Jozini Local Municipality
(Registration number KZN 272)
Annual Financial Statements
for the year ended 30 June 2015

General Information

Legal form of entity	Local Municipality	
Nature of business and principal activities	Service Delivery	
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
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	Ordinary councillor
	W Zikalala	Ordinary councillor
Accounting Officer	Mr TL Manda Acting Accounting Officer	
Chief Finance Officer (CFO)	Mrs SZ Soji Acting CFO	

General Information

Physical address	Bottom Town Circle Street Jozini 3969
Postal address	Private Bag x 028 Jozini 3969
Bankers	ABSA Bank FNB Bank
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	Weich & Kriel Inc
Municipality contact details	Tel: 035 572 1292 Fax: 035 572 1266

Index

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
FMG	Finance Management Grant
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
EPWP	Expanded Public Works Grant
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
KZN	Kwa-Zulu Natal
MSIG	Municipal Systems Infrastructure Grant
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Taxation
IDP	Intergrated Development Plan
LG Expert	Local Government Expert

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 places 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.

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.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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 5.

The annual financial statements set out on pages 5 to 51, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

Accounting Officer
Mr TL Manda

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Operating lease asset	5	1 129	-
Receivables from non-exchange transactions	6	36 198 809	25 798 929
VAT receivable	7	2 386 704	2 028 213
Receivables from exchange transactions	8	11 883 429	6 699 722
Cash and cash equivalents	9	22 508 057	8 745 793
		72 978 128	**43 272 657**
Non-Current Assets			
Property, plant and equipment	3	217 931 306	197 085 648
Intangible assets	4	132 433	98 398
Operating lease asset	5	7 002	-
		218 070 741	**197 184 046**
Total Assets		**291 048 869**	**240 456 703**
Liabilities			
Current Liabilities			
Finance lease obligation	10	315 321	288 278
Payables from exchange transactions	14	14 136 275	12 739 332
Unspent conditional grants and receipts	11	8 334 673	7 443 203
Provisions	12	9 488 398	8 518 832
Deposit & refund	13	24 398	18 044
		32 299 065	**29 007 689**
Non-Current Liabilities			
Finance lease obligation	10	139 960	455 280
Total Liabilities		**32 439 025**	**29 462 969**
Net Assets		**258 609 844**	**210 993 734**
Accumulated surplus		258 609 844	210 993 734

* See Note 2 & 35

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	4 622 028	3 389 418
Rental of facilities and equipment	15	775 221	765 640
Licences and permits	15	956 249	872 270
Discount received	15	-	192 639
Other income	20	1 431 707	1 431 912
Interest income	25	9 915 508	8 107 119
Total revenue from exchange transactions		**17 700 713**	**14 758 998**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	16	22 564 312	12 904 241
Transfer revenue			
Government grants	18	139 813 531	131 591 016
Fines	19	1 564 600	1 047 026
Total revenue from non-exchange transactions		**163 942 443**	**145 542 283**
Total revenue	15	**181 643 156**	**160 301 281**
Expenditure			
Employee related costs	22	44 453 784	35 880 388
Remuneration of councillors	23	8 171 182	8 015 840
Depreciation and amortisation	26	16 114 034	14 612 195
Finance costs	27	542 874	71 974
Debt impairment	24	-	2 540 007
Allowance/(reversal of allowance) for debt impairment		10 862 381	(11 232 986)
Repairs and maintenance		1 767 294	10 035 463
Contracted services	29	69 301	93 166
Grants expenditure	30	3 074 130	4 916 505
General expenses	21	49 982 387	55 336 376
Total expenditure		**135 037 367**	**120 268 928**
Operating surplus		**46 605 789**	**40 032 353**
Loss on disposal of assets		(1 951 273)	-
Loss on theft - computers		-	(40 058)
		(1 951 273)	**(40 058)**
Surplus for the year		**44 654 516**	**39 992 295**

* See Note 2 & 35

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	181 534 805	181 534 805
Adjustments		
Prior year adjustments	140 281	140 281
Balance at 01 July 2013 as restated*	**181 675 086**	**181 675 086**
Changes in net assets		
Prior year error adjustments	(10 673 647)	(10 673 647)
Net income (losses) recognised directly in net assets	(10 673 647)	(10 673 647)
Surplus for the year	39 992 295	39 992 295
Total changes	29 318 648	29 318 648
Opening balance as previously reported	199 363 673	199 363 673
Adjustments		
Correction of errors	14 591 655	14 591 655
Restated* Balance at 01 July 2014 as restated*	**213 955 328**	**213 955 328**
Changes in net assets		
Surplus for the year	44 654 516	44 654 516
Total changes	44 654 516	44 654 516
Balance at 30 June 2015	**258 609 844**	**258 609 844**

* See Note 2 & 35

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Taxation		10 120 496	2 127 108
Sale of goods and services		6 942 316	1 218 171
Grants		136 713 140	125 105 126
Interest income		9 915 508	8 107 119
Other receipts		2 444 795	11 043 069
		166 136 255	147 600 593
Payments			
Employee costs		(48 601 924)	(41 790 288)
Suppliers		(57 439 599)	(47 618 654)
Finance costs		(542 874)	(71 974)
Other payments		(6 562 670)	(3 539 883)
		(113 147 067)	(93 020 799)
Net cash flows from operating activities	31	**52 989 188**	**54 579 794**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(39 630 689)	(75 242 924)
Proceeds from sale of property, plant and equipment	3	762 990	-
Purchase of other intangible assets	4	(77 302)	-
Net cash flows from investing activities		**(38 945 001)**	**(75 242 924)**
Cash flows from financing activities			
Movement in deposit & refund		6 354	18 044
Finance lease payments		(288 277)	(697 697)
Net cash flows from financing activities		**(281 923)**	**(679 653)**
Net increase/(decrease) in cash and cash equivalents		**13 762 264**	**(21 342 783)**
Cash and cash equivalents at the beginning of the year		8 745 793	30 088 576
Cash and cash equivalents at the end of the year	9	**22 508 057**	**8 745 793**

* See Note 2 & 35

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	5 080 000	-	**5 080 000**	4 622 028	**(457 972)**	Actual collection is lower than anticipated due to customers not paying hence the Municicipality is engaging services of the debt collector.
Rental of facilities and equipment	1 026 740	95 263	**1 122 003**	775 221	**(346 782)**	Actual collection is lower than forecast due to signing lease agreements not finalised.
Licences and permits	500 000	425 000	**925 000**	956 249	**31 249**	
Other income	1 544 000	(1 013 000)	**531 000**	1 431 707	**900 707**	Other revenue increases are as a result of insurance claims and more sale of tender documents.
Interest received - investment	10 340 000	(2 374 000)	**7 966 000**	9 915 508	**1 949 508**	
Total revenue from exchange transactions	**18 490 740**	**(2 866 737)**	**15 624 003**	**17 700 713**	**2 076 710**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	33 211 000	(9 327 000)	**23 884 000**	22 564 312	**(1 319 688)**	The actual figure takes into account Income forgone such as phasing in and rebates.
Government grants & subsidies	151 288 000	(10 583 000)	**140 705 000**	139 813 531	**(891 469)**	Underspeding on MIG and as a result 10m was withdrwan by NT also part of unspent porttion of FMG and MSIG was withdrawn against Equitable share.
Transfer revenue						
Fines	296 378	(17 914)	**278 464**	1 564 600	**1 286 136**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Total revenue from non-exchange transactions	**184 795 378**	**(19 927 914)**	**164 867 464**	**163 942 443**	**(925 021)**	
Total revenue	**203 286 118**	**(22 794 651)**	**180 491 467**	**181 643 156**	**1 151 689**	
Expenditure						
Personnel	(36 285 000)	1 024 000	**(35 261 000)**	(44 453 784)	**(9 192 784)**	Overexpenditure due to salaries for general workers budgted under general expenditure.
Remuneration of councillors	(11 970 922)	269 494	**(11 701 428)**	(8 171 182)	**3 530 246**	Ward 4 councellor position had been vacant for long period hence underspending.
Depreciation and amortisation	(11 055 000)	-	**(11 055 000)**	(16 114 034)	**(5 059 034)**	Depreciation overexpenditure is a result of restatement of Assets useful lives and the tranfer in of fire equipmens and vehicles.
Finance costs	-	-	**-**	(542 874)	**(542 874)**	Expenditure on finance cost derives from leases amortisation table that is performed year end hence no budget alined to it.
Debt impairment	(5 000 000)	-	**(5 000 000)**	(10 708 488)	**(5 708 488)**	Debt impairment under-provision result in the initiative that the municipality is taking to engage debt collector.
Repairs and maintenance	-	-	**-**	(1 767 294)	**(1 767 294)**	More repairs and maintainance took place on 2013/14 Financial year hence underspending on 2014/15 Financial year.
Contracted Services	(5 497 000)	(133 000)	**(5 630 000)**	(69 301)	**5 560 699**	
Grants and subsidies paid	(2 000 000)	1 500 000	**(500 000)**	(3 074 130)	**(2 574 130)**	
General Expenses	(63 158 000)	(4 562 000)	**(67 720 000)**	(50 136 280)	**17 583 720**	
Total expenditure	**(134 965 922)**	**(1 901 506)**	**(136 867 428)**	**(135 037 367)**	**1 830 061**	
Operating surplus	**68 320 196**	**(24 696 157)**	**43 624 039**	**46 605 789**	**2 981 750**	
Net proceeds on sale of assets	745 594	-	**745 594**	(1 951 273)	**(2 696 867)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Surplus before taxation	**69 065 790**	**(24 696 157)**	**44 369 633**	**44 654 516**	**284 883**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**69 065 790**	**(24 696 157)**	**44 369 633**	**44 654 516**	**284 883**	

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.

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

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

Impairment testing

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. An impairment loss is recognised for the amount which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

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 12 - Provisions.

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

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 reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

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

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

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

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

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

Item	Average useful life
Land	
• Landfill site	15 years
• Parkhomes	10 - 40 years
• Roads and Pavements	10 – 60 years
• Buildings	10 – 55 years
• Storm water Drainage	20 years
• Community Assets Buildings	15 - 50 years
• Community Halls	30 – 50 years
• Libraries	30 years
• Parkings and gardens	10 years
• Recreational facilities	30 years
Furniture and fixtures	
• Furniture and fittings	5 – 15 years
• Bins and Containers	5 years
Motor vehicles	
• Other Vehicles	5 -15 years

1.4 Property, plant and equipment (continued)
Office equipment
- Computer Equipment 5-15 years
- Office Equipment

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

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

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

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

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

1.5 Site restoration and dismantling cost

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

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

1.6 Intangible assets

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

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

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

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

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

Accounting Policies

1.6 Intangible assets (continued)

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.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	5-15 years

1.7 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through surplus or deficit - held for trading
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Financial assets classified as at fair value through surplus or deficit which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments or their components are initially recognised by the municipality as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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

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.

Accounting Policies

1.7 Financial instruments (continued)

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 recognised at fair value through surplus or deficit exclude dividends or similar distributions and interest.

Dividend or similar distributions income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

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.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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

1.7 Financial instruments (continued)

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.

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.

Cash and cash equivalents

Cash and cash equivalents comprises of cash on hand, 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.

Derecognition

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality’s continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.7 Financial instruments (continued)

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.8 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.

Finance leases - lessee

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

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

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

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

Operating leases - lessee

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

1.9 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).

Accounting Policies

1.9 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.

1.10 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.

1.11 Employee benefits

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

1.11 Employee benefits (continued)

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 provide benefits that are not considered an 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 cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the 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 measures 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

1.12 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 33.

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, the municipality recognises the obligation at the higher of:

1.12 Provisions and contingencies (continued)

- the amount determined using 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.

Site restoration and dismantling cost

Changes in the measurement of an existing decommissioning, restoration and rehabilitation liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.9 and 1.10.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.13 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.

Sale of goods

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

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

Accounting Policies

1.13 Revenue from exchange transactions (continued)

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 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.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

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

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

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.

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.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

Value Added Tax

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

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.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Accounting Policies

1.16 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.

1.17 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).
The municipality adjust the amounts recognised in the financial statements to reflect the adjusting events after the reporting date.

The municipality does not adjust the amounts recognised in the annual financial statements to reflect non-adjusting events after the reporting date. If the municipality receives information after the reporting date but before the financial statements are authorised for issue, about conditions that existed at the reporting date, the disclosure that relate to those conditions shall be updated in light of the new information

1.18 Comparative figures

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

1.19 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.

1.20 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.

1.21 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 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.

Irregular expenditure that was incurred and identified during the current financial year 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.

1.22 Budget information

Municipalities 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.

Accounting Policies

1.22 Budget information (continued)

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 accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2017/06/30.

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.

1.23 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.

1.24 Offsetting

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

1.25 Commitments

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

2. Standards of GRAP and Interpretations

Standards of GRAP and Interpretations of standards of GRAP approved, but for which the minister of Finance has not yeat determined and effective date.

- GRAP 32 Service Concession arragengements: Grantor
- GRAP 105 Transfer of functions between entities under common control
- GRAP 106 Transfer of functions between entities not under common control
- GRAP 107 Mergers
- GRAP 108 Statutory receivables
- IGRAP 17 Service concessions arrangements where a grantor controls a significant residual interest in an asset

Approved standards of GRAP that entities are not required to apply

GRAP 18 Segment Reporting

3. Property, plant and equipment

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	71 006 472	(6 819 973)	64 186 499	73 863 710	(5 098 654)	68 765 056
Motor vehicles	6 512 505	(2 384 887)	4 127 618	6 515 855	(2 249 288)	4 266 567
Office equipment	7 610 629	(4 617 758)	2 992 871	7 924 895	(3 773 619)	4 151 276
Infrastructure	170 879 636	(107 907 141)	62 972 495	170 857 226	(96 869 227)	73 987 999
Work in progress	83 651 823	-	83 651 823	45 914 750	-	45 914 750
Total	**339 661 065**	**(121 729 759)**	**217 931 306**	**305 076 436**	**(107 990 788)**	**197 085 648**

Reconciliation of property, plant and equipment - 2015

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Impairment/ write offs**	**Total**
Buildings	68 765 056	57 935	-	(2 272 521)	(2 363 971)	64 186 499
Motor vehicles	4 266 567	1 278 450	(184 968)	(1 232 431)	-	4 127 618
Office equipment	4 151 276	534 821	-	(1 527 903)	(165 323)	2 992 871
Infrastructure	73 987 999	22 410	-	(11 037 914)	-	62 972 495
Work in progress	45 914 750	37 737 073	-	-	-	83 651 823
	197 085 648	**39 630 689**	**(184 968)**	**(16 070 769)**	**(2 529 294)**	**217 931 306**

Reconciliation of property, plant and equipment - 2014

	Opening balance	**Additions**	**Depreciation**	**Total**
Buildings	44 782 515	25 759 653	(1 777 112)	68 765 056
Motor vehicles	3 435 966	1 740 993	(910 392)	4 266 567
Office equipment	3 125 497	2 247 279	(1 221 500)	4 151 276
Infrastructure	78 474 718	6 173 205	(10 659 924)	73 987 999
Work-in-progress (WIP)	6 592 956	39 321 794	-	45 914 750
	136 411 652	**75 242 924**	**(14 568 928)**	**197 085 648**

Pledged as security

No property, plant and equipment were pledged as security for liabilities.

Figures in Rand	2015	2014

3. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Other information

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.

Review of residual values

GRAP 17- Property, Plant and Equipment requires the review of the residual value and the useful life of an asset at least at each financial year end. The Municipality revised the estimated residual values of certain items of buildings and office equipment. The revisions were accounted for prospectively (in line with GRAP 3- Accounting policies, changes in accounting estimates and errors) as a change in accounting estimates and as a result, the depreciation charges of the Municipality for the current financial year end have been increased by R404 477.76.

4. Intangible assets

	2015			2014		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software and systems	335 594	(203 161)	132 433	258 292	(159 894)	98 398

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software and systems	98 398	77 302	(43 267)	132 433

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software and systems	141 664	(43 266)	98 398

Pledged as security

No intangible assets were pledged as security for liabilities:

Restricted title

No intangible assets whose title were restricted.

5. Operating lease asset

	2015	2014
Non-current assets	7 002	-
Current assets	1 129	-
	8 131	**-**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

6. Receivables from non-exchange transactions

Fines	2 117 820	751 530
Rates	53 138 819	36 081 970
Councillors	9 000	9 000
Staff	3 832	3 832
Allowance - Fines	(1 694 367)	(580 775)
Allowance - Rates	(17 376 295)	(10 466 628)
	36 198 809	**25 798 929**

7. VAT receivable

VAT	2 386 704	2 028 213

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

8. Receivables from exchange transactions

Gross balances		
Refuse removals	19 433 233	11 993 678
Property rental	1 527 200	943 926
	20 960 433	**12 937 604**
Less: Allowance for impairment	(9 077 004)	(6 237 882)
Net balance		
Refuse	10 356 229	5 755 796
Property rental	1 527 200	943 926
	11 883 429	**6 699 722**

Ageing of receivables

Rates		
Current (0 -30 days)	2 698 888	1 225 869
31 - 60 days	1 093 474	1 024 875
61 - 90 days	1 569 067	919 801
91 - 120 days	1 026 678	1 004 481
> 120 days	46 750 544	33 343 047
	53 138 651	**37 518 073**
Staff debtors		
> 120 days	3 832	3 832
Councillors		
> 120 days	9 000	9 000
Traffic fines		
Current (0 -30 days)	121 750	20 800
31 - 60 days	189 810	79 050
61 - 90 days	163 700	96 400
91 - 120 days	187 750	40 800
> 120 days	1 452 510	513 980
	2 115 520	**751 030**
Refuse		
Current (0 -30 days)	1 269 276	433 727
31 - 60 days	541 681	418 931
61 - 90 days	520 893	411 511
91 - 120 days	512 001	404 582
> 120 days	16 589 550	11 428 844
	19 433 401	**13 097 595**
Rental		
Current (0 -30 days)	115 090	51 501
31 - 60 days	54 722	42 612
61 - 90 days	54 722	42 612
91 - 120 days	54 695	42 612
> 120 days	1 247 968	764 589
	1 527 197	**943 926**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

8. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	17 286 285	28 518 270
Contributions to allowance	10 864 181	-
Reversal of allowance	-	(11 231 985)
	28 150 466	**17 286 285**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	22 376	37 874
Bank balances	15 271 905	6 832 940
Short-term deposits	7 213 776	1 874 979
	22 508 057	**8 745 793**

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	**30 June 2014**	**30 June 2013**	**30 June 2015**	**30 June 2014**	**30 June 2013**
FNB: Main account - 6202 418 5432	6 032 492	6 457 728	858 172	6 032 492	6 457 728	858 172
Petty cash	-	-	-	558	465	5 000
ABSA: Operational account - 4069 624 954	9 328 117	1 541 150	2 400 528	9 239 413	375 212	2 400 528
Grindrod: Investment - 16520	-	-	47 870	-	-	-
Grindrod: Investment - 164419/11000 034006	278 611	100 895	96 024	278 611	100 895	143 894
STD: Investment - 268741042	16 153	-	5 000 488	16 153	-	5 000 488
ABSA: Investment - 2073276014	5 051 140	-	5 000 000	5 051 140	-	5 000 000
Cashier's collection	-	-	-	21 817	37 409	15 617
FNB: Unspent conditional grant - 62406733164	1 683 891	1 598 669	16 664 878	1 683 891	1 598 669	16 664 878
FNB MIG - 62424077403	183 981	174 611	-	183 981	174 611	-
Ithala: Investment - 18607525	-	803	-	-	803	-
Total	**22 574 385**	**9 873 856**	**30 067 960**	**22 508 056**	**8 745 792**	**30 088 577**

10. Finance lease obligation

	2015	2014
Minimum lease payments due		
- within one year	343 500	343 499
- in second to fifth year inclusive	143 125	486 624
	486 625	830 123
less: future finance charges	(31 344)	(86 565)
Present value of minimum lease payments	**455 281**	**743 558**
Present value of minimum lease payments due		
- within one year	315 321	288 278
- in second to fifth year inclusive	139 960	455 280
	455 281	**743 558**
Non-current liabilities	139 960	455 280
Current liabilities	315 321	288 278
	455 281	**743 558**

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 9% (2014: 9%).

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Housing grant	83 492	83 492
MIG	4 775 596	-
Ndumo sport field	508 922	508 922
Internal control unit	150 000	150 000
Ward committee induction training	5 355	23 355
Municipal housing sector plan	11 775	11 775
Jozini upgrading projects	107 606	107 606
Fresh product market	73 002	218 202
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 Ndumo and maize milling project	-	1 184 150
Library grant	129 385	222 609
IDP Grant	240	240
Development of recycling centre	10 730	10 730
LG Expert	22 384	22 384
Jozini town formalisation	1 626 702	1 758 152
DBSA contribution	10 365	10 365
Implementation of pound	48 418	48 418
Supply of solar water geyser	-	2 312 102
	8 334 673	**7 443 203**

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

12. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for long service award	1 078 000	-	-	(14 000)	1 064 000
Provision for leave pay	2 205 628	344 585	-	-	2 550 213
Provision for landfill site	3 789 464	487 653	-	-	4 277 117
Provision for performance	66 707	-	(66 707)	-	-
Provision for Annual bonus	1 379 033	1 638 768	(1 420 733)	-	1 597 068
	8 518 832	**2 471 006**	**(1 487 440)**	**(14 000)**	**9 488 398**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for long service award	780 000	298 000	-	-	1 078 000
Provision for leave pay	2 031 452	174 176	-	-	2 205 628
Provision for landfill site	3 585 025	204 439	-	-	3 789 464
Provision for performance bonus	425 600	-	(245 381)	(113 512)	66 707
Provision for Annual bonus	669 992	1 871 647	(1 162 606)	-	1 379 033
	7 492 069	**2 548 262**	**(1 407 987)**	**(113 512)**	**8 518 832**

The provision for rehabilitation of landfill site

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal in accordance with the National Environmental Management Act 107 of 1998 and the Environment Conservation Act No 73 of 1989. It is calculated as the present value of the expenditure expected to be required to settle the future obligation to rehabilitate the landfill sites.

The discount rate used reflect the current market assessment of the time value of money and the risks specific to the liability. The valuation for the provision of the landfill sites was reviewed by an independent landfill site and environmental specialist.

The long-service award

The long-service award is payable after every 10 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover and has been determined by an Actuary.

The annual bonus

The annual bonus is payable on the anniversary of the employee's date of employment with the Municipality. The annual bonus is calculated monthly as per the formula at the ordinary salary rate earned during each relevant month and accumulated and paid to the employee.

A Municipality pays every employee, for each month that the employee was paid or entitled to be paid in respect of each completed 12 months of service with such Municipality. In the event that the employee's contract of employment ends before the end of any subsequent 12 month cycle with the same Municipality, the employee receives a prorated share of the bonus for the period of the year that he/she has worked.

Performance bonus

In terms of the performance agreements, employee's contract of employment, Local Government Performance Regulations - 2006, and the Jozini Remuneration Policy, management (Section 57 managers) are entilted to the payment of a performance bonus that is equivalent to the score obtained during performance appraisal.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

12. Provisions (continued)

Relates to accrual for unused leave at year-end. The leave is expected to be taken over the next two financial years and is calculated based on employee total cost to company.

The leave is payable to the employee on resignation and has an option of the leave days to be paid out or cashed.

13. Deposit & refund

Unclaimed deposits relating to hall hiring.

14. Payables from exchange transactions

Trade payables	9 487 570	10 051 211
Retention	3 791 795	2 403 121
Surety	285 000	285 000
Payroll creditors	571 910	-
	14 136 275	**12 739 332**

15. Revenue

Service charges	4 622 028	3 389 418
Rental of facilities and equipment	775 221	765 640
Licences and permits	956 249	872 270
Discount received	-	192 639
Other income	1 431 707	1 431 912
Interest received - investment	9 915 508	8 107 119
Property rates	22 564 312	12 904 241
Government grants	139 813 531	131 591 016
Fines	1 564 600	1 047 026
	181 643 156	**160 301 281**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	4 622 028	3 389 418
Rental of facilities and equipment	775 221	765 640
Licences and permits	956 249	872 270
Discount received	-	192 639
Other income - (rollup)	1 431 707	1 431 912
Interest received - investment	9 915 508	8 107 119
	17 700 713	**14 758 998**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	22 564 312	12 904 241
Transfer revenue		
Government grants	139 813 531	131 591 016
Fines	1 564 600	1 047 026
	163 942 443	**145 542 283**

Figures in Rand	2015	2014

16. Property rates

Rates received

Residential	1 713 812	1 110 508
Commercial	9 843 866	3 819 674
State	11 659 761	-
Agricultural	1 890 824	906 530
Rural Communal Land	714 764	3 177 830
Public Service Infrastructure	23 847	17 627
Specialised Properties	3 242 552	5 794 459
Less: Rebates and exemptions	(1 433 826)	(972 588)
Less: Income forgone	(5 091 288)	(949 799)
	22 564 312	**12 904 241**

Valuations

Agriculture	859 398 000	461 158 204
Business, Commercial and Industrial	465 034 000	301 690 000
Commercial Tourism	138 586 000	-
Hospitality industry	1 880 000	-
Municipal	3 040 000	-
Place of worship	9 563 000	5 030 000
Protected areas	865 549 000	472 132 400
Public Service Infrastructure	13 311 000	6 717 500
Rural Communal Land	255 273 000	300 930 876
Residential	153 228 000	145 559 000
Specialised Non-Market	83 047 000	474 382 000
State Owned	1 053 856 000	-
	3 901 765 000	**2 167 599 980**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A reduction in the value of residential properties for rating purposes will apply at R60, 000. The municipality will in terms if the Property Rates Policy consider rebates on certain categories of owners of properties namely Pensioners, disabled and retiree and certain use of categories which include non-profit organisations. Formal applications that comply with the criteria stipulated in the Prporty Rates Policy must be submitted.

Rebates of 25% (2014: 25%) are granted to agricultural properties owners and Public Service Infrastructure of 30% (2014: 30%) .

Interest at 1.5% per annum (2014: 2%), is levied on ratesnot paid on the due date.

17. Service charges

Residential properties	1 770 158	954 096
Rural communal land	577 043	417 364
Specialised properties	251 625	390 072
Commercial properties	2 023 202	1 627 886
	4 622 028	**3 389 418**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

18. Government grants

Operating grants		
Equitable share	103 677 000	83 913 176
Finance Management Grant	1 519 000	1 650 000
Fresh product market	145 200	648 811
Library grant	1 019 225	1 081 379
Supply of solar, water and geyser	748 205	-
MSIG	656 000	890 000
Supply of water	1 563 897	-
Jozini Town formalisation	131 450	2 163 599
Umnothophansi Ndumo and maize milling project	1 184 150	1 142 590
Ward committee induction training	18 000	-
Implementation of KZN Pound Act	-	26 337
EPWP	2 011 000	1 000 000
	112 673 127	92 515 892
Capital grants		
National Electrification Program Grant	7 000 000	4 614 310
MIG	20 140 404	31 891 000
Sports and Recreation	-	2 569 814
	27 140 404	39 075 124
	139 813 531	**131 591 016**

Conditional and Unconditional

Included in above are the following grants received:

Conditional grants received	37 587 000	41 192 000
Unconditional grants received	103 118 000	83 913 176
	140 705 000	**125 105 176**

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 11).

Municipal infrastructure grant

Balance unspent at beginning of year	-	81 364
Current-year receipts	24 916 000	31 891 000
Repaid	-	(81 364)
Conditions met - transferred to revenue	(20 140 404)	(31 891 000)
	4 775 596	**-**

Conditions still to be met - remain liabilities (see note 11).

Area 17 water scheme

Conditions still to be met - remain liabilities (see note 11).

Ndumo Sportfield

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

18. Government grants (continued)

Balance unspent at beginning of year	508 922	1 203 737
Current-year receipts	-	1 875 000
Conditions met - transferred to revenue	-	(2 569 815)
	508 922	**508 922**

Conditions still to be met - remain liabilities (see note 11).

Establishment of internal control unit

Balance unspent at beginning of year	150 000	150 000

Conditions still to be met - remain liabilities (see note 11).

Ward committee induction training

Balance unspent at beginning of year	23 355	23 355
Conditions met - transferred to revenue	(18 000)	-
	5 355	**23 355**

Conditions still to be met - remain liabilities (see note 11).

Municipal housing sector plan

Balance unspent at beginning of year	11 775	11 775

Conditions still to be met - remain liabilities (see note 11).

Jozini upgrading project

Balance unspent at beginning of year	107 606	107 606

Conditions still to be met - remain liabilities (see note 11).

Fresh product market

Balance unspent at beginning of year	218 202	867 014
Conditions met - transferred to revenue	(145 200)	(648 812)
	73 002	**218 202**

Conditions still to be met - remain liabilities (see note 11).

Bhambanana town formalisation

Balance unspent at beginning of year	69 365	69 365

Conditions still to be met - remain liabilities (see note 11).

Synergistic programme

Balance unspent at beginning of year	7 224	7 224

Conditions still to be met - remain liabilities (see note 11).

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

18. Government grants (continued)

Ubuhle besiko cultural village

Balance unspent at beginning of year	69 700	69 700

Conditions still to be met - remain liabilities (see note 11).

Bhanjana road

Balance unspent at beginning of year	624 412	624 412

Conditions still to be met - remain liabilities (see note 11).

Umnothophansi Ndumo and maize milling project

Balance unspent at beginning of year	1 184 150	1 184 150
Conditions met - transferred to revenue	(1 184 150)	-
	-	**1 184 150**

Conditions still to be met - remain liabilities (see note 11).

Library grant

Balance unspent at beginning of year	222 609	416 789
Current-year receipts	926 000	886 000
Conditions met - transferred to revenue	(1 019 224)	(1 080 180)
	129 385	**222 609**

Conditions still to be met - remain liabilities (see note 11).

IDP Grant

Balance unspent at beginning of year	240	240

Conditions still to be met - remain liabilities (see note 11).

MSIG grant

Balance unspent at beginning of year	-	269
Current-year receipts	934 000	890 000
Repaid	(278 000)	(269)
Conditions met - transferred to revenue	(656 000)	(890 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 11).

FMG

Balance unspent at beginning of year	-	404
Current-year receipts	1 800 000	1 650 000
Repaid	(281 000)	(404)
Conditions met - transferred to revenue	(1 519 000)	(1 650 000)
	-	**-**

18. Government grants (continued)

Conditions still to be met - remain liabilities (see note 11).

EPWP

Current-year receipts	2 011 000	1 000 000
Conditions met - transferred to revenue	(2 011 000)	(1 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 11).

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

Integrated national electrification

Balance unspent at beginning of year	-	9 671 450
Current-year receipts	7 000 000	3 000 000
Repaid	-	(8 057 140)
Conditions met - transferred to revenue	(7 000 000)	(4 614 310)
	-	-

Conditions still to be met - remain liabilities (see note 11).

Development of recycling centre

Balance unspent at beginning of year	10 730	10 730

Conditions still to be met - remain liabilities (see note 11).

LG expert

Balance unspent at beginning of year	22 384	22 384

Conditions still to be met - remain liabilities (see note 11).

Jozini town formalisation

Balance unspent at beginning of year	1 758 152	3 921 752
Conditions met - transferred to revenue	(131 450)	(2 163 600)
	1 626 702	**1 758 152**

Conditions still to be met - remain liabilities (see note 11).

DBSA contribution

Balance unspent at beginning of year	10 365	10 365

Conditions still to be met - remain liabilities (see note 11).

Implementation of pound

Balance unspent at beginning of year	48 418	74 754
Conditions met - transferred to revenue	-	(26 336)
	48 418	**48 418**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

18. Government grants (continued)

Conditions still to be met - remain liabilities (see note 11).

Supply of solar, water and geyser

Balance unspent at beginning of year	2 312 102	2 312 102
Conditions met - transferred to revenue	(2 312 102)	-
	-	**2 312 102**

Conditions still to be met - remain liabilities (see note 11).

19. Fines

Traffic Fines	1 548 010	1 006 750
Pound fines	11 184	38 443
Library fines	3 606	1 333
	1 562 800	**1 046 526**

20. Other income

Miscellaneous	27 675	12 251
School crossing DOT	-	49 680
Cemeteries	8 034	8 281
Town planning fees	13 443	622 812
Local Government SETA	-	81 172
Commission Received	21 113	13 446
Library fines, Combo signs and trading licences	5 897	5 614
Sale Of Documents	119 299	60 160
Clearance Certificates (Rates)	9 203	3 540
Penalties	-	1 943
Ashbin waste management fund	2 705	53 200
Employees cellphone deduction	393 598	260 361
Coffins for Majalantini	-	200
Stadiums and Halls Hire	68 112	85 264
Insurance claims	147 426	155 320
Direct deposit clearing	3 845	3 168
Donations	611 357	15 500
	1 431 707	**1 431 912**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

21. General expenses

Audit committee fees	349 674	140 337
Advertising	444 720	401 053
Auditors remuneration	1 293 326	1 998 371
Bank charges	55 691	107 729
Cleaning	302 303	94 750
Legal fees	1 809 027	541 913
Bonus Annual provision	218 035	709 041
Internal Audit fees	767 947	1 117 859
Entertainment	1 262 769	1 011 988
Ndumo maize meal plant	1 166 940	-
Insurance	237 557	247 537
Wellness	726 913	1 295 597
Accommodation expense	2 135 178	2 159 949
Ward Committee Support	415 893	52 800
Geyser supply - Makhonyeni area	656 320	-
Electricity	695 551	231 016
Motor vehicle Licences	199 863	68 809
Fuel and oil	1 238 045	1 215 439
Printing and stationery	518 058	732 124
Publicity	178 670	258 836
Security (Guarding of municipal property)	-	2 839 283
Postage and Telephone	579 861	2 649 531
Subscriptions and membership fees	501 532	451 972
Cellphones and data card expenses	1 786 486	1 033 985
Training	1 186 493	1 320 463
Subsistence & Travel	5 288 661	4 160 537
Professional Fees	3 298 761	1 886 090
Forensic Audit Fees	-	669 744
Uniforms	534 335	379 089
Systems and IT costs	1 596 818	1 926 200
Other Expenditure	2 979 334	1 257 768
Municipal special programmes and events	2 877 090	5 270 979
Poverty alleviation	10 329 407	12 668 132
Department of Human Settlement	-	1 142 590
Operation Sukuma Sakhe Interventions	1 470 567	989 107
Community participation programmes	317 500	447 335
Licences	4 417	8 909
Valuation roll expense	164 895	1 250 064
Ward Communitties Out of Pocket Expenses	2 393 750	2 599 450
	49 982 387	**55 336 376**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

22. Employee related costs

Basic	28 951 044	22 626 929
Bonus	1 354 026	1 129 644
Medical aid - company contributions	1 436 163	1 216 364
Unemployement Insurance Fund	266 729	223 092
Skills Development Levy	446 870	385 718
Leave pay provision charge	512 514	232 281
Defined contribution plans	3 654 051	3 391 847
Travel, motor car, accommodation, subsistence and other allowances	3 998 107	4 019 635
Overtime payments	1 166 791	819 993
Acting allowances	217 559	135 160
Housing benefits and allowances	369 530	150 585
Cellphone allowances	600	21 499
Personal facility	104 000	96 000
Other	1 975 800	1 431 641
	44 453 784	**35 880 388**

Remuneration of municipal manager

Annual Remuneration	364 437	485 916
Travel Allowance	197 606	263 474
Performance Bonuses	-	80 550
Contributions to UIF, Medical and Pension Funds	144 786	193 048
Other	38 897	51 863
	745 726	**1 074 851**

Former Municipal Manager left office during the year.

Remuneration of municipal manager (Acting)

Annual Remuneration	300 333	-
Travel Allowance	38 462	-
Contributions to UIF, Medical and Pension Funds	100 613	-
	439 408	**-**

Remuneration of chief finance officer

Annual Remuneration	536 366	325 503
Travel Allowance	54 765	51 283
Contributions to UIF, Medical and Pension Funds	84 173	134 150
	675 304	**510 936**

Remuneration of technical services

Annual Remuneration	548 080	520 000

23. Remuneration of councillors

Mayor	719 369	719 369
Deputy Mayor	435 565	435 565
Executive Committee Members	2 318 600	2 318 600
Speaker	756 159	756 159
Councillors	3 941 489	3 786 147
	8 171 182	**8 015 840**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

23. Remuneration of councillors (continued)

In-kind benefits

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

24. Debt impairment

Bad debt written off	-	2 540 007

25. Investment income

Interest revenue		
Interest charged on trade and other receivables	8 330 486	6 095 894
Interest received - external investments	848 691	1 585 611
Interest received - current account	736 331	425 614
	9 915 508	**8 107 119**

The amount included in Investment revenue arising from exchange transactions amounted to -.

The amount included in Investment revenue arising from non-exchange transactions amounted to -.

26. Depreciation and amortisation

Property, plant and equipment	16 070 768	14 568 928
Intangible assets	43 266	43 267
	16 114 034	**14 612 195**

27. Finance costs

Other interest paid	542 874	71 974

28. Auditors' remuneration

Fees	1 293 326	1 998 371

29. Contracted services

State Information Technology Agency	69 301	93 166

30. Grant expenditure

Other expenditure related to operational conditional grants		
Finance Management Grant - FMG	1 652 809	2 027 615
Ndumo Sports field	-	2 017
Library grant	964 217	1 070 983
MSIG	414 824	259 408
Synergistic	42 280	1 389
Expanded Public Works Programme - EPWP	-	998 953
Jozini Town Formalisation	-	556 140
	3 074 130	**4 916 505**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

31. Cash generated from operations

Surplus	44 654 516	39 992 295
Adjustments for:		
Depreciation and amortisation	16 114 034	14 612 195
Loss on sale of assets	1 951 273	-
Computers lost	-	40 058
Debt impairment	-	2 540 007
Movements in operating lease assets and accruals	(8 131)	-
Movements in provisions	969 566	1 026 763
Other non-cash items	507 604	366 426
Movement in leave pay	344 585	174 176
Debt impairment allowance	10 864 181	(11 232 486)
Changes in working capital:		
Consumer debtors	(5 183 707)	(6 445 291)
Other receivables from non-exchange transactions	(19 154 655)	14 957 296
Payables from exchange transactions	1 396 943	(2 514 917)
VAT	(358 491)	474 653
Unspent conditional grants and receipts	891 470	(14 003 036)
Correction of prior period error	-	14 591 655
	52 989 188	**54 579 794**

32. Commitments

Authorised capital expenditure

Approved and contracted for		
• Capital commitments	36 937 784	37 764 980
• Operating commitments	9 510 430	2 986 976
	46 448 214	**40 751 956**

Not yet contracted for		
• Capital commitments	1 035 652	-

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

33. Contingencies

Matter	Details	Name of claimant	Claim	Legal costs	Total
Breach of agreement	It is alleged that Mothei Consulting Engineers were appointed as implementing agent, for the development of road infrastructure	Mothei Consulting Engineers	R818 825	R250 000	R1 068 825
Breach of agreement	Preson Investments (Pty) Ltd obtained the contract for the delivery of VAT services to the Municipality by virtue of an Agreement of Cession	Preson Investments (Pty) Ltd	R2 826 899	R200 000	R3 026 899
Breach of contract	Plaintiff alleges that they obtained contract to build the Mpondwane Community Hall but the Municipality cancelled the agreement	Siyakwethemba JV Mbuthuma Construction	R520 754	R150 000	R670 754
Unlawful arrest and assault	Illegal arrest, detention and assault on by employees of the Municipality as well as assault.	JS Ngcampalala	R50 000	R70 000	R120 000
			R4 216 478	**R670 000**	**R4 886 478**

34. Related parties

Related party transactions

	2015	2014
The following councillor had arrears account outstanding for more than 365 days at March 31, 2015		
S.S Macwele	9 000	9 000

35. Prior period errors

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

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

35. Prior period errors (continued)

Statement of financial position		
Property, plant and equipment	-	(15 308 332)
Intangible assets	-	39 307
Cash and cash equivalents	-	104 473
Creditors	-	8 082 906
Debtors	-	28 133 476
Finance leases	-	(740 324)
Unspent conditional grants	-	985 720
Provisions	-	(350 148)
VAT	-	516 590
Provision for bad debts	-	(24 607 514)
Opening Accumulated Surplus or Deficit	-	14 591 655
Statement of Financial Performance		
Licenses and permits	-	8 909
Miscellaneous income	-	4 400
Penalties	-	4 000
Government grants	-	985 720
Traffic Fines	-	13 068
Expenditure	-	(2 027 683)
Depreciation	-	2 013 959
Amortisation	-	(99 596)
Post retirement obligation	-	1 453 000
Provision for bad debts	-	3 320 618

36. Comparative figures

Certain comparative figures have been reclassified for the prior period have been reclassified to conform to current period presentations. These reclassification were combining interest earned on overdue account and interest recieced into one on the face of the statement of financial position. This split in interst income have been split in note 25. Such reclassifications had no effect on surplus.

Revenue

Interest earned on overdue account	6 095 894	Reclassified to interest income
Interest received	2 011 226	Reclassified to interest income
Interest income	8 107 119	
Pound Fines	38 443	Reclassified to fines
Library Fines	1 333	Reclassified to fines
Discount Received	192 639	Reclassified to discount received
Department of Human Settlement	1 142 590	Reclassified to Grants

37. Risk management

Financial risk management

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

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

37. Risk management (continued)

Liquidity risk

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

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

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade payables from exchange transactions	14 136 275	-	-	-
Financial Leases	315 321	139 960	-	-

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade payables from exchange transactions	12 739 332	-	-	-
Financial Leases	288 278	455 280	-	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2015	2014
Receivables from exchange transactions	11 883 597	6 699 722
Receivables from non - exchange transactions	36 194 041	25 797 929
Cash and cash equivalents	22 508 056	8 745 792

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

38. 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 ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the current assets were higher than current liabilities. This was mainly due to high receivables from non-exchange transactions as well as cash backed unspent conditional grants. Furhter, the municipality will continue to operate as going concern as there are guaranteed equitable share allocations that will be injecting cash on continious basis.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

39. Events after the reporting date

There were no known post balance sheet events that has occurred between the reporting date and the date of approval of these annual financial statements.

40. Unauthorised expenditure

Opening balance	1 042 754	-
Unauthorised expenditure	-	1 042 754
	1 042 754	**1 042 754**

41. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	917 080	147 003

42. Irregular expenditure

Opening balance	182 730 213	118 031 754
Add: Irregular expenditure - Capital Expenditure/ Tenders current	19 776 326	64 698 459
Add: Irregular expenditure - Capital Expenditure/ Tenders Prior	25 040 841	-
Add: Irregular expenditure - Other	12 123 886	-
Add: Irregular expenditure - suppliers with no declaration of interest	321 363	-
Add Irregular expenditure - Suppliers in service of the state	381 440	-
	240 374 069	**182 730 213**

Analysis of expenditure awaiting condonation per age classification

Current year	15 019 232	9 828 083
Prior years	144 034 007	98 082 153
	159 053 239	**107 910 236**

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

SALGA	500 000	450 000

Material losses through criminal conduct

No material losses were incurred through criminal conduct.

Audit fees

Current year subscription / fee	1 293 326	1 998 371

PAYE and UIF

Current year subscription / fee	6 073 471	5 744 066
Amount paid - current year	(5 501 561)	(5 744 066)
	571 910	**-**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	5 090 214	4 434 026
Amount paid - current year	(5 090 214)	(4 434 026)
	-	**-**

44. 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 council and include as a note to the annual financial statements.

45. Deviations from SCM procedures (in terms of section 36) of Municipal

Opening balance	3 315 171	3 159 206
Add: SCM deviations during the year	4 195 953	155 965
	7 511 124	**3 315 171**

46. Fringe benefits

The Jozini Municipality granted fringe benefits to the following employees and incurred cost of their accommodation and only R2500 was deducted from their salaries each month.		
Mrs TNS Ngiba	-	248 975
Mr B. Ntuli	-	109 676
	-	**358 651**