



Jozini Local Municipality  
(Registration number KZN 272)  
Annual Financial Statements  
for the year ended 30 June 2017



# Jozini Local Municipality

(Registration number KZN 272)

Annual Financial Statements for the year ended 30 June 2017

## General Information

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<b>Grading of local authority</b>	Grade 2
<b>Chief Finance Officer (CFO)</b>	Mr VI Gumede
<b>Physical address</b>	Bottom Town Circle Street Jozini 3969
<b>Postal address</b>	Private Bag x 028 Jozini 3969
<b>Bankers</b>	ABSA Bank FNB Bank
<b>Auditors</b>	Auditor General of South Africa Registered Auditors
<b>Attorneys</b>	Weich & Kriel Ndwandwe Attorneys Ubuntu Business Advisery Kwela Attorneys Mkhize attorneys
<b>Municipal Contact Details</b>	(035) 572 1292 (035) 572 1266

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

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### Abbreviations

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

# Jozini Local Municipality

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## Accounting officer's Responsibilities and Approval

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The Accounting officer is required by the MFMA, 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 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 Municipal Council and places considerable importance on maintaining a strong control environment. To enable the Municipal Council 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 year and all employees are required to maintain the highest ethical standards in ensuring the Municipal'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 Accounting Officer endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Auditor General 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 Municipal's cash flow forecast for the year to 30 June 2018 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.

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 50, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 1-50 s 5 to 60, which have been prepared on the going concern basis, were approved by the Council on 30 August 2017 and were signed on its behalf by:

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**JFK Khumalo**  
**The Municipal Manager**

# Jozini Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
<b>Assets</b>			
Current Assets			
Operating lease asset	3	-	7 002
Receivables from exchange transactions		-	(1)
Receivables from non-exchange transactions	4	20 013 544	28 411 176
VAT receivable	5	15 038 214	5 134 285
Receivables from exchange transactions	6	20 872 605	16 905 268
Cash and cash equivalents	7	56 964 440	74 627 106
		<b>112 888 803</b>	<b>125 084 836</b>
Non-Current Assets			
Property, plant and equipment	8	257 202 184	231 499 226
Intangible assets	9	1 298 314	585 008
		<b>258 500 498</b>	<b>232 084 234</b>
<b>Total Assets</b>		<b>371 389 301</b>	<b>357 169 070</b>
<b>Liabilities</b>			
Current Liabilities			
Finance lease obligation	10	-	139 960
Payables from exchange transactions	11	13 510 400	18 826 179
Unspent conditional grants and receipts	12	6 179 475	9 227 816
Provisions	13	11 941 285	9 793 193
Deposit and Refund	14	774 998	789 843
		<b>32 406 158</b>	<b>38 776 991</b>
<b>Total Liabilities</b>		<b>32 406 158</b>	<b>38 776 991</b>
<b>Net Assets</b>		<b>338 983 143</b>	<b>318 392 079</b>
Accumulated surplus		338 983 139	318 392 079

# Jozini Local Municipality

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## Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	16	3 359 662	3 673 895
Rental of facilities and equipment	15	758 628	758 201
Licences and permits	15	1 100 460	1 040 080
Other income	17	760 540	694 338
Interest income	18	20 741 525	16 937 316
<b>Total revenue from exchange transactions</b>		<b>26 720 815</b>	<b>23 103 830</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	19	26 614 453	25 528 119
<b>Transfer revenue</b>			
Government grants	20	181 620 951	191 827 658
Fines, Penalties and Forfeits	21	1 631 999	1 361 216
<b>Total revenue from non-exchange transactions</b>		<b>209 867 403</b>	<b>218 716 993</b>
<b>Total revenue</b>	15	<b>236 588 218</b>	<b>241 820 823</b>
<b>Expenditure</b>			
Employee related costs	22	58 931 021	48 685 277
Remuneration of councillors	23	10 369 882	10 604 239
Depreciation and amortisation	24	15 137 315	16 084 208
Finance costs	25	633 969	578 481
Debt Impairment	26	35 660 224	28 653 292
Contracted services	27	53 931	15 965
Grants expenditure	28	3 140 867	2 632 572
General expenses	29	91 274 428	72 506 250
<b>Total expenditure</b>		<b>215 201 637</b>	<b>179 760 284</b>
<b>Operating surplus</b>		<b>21 386 581</b>	<b>62 060 539</b>
<b>Surplus for the year</b>		<b>21 386 581</b>	<b>62 060 539</b>

# Jozini Local Municipality

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	261 794 943	261 794 943
Adjustments		
Correction of errors	(5 463 403)	(5 463 403)
<b>Balance at 01 July 2015 as restated*</b>	<b>256 331 540</b>	<b>256 331 540</b>
Changes in net assets		
Surplus for the year	62 060 539	62 060 539
Total changes	62 060 539	62 060 539
<b>Balance at 01 July 2016</b>	<b>317 596 558</b>	<b>317 596 558</b>
Changes in net assets		
Surplus for the year	21 386 581	21 386 581
Total changes	21 386 581	21 386 581
<b>Balance at 30 June 2017</b>	<b>338 983 139</b>	<b>338 983 139</b>



# Jozini Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		14 139 558	15 886 231
Sale of goods and services		1 423 178	1 516 102
Grants		196 596 304	192 720 800
Interest income		7 002 391	4 386 401
Other receipts		1 836 795	8 342 797
Advance receipt of the sale of a stand and hall hire deposits	26	-	762 202
		<b>220 998 226</b>	<b>223 614 533</b>
<b>Payments</b>			
Employee costs		(69 300 903)	(46 193 655)
Suppliers		(108 790 707)	(55 160 902)
Finance costs		-	(578 481)
		<b>(178 091 610)</b>	<b>(101 933 038)</b>
<b>Net cash flows from operating activities</b>	<b>30</b>	<b>42 906 616</b>	<b>121 681 495</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(8 684 369)	(48 223 586)
Additions to work in Progress	8	(49 930 983)	2 529 295
Purchase of intangible assets	9	(1 165 156)	(547 785)
<b>Net cash flows from investing activities</b>		<b>(59 780 508)</b>	<b>(46 242 076)</b>
<b>Cash flows from financing activities</b>			
Deposit & Refund		(780 290)	-
Finance lease payments		(139 960)	(139 960)
<b>Net cash flows from financing activities</b>		<b>(920 250)</b>	<b>(139 960)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(17 662 666)</b>	<b>52 119 006</b>
Cash and cash equivalents at the beginning of the year		74 627 106	22 508 057
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<b>56 964 440</b>	<b>74 627 063</b>

# Jozini Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	2 816 597	-	<b>2 816 597</b>	3 359 662	<b>543 065</b>	Refer to note 46
Rental of facilities and equipment	950 218	-	<b>950 218</b>	758 628	<b>(191 590)</b>	
Licences and permits	1 035 987	-	<b>1 035 987</b>	1 100 460	<b>64 473</b>	Refer to note 46
Other income	776 702	2 817 614	<b>3 594 316</b>	760 540	<b>(2 833 776)</b>	
Interest earned - external investments	1 770 155	2 815 595	<b>4 585 750</b>	7 002 391	<b>2 416 641</b>	
Interest earned - outstanding debtors	6 922 132	-	<b>6 922 132</b>	13 739 134	<b>6 817 002</b>	
<b>Total revenue from exchange transactions</b>	<b>14 271 791</b>	<b>5 633 209</b>	<b>19 905 000</b>	<b>26 720 815</b>	<b>6 815 815</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	25 552 178	-	<b>25 552 178</b>	26 614 453	<b>1 062 275</b>	Refer to note 46
Transfers recognised - operational	141 024 000	-	<b>141 024 000</b>	141 024 000	-	Refer to note 46
<b>Transfer revenue</b>						
Fines, Penalties and Forfeits	340 630	-	<b>340 630</b>	1 631 999	<b>1 291 369</b>	Refer to note 46.
<b>Total revenue from non-exchange transactions</b>	<b>166 916 808</b>	<b>-</b>	<b>166 916 808</b>	<b>169 270 452</b>	<b>2 353 644</b>	
<b>Total revenue</b>	<b>181 188 599</b>	<b>5 633 209</b>	<b>186 821 808</b>	<b>195 991 267</b>	<b>9 169 459</b>	
<b>Expenditure</b>						
Personnel	(64 174 007)	15 243 513	<b>(48 930 494)</b>	(58 931 021)	<b>(10 000 527)</b>	Refer to note 46
Remuneration of councillors	(12 181 542)	-	<b>(12 181 542)</b>	(10 369 882)	<b>1 811 660</b>	Refer to note 46
Depreciation and amortisation	(10 372 231)	(7 603 543)	<b>(17 975 774)</b>	(15 137 315)	<b>2 838 459</b>	Refer to note 46
Finance costs	-	-	-	(633 969)	<b>(633 969)</b>	Refer to note 46
Debt impairment	(11 000 000)	-	<b>(11 000 000)</b>	(35 660 224)	<b>(24 660 224)</b>	Refer to note 46
Provision adjustment	-	-	-	(53 931)	<b>(53 931)</b>	Refer to note 46
Transfers and grants	(162 060)	(600 000)	<b>(762 060)</b>	(3 140 867)	<b>(2 378 807)</b>	Refer to note 46
General Expenses	(96 319 193)	(4 977 739)	<b>(101 296 932)</b>	(91 274 428)	<b>10 022 504</b>	Refer to note 46

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## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Total expenditure</b>	<b>(194 209 033)</b>	<b>2 062 231</b>	<b>(192 146 802)</b>	<b>(215 201 637)</b>	<b>(23 054 835)</b>	
<b>Operating deficit</b>	<b>(13 020 434)</b>	<b>7 695 440</b>	<b>(5 324 994)</b>	<b>(19 210 370)</b>	<b>(13 885 376)</b>	
Transfers recognised	56 389 000	-	<b>56 389 000</b>	56 389 000	-	
<b>Surplus before taxation</b>	<b>43 368 566</b>	<b>7 695 440</b>	<b>51 064 006</b>	<b>37 178 630</b>	<b>(13 885 376)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>43 368 566</b>	<b>7 695 440</b>	<b>51 064 006</b>	<b>37 178 630</b>	<b>(13 885 376)</b>	

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## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Consumer debtors	82 508 293	-	<b>82 508 293</b>	55 167 573	<b>(27 340 720)</b>	Refer to note 46
Cash and cash equivalents	15 100 465	49 337 011	<b>64 437 476</b>	56 964 440	<b>(7 473 036)</b>	Refer to note 46
	<b>97 608 758</b>	<b>49 337 011</b>	<b>146 945 769</b>	<b>112 132 013</b>	<b>(34 813 756)</b>	

##### Non-Current Assets

Property, plant and equipment	277 283 244	49 337 011	<b>326 620 255</b>	257 202 184	<b>(69 418 071)</b>	Refer to note 46
Intangible assets	141 174	-	<b>141 174</b>	1 298 314	<b>1 157 140</b>	Refer to note 46
	<b>277 424 418</b>	<b>49 337 011</b>	<b>326 761 429</b>	<b>258 500 498</b>	<b>(68 260 931)</b>	

<b>Total Assets</b>	<b>375 033 176</b>	<b>98 674 022</b>	<b>473 707 198</b>	<b>370 632 511</b>	<b>(103 074 687)</b>	
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#### Liabilities

##### Current Liabilities

Payables from exchange transactions	32 735 242	-	<b>32 735 242</b>	13 510 400	<b>(19 224 842)</b>	Refer to note 46.
Unspent conditional grants and receipts	-	-	-	6 179 475	<b>6 179 475</b>	Refer to note 46
Provisions	13 289 273	-	<b>13 289 273</b>	11 941 285	<b>(1 347 988)</b>	Refer to note 46
Deposit and Refund	-	-	-	774 998	<b>774 998</b>	Refer to note 46
	<b>46 024 515</b>	-	<b>46 024 515</b>	<b>32 406 158</b>	<b>(13 618 357)</b>	

<b>Total Liabilities</b>	<b>46 024 515</b>	-	<b>46 024 515</b>	<b>32 406 158</b>	<b>(13 618 357)</b>	
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<b>Net Assets</b>	<b>329 008 661</b>	<b>98 674 022</b>	<b>427 682 683</b>	<b>338 226 353</b>	<b>(89 456 330)</b>	
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#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated surplus	329 008 660	98 674 022	<b>427 682 682</b>	358 866 290	<b>(68 816 392)</b>	Refer to note 46
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### Cash Flow Statement

#### Cash flows from operating activities

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## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Receipts</b>						
Property rates	20 441 742	(9 847 878)	<b>10 593 864</b>	14 139 558	<b>3 545 694</b>	Refer to note 46
Sale of goods and services	2 253 277	(712 699)	<b>1 540 578</b>	1 423 178	<b>(117 400)</b>	Refer to note 46
Grants	197 413 000	(5 200 000)	<b>192 213 000</b>	196 596 304	<b>4 383 304</b>	Refer to note 46
Other receipts	8 720 422	(1 964 749)	<b>6 755 673</b>	10 355 656	<b>3 599 983</b>	Refer to note 46
	<b>228 828 441</b>	<b>(17 725 326)</b>	<b>211 103 115</b>	<b>222 514 696</b>	<b>11 411 581</b>	
<b>Payments</b>						
Employee costs	(144 821 000)	-	<b>(144 821 000)</b>	(61 523 168)	<b>83 297 832</b>	Refer to note 46
Suppliers	(172 836 802)	(4 871 077)	<b>(177 707 879)</b>	(167 802 894)	<b>9 904 985</b>	Refer to note 46
	<b>(317 657 802)</b>	<b>(4 871 077)</b>	<b>(322 528 879)</b>	<b>(229 326 062)</b>	<b>93 202 817</b>	
<b>Net cash flows from operating activities</b>	<b>(88 829 361)</b>	<b>(22 596 403)</b>	<b>(111 425 764)</b>	<b>(6 811 366)</b>	<b>104 614 398</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(78 846 827)	-	<b>(78 846 827)</b>	(57 638 276)	<b>21 208 551</b>	
Proceeds from sale of property, plant and equipment	(141 173)	-	<b>(141 173)</b>	(457 679)	<b>(316 506)</b>	
Purchase of intangible assets	-	-	-	(1 517 046)	<b>(1 517 046)</b>	
<b>Net cash flows from investing activities</b>	<b>(78 988 000)</b>	<b>-</b>	<b>(78 988 000)</b>	<b>(59 613 001)</b>	<b>19 374 999</b>	
Net increase/(decrease) in cash and cash equivalents	(167 817 361)	(22 596 403)	<b>(190 413 764)</b>	(66 424 367)	<b>123 989 397</b>	Refer to note 46
<b>Cash and cash equivalents at the end of the year</b>	<b>(167 817 361)</b>	<b>(22 596 403)</b>	<b>(190 413 764)</b>	<b>(66 424 367)</b>	<b>123 989 397</b>	

# Jozini Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 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 MFMA.

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.

#### 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 13 - Provisions.

#### Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### 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.

# Jozini Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 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:

<b>Item</b>	<b>Average useful life</b>
Land	
• Landfill sites	15 years
• Parkhomes	10 - 55 years
• Roads and Pavements	10 - 60 years
• Buildings	10 - 55 years
• Storm water drainage	20 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
Office equipment	
• Computer Equipment	5 - 15 years

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

Other property, plant and equipment

- Grader 10 years
- TLB 10 years

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.

#### Work in progress

Any certified payments are accounted for under "work in progress/assets under construction" are not depreciated until the asset is complete and available for use.

#### Measurement

Work in progress is recognised at costs/payments certified.

#### Recognition

Work in progress/assets under construction are capitalised under property, plant and equipment when a certificate of practical completion is received

### 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 a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.



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### 1.6 Intangible assets (continued)

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.

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 indication 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:

<b>Item</b>	<b>Useful life</b>
Computer software, other	5 years

### 1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one Municipality and a financial liability or a residual interest of another Municipality.

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

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an Municipality's statement of financial position.

A financial asset is:

- cash;
- a residual interest of another Municipality; or
- a contractual right to:
  - receive cash or another financial asset from another Municipality; or
  - exchange financial assets or financial liabilities with another Municipality under conditions that are potentially favourable to the Municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another Municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Municipality.

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### 1.7 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an Municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

#### Classification

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

<b>Class</b>	<b>Category</b>
Cash and cash equivalents	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Receivables and exchange transactions	Financial asset measured at amortised cost
Receivables and non - exchanged transactions	Financial asset measured at amortised cost
VAT Receivables	Financial asset measured at amortised cost

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

<b>Class</b>	<b>Category</b>
Unspent conditional grants	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Payable from exchange transactions	Financial liability measured at amortised cost

#### Initial measurement of financial assets and financial liabilities

The Municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

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

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### 1.7 Financial instruments (continued)

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

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

#### Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Reclassification

The Municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the Municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the Municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### Gains and losses

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

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

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### 1.7 Financial instruments (continued)

#### Derecognition

##### Financial liabilities

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

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

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

### 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 the 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.

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

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 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.

#### Identification

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

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

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

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

#### Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

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

### 1.10 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.

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### 1.10 Impairment of non-cash-generating assets (continued)

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.

#### Identification

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

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

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

#### Reversal of an impairment loss

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

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

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

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

### 1.11 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting Municipality. 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 Municipality's own creditors (even in liquidation) and cannot be paid to the reporting Municipality, 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 Municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an Municipality'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.

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### 1.11 Employee benefits (continued)

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

### 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 Surplus.

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 32.

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;



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### 1.12 Provisions and contingencies (continued)

- 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:

- 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.

### 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.

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### 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.

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### 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.

# Jozini Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.14 Revenue from non-exchange transactions (continued)

#### Property rates

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.

#### IGRAP1

At the time of initial recognition it is inappropriate to assume that the collectability of amounts owing by individual recipients of goods or services will not occur, because the entity has an obligation to collect all revenue. A decision not to enforce these rights, is a subsequent event. Accordingly, the full amount of revenue should be recognised at initial recognition.

### 1.15 Investment income

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

# Jozini Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.16 Borrowing costs

### 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.

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

# Jozini Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.21 Irregular expenditure (continued)

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

### 1.22 Commitments

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

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

- Approved and contracted commitments;
- Where the expenditure has been approved and the contract has been awarded at the reporting date; and
- Where disclosure is required by specific GRAP standard.

### 1.23 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

### 1.24 Budget information

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

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

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

The approved budget covers the fiscal period from 2016/07/01 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.

### 1.25 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.

# **Jozini Local Municipality**

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Annual Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

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### **1.25 Related parties (continued)**

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.

### **1.26 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.

# Jozini Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>2. New standards and interpretations</b>		
<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact</b>
IGRAP 18: Interpretation of the standard of GRAP on Recognition and Derecognition of land	01 April 2019	Unlikely there will be a material impact
GRAP 26 ( as amended 2016): impairment of cash generating assets	01 April 2018	Unlikely there will be a material impact
GRAP 21 ( as amended 2016): Impairment of non-cash generating assets	01 April 2018	Unlikely there will be a material impact
GRAP 18 ( as amended 2016)	01 April 2018	Unlikely there will be a material impact
GRAP 17 ( as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
GRAP 16 ( as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact

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

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

### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

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

### 3. Operating lease asset (accrual)

Current assets	-	7 002
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### 4. Receivables from non-exchange transactions

Fines	4 725 140	3 291 970
Rates	92 461 504	71 431 410
Staff and payroll debtors	606 247	9 000
Councillor	3 832	3 832
Allowance - Councillors and staff	(12 832)	(12 832)
Allowance - Fines	(4 207 815)	(2 992 960)
Allowance - Rates	(73 562 532)	(43 319 244)
	<b>20 013 544</b>	<b>28 411 176</b>



# Jozini Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>5. VAT receivable</b>		
VAT	15 038 214	5 134 285

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>6. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Refuse removals	33 841 783	25 967 277
Property rental	1 708 825	1 413 913
	<b>35 550 608</b>	<b>27 381 190</b>
<b>Less: Allowance for impairment</b>		
Less: Allowance for impairment	(14 678 003)	(10 475 922)
<b>Net balance</b>		
Refuse	19 163 780	15 491 355
Property rental	1 708 825	1 413 913
	<b>20 872 605</b>	<b>16 905 268</b>
<b>Rates</b>		
Current (0 -30 days)	2 470 434	963 939
31 - 60 days	1 516 490	635 789
61 - 90 days	2 125 251	635 789
91 - 120 days	1 762 794	586 611
121 - 365 days	84 586 745	65 445 344
	<b>92 461 714</b>	<b>68 267 472</b>
<b>Staff Debtor</b>		
> 365 days	9 000	9 000
<b>Councillor Debtor</b>		
> 365 days	3 832	3 832
<b>Traffic Fines</b>		
Current (0 -30 days)	214 450	139 100
31 - 60 days	206 450	61 600
61 - 90 days	133 700	121 600
91 - 120 days	90 100	120 900
121 - 365 days	4 080 140	2 848 770
	<b>4 724 840</b>	<b>3 291 970</b>
<b>Payroll debtors</b>		
121 - 365 days	275 335	-
<b>Refuse</b>		
Current (0 -30 days)	967 123	336 907
31 - 60 days	620 971	258 842
61 - 90 days	871 200	249 761
91 - 120 days	710 388	247 180
121 - 365 days	30 672 101	23 194 072
	<b>33 841 783</b>	<b>24 286 762</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>6. Receivables from exchange transactions (continued)</b>		
<b>Property rentals</b>		
Current (0 -30 days)	136 154	20 912
31 - 60 days	42 428	42 548
61 - 90 days	42 428	42 428
91 - 120 days	42 428	42 428
121 - 365 days	1 445 382	1 565 566
	<b>1 708 820</b>	<b>1 713 882</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	26 751 548	28 150 466
Contributions to allowance	(4 202 081)	(1 398 918)
	<b>22 549 467</b>	<b>26 751 548</b>
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	9 826	12 492
Bank balances	5 350 830	20 932 916
Short-term deposits	51 603 784	53 681 698
	<b>56 964 440</b>	<b>74 627 106</b>

# Jozini Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

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

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
FNB BANK - Main Account - 6262 418 5432	1 305 764	8 925 696	6 032 492	1 305 764	8 925 696	6 032 492
Petty Cash	-	-	-	1 683	70	558
ABSA BANK - Operational Account - 4069624954	4 165 127	12 007 220	9 328 117	3 969 909	12 007 220	9 239 413
GRINDROD BANK - Investment - 1644419/110000340006	22 352 243	11 021 308	278 611	22 352 243	11 021 308	278 611
STD BANK - Investment - 268741042	10 463 963	10 173 392	16 153	10 463 963	10 173 392	16 153
ABSA BANK - Investments - 2073276014	-	-	5 051 140	-	-	5 051 140
FNB BANK - Unspent Conditional Grant - 62406733164	1 904 863	1 785 447	1 683 891	1 904 683	1 785 447	1 683 891
FNB BANK - MIG - 62420774033164	208 276	195 203	183 981	208 276	195 203	183 981
ITHALA BANK - Investment - 18607525	5 160 651	5 056 874	-	5 160 651	5 056 874	-
FNB BANK - Investment Investec	5 617 725	15 319 275	-	5 617 725	15 319 275	-
Cashier's Collection	5 896 241	10 130 199	-	5 896 241	10 130 199	-
	-	-	-	8 143	12 379	21 817
<b>Total</b>	<b>57 074 853</b>	<b>74 614 614</b>	<b>22 574 385</b>	<b>56 889 281</b>	<b>74 627 063</b>	<b>22 508 056</b>

### 8. Property, plant and equipment

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	148 299 927	(11 211 903)	137 088 024	95 620 115	(12 099 992)	83 520 123
Plant and machinery	3 843 779	(485 554)	3 358 225	663 779	(398 267)	265 512
Motor vehicles	7 336 154	(4 151 583)	3 184 571	5 848 726	(3 248 954)	2 599 772
Office equipment	8 951 112	(7 073 162)	1 877 950	8 269 248	(6 035 203)	2 234 045
Infrastructure	245 123 205	(133 429 791)	111 693 414	190 441 698	(119 823 560)	70 618 138
WIP	-	-	-	72 261 636	-	72 261 636
<b>Total</b>	<b>413 554 177</b>	<b>(156 351 993)</b>	<b>257 202 184</b>	<b>373 105 202</b>	<b>(141 605 976)</b>	<b>231 499 226</b>

## Jozini Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand

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

##### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	WIP opening balance adjustment	Transfers in	Transfers out	WIP	Reclassification on WIP	Depreciation	Write offs	Total
Buildings	83 520 123	2 849 099	29 288 041	9 454 834	(20 499 539)	28 726 936	-	(783 634)	-	137 088 024
Plant and machinery	265 512	3 180 000	-	-	-	-	-	(87 287)	-	3 358 225
Motor vehicles	2 599 772	1 945 106	-	-	-	-	-	(902 629)	(457 678)	3 184 571
Office equipment	2 234 045	710 164	-	-	(13 209)	-	-	(1 053 050)	-	1 877 950
Infrastructure	70 618 138	-	42 973 596	15 501 006	(7 969 319)	21 204 047	(16 138 247)	(9 886 926)	-	111 693 414
	<b>159 237 590</b>	<b>8 684 369</b>	<b>72 261 637</b>	<b>24 955 840</b>	<b>(28 482 067)</b>	<b>49 930 983</b>	<b>(16 138 247)</b>	<b>(12 713 526)</b>	<b>(457 678)</b>	<b>257 202 184</b>

##### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Transfers	Depreciation	Impairment	Closing balance
Buildings	64 186 500	-	21 698 470	(2 364 847)	-	83 520 123
Plant and machinery	331 890	-	-	(66 378)	-	265 512
Motor vehicles	3 795 728	-	-	(1 195 956)	-	2 599 772
Office equipment	2 992 870	670 318	-	(1 417 443)	(11 700)	2 234 045
Infrastructure	65 237 434	-	16 427 569	(11 046 865)	-	70 618 138
WIP	77 656 888	47 553 268	(38 126 039)	-	(14 822 481)	72 261 636
	<b>214 201 310</b>	<b>48 223 586</b>	<b>-</b>	<b>(16 091 489)</b>	<b>(14 834 181)</b>	<b>231 499 226</b>

##### WIP taking longer period of time to complete

Below is a list of projects that are taking longer time to complete than expected:

Mkhuze Stormwater Project	1 678 189	1 678 189
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Feasibility study for this project was done in 2011 at a cost of **R 1 678 189**, it was discovered that the project is too expensive. The councillors decided to put the project on hold until the municipality obtain more funding.

# Jozini Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

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

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

### 9. Intangible assets

	2017			2016		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and systems	2 048 535	(750 221)	1 298 314	883 379	(298 371)	585 008

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Closing balance
Computer software and systems	585 008	1 165 156	(451 850)	1 298 314

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Closing balance
Computer software and systems	132 433	547 785	(95 210)	585 008

### 10. Finance lease obligation

#### Minimum lease payments due

- within one year	-	139 960
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#### Present value of minimum lease payments due

- within one year	-	139 960
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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 -% (2016: 9%).

The Finance lease agreement has expired in the 2016-17 and ownership of photocopiers was transferred to the Municipality.

### 11. Payables from exchange transactions

Trade payables	6 886 268	12 781 803
Retention	5 181 643	5 935 876
Surety	1 145 005	285 000
Payroll creditors	11 833	-
Other payables	285 651	-
	<b>13 510 400</b>	<b>19 002 679</b>

# Jozini Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>12. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Housing grant	76 073	83 492
MIG	2 633 886	2 280 847
Ndumo sport field	-	508 922
Internal control unit	-	150 000
Ward committee induction training	-	5 355
Municipal housing sector plan	-	11 775
Jozini upgrading projects	-	107 606
Fresh product market	73 002	73 002
Bhambanana town formalisation	-	69 366
Synergistic program	-	7 224
Ubuhle besiko cultural village	69 700	69 700
Bhanjana road	-	624 412
IDP Grant	-	240
National electrification grant	3 267 666	3 517 276
Development of recycling centre	10 730	10 730
LG Expert	-	22 384
Jozini town formalisation	-	1 626 702
DBSA contribution	-	10 365
Implementation of pound	48 418	48 418
	<b>6 179 475</b>	<b>9 227 816</b>

# Jozini Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand 2017 2016

### 13. Provisions

#### Reconciliation of provisions - 2017

	<b>Opening Balance</b>	<b>Additions</b>	<b>Closing balance</b>
Provision for long service award	1 255 000	430 000	1 685 000
Provision for leave pay	3 055 711	711 679	3 767 390
Provision for landfill site	4 827 916	622 141	5 450 057
Provision for Annual bonus	654 566	384 272	1 038 838
	<b>9 793 193</b>	<b>2 148 092</b>	<b>11 941 285</b>

#### Reconciliation of provisions - 2016

	<b>Opening Balance</b>	<b>Additions</b>	<b>Closing balance</b>
Provision for long service award	1 064 000	191 000	1 255 000
Provision for leave pay	2 550 213	505 498	3 055 711
Provision for landfill site	4 277 117	550 799	4 827 916
Provision for Annual bonus	650 660	3 906	654 566
	<b>8 541 990</b>	<b>1 251 203</b>	<b>9 793 193</b>

#### 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 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 entitled to the payment of a performance bonus that is equivalent to the score obtained during performance appraisal.

#### Provision for leave

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.

#### Long Service Award

Defined Contribution Plan.



# Jozini Local Municipality

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Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 13. Provisions (continued)

These schemes cannot be broken down per municipality, as they are considered to be multi-employer schemes and hence are treated as defined contribution schemes by the municipality.

Independent valuers, One Pangaea Financial, carried out a statutory valuation on an annual basis. The principal actuarial assumptions used were as follows

	Long service award	
Figures in Rand	2017	2016
Discount rate per annum	9,01 %	8,95 %
General inflation	5,81 %	6,58 %
Health care inflation rate	6,81 %	7,58 %
Net discount rate	2,06 %	1,27 %
	<b>23,69 %</b>	<b>24,38 %</b>

Examples of mortality rates used were as follows:

Ava retirement age	63	63
Mortality during employment	SA85-90	SA85-90

Members withdrawn from services:

	2017	2016
<b>Average for males and females</b>		
Age 20-24	16,00 %	24,00 %
Age 25-29	12,00 %	18,00 %
Age 30-34	10,00 %	15,00 %
Age 35-39	8,00 %	10,00 %
Age 40-44	6,00 %	6,00 %
Age 45-49	4,00 %	4,00 %
Age 50-54	2,00 %	2,00 %
	<b>58,00 %</b>	<b>79,00 %</b>

The amount recognised in the Statement of Financial position were determined as follows

Present value of funded obligation	1 685 000	1 255 000
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### 14. Deposit and Refund

#### Deposits and refund

Unclaimed deposits relating to hall hiring and sale of land

Hall hire	12 793	27 639
Sale of stand	762 204	762 204
	<b>774 997</b>	<b>789 843</b>

# Jozini Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>15. Revenue</b>		
Service charges	3 359 662	3 673 895
Rental of facilities and equipment	758 628	758 201
Licences and permits	1 100 460	1 040 080
Other income	760 540	694 338
Interest received - investment	20 741 525	16 937 316
Property rates	26 614 453	25 528 119
Government grants	181 620 951	191 827 658
Fines, Penalties and Forfeits	1 631 999	1 361 216
	<b>236 588 218</b>	<b>241 820 823</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	3 359 662	3 673 895
Rental of facilities and equipment	758 628	758 201
Licences and permits	1 100 460	1 040 080
Other income	760 540	694 338
Interest received - investment	20 741 525	16 937 316
	<b>26 720 815</b>	<b>23 103 830</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	26 614 453	25 528 119
<b>Transfer revenue</b>		
Government grants	181 620 951	191 827 658
Fines, Penalties and Forfeits	1 631 999	1 361 216
	<b>209 867 403</b>	<b>218 716 993</b>
<b>16. Service charges</b>		
Residential properties	1 400 568	1 422 561
Rural communal land	455 561	463 173
Specialised properties	(36 925)	238 752
Commercial properties	1 540 458	1 549 409
	<b>3 359 662</b>	<b>3 673 895</b>

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Figures in Rand	2017	2016
<b>17. Other income</b>		
Miscellaneous	68 603	22 323
Cemeteries	6 812	10 974
Town planning fees	22 497	20 458
Local Government SETA	470	-
Commission Received	26 824	17 368
Library fines, Combo signs and trading licences	3 948	2 281
Sale Of Documents	93 846	35 790
Clearance Certificates (Rates)	2 744	3 185
Ashbin waste management fund	-	2 705
Employees cellphone deduction	93 376	261 771
Stadiums and Halls Hire	31 689	63 609
Insurance claims	321 912	-
Direct deposit clearing	3 845	3 845
Refund LGSETA	82 800	247 587
Billboards	1 174	2 442
	<b>760 540</b>	<b>694 338</b>
<b>18. Interest income</b>		
<b>Interest revenue</b>		
Interest charged on trade and other receivables	13 739 019	12 550 130
Interest received - external investments	4 920 245	2 405 854
Interest received - current account	2 082 261	1 981 332
	<b>20 741 525</b>	<b>16 937 316</b>

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Figures in Rand	2017	2016
<b>19. Property rates</b>		
<b>Rates received</b>		
Residential	1 664 823	1 714 517
Commercial	10 208 448	9 886 709
State	14 802 373	12 679 921
Agricultural	2 177 341	2 010 328
Rural Communal Land	818 059	714 764
Public Service Infrastructure	26 367	23 847
Specialised Properties	(404)	2 958 331
Less: Rebates and exemptions	(1 494 343)	(1 454 309)
Less: Income forgone	(1 588 211)	(3 005 989)
	<b>26 614 453</b>	<b>25 528 119</b>

### Valuations

Agriculture	859 398 000	859 398 000
Business, Commercial and Industrial	465 034 000	465 034 000
Commercial Tourism	138 586 000	138 586 000
Hospitality industry	1 880 000	1 880 000
Municipal	3 040 000	3 040 000
Place of worship	9 563 000	9 563 000
Protected areas	865 549 000	865 549 000
Public Service Infrastructure	13 311 000	13 311 000
Rural Communal Land	255 273 000	255 273 000
Residential	153 228 000	153 228 000
Specialised Non-Market	83 047 000	83 047 000
State Owned	1 053 856 000	1 053 856 000
	<b>3 901 765 000</b>	<b>3 901 765 000</b>

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 of 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 Property Rates Policy must be submitted.

Rebates of -% (2016: -%) are granted to agricultural properties owners and Public Service Infrastructure of 30% (2014: 30%).

Interest at 1.5% per annum (2016: -%), is levied on rates not paid on the due date.

# Jozini Local Municipality

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Figures in Rand	2017	2016
<b>20. Government grants</b>		
<b>Operating grants</b>		
Equitable share	134 845 000	136 441 000
Unspent Cond Grant( Emachibini Hall)	1 988 876	-
Finance Management Grant	1 825 000	1 519 000
Government grant (operating) 4	19 195	-
Government grant (operating) 5	508 922	-
Library grant	1 013 857	1 126 185
Government grant (operating) 9	624 412	-
MSIG	-	652 000
EPWP	3 338 000	1 899 000
Government grant (operating) 19	10 365	-
	<b>144 173 627</b>	<b>141 637 185</b>
<b>Capital grants</b>		
National Electrification Program Grant	2 111 363	11 482 724
MIG	35 335 961	38 707 749
	<b>37 447 324</b>	<b>50 190 473</b>
	<b>181 620 951</b>	<b>191 827 658</b>

### Conditional and Unconditional

Included in above are the following grants received:

Conditional grants received	59 723 000	191 632 512
Unconditional grants received	134 845 000	135 882 000
	<b>194 568 000</b>	<b>327 514 512</b>

### 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
Transfer from Municipal Housing Sector Grant	11 775	-
Conditions met - transferred to revenue	(19 194)	-
	<b>76 073</b>	<b>83 492</b>

Conditions still to be met - remain liabilities (see note 12).

### Municipal infrastructure grant

Balance unspent at beginning of year	2 280 847	2 280 847
Current-year receipts	35 689 000	36 213 000
Conditions met - transferred to revenue	(35 335 961)	(36 213 000)
	<b>2 633 886</b>	<b>2 280 847</b>

Conditions still to be met - remain liabilities (see note 12).

### Ndumo Sportfield

Balance unspent at beginning of year	508 922	508 922
Conditions met - transferred to revenue	(508 922)	-
	-	<b>508 922</b>

# Jozini Local Municipality

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## Notes to the Annual Financial Statements

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Figures in Rand

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2016

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### 20. Government grants (continued)

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>20. Government grants (continued)</b>		
<b>Establishment of internal control unit</b>		
Balance unspent at beginning of year	150 000	150 000
Conditions met - transferred to revenue	(150 000)	-
	-	<b>150 000</b>
<b>Ward committee induction training</b>		
Balance unspent at beginning of year	5 355	5 355
Conditions met - transferred to revenue	(5 355)	-
	-	<b>5 355</b>
<b>Municipal housing sector plan</b>		
Balance unspent at beginning of year	11 775	11 775
Transferred to Housing grant	(11 775)	-
	-	<b>11 775</b>
<b>Jozini upgrading project</b>		
Balance unspent at beginning of year	107 606	107 606
Conditions met - transferred to revenue	(107 606)	-
	-	<b>107 606</b>
<b>Fresh product market</b>		
Balance unspent at beginning of year	73 002	73 002
Conditions still to be met - remain liabilities (see note 12).		
<b>Bhambanana town formalisation</b>		
Balance unspent at beginning of year	69 366	69 366
Conditions met - transferred to revenue	(69 366)	-
	-	<b>69 366</b>
<b>Synergistic programme</b>		
Balance unspent at beginning of year	7 224	7 224
Conditions met - transferred to revenue	(7 224)	-
	-	<b>7 224</b>
<b>Ubuhle besiko cultural village</b>		
Balance unspent at beginning of year	69 700	69 700
Conditions still to be met - remain liabilities (see note 12).		
<b>Bhanjana road</b>		
Balance unspent at beginning of year	624 412	624 412

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>20. Government grants (continued)</b>		
Conditions met - transferred to revenue	(624 412)	-
	-	<b>624 412</b>

### Umnothophansi Ndumo and maize milling project

Conditions still to be met - remain liabilities (see note 12).

### Library grant

Balance unspent at beginning of year	(129 385)	-
Current-year receipts	871 000	996 800
Conditions met - transferred to revenue	(741 615)	(1 126 185)
	-	<b>(129 385)</b>

Conditions still to be met - remain liabilities (see note 12).

### IDP Grant

Balance unspent at beginning of year	240	240
Conditions met - transferred to revenue	(240)	-
	-	<b>240</b>

Conditions still to be met - remain liabilities (see note 12).

### MSIG grant

Current-year receipts	-	930 000
	-	(278 000)
Conditions met - transferred to revenue	-	(652 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

### FMG

Current-year receipts	1 825 000	1 800 000
	-	(281 000)
Conditions met - transferred to revenue	(1 825 000)	(1 519 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

### EPWP

Current-year receipts	3 338 000	1 899 000
Conditions met - transferred to revenue	(3 338 000)	(1 899 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

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

### Integrated national electrification



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Figures in Rand	2017	2016
<b>20. Government grants (continued)</b>		
Balance unspent at beginning of year	7 034 552	3 517 276
Current-year receipts	18 000 000	15 000 000
Conditions met - transferred to revenue	(18 249 610)	(11 482 724)
	<b>6 784 942</b>	<b>7 034 552</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Development of recycling centre</b>		
Balance unspent at beginning of year	10 730	10 730
Conditions still to be met - remain liabilities (see note 12).		
<b>LG expert</b>		
Balance unspent at beginning of year	22 384	22 384
Conditions met - transferred to revenue	(22 384)	-
	-	<b>22 384</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>Jozini town formalisation</b>		
Balance unspent at beginning of year	1 626 702	1 626 702
Conditions met - transferred to revenue	(1 626 702)	-
	-	<b>1 626 702</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>DBSA contribution</b>		
Balance unspent at beginning of year	10 365	10 365
Conditions met - transferred to revenue	(10 365)	-
	-	<b>10 365</b>
<b>Implementation of pound</b>		
Balance unspent at beginning of year	48 418	48 418
Conditions still to be met - remain liabilities (see note 12).		
<b>Supply of solar, water and geyser</b>		
Current-year receipts	-	3 127 794
Conditions met - transferred to revenue	-	(3 127 794)
	-	-
<b>21. Fines</b>		
Traffic Fines	1 606 625	1 349 250
Pound fines	21 839	7 868
Library fines	3 835	4 098
	<b>1 632 299</b>	<b>1 361 216</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>22. Employee related costs</b>		
Basic	38 081 236	33 186 766
Bonus	2 362 820	1 599 246
Medical aid - company contributions	1 780 193	1 502 041
Unemployment Insurance Fund	298 147	260 500
Skills Development Levy	411 295	359 124
Rural Allowances	-	136 353
Leave pay provision charge	734 224	859 538
Defined contribution plans	4 821 329	3 918 222
Travel, motor car, accommodation, subsistence and other allowances	5 392 177	2 754 185
Overtime payments	3 193 710	1 977 919
Acting allowances	23 305	-
Housing benefits and allowances	302 818	451 275
Cellphone allowances	154 739	269 313
Personal facility	172 021	232 413
Solid waste salaries	1 203 007	1 178 382
	<b>58 931 021</b>	<b>48 685 277</b>
<b>Remuneration of municipal manager (M Somana)</b>		
Annual Remuneration	81 934	315 828
Acting allowance	8 193	-
Travel/Car Allowance	-	19 080
Contributions to UIF, Medical and Pension Funds	1 050	18 800
	<b>91 177</b>	<b>745 726</b>
During the year, three people acted on the position of Municipal Manager. M Somana was paid a total of R91 177, SW Zondo was paid R462 170 and JFK Khumalo was paid R290 371.		
<b>Remuneration of acting municipal manager (SW Zondo)</b>		
Annual Remuneration	195 423	470 903
Travel Allowance	64 104	-
Performance Bonuses	-	33 029
Contributions to UIF, Medical and Pension Funds	44 155	-
Acting Allowance	132 311	-
Other	26 176	-
	<b>462 169</b>	<b>503 932</b>
<b>Remuneration of Municipal Manager (JFK Khumalo)</b>		
Basic salary	260 549	-
Contributions to UIF, Medical and Pension Funds	3 249	-
Other	26 573	-
	<b>290 371</b>	<b>-</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>22. Employee related costs (continued)</b>		
<b>Remuneration of Chief Financial Officer ( Z Soji)</b>		
Annual Remuneration	-	287 846
Car Allowance	-	79 919
Performance Bonuses	-	6 437
Contributions to UIF, Medical and Pension Funds	-	31 830
Other	-	44 399
	-	<b>450 431</b>
<b>Remuneration of technical services ( SG Hlatshwayo)</b>		
Annual Remuneration	-	381 598
Car Allowance	-	135 000
Contributions to UIF, Medical and Pension Funds	-	81 282
Other	-	72 298
Other	-	93 921
	-	<b>764 099</b>
<b>Acting Chief Financial Officer ( IS Xulu)</b>		
Annual Remuneration	131 418	-
Travel Allowance	42 639	-
Contributions to UIF, Medical and Pension Funds	29 870	-
Acting Allowance	23 680	21 311
	<b>227 607</b>	<b>21 311</b>
<b>Technical- Acting Director - MN Nkala</b>		
Annual Remuneration	229 981	-
Travel Allowance	74 619	-
Contributions to UIF, Medical and Pension Funds	26 300	-
Acting allowance	41 439	-
	<b>372 339</b>	-
<b>Planning Acting Director - MS Mabaso</b>		
Annual Remuneration	131 418	-
Travel Allowance	42 639	-
Contributions to UIF, Medical and Pension Funds	57 097	-
Acting allowance	23 680	-
	<b>254 834</b>	-
<b>Acting chief financial officer( VI Gumede)</b>		
Annual Remuneration	248 047	-
Travel Allowance	79 948	-
Acting Allowance	41 439	-
	<b>369 434</b>	-
<b>Director Community services(Acting)</b>		
Annual Remuneration	131 418	-

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Figures in Rand	2017	2016
<b>22. Employee related costs (continued)</b>		
Travel Allowance	42 639	-
Contributions to UIF, Medical and Pension Funds	47 427	-
Acting Allowance	23 680	-
	<b>245 164</b>	<b>-</b>
<b>23. Remuneration of councillors</b>		
Mayor	786 347	-
Deputy Mayor	489 057	-
Executive Committee Members	1 738 950	-
Speaker	737 870	-
Councillors	6 617 658	10 604 239
	<b>10 369 882</b>	<b>10 604 239</b>
<b>In-kind benefits</b>		
The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.		
The Mayor and speaker each have two full-time bodyguards.		
<b>24. Depreciation and amortisation</b>		
Property, plant and equipment	14 685 464	15 988 998
Intangible assets	451 851	95 210
	<b>15 137 315</b>	<b>16 084 208</b>
<b>25. Finance costs</b>		
Other interest paid	633 969	578 481
<b>26. Debt impairment</b>		
Provision for debt allowance	-	27 341 867
Bad debts written off	35 660 224	1 311 425
	<b>35 660 224</b>	<b>28 653 292</b>
<b>27. Contracted services</b>		
State Information Technology Agency	53 931	15 965
<b>28. Grant expenditure</b>		
<b>Other subsidies</b>		
Finance Management Grant - FMG	1 899 931	1 017 137
Library grant	1 240 936	1 242 584
MSIG	-	372 851
	<b>3 140 867</b>	<b>2 632 572</b>

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Figures in Rand	2017	2016
<b>29. General expenses</b>		
Audit committee fees and Council Expenses	379 310	404 733
Advertising	496 697	471 730
Auditors remuneration	1 651 347	1 485 874
Bank charges	137 252	53 580
Cleaning	772 568	286 948
Consultants fees	6 881 797	4 696 947
Internal Audit fees	1 212 822	785 362
Entertainment	1 387 490	754 661
Free Basic Services	1 456 882	398 390
Insurance	377 292	288 567
Wellness	902 458	516 711
Accommodation expense	3 397 865	2 294 934
Ward Committee Support	926 241	1 286 622
Water and Electricity	1 043 029	15 954 060
Motor vehicle Licences	122 842	38 513
Fuel and oil	1 495 065	1 253 118
Printing and stationery	844 396	756 396
Publicity	419 189	328 933
Postage and Telephone	353 010	433 958
Subscriptions and membership fees	500 322	645 959
Cellphones and data card expenses	2 309 186	1 604 291
Training	3 122 488	2 721 004
Subsistence & Travel	6 086 558	4 201 942
Repairs and Maintenance	6 559 337	3 058 041
Refuse removal expenses	148 307	170 557
Communication&Promotional Material	179 700	-
Synegetic Partnership	248 516	60 647
Tools	98 384	22 032
Uniforms and Safety	753 259	265 326
Tourism and LED	1 283 393	737 893
Outsourced Services	1 417 948	1 280 364
Pound Expenses	508 970	311 432
Municipal special programmes and events	9 815 493	4 568 613
Poverty alleviation	20 804 638	13 927 408
PMS Annual Report and Strategic planning	2 753 525	298 293
Recruitment expenses	526 282	103 958
Operation Sukuma Sakhe Interventions	4 354 266	1 273 975
School Crossing and licences	93 600	71 157
Community participation programmes	993 626	1 336 600
Valuation roll expense	171 980	407 965
Ward Committees Out of Pocket Expenses	3 274 159	2 390 976
Housing Conveyance, plant hire and long Service award	1 012 939	557 780
	<b>91 274 428</b>	<b>72 506 250</b>

Ward committee out of pocket expenses was re-classified as ward committee expenses and ward committee induction was included

School crossing and licences was re-classified

### Repairs and maintenance

**Repairs and maintenance has been re-classified under general expenditure and further broken down in terms of asset classes**

Repairs and Maintenance buildings	4 654 899	1 349 735
Repairs and maintenance Equipment	728 611	167 837
Repairs and maintenance Infrastructure	1 739 251	796 347
Repairs and maintenance motor vehicles	1 103 190	744 122

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Figures in Rand 2017 2016

### 29. General expenses (continued)

**8 225 951 3 058 041**

Audit Committee fees has been re-classified as Audit committee fees and council expenses, and council expenses was mapped to the new class of account.

Other Expenditure was re-classified as Outsourced Services  
Additional tes

Tools were reclassified from Other expenditure  
Lega fees were re-classified as Consultants fees

Tourism and LED was re-classified from Other expenditure

Water and Electricity was re-classified from Other expenditure

Recruitment expenses was reclassified from Other expenditure  
Refuse removal expenses was reclassified from Other expenditure  
Uniform and Safety expenses was re-classified from Other expenditure

### 30. Cash generated from operations

Surplus	21 386 581	62 060 539
<b>Adjustments for:</b>		
Depreciation and amortisation	15 137 315	16 084 208
Movements in operating lease assets and accruals	7 002	1 129
Movements in provisions	2 148 092	1 251 204
Other non-cash items	(13 850 232)	51 370 921
Finace costs	633 969	762 202
Movement in leave pay	-	344 585
Debt impairment allowance	35 660 224	17 306 527
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(8 169 418)	7 787 633
Consumer debtors	-	(5 021 839)
Other receivables from non-exchange transactions	8 397 632	(28 411 176)
Payables from exchange transactions	(5 492 279)	-
VAT	(9 903 929)	(2 747 581)
Unspent conditional grants and receipts	(3 048 341)	893 143
	<b>42 906 616</b>	<b>121 681 495</b>

### 31. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	36 813 264	25 747 391
• Operating Commitments ( issued orders at year end)	2 742 216	1 758 965
	<b>39 555 480</b>	<b>27 506 356</b>

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## Notes to the Annual Financial Statements

Figures in Rand

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### 32. Contingencies

Matter	Name of claimant	Date of claim	Progress on claim	Possible liability	Total
Unlawful arrest & assault	Mr Mthembu & Mr Ngcamphalala		Matter removed from trial roll 02.11.2016, due to unavailability of presiding officer	90 000	90 000
Vat Services	Preson Investments (pty) LTD t/a Chain Concepts		Attended pre-trial conference on 20.06.2017	3 500 000	3 500 000
Breach of contract	Siyakwethemba Construction JV Mbuthuma Construction		Received instructions from Municipal Manager 05.05.2017 to close file	670 754	670 754
Application to Compel	Pale Native Consulting		Attended trial on 28.11.2016 MEC applied for leave to appeal on judgement given on 09.12.2016	80 000	80 000
Claim for damages	Victoria Makhosazana Zakaza		Awaiting documentation from Municipality	30 347	30 347
				<b>4 371 101</b>	<b>4 371 101</b>

# Jozini Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

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2016

### 33. Prior period errors

Items of property plant and equipment were incorrectly reported in prior du to the following:

#### Joy project.

An amount of R4 593 850 was paid and capitalised to infrastructure under construction in prior years. However during the current year it was noted that no asset exist and was incorrectly recognised as an asset. The protect was retrospectively impaired to zero and investigation is correctly under way. The impact resulted in decrease in infrastructure under construction by R4 593 850 and a decrease in accumulated surplus of the same amount.

#### Jozini Storm water

This project was completed and was available for use from 2011 but it was not depreciated. Depreciation was therefore retrospectively adjusted as follows:

Increase in accumulated depreciation (infrastructure) R 1 112 949

Increase in depreciation expense for 2016- R 243 395

Decrease in accumulated surplus R869 554

#### Market stalls

This project was incorrectly recognised as expense and was erroneously presented under employee costs. However it was later noted that the asset still belong to the municipality and should be accounted for as such. The full amount was capitalised with retrospective asset to correct the error. No depreciation will be recognised as yet as the asset is still under work in progress. The full amount of the project incorrectly expensed in prior year is R1 733 408. Adjustment of the error resulted in increase in infrastructure by R1 733 408 and decrease in employee costs by the same amount.

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

#### **Statement of financial position**

Property, plant and equipment	-	(3 973 390)
Opening Accumulated Surplus	-	5 463 403

#### **Statement of Financial Performance**

Depreciation expense	-	243 395
Employee costs- Basic	-	(1 733 408)

### 34. Comparative figures

Certain comparative figures have been reclassified for the prior period to conform to current period presentations. These reclassification involve movements within property plant and equipment items

The effects of the reclassification are as follows:

#### **Statement of financial position**

Increase in Plant and Machinery	-	265 512
Decrease in Motor Vehicles	-	(265 512)

#### **Statement of Financial Performance**

Decrease in Repairs and maintainance	-	(3 058 041)
Increase in general expenses	-	3 058 041

### 35. Risk management

#### **Financial risk management**



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### 35. 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.

#### At 30 June 2016

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	19 002 637	-	-	-
Derivative financial instruments	139 690	-	-	-

#### 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. 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:

#### 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.

### 36. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated Surplus of 338 983 139 and that the municipality's total liabilities exceed its assets by 338 983 139.

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. Further, the municipality will continue to operate as going concern as there are guaranteed equitable share allocations that will be injecting cash on a continuous basis.

### 37. Events after the reporting date

In September 2017, Jozini was affected by a thunderstorm and a Jojo Tank worth R 5,075 situated at Mzinyeni Hall was vandalised beyond repair. The total cost of this asset will be impaired in 2018 financial year. Further to that, laptops of the municipality worth R 51 017,92 were affected by the lightning and the total amount will be impaired in 2018 financial year.

The accounting officer is not aware of any other matter or circumstance arising since the end of the financial year.

### 38. Unauthorised expenditure

Unauthorised expenditure	37 697 458	17 790 911
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<b>39. Fruitless and wasteful expenditure</b>		
Interest SARS	46 809	-
Penalties SARS	219 531	-
Other	10 447	116 582
	<b>276 787</b>	<b>116 582</b>

### Fraud

Ghost Employees	275 335	-
Joy Project	4 593 850	-
	<b>4 869 185</b>	<b>-</b>

Ghost Employees: A case of fraud has been opened by the municipality as there were ghost employees identified under payroll. This case is still under investigations by the Hawks and there is forensic investigation under way as well

Joy Project: Forensic investigation is underway to establish the existence of this structure. It can, however, be stated that no structure exists and if this is proven the matter would be reported to relevant legal authorities for action.

### 40. Irregular expenditure

Opening balance	294 187 641	240 374 069
Add: Irregular Expenditure - current year	783 070	5 316 821
Add: Irregular Expenditure - Capital Expenditure/ Tender Prior year	18 298 055	43 370 850
Irregular Other	142 887	4 983 494
Excess payments on lease agreement	-	142 407
	<b>313 411 653</b>	<b>294 187 641</b>

### Analysis of expenditure awaiting condonation per age classification

Current year	22 568 163	53 813 572
Prior years	294 187 641	240 374 069
	<b>316 755 804</b>	<b>294 187 641</b>

### 41. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	-	625 000
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#### Audit fees

Current year fee	1 658 264	1 436 469
Amount paid - current year	(1 658 264)	(1 436 469)
	-	-

#### PAYE and UIF

Current year subscription / fee	8 806 551	4 721 589
Amount paid - current year	(8 806 551)	(4 215 467)
	-	<b>506 122</b>

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<b>41. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	9 262 147	4 740 892
Amount paid - current year	(9 262 147)	(4 740 892)
	-	-

### 42. 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 and include as a note to the annual financial statements.

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

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

Heading		
Opening Balance	10 781 235	7 511 124
Current Year	11 613 813	3 270 111
	<b>22 395 048</b>	<b>10 781 235</b>

### 44. Budget differences

#### Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements are separate statements for the fiscal period from 2016/07/01 to 2017/06/30. The annual financial statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

The amounts in the annual financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the annual financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

**Fines**-Municipality has under-budgeted because budgeting was based on receipts not on fine issue

**Interest on investment**-Expenditure on Mig projects was very slow in the first half of the year and surplus funds were invested and hence accumulation of interest was greater than initially anticipated.

interest on overdue account-The municipality has been under-collecting over the years,hence alarming debit balance, hence the engagement with debt collectors. Data cleansing is required for effective debt collection.

**Other revenue**-Other revenue includes R2.8 million which was also included on the interest on investment, hence over budgeting on other revenue.t

**Property rate**- Billing of new properties like Cambridge stores was not catered for in the budget.

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### 44. Budget differences (continued)

**Refused removal**-New customers registered in the second half of the financial year, including big retailers such as Cambridge stores,

**Rental of facilities**-Rental of facilities include Thusong Services and hall hire charges which depend on event.

**Transfers recognised capital**-The municipality experienced a challenge of implementing Mig projects in the beginning of the financial year owing to the fact that the political power had been equal since inauguration. Bid committees were formed later in the year resulting in late awarding of contracts and hence low expenditure Mig in the first half of the financial year. National Treasury then issued an intention to withhold the R5 million culminating in an adjustment in the final budget.

**Unspent conditional grant capital**- COGTA only grant R1,98 million unspent grants and the rest was to be taken out of own funding.

**Consultants**-A debt collector has not started collecting on outstanding debt so its budget hasn't been spent on 2016/17 financial year.

**Contracted services**-Due to the process of renovation taking place in municipality offices the contract to be executed on access control and document management delayed and will be implemented in 2017-18 financial year.

**Debt impairment**- The municipality budget to write debtor for 11 million, however the write off could not take place due to political instability, however the municipality had to provide for debt impairment more than anticipated to write off due to the huge amount on debtors balance

**Depreciation**- Due to political instability, heads of departments were not employed permanently on 2016/17 financial year hence delays in completion of capital projects.

**Employee related cost**- Employee related cost were budgeted accordingly in the original budget, under-performance had been experienced during budget review in January, then a hire volume of recruitments kicked in after the permanent employment of the accounting office. Provision for annual bonus and provision for leave pay have also thrown the actual amount above the budget

**Finance costs**- The Municipality has made calculated the provision for land fill site, so finance cost raised to that non cash item

**Free Basic services**- The Municipality provided less on indigent, since it is in the process of finalising fully flashed indigent register.

**General Expenditure**- Over -Expenditure is as result of spending more on poverty alleviations which councilors committed themselves in having savings in 2017-18 financial year. Letters of commitments are available for inspection from Strategic planning section. Also the municipality has implemented forensic investigations hence over- expenditure on legal fees.

**Remuneration for Councilors** - The Mayor and either the Deputy Mayor or Chief Whip were initially budgeted for on a full time status and were declared part time on inauguration. The designation of council as Mayor, Deputy Mayor, Speaker, Exco Member, Chief Whip and MPAC chair delayed and all councillors were remunerated as ordinary councilors prior to designation.

**Repairs and maintenance access roads**-The Municipality decided to introduce another way of maintaining roads by purchasing a Grade

**Repairs and maintenance swimming pool**-Delays in maintaining municipal swimming pools we experienced in 2016-17 financial year.

**Repair and maintenance vehicles**-More vehicles were bought in 2016-17 financial year.

**Repairs and maintenance street lights**- The Municipality had to budget towards the threshold on the PPE hence over-estimations on public toilets.

