



Emadlangeni Municipality
Financial statements
for the year ended June 30, 2016

Emadlangeni Municipality

(Registration number KZN253)

Financial Statements for the year ended June 30, 2016

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Local Government
Mayor	Councillor V.C. Ndlovu
Councillors	Councillor B.M. Phenyane Councillor M.A. Gama Councillor N.C. Ndlovu Councillor P. Collins(Late) Councillor S.O. Nkomonde Councillor T.V. Buthelezi
Grading of local authority	Grade 1
Accounting Officer	G.P.N. Ntshangase
Chief Finance Officer (CFO)	W. Mtusva
Registered office	34 Voor Street Utrecht 2980
Postal address	P.O. Box 11 Utrecht 2980
Bankers	Standard Bank
Auditors	Auditor General SA
Attorneys	Xaba Attorneys

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Financial Statements for the year ended June 30, 2016

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Finance Management Grant
INEP	Integrated Electrification Programme
MSA	Municipal Systems Act

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Council has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, the accounting officer is supported by the municipality's the audit committee, internal and external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements were examined by the municipality's external auditors and their report is presented separately.

The financial statements set out on pages 4 to 62, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on by:

Accounting Officer
G.P.N. Ntshangase

Emadlangeni Municipality

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Financial Statements for the year ended June 30, 2016

Statement of Financial Position as at June 30, 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Current Assets			
Receivables from exchange transactions	10	147,030	194,767
Receivables from non-exchange transactions	13	3,981,988	3,877,220
VAT receivable	11	4,787,679	1,550,319
Consumer debtors	12	8,695,284	7,373,872
Financial asset-investment	9	300,000	300,000
Cash and cash equivalents	14	21,028,481	27,463,226
		38,940,462	40,759,404
Non-Current Assets			
Investment property	3	43,202,739	43,888,592
Property, plant and equipment	4	91,854,633	71,931,959
Intangible assets	5	304,315	366,674
Heritage assets	6	1,190,582	1,490,001
		136,552,269	117,677,226
Non-Current Assets		136,552,269	117,677,226
Current Assets		38,940,462	40,759,404
Total Assets		175,492,731	158,436,630
Liabilities			
Current Liabilities			
Payables from exchange transactions	18	10,183,053	8,622,332
Taxes and transfers payable (non-exchange)	19	490,335	193,844
Consumer deposits	20	164,487	163,568
Unspent conditional grants and receipts	15	2,707,225	1,893,050
Provisions	16	1,771,507	1,467,246
Current portion-Long term loan	17	61,976	129,502
		15,378,583	12,469,542
Non-Current Liabilities			
Employee benefit obligation	8	1,971,000	1,931,000
Provisions	16	8,863,560	8,307,257
Long term loan	17	745,846	807,822
		11,580,406	11,046,079
Non-Current Liabilities		11,580,406	11,046,079
Current Liabilities		15,378,583	12,469,542
Total Liabilities		26,958,989	23,515,621
Assets		175,492,731	158,436,630
Liabilities		(26,958,989)	(23,515,621)
Net Assets		148,533,742	134,921,009
Accumulated surplus		148,533,742	134,921,009

Emadlangeni Municipality

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Financial Statements for the year ended June 30, 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
Revenue			
Revenue from exchange transactions			
Service charges	22	13,223,022	13,340,405
Rental of facilities and equipment	23	978,470	1,096,805
Licences and permits		917,124	947,051
Other income	24	2,096,769	957,707
Interest received - investment	25	1,655,259	1,293,463
Total revenue from exchange transactions		18,870,644	17,635,431
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	13,771,480	13,183,978
Property rates - penalties imposed	26	2,176,977	1,770,661
Transfer revenue			
Government grants & subsidies	27	47,868,825	43,393,523
Fines, Penalties and Forfeits		445,371	242,208
Total revenue from non-exchange transactions		64,262,653	58,590,370
		18,870,644	17,635,431
		64,262,653	58,590,370
Total revenue	21	83,133,297	76,225,801
Expenditure			
Employee related costs	28	(21,927,513)	(18,470,895)
Remuneration of councillors	29	(1,859,268)	(1,853,709)
Depreciation and amortisation	31	(6,696,554)	(6,189,816)
Impairment loss/ Reversal of impairments	32	(320,269)	(15,936)
Finance costs	33	(92,204)	(98,144)
Debt Impairment	34	(1,006,990)	(2,175,537)
Repairs and maintenance	30	(4,994,476)	(1,980,547)
Bulk purchases	35	(10,904,904)	(9,040,644)
Contracted services	36	(4,177,340)	(3,248,585)
General Expenses	37	(17,294,075)	(11,720,412)
Total expenditure		(69,273,593)	(54,794,225)
Total revenue		83,133,297	76,225,801
Total expenditure		(69,273,593)	(54,794,225)
Operating surplus		13,859,704	21,431,576
Loss on disposal/Scrapped off assets		(246,972)	-
Surplus before taxation		13,612,732	21,431,576
Surplus for the year		13,612,732	21,431,576

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Financial Statements for the year ended June 30, 2016

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2014	116,152,647	116,152,647
Changes in net assets		
Abakus take on balance	(161,214)	(161,214)
GRAP 25-Long service bonus	(722,000)	(722,000)
GRAP 25- Medical aid	(1,780,000)	(1,780,000)
Net income (losses) recognised directly in net assets	(2,663,214)	(2,663,214)
Surplus for the year	21,431,576	21,431,576
Total recognised income and expenses for the year	18,768,362	18,768,362
Total changes	18,768,362	18,768,362
Balance at July 1, 2015	134,921,010	134,921,010
Changes in net assets		
Surplus for the year	13,612,732	13,612,732
Total changes	13,612,732	13,612,732
Balance at June 30, 2016	148,533,742	148,533,742

Note(s)

Emadlangeni Municipality

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Financial Statements for the year ended June 30, 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Sale of goods and services		26,325,182	22,509,333
Grants		48,683,000	40,541,000
Interest income		1,655,259	1,293,463
Other receipts		3,089,263	1,866,503
		<u>79,752,704</u>	<u>66,210,299</u>
Payments			
Employee and councillors remuneration costs		(23,356,143)	(20,017,287)
Suppliers		(36,667,506)	(22,280,034)
Finance costs		(92,204)	(98,144)
		<u>(60,115,853)</u>	<u>(42,395,465)</u>
Total receipts		79,752,704	66,210,299
Total payments		(60,115,853)	(42,395,465)
Undefined difference compared to the cash generated from operations note		1	-
Net cash flows from operating activities	40	<u>19,636,852</u>	<u>23,814,834</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(25,592,687)	(21,227,529)
Purchase of investment property	3	-	(151,337)
Purchase of other intangible assets	5	(349,407)	(545,838)
Purchase of financial assets		-	(300,000)
		<u>(25,942,094)</u>	<u>(22,224,704)</u>
Cash flows from financing activities			
Movement in long term loan		(129,502)	(50,628)
		<u>(129,502)</u>	<u>(50,628)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(6,434,744)</u>	<u>1,539,502</u>
Cash and cash equivalents at the beginning of the year		27,463,226	25,923,724
Cash and cash equivalents at the end of the year	14	<u>21,028,482</u>	<u>27,463,226</u>

Emadlangeni Municipality

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Financial Statements for the year ended June 30, 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accruals 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 Performance

Revenue

Revenue from exchange transactions

Service charges	15,205,451	-	15,205,451	13,223,022	(1,982,429)	Electricity sales slightly lower than anticipated. New residential connections are now being done on prepaid only and consumers are able to closely monitor electricity consumption and therefore, the decrease in service charges.
Rental of facilities and equipment	2,084,465	3,760	2,088,225	978,470	(1,109,755)	Activities not as high as anticipated over the easter holidays and other public holidays. Town hall was not open for public bookings due to rennovations which were underway. Consequently negative variance.

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	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Licences and permits	1,338,892	1,500	1,340,392	917,124	(423,268)	Volumes lower than anticipated at Game Park for hunting and other activities during the holiday period resulting in underperformance on Licences and permits. Higher turn out had been expected during the Easter period which coincided with the bikers rally
Other income	6,091,585	(243,623)	5,847,962	2,096,769	(3,751,193)	Lower revenue than envisaged were recorded at the Game park
Interest received - investment	1,129,976	350,000	1,479,976	1,655,259	175,283	Delays in the INEP project resulted in funds kept in investment account for longer hence the increased interest.
Total revenue from exchange transactions	25,850,369	111,637	25,962,006	18,870,644	(7,091,362)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	14,316,049	-	14,316,049	13,771,480	(544,569)	3.8% variance within acceptable range

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	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Property rates - penalties imposed	2,664,745	-	2,664,745	2,176,977	(487,768)	Improved collection rate and the write off of indigent debt of R2.25 million resulted in the lower than budgeted penalties. This corroborated by the improved collection rate for the 2015/16 financial year.
Transfer revenue						
Government grants & subsidies	44,833,000	2,989,429	47,822,429	47,868,825	46,396	Variance of 0.1% within acceptable range
Fines, Penalties and Forfeits	285,948	-	285,948	445,371	159,423	Budget was not based on IGRAP for traffic fines ie cash basis, hence higher than budgeted traffic fines.
Total revenue from non-exchange transactions	62,099,742	2,989,429	65,089,171	64,262,653	(826,518)	
'Total revenue from exchange transactions'	25,850,369	111,637	25,962,006	18,870,644	(7,091,362)	
'Total revenue from non-exchange transactions'	62,099,742	2,989,429	65,089,171	64,262,653	(826,518)	
Total revenue	87,950,111	3,101,066	91,051,177	83,133,297	(7,917,880)	
Expenditure						
Employee related costs	(24,652,032)	2,740,888	(21,911,144)	(21,927,513)	(16,369)	Variance of 0.1% within acceptable range.
Remuneration of councillors	(1,999,021)	78,728	(1,920,293)	(1,859,268)	61,025	Variance of 3.2% within acceptable range
Depreciation and amortisation	(5,034,551)	(979,245)	(6,013,796)	(6,696,554)	(682,758)	Variance of 8.2% acceptable

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Statement of Comparison of Budget and Actual Amounts

Budget on Accruals Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Impairment loss/ Reversal of impairments	(259,600)	-	(259,600)	(320,269)	(60,669)	23% variance due to Impairment underbudgeted. Its difficult to budget for accounting estimates which are very subjective
Finance costs	(101,000)	-	(101,000)	(92,204)	8,796	Variance within acceptable range.
Debt impairment	(2,300,800)	-	(2,300,800)	(1,006,990)	1,293,810	The write off indigent debt and the slightly improved collection rate resulted in lower debt impairment than anticipated. A total of R2.25 million indigent debt was approved by council for write off as a result the debt impairment charge was lower than envisaged.
Repairs and maintenance	(7,592,546)	1,906,577	(5,685,969)	(4,994,476)	691,493	The delay in the finalisation of the Town hall renovations resulted in lower than budgeted expenditure. Municipality trying to comply with MFMA circular on repairs and maintenance. This will ensure long life for the assets.
Bulk purchases	(11,309,760)	-	(11,309,760)	(10,904,904)	404,856	3.6% Variance within an acceptable range.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accruals Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Contracted Services	(2,977,792)	(1,200,000)	(4,177,792)	(4,177,340)	452	Variance acceptable
General Expenses	(12,439,154)	(5,206,561)	(17,645,716)	(17,294,075)	351,641	Variance of 2% within acceptable range.
Total expenditure	(68,666,256)	(2,659,613)	(71,325,870)	(69,273,593)	2,052,277	
	87,950,111	3,101,066	91,051,177	83,133,297	(7,917,880)	
	(68,666,256)	(2,659,613)	(71,325,869)	(69,273,593)	2,052,276	
Operating surplus	19,283,855	441,453	19,725,308	13,859,704	(5,865,604)	
Loss on scrapped of Assets	-	-	-	(246,972)	(246,972)	This is the loss on the scrapped assets particularly, a brand new vehicle which was involved in an accident and written off
	19,283,855	441,453	19,725,308	13,859,704	(5,865,604)	
	-	-	-	(246,972)	(246,972)	
Surplus before taxation	19,283,855	441,453	19,725,308	13,612,732	(6,112,576)	
Deficit before taxation	19,283,855	441,453	19,725,308	13,612,732	(6,112,576)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	19,283,855	441,453	19,725,308	13,612,732	(6,112,576)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accruals Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	55,000	-	55,000	147,030	92,030	
Receivables from non-exchange transactions	-	-	-	3,981,988	3,981,988	
VAT receivable	-	-	-	4,787,679	4,787,679	
Consumer debtors	21,504,000	-	21,504,000	8,695,284	(12,808,716)	
Financial asset-investment	15,579,000	(15,279,000)	300,000	300,000	-	
Cash and cash equivalents	1,315,000	22,410,000	23,725,000	21,028,481	(2,696,519)	
	38,453,000	7,131,000	45,584,000	38,940,462	(6,643,538)	
Non-Current Assets						
Investment property	41,737,000	-	41,737,000	43,202,739	1,465,739	
Property, plant and equipment	94,580,000	(979,000)	93,601,000	91,854,633	(1,746,367)	
Intangible assets	-	-	-	304,315	304,315	
Heritage assets	1,490,000	-	1,490,000	1,190,582	(299,418)	
	137,807,000	(979,000)	136,828,000	136,552,269	(275,731)	
Non-Current Assets	38,453,000	7,131,000	45,584,000	38,940,462	(6,643,538)	
Current Assets	137,807,000	(979,000)	136,828,000	136,552,269	(275,731)	
Total Assets	176,260,000	6,152,000	182,412,000	175,492,731	(6,919,269)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	16,960,000	4,039,000	20,999,000	10,183,045	(10,815,955)	
Taxes and transfers payable (non-exchange)	-	-	-	490,335	490,335	
Consumer deposits	180,000	-	180,000	164,487	(15,513)	
Unspent conditional grants and receipts	-	-	-	2,707,225	2,707,225	
Provisions	1,619,000	-	1,619,000	1,771,507	152,507	
Current portion-Long term loan	52,000	-	52,000	61,976	9,976	
	18,811,000	4,039,000	22,850,000	15,378,575	(7,471,425)	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	1,971,000	1,971,000	
Provisions	811,000	-	811,000	8,863,560	8,052,560	
Long term loan	7,898,000	-	7,898,000	745,846	(7,152,154)	
	8,709,000	-	8,709,000	11,580,406	2,871,406	
	18,811,000	4,039,000	22,850,000	15,378,575	(7,471,425)	
	8,709,000	-	8,709,000	11,580,406	2,871,406	
	-	-	-	-	-	
Total Liabilities	27,520,000	4,039,000	31,559,000	26,958,981	(4,600,019)	
Assets	176,260,000	6,152,000	182,412,000	175,492,731	(6,919,269)	
Liabilities	(27,520,000)	(4,039,000)	(31,559,000)	(26,958,981)	4,600,019	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accruals Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets	148,740,000	2,113,000	150,853,000	148,533,750	(2,319,250)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	148,740,000	2,113,000	150,853,000	148,533,751	(2,319,249)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accruals Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	19,669,000	-	19,669,000	26,325,559	6,656,559	
Grants	44,833,000	2,000,000	46,833,000	48,683,000	1,850,000	
Interest income	1,130,000	350,000	1,480,000	1,655,259	175,259	
Other receipts	3,709,000	256,000	3,965,000	3,089,263	(875,737)	
	69,341,000	2,606,000	71,947,000	79,753,081	7,806,081	
Payments						
Employee costs	(23,715,000)	-	(23,715,000)	(23,356,520)	358,480	
Suppliers	(27,507,000)	1,681,000	(25,826,000)	(36,716,975)	(10,890,975)	
	(51,222,000)	1,681,000	(49,541,000)	(60,073,495)	(10,532,495)	
Total receipts	69,341,000	2,606,000	71,947,000	79,753,081	7,806,081	
Total payments	(51,222,000)	1,681,000	(49,541,000)	(60,073,495)	(10,532,495)	
Net cash flows from operating activities	18,119,000	4,287,000	22,406,000	19,679,586	(2,726,414)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(23,651,000)	(2,340,000)	(25,991,000)	(25,543,218)	447,782	
Purchase of other intangible assets	-	-	-	(349,407)	(349,407)	
Finance costs	-	-	-	(92,204)	(92,204)	
Net cash flows from investing activities	(23,651,000)	(2,340,000)	(25,991,000)	(25,984,829)	6,171	
Cash flows from financing activities						
Movement in long term loan	(52,000)	-	(52,000)	(129,502)	(77,502)	
Other cash item	3,000	-	3,000	-	(3,000)	
Finance costs	(101,000)	-	(101,000)	-	101,000	
Net cash flows from financing activities	(153,000)	-	(153,000)	(129,502)	23,498	
Net increase/(decrease) in cash and cash equivalents	(5,685,000)	1,947,000	(3,738,000)	(6,434,745)	(2,696,745)	
Cash and cash equivalents at the beginning of the year	7,000,000	20,463,000	27,463,000	27,463,226	226	
Cash and cash equivalents at the end of the year	1,315,000	22,410,000	23,725,000	21,028,481	(2,696,519)	

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	16,981,000	-	16,981,000	-	-	16,981,000	15,948,457	-	(1,032,543)	94 %	94 %
Service charges	15,205,000	-	15,205,000	-	-	15,205,000	13,223,022	-	(1,981,978)	87 %	87 %
Investment revenue	1,130,000	350,000	1,480,000	-	-	1,480,000	1,655,259	-	175,259	112 %	146 %
Transfers recognised - operational	25,650,000	2,000,000	27,650,000	-	-	27,650,000	27,500,096	-	(149,904)	99 %	107 %
Other own revenue	9,801,000	(238,000)	9,563,000	-	-	9,563,000	4,437,734	-	(5,125,266)	46 %	45 %
Total revenue (excluding capital transfers and contributions)	68,767,000	2,112,000	70,879,000	-	-	70,879,000	62,764,568	-	(8,114,432)	89 %	91 %
Employee costs	(23,252,000)	2,698,000	(20,554,000)	-	-	(20,554,000)	(21,927,513)	-	(1,373,513)	107 %	94 %
Remuneration of councillors	(1,999,000)	79,000	(1,920,000)	-	-	(1,920,000)	(1,859,268)	-	60,732	97 %	93 %
Debt impairment	(2,301,000)	-	(2,301,000)	-	-	(2,301,000)	(1,006,990)	-	1,294,010	44 %	44 %
Depreciation and asset impairment	(5,294,000)	(979,000)	(6,273,000)	-	-	(6,273,000)	(7,016,823)	-	(743,823)	112 %	133 %
Finance charges	(101,000)	-	(101,000)	-	-	(101,000)	(92,204)	-	8,796	91 %	91 %
Materials and bulk purchases	(11,310,000)	-	(11,310,000)	-	-	(11,310,000)	(10,904,904)	-	405,096	96 %	96 %
Other expenditure	(24,410,000)	(4,457,000)	(28,867,000)	-	-	(28,867,000)	(26,712,863)	-	2,154,137	93 %	109 %
Total expenditure	(68,667,000)	(2,659,000)	(71,326,000)	-	-	(71,326,000)	(69,520,565)	-	1,805,435	97 %	101 %
Total revenue (excluding capital transfers and contributions)	68,767,000	2,112,000	70,879,000	-	-	70,879,000	62,764,568	-	(8,114,432)	89 %	91 %
Total expenditure	(68,667,000)	(2,659,000)	(71,326,000)	-	-	(71,326,000)	(69,520,565)	-	1,805,435	97 %	101 %
Surplus/(Deficit)	100,000	(547,000)	(447,000)	-	-	(447,000)	(6,755,997)	-	(6,308,997)	1,511 %	(6,756)%

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Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	19,183,000	989,000	20,172,000	-		20,172,000	20,368,729		196,729	101 %	106 %
Surplus/(Deficit)	100,000	(547,000)	(447,000)	-	-	(447,000)	(6,755,997)	-	(6,308,997)	1,511 %	(6,756)%
Capital transfers and contributions	19,183,000	989,000	20,172,000	-	-	20,172,000	20,368,729	-	196,729	101 %	106 %
Surplus (Deficit) after capital transfers and contributions	19,283,000	442,000	19,725,000	-		19,725,000	13,612,732		(6,112,268)	69 %	71 %
Surplus (Deficit) after capital transfers and contributions	19,283,000	442,000	19,725,000	-	-	19,725,000	13,612,732	-	(6,112,268)	69 %	71 %
Surplus/(Deficit) for the year	19,283,000	442,000	19,725,000	-		19,725,000	13,612,732		(6,112,268)	69 %	71 %
Capital expenditure and funds sources											
Total capital expenditure	24,896,000	(4,302,000)	20,594,000	-		20,594,000	25,543,218		4,949,218	124 %	103 %
Sources of capital funds											
Transfers recognised - capital	18,946,000	(3,500,000)	15,446,000	-		15,446,000	19,303,316		3,857,316	125 %	102 %
Internally generated funds	5,950,000	(802,000)	5,148,000	-		5,148,000	6,239,902		1,091,902	121 %	105 %
Total sources of capital funds	24,896,000	(4,302,000)	20,594,000	-		20,594,000	25,543,218		4,949,218	124 %	103 %

The budget and the annual financial statements are prepared on accrual basis. Therefore they are both on a comparable basis.

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Financial Statements for the year ended June 30, 2016

Accounting Policies

1. Presentation of Financial Statements

The 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 Local legislation over companies.

These 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 financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These 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 financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include:

Trade receivables and loans and receivables

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

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

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 16 - Provisions.

Allowance for doubtful debts

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

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Emadlangeni Municipality

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Financial Statements for the year ended June 30, 2016

Accounting Policies

1.4 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	2-75 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one 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 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.

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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Financial Statements for the year ended June 30, 2016

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	10-30 years
Plant and machinery	Straight line	2-10 years
Furniture and fixtures	Straight line	2-7 years
Motor vehicles	Straight line	2-8 years
Office equipment	Straight line	2-8 years
Community	Straight line	2-45 years

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous 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 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.

Assets 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. 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.

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Financial Statements for the year ended June 30, 2016

Accounting Policies

1.5 Property, plant and equipment (continued)

Assets Under Construction

- The cost of property, plant and equipment that is under construction as of the reporting date is recognised as an asset if:
 - (a) it is probable that future economic benefits or service potential associated with the item(s) will flow to the municipality, and
 - (b) the cost or fair value of the item(s) can be measured reliably.Assets under construction consists of expenditure for the construction of buildings, certain land improvements, infrastructure assets and networks and any other capital projects that are under construction as of the reporting date. The expenditure comprise direct labour, materials and overheads, if appropriate. When assets under construction is completed and certificates of completion issued, they are transferred to the appropriate assetclass.

Asset under construction are not depreciated as they are not in a condition necessary for it to be capable of operating in a manner intended by management. Additional text

1.6 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.

1.7 Intangible assets

An asset is identifiable if it either:

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

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

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.

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.

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Accounting Policies

1.7 Intangible assets (continued)

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

An intangible asset arising from development (or from the development phase of an internal project) 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.

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

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

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

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

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

Item	Useful life
Computer software, other	1-5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

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Accounting Policies

1.8 Heritage assets (continued)

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.9 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost.
- Cash and cash equivalents

Receivables from exchange transactions
Receivables from non-exchange transactions
Consumer debtors
Financial asset-Investment
Cash and cash equivalents
Payables from exchange transactions
Taxes and transfers payable(non-exchange)
Consumer deposits
Unspent conditional grants and receipts
Long term loan

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at fair value
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

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Financial Statements for the year ended June 30, 2016

Accounting Policies

1.9 Financial instruments (continued)

Initial recognition

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instrument

Subsequent measurement of financial assets and financial liabilities

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

1.10 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.

Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

1.11 Impairment of cash-generating assets

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

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

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.

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Accounting Policies

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

1.13 Employee benefits

Employee benefits are all forms of consideration given by the 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 entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

- The 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.

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

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Financial Statements for the year ended June 30, 2016

Accounting Policies

1.13 Employee benefits (continued)

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

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1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and

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Accounting Policies

1.13 Employee benefits (continued)

- any resulting change in the fair value of the plan assets.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits to some retirees.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and

1.14 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.

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1.14 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating deficits.

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

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 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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Accounting Policies

1.16 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 .

Interest, royalties and dividends

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.

1.17 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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Accounting Policies

1.17 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.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

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

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.

Fines

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

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

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

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

1.18 Investment income

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

1.19 Comparative figures

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

1.20 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.

1.21 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.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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Accounting Policies

1.22 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.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Budget information

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

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

The approved budget covers the fiscal period from 2015-07-01 to 2016-06-30.

The 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.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.24 Related parties

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

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

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

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

1.25 Events after reporting date

Events after 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 will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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Accounting Policies

1.25 Events after reporting date (continued)

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.26 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.27 Offsetting

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

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2. New standards and interpretations

2.1 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 July 1, 2016 or later periods:

Standard/ Interpretation:

- GRAP 20: Related parties

**Effective date:
Years beginning on or
after**

April 1, 2016

Expected impact:

The impact of the amendment is not material.

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

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3. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	51,888,434	(8,685,695)	43,202,739	51,888,434	(7,999,842)	43,888,592

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	43,888,592	(685,853)	43,202,739

Reconciliation of investment property - 2015

	Opening balance	Additions	Impairments	Depreciation	Total
Investment property	44,431,880	151,337	(15,296)	(678,251)	43,888,592

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.

4. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	20,920,679	(7,383,928)	13,536,751	20,819,629	(6,684,777)	14,134,852
Plant and machinery	3,506,609	(1,400,525)	2,106,084	3,229,646	(1,079,161)	2,150,485
Furniture & Office Equipment	1,824,154	(1,307,106)	517,048	1,644,837	(1,186,219)	458,618
Motor vehicles	5,119,540	(1,806,151)	3,313,389	2,587,546	(1,476,339)	1,111,207
Computer equipment	1,382,795	(884,720)	498,075	1,256,545	(763,024)	493,521
Infrastructure	66,823,853	(33,295,830)	33,528,023	62,092,185	(29,433,664)	32,658,521
Community	4,511,022	(1,574,916)	2,936,106	4,421,318	(1,535,016)	2,886,302
Work in progress	35,419,157	-	35,419,157	18,038,453	-	18,038,453
Total	139,507,809	(47,653,176)	91,854,633	114,090,159	(42,158,200)	71,931,959

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	14,134,852	101,051	-	-	-	(697,846)	-	13,536,751
Plant and machinery	2,150,485	129,428	-	-	147,533	(314,315)	(7,047)	2,106,084
Furniture and Office Equipment	458,618	149,128	(96)	-	30,788	(114,537)	(6,853)	517,048
Motor vehicles	1,111,207	2,692,511	(166,426)	-	10,526	(334,428)	(6,888)	3,313,389
Computer equipment	493,521	123,280	(363)	-	6,660	(118,135)	-	498,075
Infrastructure	32,658,521	148,698	(72,222)	4,657,620	1,229	(3,865,761)	(62)	33,528,023
Community	2,886,302	210,267	(7,865)	-	-	(152,598)	-	2,936,106
Work In Progress	18,038,453	22,038,324	-	(4,657,620)	-	-	-	35,419,157
	71,931,959	25,592,687	(246,972)	-	196,736	(5,597,620)	(20,850)	91,854,633

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Buildings	12,990,910	-	-	1,757,538	-	(613,595)	-	14,134,852
Plant and machinery	1,966,505	293,686	-	-	146,340	(255,282)	-	2,150,485
Furniture and office equipment	420,792	62,150	-	-	63,135	(87,461)	-	458,618
Motor vehicles	834,192	441,122	-	-	12,237	(176,346)	-	1,111,207
Office equipment	391,986	182,558	-	-	10,279	(91,301)	-	493,521
Infrastructure	23,257,260	486,491	(11,001)	12,750,784	-	(3,949,837)	(640)	32,658,521
Community	3,015,765	-	-	34,964	-	(164,427)	-	2,886,302
Work In Progress	12,820,217	19,761,522	-	(14,543,286)	-	-	-	18,038,453
	55,697,627	21,227,529	(11,001)	-	231,991	(5,338,249)	(640)	71,931,959

Depreciation rates

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2016

	Included within Other PPE	Total
Opening balance	18,038,453	18,038,453
Additions/capital expenditure	22,038,324	22,038,324
Transferred to completed items	(4,657,620)	(4,657,620)
	35,419,157	35,419,157

Reconciliation of Work-in-Progress 2015

	Included within Other PPE	Total
Opening balance	12,820,217	12,820,217
Additions/capital expenditure	19,761,522	19,761,522
Transferred to completed assets	(14,543,286)	(14,543,286)
	18,038,453	18,038,453

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.

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5. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,698,594	(1,394,279)	304,315	1,349,180	(982,506)	366,674

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	366,674	349,414	(411,773)	304,315

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software, other	117,778	545,838	(296,942)	366,674

6. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	1,490,001	(299,419)	1,190,582	1,490,001	-	1,490,001

Reconciliation of heritage assets 2016

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Figures in Rand	2016	2015
6. Heritage assets (continued)		
	Opening balance	Impairment losses recognised
		Total
Historical buildings	1,490,001	(299,419)
		1,190,582
Reconciliation of heritage assets 2015		
	Opening balance	Total
Historical buildings	1,490,001	1,490,001
7. Other financial assets		
At amortised cost		
Housing Debtors	201,463	201,965
<p>The department of housing provided Emadlangeni Municipality with a loan to finance housing selling scheme undertaken by the municipality, the loan was extinguished on 1 April 1998 and transferred to the Housing Development Fund in terms of the Housing Act No. 107 of 1997. The initial contract states that residents who benefited from the housing scheme will pay a deposit of R300, the capital must be paid to Emadlangeni Municipality with 360 months together with interest of 13.5% per annum. The monthly payments will be determined as 11% of the buyer's salary. The buyer has an option to purchase the house after 3 years or once 10% of the capital amount has been paid and the buyer provides</p>		
	201,463	201,965
Impairments-Refer to note 11	(201,463)	(201,965)
	-	-
8. Employee benefit obligations		
Post retirement medical aid benefits liability		
<p>The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of specific retired members of the municipality, no other retirees are entitled to this benefit. According to the rules of the Medical Aid Fund, with which the municipality is associated, a member is entitled to remain a continued member of such a medical fund on retirement and the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these specific retirees. No other post-retirement benefits are provided to these retirees</p>		
<p>The Project Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.</p>		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(1,971,000)	(1,931,000)
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	1,931,000	1,780,000
Benefits paid	(176,000)	(158,000)
Net expense recognised in the statement of financial performance	216,000	309,000
	1,971,000	1,931,000

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8. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Interest cost	170,000	153,000
Actuarial (gains) losses	46,000	156,000
	216,000	309,000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	Yield Curve	Yield Curve
Medical Aid Contribution Inflation	CPI +1%	CPI + 1%
Consumer Price Inflation	Difference	Difference
	between	between
	nominal and	Nominal and
	yield curves	yield curves
Net Effective Discount Rate	Yield Curve	Yield Curve
	Based	Based

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One	One
	percentage	percentage
	point increase	point
		decrease
Effect on the aggregate of the service cost and interest cost	15,000	(13,000)
Effect on defined benefit obligation	160,000	(142,000)

Defined contribution plan

All the municipal councillors and permanent employees belong to the Natal Joint Municipal Pension Fund(Superannuation) and The Natal Joint Municipal Pension Fund(Retirement) which are administered by the Province. The 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. Municipality employees are also members of the KwaZulu-Natal Joint Municipal Provident Fund. All contributions have been included in the employee related cost note(Refer to note 26)

9. Financial asset

Fixed deposit account	300,000	300,000
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This fixed deposit is a surety for the DBSA loan in accordance with the loan agreement

10. Receivables from exchange transactions

Eskom Deposit	55,114	55,114
Prepayment	49,478	-
Other receivables	42,438	139,653
	147,030	194,767

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Figures in Rand	2016	2015
11. VAT receivable		
VAT	4,787,679	1,550,319
<p>Emadlangeni Municipality is on a cash basis for VAT purposes. The municipality is significantly grant funded. The input VAT portion exceeded the output VAT portion for the current period resulting in a receivable.</p>		
12. Consumer debtors		
Gross balances		
Electricity	9,007,255	8,840,525
Refuse	2,687,804	3,178,306
Other (specify)	1,226,593	1,725,467
	12,921,652	13,744,298
Less: Allowance for impairment		
Electricity	(1,475,962)	(3,730,632)
Refuse	(2,269,317)	(2,143,557)
Other (specify)	(481,089)	(496,237)
	(4,226,368)	(6,370,426)
Net balance		
Electricity	7,531,293	5,109,893
Refuse	418,487	1,034,749
Other (specify)	745,504	1,229,230
	8,695,284	7,373,872
Electricity		
Current (0 -30 days)	5,271,906	3,321,430
31 - 60 days	1,129,694	1,021,979
61 - 90 days	753,129	510,989
91 - 120 days	376,565	255,495
	7,531,294	5,109,893
Refuse		
Current (0 -30 days)	272,017	672,587
31 - 60 days	83,697	206,950
61 - 90 days	41,849	103,475
91 - 120 days	20,924	51,737
	418,487	1,034,749
Other (specify)		
Current (0 -30 days)	559,128	1,229,230
31 - 60 days	186,376	-
	745,504	1,229,230

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12. Consumer debtors (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(16,607,526)	(14,465,866)
Contributions to allowance	(819,480)	(2,141,659)
Indigent debt written off	1,250,200	-
Transferred to long term debtors	201,463	201,965
Transfer to non exchange debtors	11,748,975	10,035,134
	(4,226,368)	(6,370,426)
Please note the total allowance for impairment reconciliation includes long term debtors, refer to note number 7(Other financial assets)		
Debt impairment is calculated by discounting the expected future cashflows using the interest rate levied on overdue rates accounts as the discount rate. Some debtors are individually impaired and others impaired on a group basis depending on the circumstances. No significant future cashflows are expected from the long term debtors as indicated by historical payment patterns hence the 100% impairment thereon.		
Credit quality of consumer debtors		
The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Consumer debtors impaired		
As of June 30, 2016, consumer debtors of R16 176 806 (2015: 16 405 560 -) were impaired and provided for.		
The amount of the provision was - R16 176 806 as of June 30, 2016 (2015: R16 405 560 -).		
The ageing of these debtors is as follows:		
Over 6 months	15,975,343	16,405,560
13. Receivables from non-exchange transactions		
Gross balances		
Consumer debtors - Rates	15,666,165	13,833,321
Non exchange receivable - Traffic fines	477,245	303,970
	16,143,410	14,137,291
Less: Allowance for impairment		
Consumer debtors - Rates	(11,748,975)	(10,035,134)
Non exchange receivables - Traffic fines	(412,447)	(224,937)
	(12,161,422)	(10,260,071)
Net balance		
Consumer debtors - Rates	3,917,190	3,798,187
Non exchange receivables - Traffic fines	64,798	79,033
	3,981,988	3,877,220

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13. Receivables from non-exchange transactions (continued)

Rates

Current (0 -30 days)	2,742,033	2,468,821
31 - 60 days	587,579	759,637
61 - 90 days	391,719	379,819
91 - 120 days	195,859	189,910
	3,917,190	3,798,187

Non-exchange receivables- traffic fines

31 - 60 days	64,798	79,033
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Summary of debtors by customer classification

Rates

Current (0 -30 days)	2,742,033	2,468,821
31 - 60 days	587,579	759,637
61 - 90 days	391,719	379,819
91 - 120 days	195,859	189,910
	3,917,190	3,798,187

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	583	583
Bank balances	6,645,036	8,344,650
Short-term deposits	14,382,862	19,117,993
	21,028,481	27,463,226

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2016	June 30, 2015	June 30, 2014
Standard Bank of South Africa - Public sector current account - 06-010-0001	6,645,112	8,344,726	8,014,736	6,645,036	8,344,650	8,014,703

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Repair of 376 Houses	903,525	903,525
Library Grant	-	96
INEG	1,803,700	-
Bensdorp Sportsfield	-	989,429
	2,707,225	1,893,050

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Figures in Rand	2016	2015
15. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	1,893,050	4,745,477
Additions during the year	27,666,000	24,745,000
Income recognition during the year	(26,851,825)	(26,901,427)
	-	(696,000)
	2,707,225	1,893,050

These amounts are invested in a ring-fenced investment until utilised. All the grants are cash backed refer to Note 14

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16. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	7,505,257	470,303	-	-	7,975,560
Leave pay provision	1,467,246	638,015	(333,754)	-	1,771,507
Employee benefit cost	802,000	-	(393,537)	479,537	888,000
	9,774,503	1,108,318	(727,291)	479,537	10,635,067

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	7,165,593	339,663	-	-	7,505,257
Leave pay provision	1,390,929	388,029	(311,713)	-	1,467,246
Employee benefit cost	722,000	-	-	80,000	802,000
	9,278,522	727,692	(311,713)	80,000	9,774,503

Non-current liabilities

8,863,560

Current liabilities

1,771,507

10,635,067

Environmental rehabilitation provision

The provision is raised for the rehabilitation of waste disposal site to its original state once the site has reached the end of the useful life.

Leave pay

The leave pay provision is accrued at the conditions of employment rate and is accumulated to a maximum of 48 days per employee.

Long service awards

A long service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality may become entitled to in future, based on an actuarial valuation performed.

The most recent present value of the defined benefit obligation was carried out at 30 June 2016. The present value of the defined benefit obligation, and the related current service cost were measured using the Projected Unit Credit Method.

At year end 73 (2015) 65 employees were eligible for Long -service awards.

Valuation Assumptions

Discount rate - Yield Curve

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Financial Statements for the year ended June 30, 2016

Notes to the Financial Statements

Figures in Rand	2016	2015
16. Provisions (continued)		
CPI(Consumer Price Inflation)- Difference between nominal and real yield curve		
Normal Salary Increase Rate-Equal to CPI + 1%		
Net Effective Discount Rate-Yield Curve Based		
17. Long term loan		
DBSA Loan		
Current portion	807,822 (61,976)	937,324 (129,502)
	745,846	807,822
The municipality acquired a loan from the Development bank of Southern Africa(DBSA) to fund the construction of municipal main offices. The term of the loan is 20 years. Interest charged is prime linked and varies between 10.81% and 14.4% per annum payable every half yearly.		
18. Payables from exchange transactions		
Trade payables	5,675,862	5,984,898
Direct deposits, third parties and other	1,204,451	676,615
Deposits received	25,995	25,994
Retention Liability	2,350,636	1,518,950
Credit balances-receivables from exchange transactions	926,109	415,875
	10,183,053	8,622,332
19. Taxes and transfers payable (non-exchange)		
Other payables from non-exchange transactions	490,335	193,844
The balance relates to credit balances in property rates and taxes.		
20. Consumer deposits		
Electricity	164,487	163,568
21. Revenue		
Service charges	13,223,022	13,340,405
Rental of facilities and equipment	978,470	1,096,805
Licences and permits	917,124	947,051
Other income	2,096,769	957,707
Interest received - investment	1,655,259	1,293,463
Property rates	13,771,480	13,183,978
Property rates - penalties imposed	2,176,977	1,770,661
Government grants & subsidies	47,868,825	43,393,523
Fines, Penalties and Forfeits	445,371	242,208
	83,133,297	76,225,801

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21. Revenue (continued)

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

Service charges	13,223,022	13,340,405
Rental of facilities and equipment	978,470	1,096,805
Licences and permits	917,124	947,051
Sundry income	2,096,769	957,707
Interest received - investment	1,655,259	1,293,463
	18,870,644	17,635,431

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

Taxation revenue

Property rates	13,771,480	13,183,978
Property rates - penalties imposed	2,176,977	1,770,661

Transfer revenue

Government grants & subsidies	47,868,825	43,393,523
Fines, Penalties and Forfeits	445,371	242,208
	64,262,653	58,590,370

22. Service charges

Sale of electricity	11,825,645	11,994,795
Refuse removal	1,397,377	1,345,610
	13,223,022	13,340,405

23. Rental of facilities and equipment

Premises

Premises	969,484	1,093,996
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Facilities and equipment

Rental of facilities	8,986	2,809
Premises	969,484	1,093,996
Facilities and equipment	8,986	2,809
	978,470	1,096,805

24. Other revenue

Sundry Income	2,096,769	957,707
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The amount included in other revenue arising from exchanges of goods or services are as follows:

Insurance refunds, wildlife, rates clearance etc	1,286,480	582,123
Permits, burial fees and Traffic escorting fees	46,081	41,606
Building plans, tender documents	57,102	66,432
Game Park-Entrance fees, venison hunting and sale of meat	502,470	267,546
	1,892,133	957,707

25. Investment revenue

Interest revenue

Bank	1,655,259	1,293,463
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Figures in Rand	2016	2015
26. Property rates		
Rates received		
Property rates	13,771,480	13,183,978
Property rates - penalties imposed	2,176,977	1,770,661
	15,948,457	14,954,639
Valuations		
Residential	278,523,000	272,584,000
Commercial	36,783,000	54,644,000
State	145,673,000	145,673,000
Municipal	47,485,000	47,485,000
Small holdings and farms	1,648,515,000	1,631,192,000
Public Service Infrastructure	31,135,000	31,135,000
Schools(Private and State)	47,173,000	47,173,000
Land reform Property	214,006,000	214,006,000
Other (PBO, Public Worship, Vacant etc)	25,254,000	25,738,000
	2,474,547,000	2,469,630,000

Valuations on land and buildings are performed every 4 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.

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Figures in Rand	2016	2015
27. Government grants and subsidies		
Operating grants		
Equitable share	21,017,000	17,467,000
Finance Management Grant	1,800,000	1,800,413
EPWP Grant	1,030,000	1,000,000
Municipal Systems Improvement Grant	930,000	1,369,130
Repair of 376 houses Grant	-	328,000
Small town rehab Grant	2,000,000	70,793
LED, PMS & MFMS Grants	-	24,647
Sports Grant	-	370,832
Library Grant	723,096	978,031
Participation in IDP Grant	-	200,000
MAP Grant	-	174,160
	27,500,096	23,783,006
Capital grants		
Municipal Infrastructure Grant	11,183,000	9,050,000
Integrated National Electrification Programme Grant	8,196,300	8,999,946
Bensdorp Sportsfield grant	989,429	1,560,571
	20,368,729	19,610,517
	27,500,096	23,783,006
	20,368,729	19,610,517
	47,868,825	43,393,523
Conditional and Unconditional		
Conditional grants received	25,926,523	43,393,523
Unconditional grants received	15,763,000	17,467,000
	41,689,523	60,860,523
Repair of 376 houses Grant		
Balance unspent at beginning of year	903,525	1,231,525
Conditions met - transferred to revenue	-	(328,000)
	903,525	903,525
Conditions still to be met - remain liabilities (see note 15).		
Municipal Systems Improvement Grant		
Current-year receipts	930,000	435,130
Conditions met - transferred to revenue	(930,000)	934,000
Other	-	(1,369,130)
	-	-
Conditions still to be met - remain liabilities (see note 15).		
Municipal Assistance Programme		
Balance unspent at beginning of year	-	174,160
Conditions met - transferred to revenue	-	(174,160)
	-	-

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27. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

Municipal Infrastructure Grant

Current-year receipts	11,183,000	9,050,000
Conditions met - transferred to revenue	(11,183,000)	(9,050,000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

MFMS Grant

Balance unspent at beginning of year	-	6,694
Conditions met - transferred to revenue	-	(6,694)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Finance Management Grant

Balance unspent at beginning of year	-	112,413
Current-year receipts	1,800,000	1,800,000
Conditions met - transferred to revenue	(1,800,000)	(1,800,413)
Withheld	-	(112,000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Performance Management System Grant

Balance unspent at beginning of year	-	16,113
Conditions met - transferred to revenue	-	(16,113)
	-	-

Conditions still to be met - remain liabilities (see note 15).

LED Grant

Balance unspent at beginning of year	-	1,840
Conditions met - transferred to revenue	-	(1,840)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Small Town Rehab Grant

Balance unspent at beginning of year	-	70,793
Current-year receipts	2,000,000	-
Conditions met - transferred to revenue	(2,000,000)	(70,793)
	-	-

Conditions still to be met - remain liabilities (see note 15).

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27. Government grants and subsidies (continued)

Library Grant

Balance unspent at beginning of year	96	317,031
Current-year receipts	723,000	661,000
Conditions met - transferred to revenue	(723,096)	(977,935)
	-	96

Conditions still to be met - remain liabilities (see note 15).

Sports Grant

Balance unspent at beginning of year	-	595,832
Current-year receipts	-	750,000
Conditions met - transferred to revenue	-	(370,832)
Other	-	(975,000)
	-	-

EPWP Grant

Current-year receipts	1,030,000	1,000,000
Conditions met - transferred to revenue	(1,030,000)	(1,000,000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Community Participation in IDP Grant

Balance unspent at beginning of year	-	200,000
Conditions met - transferred to revenue	-	(200,000)
	-	-

INEP Grant

Balance unspent at beginning of year	-	1,583,946
Current-year receipts	10,000,000	8,000,000
Conditions met - transferred to revenue	(8,196,300)	(8,999,946)
Withheld	-	(584,000)
	1,803,700	-

Conditions still to be met - remain liabilities (see note 15).

Bensdorp Sportfield Grant

Balance unspent at beginning of year	989,429	-
Current-year receipts	-	1,575,000
Conditions met - transferred to revenue	(989,429)	(1,560,571)
Other	-	975,000
	-	989,429

Conditions still to be met - remain liabilities (see note 15).

Changes in level of government grants

Emadlangeni Municipality

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27. Government grants and subsidies (continued)

Based on the allocations set out in the Division of Revenue Act, (Act No 10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

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28. Employee related costs

Basic	16,163,708	14,021,327
Medical aid - company contributions	798,180	625,193
UIF	134,635	117,005
SDL	202,363	172,475
Other payroll levies	4,916	9,326
Leave pay provision charge	638,015	388,029
Defined contribution plans	1,125,962	985,095
Travel, motor car, accommodation, subsistence and other allowances	306,442	230,985
Overtime payments	498,440	384,661
Long-service bonus	479,537	236,000
13th Cheques	800,328	728,632
Acting allowances	500,213	192,499
Housing benefits and allowances	42,000	103,109
Other allowance-Standby/Uniforms/Busfare	232,774	276,559
	21,927,513	18,470,895

Remuneration of municipal manager

Annual Remuneration	1,098,689	1,045,839
Phone allowance	21,600	21,600
	1,120,289	1,067,439

The Municipal Manager is not entitled to any other allowances or benefits, other than phone allowance and performance bonus on meeting specified requirements. In the 2015/16 financial year no bonuses were awarded.

Remuneration of chief finance officer

Annual Remuneration	658,718	630,000
Back pay-July 2015	2,611	-
Phone allowance	7,560	6,300
	668,889	636,300

The Chief Financial Officer is not entitled to any other allowances or benefits, other than phone allowance and performance bonus on meeting specified requirements. In the 2015/16 financial year no bonuses were awarded.

Remuneration of Director Corporate Services

Annual Remuneration	658,718	630,000
Back pay-July 2015	5,222	13,663
Phone allowance	7,560	6,930
	671,500	650,593

The Director Corporate Services is not entitled to any other allowances or benefits, other than phone allowance and performance bonus on meeting specified requirements. In the the 2015/16 financial year no bonuses were awarded.

Acting Director of Community Services

Annual Remuneration	104,167	707,949
Acting Allowance	136,829	7,560
Leave days paid	-	104,151
Back pay	34,207	-
	275,203	819,660

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Figures in Rand 2016 2015

28. Employee related costs (continued)

The Director Community Services is not entitled to any other allowances or benefits, other than phone allowance and performance bonus on meeting specified requirements. In the 2015/16 financial year no bonuses were awarded.

Director Planning and Economic Development

Annual Remuneration	644,283	-
Back pay-July 2015	16,204	-
Cellphone allowance	7,560	-
	668,047	-

The Director Planning and Economic Development is not entitled to any other allowances or benefits, other than phone allowance and performance bonus on meeting specified requirements. In the 2015/16 financial year no bonuses were awarded.

29. Remuneration of councillors

Mayor	319,716	354,936
Councillor M.A. Gama	281,637	267,462
Councillor B.M. Phenyane	281,637	267,462
Councillor V.C. Ndlovu	-	267,462
Councillor T.V. Buthelezi	281,637	214,338
Councillor S.O. Nkomonde	281,637	267,462
Councillor P. Collins	245,934	214,587
Councillor N. Ndlovu	166,904	-
Other contributions	166	-
	1,859,268	1,853,709

The Salaries, allowances and benefits of councillors of Emadlangeni Local Municipality for year under review was paid in terms of Government Gazette 39548 (Upper limits of remuneration of public office bearers)

In-kind benefits

The Mayor is part-time and is provided with an office and secretarial support at the cost of the Council

The Mayor may has the use of Council owned vehicles for official duties

30. Repairs and Maintenance

Land and buildings	3,425,970	837,588
Office equipment and furniture	160,744	31,825
Machinery and equipment	99,427	40,437
Motor vehicles and plant	573,759	303,511
Road infrastructure	292,431	103,083
Electricity infrastructure	442,145	664,102
	4,994,476	1,980,546

31. Depreciation and amortisation

Property, plant and equipment	5,598,928	5,213,546
Investment property	685,853	679,328
Intangible assets	411,773	296,942
	6,696,554	6,189,816

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Figures in Rand	2016	2015
32. Impairment of assets		
Impairments		
Property, plant and equipment	320,269	15,936
	320,269	15,936
	-	-
33. Finance costs		
Non-current borrowings	92,204	98,144
34. Debt impairment		
Debt impairment	1,006,990	33,877
Contributions to debt impairment provision	-	2,141,660
	1,006,990	2,175,537
35. Bulk purchases		
Electricity	10,904,904	9,040,644
36. Contracted services		
Other Contractors	4,177,340	3,248,585
37. General expenses		
Advertising	498,711	426,559
Auditors remuneration	1,439,509	1,413,862
Bank charges	121,835	139,045
Commission paid	54,653	46,536
Consulting and professional fees	2,586,662	1,963,622
Consumables	257,831	81,167
Entertainment	69,614	10,499
Insurance	435,294	170,869
Community development and related social issues	3,111,589	1,176,602
Promotions and sponsorships	10,000	-
Motor vehicle expenses	41,892	30,582
Fuel and oil	483,564	316,465
Postage and courier	3,481	1,912
Printing and stationery	2,979	5,348
Protective clothing	81,281	-
Royalties and license fees	2,478	-
Security (Guarding of municipal property)	1,616,329	914,179
Software expenses	704,940	364,623
Subscriptions and membership fees	559,648	952,284
Telephone and fax	625,177	504,989
Training	316,882	60,974
Travel - local	1,038,983	482,650
Refuse	460	34,500
Water	149,628	105,868
General	1,860,481	2,107,039
Landfill Provision	470,303	339,663
Chemicals	-	6,713
Other expenditure	749,871	63,862
	17,294,075	11,720,412

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Notes to the Financial Statements

Figures in Rand	2016	2015
38. Auditors remuneration and Audit Committee		
Auditor Fees	1,349,811	1,271,362
Audit committee	89,698	142,500
	1,439,509	1,413,862

The members of the audit committee are Mr S. Majola(Chairperson),Mr A. Jordan, Mr B. Madliwa, Mr S. Vilakazi and Mr S. Ngwenya.

39. Operating lease

The municipality has low cost houses and flats that are leased to the public and staff. Lease rentals are based on a percentage of the lessee's income levels or on a rate below market value. These leases are cancellable at any time by either party provided that one month's notice is given and there is no fixed lease period. The related properties are included in property, plant and equipment. Operating lease income is R520 456(2015: R534 175)

40. Cash generated from operations

Surplus	13,612,732	21,431,576
Adjustments for:		
Depreciation and amortisation	6,696,554	6,189,816
Profit on sale of assets	-	11,001
Impairment deficit	320,269	15,936
Debt impairment	1,006,990	2,175,537
Movements in retirement benefit assets and liabilities	40,000	1,931,000
Movements in provisions	860,564	415,981
Deemed cost additions	-	(232,083)
Non cash deemed cost-addition	(196,735)	2
Grap 25	-	(1,700,000)
Abakus take on	-	(161,214)
Scrapped assets	246,971	-
Changes in working capital:		
Receivables from exchange transactions	47,737	(49,256)
Consumer debtors	(2,328,402)	(5,693,067)
Other receivables from non-exchange transactions	(104,768)	1,158,515
Payables from exchange transactions	1,560,715	3,551,998
VAT	(3,237,360)	(2,585,799)
Taxes and transfers payable (non exchange)	296,491	193,844
Unspent conditional grants and receipts	814,175	(2,852,427)
Consumer deposits	919	13,474
	19,636,852	23,814,834

41. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	147,030	147,030
Other receivables from non-exchange transactions	3,981,988	3,981,988
Consumer debtors	8,695,284	8,695,284
Cash and cash equivalents	21,028,481	21,028,481
Financial asset-investment	300,000	300,000
	34,152,783	34,152,783

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Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	10,183,053	10,183,053
Taxes and transfers payable (non-exchange)	490,335	490,335
Consumer deposits	164,487	164,487
Unspent conditional grants	2,707,225	2,707,225
Long term loan	807,822	807,822
	14,352,922	14,352,922

2015

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	194,767	194,767
Other receivables from non-exchange transactions	3,877,220	3,877,220
Consumer debtors	7,373,872	7,373,872
Cash and cash equivalents	27,463,226	27,463,226
Financial asset-investment	300,000	300,000
	39,209,085	39,209,085

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	8,622,330	8,622,330
Unspent grants	1,893,050	1,893,050
Consumer deposits	163,568	163,568
Long term loan	937,324	937,324
	11,616,272	11,616,272

42. Commitments

Authorised capital expenditure

Approved and contracted for

- Property, plant and equipment

17,806,784 14,645,147

Approved and not yet contracted for

- Property, plant and equipment

9,000,000 13,170,088

Total capital commitments

Approved and contracted for

17,806,784 14,758,691

Approved and not yet contracted for

9,000,000 11,400,000

26,806,784 26,158,691

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43. Contingencies

The municipality is defending various litigation and claim cases against the Municipality. The municipality's Attorney and management strongly believe that the Municipality has a strong defense. Should the litigation and claims against the municipality be successful the value of the total estimated liability of all the cases is approximately R5 850 330.52.

44. Related parties

Remuneration of key employees and councillors is disclosed in notes 25 and 26. At the time of completion of the annual financial statements, there appears to be no related party relationship in existence at year end.

45. Prior period errors

The prior year period was restated as a result of retrospective implementation of GRAP 25 in relation to Post retirement benefits-Medical aid and long service payment liability

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

Statement of financial position

Long service award provision	(802,000)	-
Post retirement-Medical aid total	(1,931,000)	-
	(2,733,000)	-
Accumulated surplus as previously reported	137,654,010	-
Adjusted-GRAP 25 implementation	134,921,009	-
Adjustment	2,733,000	-

46. Risk management

Financial risk management

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

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.

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.

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.

47. Going concern

The 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.

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48. Events after the reporting date

Subsequent to the reporting date Local Government elections were held on the 3rd of August 2016 and a new council was inaugurated on the 23rd of August 2016. The municipality now has 11 Councillors.

49. Unauthorised expenditure

Unauthorised expenditure-Operational	-	1,455,515
Unauthorised expenditure-Capital	6,564,108	-
	6,564,108	1,455,515

The municipality received additional MIG and Small Town Rehabilitation grants after finalising the adjustment budget. The intangible asset non cash transaction resulted in unauthorised expenditure. For budgeting purposes software license fees are covered under operational expenditure, however, for GRAP compliance some software licenses are capitalised.

50. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	103,068	39,342
Awaiting write off	(103,068)	(39,342)
	-	-

51. Irregular expenditure

Opening balance	2,237,836	10,365
Add: Irregular Expenditure - current year	2,260,936	2,237,836
Less: Amounts awaiting approval/condonation	-	(10,365)
	4,498,772	2,237,836

Details of irregular expenditure – current year

	Details of expenditure	
Irregular expenditure	Less than three quotations obtained	204,053
Irregular expenditure	Non compliance	600,000
Irregular expenditure	Advert period less than minimum	1,456,883
		2,260,936

52. Donation

KZN Rural horse riding association

Donation	25,000	-
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Donation towards encouraging horse riding participation in the local communities

53. Reconciliation between budget and statement of financial performance

The budget is approved on an accruals basis by nature classification. The approved budget covers the period 1 July 2015 to 30 June 2016. The budget and accounting basis are the same ie both on accruals basis therefore, financial statements and budget are on comparable basis. Accordingly a reconciliation is not necessary. The financial statements are prepared using a classification on the nature of expenses in the statement of financial statements.

Net surplus per the statement of financial performance	13,612,732	21,431,576
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54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	403,670
Current year subscription / fee	500,000	500,000
Amount paid - current year	(500,000)	(500,000)
Amount paid - previous years	-	(403,670)
	<u>-</u>	<u>-</u>

Audit fees

Current year subscription / fee	1,349,811	1,264,862
Amount paid - current year	(1,349,811)	(1,264,862)
	<u>-</u>	<u>-</u>

PAYE and UIF

Opening balance	26,088	196,523
Current year subscription / fee	3,061,357	3,183,056
Amount paid - current year	(3,042,862)	(3,353,492)
	<u>44,583</u>	<u>26,087</u>

55. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted expenditure.

56. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E 2 for the comparison of actual capital expenditure versus budgeted expenditure.

57. Deviation from supply chain management regulations

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

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

Goods and services 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. The aforesaid deviations for 2015/16 amounted to R983 054 (2014/15 R527 461.37). The deviations were also taken to council and condoned.

58. Assets subject to restrictions

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

59. Electricity Losses

Electricity losses units(kWh) lost in distribution

Electricity units(kWh) purchased	12,269,071	12,288,527
Electricity units(kWh) sold	(10,183,329)	(10,972,530)
	<u>2,085,742</u>	<u>1,315,997</u>

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59. Electricity Losses (continued)

Electricity losses for the period under review is 17% (2015: 11%)

These losses are attributable chiefly to electricity within the aging and archaic electricity network infrastructure

60. Biological Assets

Emadlangeni Municipality Game Park's main purpose is the conservation of a representative system of biodiversity encompassing fauna, flora and unique scenery within the Game Park. Emadlangeni Municipality does not manage the Game Park for reproduction of biodiversity and significant sources of revenue comprise of tourism, in the form of accommodation, game viewing and hunting fees. The municipality is involved in biological transformation of fauna and flora primarily as a service to the community for the purpose of recreational activity rather than for sale.

Biological assets are not recognised in the statement of financial position as the fair value or cost of the biological assets cannot be measured reliably due to their nature. Quantities of biological assets cannot easily be ascertained as the municipality cannot keep up with births, deaths and migrations of wildlife as dictated by seasonal and other environmental factors. However, the municipality conducts aerial game counts from time to time

As at 30 June 2016 the estimated number of biological assets are as follows: 891 Game animals (June 2015: 1052)

61. Non-compliance with MFMA

The Municipality did not comply with section 65(2)(e) of the MFMA

62. Change in estimate

GRAP 17: Property, plant and equipment requires that the review of the remaining useful life of an item of property, plant and equipment be conducted at least at each financial year end. The municipality performed this review and the following results were achieved:

Based on the condition assessment carried out during the physical verification, the remaining useful lives of 5,228 (Infrastructure 3006 and movables 2, 222) assets were reviewed based on the condition assessment carried out during the physical verification in accordance with the "Local Government Capital Asset Management Guideline" as issued by National Treasury.

The impact of the adjustment is that depreciation charges on property, plant and equipment for 2016 decreased by R 834 153.70 from R7 117 628.07 to R6 283 474.37