillor had arreas account outstanding for more than 90 days at June 30, 2013

	2014	2013
S.S Macwele	3 832	3 832
GP Moodley	369 627	369 627

24. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2014	2013
Net surplus per the statement of financial performance	15 973 719	27 471 580

25. Cash generated from operations

	2014	2013
Surplus	15 973 719	27 471 580
Adjustments for:		
Depreciation and amortisation	12 697 832	11 213 362
Fair value adjustments	(550 000)	-
Debt impairment	2 891 060	563 124
Movements in retirement benefit assets and liabilities	(152 000)	1 453 000
Movements in provisions	251 015	5 008 166
Other non-cash items	589 438	(396 127)
Changes in working capital:		
Receivables from exchange transactions	2 653 958	1 969 282
Consumer debtors	(3 958 890)	1 206 735
Payables from exchange transactions	6 521 103	6 053 491
VAT	991 243	(1 146 629)
Unspent conditional grants and receipts	(13 017 316)	77 581
	24 891 162	**53 473 565**

26. Unauthorised expenditure

	2014	2013
Unauthorised expenditure	747 769	1 285 023
Incurred during the year	25 103 656	-
Less approved by council or condoned	-	(1 285 023)
	25 851 425	**-**

27. Irregular expenditure

	2014	2013
Opening balance	46 241 499	46 071 499
Add: Irregular Expenditure - current year	93 043 701	170 000
	139 285 200	**46 241 499**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

28. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviations from SCM procedures (in terms of section 36) of Municipal supply chain management requlations		
Opening balance	3 159 206	469 507
Add: SCM deviations during the year	2 508 696	2 689 699
	5 667 902	**3 159 206**

29. Fringe benefits

The Jozini Municipality has granted fringe benefits to the following employees and has incurred cost of their accomodation and only R2500 deducted from their salaries each month.		
Mrs TNS Ngiba	248 975	71 957
Mr B. Ntuli	109 676	153 810
	358 651	**225 767**

30. Debt impairment

Debt impairment	2 891 060	563 124

31. Investment revenue

Interest revenue		
Interest received: Investments and current account	2 011 226	2 715 312

32. Depreciation and amortisation

Property, plant and equipment	12 697 832	11 213 362

33. Contracted services

Other Contractors	4 799 086	3 191 815

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

34. Commitments

Authorised capital expenditure

	2014	2013
Approved and contracted		
• Property, plant and equipment	4 146 676	20 955 346
Approved but not yet contracted for		
• Property, plant and equipment	18 000 000	11 794 550

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, and funds internally generated.

Operating leases - as lessee (expense)

	2014	2013
Minimum lease payments due		
- within one year	-	540 064
- in second to fifth year inclusive	-	225 546
	-	**765 610**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

35. Changes in accounting policy

During the year the Municipality changed its accounting policy in terms of recognizing income from Traffic Fines. The reason for change in accounting policy is to comply with the requirements of IGRAP 1 on Revenue Recognition which require municipality to recognize income from Traffic Fines when they are issued while traffic fine income was previously recognised on a cash basis. The standard has been applied prospectively and no comparatives have been adjusted.

Notes to the Annual Financial Statements

36. New standards and interpretations

36.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits	01 April 2013	
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	
• GRAP 13 (as revised 2012): Leases	01 April 2013	
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	
• IGRAP16: Intangible assets website costs	01 April 2013	
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	

36.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2014	
• GRAP108: Statutory Receivables	01 April 2015	

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

37. Employee benefit obligations

Defined benefit plan

Independent valuers, ZAQ Consultant and Actuaries carried out a valuation on the post employment medical aid benefit for the 2014 financial year.The principal actuarial assumptions used were as follows:

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

	2014	2013
Carrying value		
Present value of the defined benefit obligation-partly or wholly funded	(1 301 000)	(1 453 000)

Members withdrawn from services: (Average for males and females)

	2014	2013
Age 20-24	16.00 %	24.00 %
Age 25-29	12.00 %	18.00 %
Age 30-34	10.00 %	15.00 %
Age 35-39	8.00 %	10.00 %
Age 40-44	6.00 %	6.00 %
Age 45-49	4.00 %	4.00 %
Age 50-54	2.00 %	2.00 %
Age 55-59	1.00 %	1.00 %
	-	-

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

	2014	2013
Opening balance	2 906 000	1 453 000
Current service cost	273 000	-
Interest cost	125 000	-
Actuarial (gain)/loss	(550 000)	-
Net expense recognised in the statement of financial performance	1 301 000	1 453 000
	4 055 000	**2 906 000**

Net expense recognised in the statement of financial performance

	2014	2013
Post Retirement Medical Aid	1 301 000	1 453 000

Calculation of actuarial gains and losses

	2014	2013
Post Retirement Medical Aid	(550 000)	-

Key assumptions used

Assumptions used at the reporting date:

	2014	2013
Discount rates used	8.94 %	7.89 %
CPI (Consumer Price Index)	7.05 %	6.14 %
Medical Aid Contribution Inflation	8.05 %	7.14 %
Net discount rate	0.82 %	0.70 %
Average retirement age	65	65

38. Prior period errors

Independent valuers, ZAQ Consultant and Actuaries carried out a valuation on the post employment medical aid benefit for the 2014 financial year. An amount of R1,453,000 should have been accounted for in the prior year as a post retirement medical aid obligation.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

38. Prior period errors (continued)

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Post retirement obligation benefit	-	1 453 000
Statement of Financial Performance		
Post retirement obligation contribution	-	1 453 000

39. Events after the reporting date

There are no material events that occured after the reporting date.

40. Fruitless and wasteful expenditure

41. Finance costs

Finance costs	125 000	470 125

42. Budget differences

Material differences between budget and actual amounts

1. **Property rates**-Property rates have been overly projected ,considering the fact that Jozini Municipality clients are complaining of having to pay rent to the Ingonyama Trust Board and also pay property rates to the Municipality. A huge number of residents are acutely affected by poverty and unemployment.
2.**Service rates**-Customers are complaining about a huge increase in tariff charges for example a 100% increase in service charges for commercial , industrial and tourism sectors for a once a week upliftment. This exorbitant tariffs have resulted to an over projection in service charges
3.**Investment revenue**-Over projection in investment revenue resulting from an overestimation in Municipality Investments .
4.**Other own revenue**-The municipality has collected more than budgeted for items like hall hire , town planning fees and gained more in items like discount received.
5.**Depreciation**-There was gross under budgeting in depreciation as only R1,000,000 was budgeted .
6.**Transfers and grants**-The municipality has spent more than budgeted in grants like EPWP. The Municipality has more than 200 casual workers in 20 wards , earning 1,200 each 94 general workers, earning R2,500 each per month.
7.**Other expenditure**-The municipality did not budget for expenses like allowance for debt impairment.
8.**Debt Impairment**-The municipality has also written off duplicated accounts and those accounts which should not be in the debtors book because we don’t collect refuse for. We have also under budgeted for debt impairment.