



Jozini Local Municipality
(Registration number KZ272)
Financial statements
for the year ended June 30, 2013
Auditor General of South Africa

Jozini Local Municipality (REGISTRATION NUMBER KZ272)

Financial Statements for the year ended June 30, 2013

General Information

Legal form of entity	Local Municipality	
Nature of business and principal activities	Service Delivery	
Members of the Executive of the Council	BN Mthethwa TS Mdluli MZ Nyawo PJ Mabuyakhulu J Siyaya DP Mabika RH Gumede NG Fakude MZ Tembe	Mayor Deputy Mayor Speaker Exco Member Exco Member Exco Member Exco Member Exco Member Exco Member
Ordinary Councillors	JE Buthelezi BZ Mngomezulu SM Mthembu M Mathe TL Mathenjwa TJ Ndlazi JM Mpontshane TZ Nyawo DM Mthembu SS Mkhize BQ Gumede ZB Ngobe BI Msweli GE Ngcamphalala ME Ndlela BS Mathenjwa BN Khumalo RN Ndlovu TP Mbamali DJ Mthembu SM Mathenjwa IO Young ML Mavundla SS Macwele GP Moodley NL Mathenjwa KB Madonsela KNC Dlamini KP Mbatha NS Myeni M Nxumalo	

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(REGISTRATION NUMBER KZ272)

Financial Statements for the year ended June 30, 2013

General Information

Grading of local authority	3
Accounting Officer	Bongumusa Ntuli
Chief Finance Officer (CFO)	Theoreen Norah Sphindile Ngiba
Registered office	Circle Street Bottom Town Jozini 3969
Postal address	Private Bag X 028 Jozini 3969
Bankers	ABSA BANK AND FNB
Auditors	Auditor General of South Africa
Attorneys	Weich n' Kriel Inc

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Financial Statements for the year ended June 30, 2013

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Abbreviations

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

Jozini Local Municipality

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Financial Statements for the year ended June 30, 2013

Approval of Annual Financial Statements

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the 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 Standards of Generally Recognised Accounting Practice (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 he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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 June 30, 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on Grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Jozini Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

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

The financial statements set out on pages 6 to 50, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

Accounting Officer
Designation

Jozini Local Municipality (REGISTRATION NUMBER KZ272)

Financial Statements for the year ended June 30, 2013

Audit Committee Report

We are pleased to present our report for the financial year ended June 30, 2013.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 5 meetings were held.

Name of member	Number of meetings attended
I.Z. Ngcobo (Chairperson)	5
D.L. Mpontshane	5
S.P. Kunene	5
Mr S. Mzimela	2

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(a) to (e) of the and MFMA .

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

The effectiveness of internal control

We are pleased to report that although internal controls were initially flawed in other respects, the council took audit committee recommendations and the controls were strengthened and became effective till the end of financial year.

Evaluation of financial statements

The audit committee has:

- reviewed the entities compliance with legal and regulatory provisions;
the financial statements in the main, fairly represents the status of the municipality

Internal audit

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

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues during the in year audit committee monitoring and oversight

Chairperson of the Audit Committee

Date: _____

Jozini Local Municipality
(REGISTRATION NUMBER KZ272)

Financial Statements for the year ended June 30, 2013

Accounting Officer's Report

The accounting officer submits his report as required in terms of the MFMA (act 56 of 2003) as the accounting officer of Jozini Municipality I am proud to present herewith annual financial statements for the period ending 30 June 2013
It is my view that the Annual financial statement fairly represent the true financial position of the entity and all the records to support the same are available for inspection.

I am of the opinion that based on the information provided to me by management and internal audit the systems of internal control provides reasonable assurance that the financial records may be relied on for the preparation and submission of these annual financial statements

I have reviewed the Municipality's cash forecast for the year ending 30 June 2013 and in light of this review and the current financial position am satisfied that the Municipality has access to adequate resources to fulfil all its obligations as required by various provisions of legislations.

The Municipal Manager.

Jozini Local Municipality
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Financial Statements for the year ended June 30, 2013

Statement of Financial Position as at June 30, 2013

Figures in rand	Note(s)	2013	2012
Assets			
Current assets			
Receivables from exchange transactions	2	2,794,438	4,763,720
VAT receivable	3	2,502,866	1,356,237
Consumer debtors	4	5,695,873	7,465,732
Cash and cash equivalents	5	30,088,577	37,025,385
		41,081,754	50,611,074
Non-current assets			
Property, plant and equipment	7	178,709,435	129,105,457
Intangible assets	8	124,444	135,283
		178,833,879	129,240,740
Total assets		219,915,633	179,851,814
Liabilities			
Current liabilities			
Payables from exchange transactions	9	15,254,248	7,747,759
Unspent conditional grants and receipts	11	21,446,239	21,368,658
Provisions	10	7,492,069	2,483,903
		44,192,556	31,600,320
Total liabilities		44,192,556	31,600,320
Net assets		175,723,077	148,251,494
Net assets			
Accumulated surplus		175,723,076	148,251,492

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Financial Statements for the year ended June 30, 2013

Statement of Financial Performance

Figures in rand	Note(s)	2013	2012
Revenue			
Revenue from exchange transactions			
Service charges	14	1,992,983	2,021,871
Rental of facilities and equipment		595,074	245,936
Licences and permits		730,650	57,800
Interest earned-outstanding account		5,118,551	3,331,824
Provisions adjustment		-	521,457
Other income	16	2,018,840	396,257
Interest received - investment		2,715,312	1,980,366
Total revenue from exchange transactions		13,171,410	8,555,511
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	13	11,910,914	10,117,061
Fines and transfers revenue			
Government grants & subsidies	15	118,420,965	115,916,792
Fines		236,875	166,747
Transfer of halls		5,839,066	-
Total revenue from non-exchange transactions		136,407,820	126,200,600
Total revenue		149,579,230	134,756,111
Expenditure			
Employee related costs	17	(30,465,752)	(23,251,688)
Remuneration of councillors	18	(7,660,908)	(7,255,447)
Depreciation and amortisation		(11,213,362)	(5,827,490)
Finance costs		(470,125)	-
Debt impairment		(563,124)	-
Allowance for Debt impairment adjustment		(15,985,944)	-
Repairs and maintenance		(3,033,845)	(1,461,080)
Contracted services		(3,040,477)	(5,802,684)
Expenditure relating to grants	19	(12,581,756)	(3,097,214)
Loss on disposal of property plant and equipment		(407,772)	(587,594)
General expenses	6	(36,684,583)	(24,128,578)
Total expenditure		(122,107,648)	(71,411,775)
Operating surplus		27,471,582	63,344,336
Surplus for the year		27,471,582	63,344,336

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Financial Statements for the year ended June 30, 2013

Statement of Changes in Net Assets

Figures in rand	Accumulated surplus
Balance at July 01, 2011	47,911,636
Changes in net assets	
Adjustmnet	41,509
Net income (losses) recognised directly in net assets	41,509
Surplus for the year	63,344,336
Total recognised income and expenses for the year	63,385,845
Fair value adjustment arising from changes in asset values	36,954,011
Total changes	100,339,856
Balance at July 01, 2012	148,251,494
Changes in net assets	
Surplus for the year	27,471,582
Total changes	27,471,582
Balance at June 30, 2013	175,723,076

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Financial Statements for the year ended June 30, 2013

Cash Flow Statement

Figures in rand	Note(s)	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		1,992,983	12,138,931
Grants		118,497,743	115,917,092
Interest received		2,715,312	1,980,366
Other receipts		14,982,460	4,719,721
		<u>138,188,498</u>	<u>134,756,110</u>
Payments			
Employee costs and councillors remuneration		(40,245,884)	(32,455,536)
Other payments		(7,321,859)	(6,993,536)
Finance costs		(470,125)	-
Grants and subsidies		(12,852,783)	(3,097,216)
Suppliers		(23,824,282)	(29,528,770)
		<u>(84,714,933)</u>	<u>(72,075,058)</u>
Net cash flows from operating activities	20	<u>53,473,565</u>	<u>62,681,052</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(60,768,924)	(52,089,172)
Proceeds from sale of property, plant and equipment	7	591,690	587,594
Purchase of intangible assets	8	(233,139)	(90,700)
Net cash flows from investing activities		<u>(60,410,373)</u>	<u>(51,592,278)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(6,936,808)</u>	<u>11,088,774</u>
Cash and cash equivalents at the beginning of the year		37,025,385	25,936,611
Cash and cash equivalents at the end of the year	5	<u>30,088,577</u>	<u>37,025,385</u>

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	600,000	1,023,000	1,623,000	1,992,983	369,983	Refer to Note 32&33
Rental of facilities and equipment	730,000	106,000	836,000	595,074	(240,926)	Refer to Note 32&33
Licences and permits	250,000	446,000	696,000	730,650	34,650	Refer to Note 32&33
Interest earned-outstanding account	-	3,687,000	3,687,000	5,118,551	1,431,551	Refer to Note 32&33
Other income	146,000	1,906,000	2,052,000	2,018,840	(33,160)	Refer to Note 32&33
Interest received - investment	2,000,000	2,460,000	4,460,000	2,715,312	(1,744,688)	Refer to Note 32&33
Total revenue from exchange transactions	3,726,000	9,628,000	13,354,000	13,171,410	(182,590)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	7,500,000	4,695,000	12,195,000	11,910,914	(284,086)	Refer to Note 32&33
Operational grants and subsidies	115,625,000	20,379,000	136,004,000	118,497,743	(17,506,257)	Refer to Note 32&33
Transfer revenue						
Fines	125,000	219,000	344,000	236,875	(107,125)	Refer to Note 32&33
Total revenue from non-exchange transactions	123,250,000	25,293,000	148,543,000	130,645,532	(17,897,468)	
Total revenue	126,976,000	34,921,000	161,897,000	143,816,942	(18,080,058)	
Expenditure						
Personnel	(28,990,000)	(2,292,000)	(31,282,000)	(30,465,752)	816,248	Refer to Note 32&33
Remuneration of councillors	(10,109,000)	353,000	(9,756,000)	(7,660,908)	2,095,092	Refer to Note 32&33
Depreciation and amortisation	(507,000)	-	(507,000)	(11,213,362)	(10,706,362)	Refer to Note 32&33
Debt impairment	(700,000)	-	(700,000)	(563,124)	136,876	Refer to Note 32&33
Repairs and maintenance	(3,310,000)	(67,000)	(3,377,000)	(2,992,058)	384,942	Refer to Note 32&33
Contracted Services	(1,600,000)	(1,895,000)	(3,495,000)	(3,024,885)	470,115	Refer to Note 32&33
Expenditure relating to grants	(12,486,000)	(4,500,000)	(16,986,000)	(12,192,589)	4,793,411	Refer to Note 32&33

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in rand						
General Expenses	(30,952,000)	(18,993,000)	(49,945,000)	(36,257,861)	13,687,139	Refer to Note 32&33
Total expenditure	(88,654,000)	(27,394,000)	(116,048,000)	(104,370,539)	11,677,461	
Operating surplus before capital expenditure	38,322,000	7,527,000	45,849,000	39,446,403	(6,402,597)	
CAPEX_externally funded	(38,472,000)	(9,266,000)	(47,738,000)	(45,844,613)	1,893,387	Refer to Note 32&33
CAPEX_Internally funded	(5,243,000)	(5,803,000)	(11,046,000)	(9,085,245)	1,960,755	Refer to Note 32&33
	(43,715,000)	(15,069,000)	(58,784,000)	(54,929,858)	3,854,142	
Deficit for the year	(5,393,000)	(7,542,000)	(12,935,000)	(15,483,455)	(2,548,455)	
	(5,393,000)	(7,542,000)	(12,935,000)	(15,483,455)	(2,548,455)	

Jozini Local Municipality

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Financial Statements for the year ended June 30, 2013

Accounting Policies

1. Basis of presentation

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

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

The Accounting policies are consistent with the previous period,

Presentation of currency

These Annual Financial Statements are presented in the South African rand, which is the functional currency of the Municipality.

Going concern assumption

These Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

Comparative information

Budget information in accordance with GRAP 1 and 24, has been provided in the face of Statement of comparison between budget and actual information.

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

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

GRAP standards issued and effective

GRAP 1-Presentation of Financial Statement (as revised in 2010)

GRAP 2-Cash flow statement (as revised in 2010)

GRAP 3-Accounting policies, Changes in accounting estimates and Errors(as revised in 2010)

GRAP 5-Borrowing Costs

GRAP 9-Revenue from Exchange Transactions (as revised in 2010)

GRAP 13-Leases (as revised in 2010)

GRAP 14-Events after the reporting date (as revised in 2010)

GRAP 17-Property plant and equipment (as revised in 2010)

GRAP 19-Provisions, contingent liabilities and Contingent assets (as revised in 2010)

GRAP 102-Intangible Assets

GRAP 20-Related party disclosures

GRAP 21-Impairment of non cash-generating assets

GRAP 23-Revenue from non-exchange transactions (taxes and Transfers)

GRAP 24-Presentation of Budget information in Financial Statements

GRAP 25-Employee Benefits

GRAP 26-Impairment of cash-generating assets

GRAP 27-Agriculture (replace GRAP 101)

GRAP 31-Intangible Assets (replace GRAP 101)

GRAP 103-Heritage Assets

GRAP 104-Financial Instruments

Improvements to Standards of GRAP

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Financial Statements for the year ended June 30, 2013

Accounting Policies

1.1 Property, plant and equipment

Initial Recognition

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

Major spare parts and servicing equipment qualify as property, plant and equipment where the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property plant and equipment.

Subsequent measurements-cost model

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

Where the municipality replaces parts of an asset, it derecognises the part of that asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

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

Classes of Assets	Average useful life
Land	
• Landfill site	15 Years
• Parkhomes	10 Years
Infrastructure	
• Buildings	30 Years
• Roads and pavements	30 Years
• Storm water drainage	20 Years
• Community assets buildings	30 Years
• Community halls	30 Years
• Libraries	30 Years
• Parkings and gardens	10 Years
• Recreational facilities	30 Years
Furniture and fixtures	
• Furniture and fittings	5 Years
• Bins and containers	5 Years
Motor vehicles	
• Other vehicles	5 Years

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Financial Statements for the year ended June 30, 2013

Accounting Policies

1.1 Property, plant and equipment (continued)

Office equipment

- | | |
|----------------------|---------|
| • Office equipment | 5 Years |
| • Computer equipment | 5Years |

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

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

1.2 Intangible assets

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

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

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

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

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

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

1.3 Financial instruments

Initial recognition and measurement

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

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

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

Regular way purchases of financial assets are accounted for at settlement date.

Subsequent measurement

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

Financial assets are categorised according to their nature as either financial assets at fair value through profit or loss, held to maturity, loans and receivable for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation as per GRAP standard 104.

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Financial Statements for the year ended June 30, 2013

Accounting Policies

1.3 Financial instruments (continued)

Investments

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

Where investments have been impaired, carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified, impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of financial performance.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables are categorised as financial assets: loans and receivables and initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairment. An estimate is made for doubtful receivables based on the review of all outstanding amounts at year end. Significant financial delinquency in payments (more than 30 days overdue) are considered indicators that trade receivables is impaired. Impairments are determined by discounting expected future cash flows to their present value. e.g. as the Municipality we have resolved by waiving the interest for all our customers should they come to prove that they are willing to pay.

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

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

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

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

Cash and cash equivalents

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

1.4 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.

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Financial Statements for the year ended June 30, 2013

Accounting Policies

1.4 Leases (continued)

Municipality as a lessee

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Operating leases - lessee

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

1.5 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.

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

1.6 Share capital / contributed capital

1.7 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

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

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

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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Accounting Policies

1.7 Employee benefits (continued)

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

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 an entity 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.

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Accounting Policies

1.8 Provisions and contingencies

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.9 Revenue

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a 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.

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.

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Financial Statements for the year ended June 30, 2013

Accounting Policies

1.10 Impairment of assets

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

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

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

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

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

1.11 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance

1.12 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.

1.13 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA 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
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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.

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Accounting Policies

1.13 Irregular expenditure (continued)

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

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

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

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

1.14 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2012 to 6/30/2013.

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

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.

1.15 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.

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Financial Statements for the year ended June 30, 2013

Accounting Policies

1.16 Retirement benefits

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

Notes to the Financial Statements

Figures in rand	2013	2012
2. Receivables from exchange transactions		
Refusal removal	10,643,030	7,593,311
Rental of facilities	520,716	-
Allowance for impairment	(8,369,308)	(2,829,591)
	2,794,438	4,763,720
3. VAT receivable		
VAT	2,502,866	1,356,237
4. Receivable from non-exchange transactions		
Gross balances		
Property rates	25,832,003	17,070,722
Staff debtors	9,000	9,000
Councillors debtors	3,832	88,745
	25,844,835	17,168,467
Less: Allowance for impairment		
Rates	(20,148,962)	(9,702,735)
Net balance		
Property Rates	5,683,041	7,367,987
Staff Debtors	9,000	9,000
Councillors Debtors	3,832	88,745
	5,695,873	7,465,732
Property Rates		
Current (0 -30 days)	1,619,775	775,073
31 - 60 days	911,437	611,242
61 - 90 days	848,441	605,747
91 - 120 days	1,526,209	696,728
121 - 365 days	20,926,141	14,381,932
	25,832,003	17,070,722
Staff Debtors		
> 365 days	9,000	9,000

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Financial Statements for the year ended June 30, 2013

4. Receivable from non-exchange transactions (continued)

Councillors Debtors

> 365 days	3,832	88,745
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Refuse removal (Receivables from exchange transaction)

Current (0 -30 days)	379,947	348,221
31 - 60 days	213,794	274,616
61 - 90 days	199,017	272,147
91 - 120 days	197,444	313,023
121 - 365 days	3,986,873	6,385,304
> 365 days	5,665,955	-
	10,643,030	7,593,311

Reconciliation of allowance for impairment non-exchange transactions

Balance at beginning of the year	(9,702,735)	(12,616,662)
Movement during the year	(10,446,227)	-
Reclassification	-	2,913,927
	(20,148,962)	(9,702,735)

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,000	46
Bank balances	8,274,804	21,696,711
Short-term deposits	21,808,773	15,328,628
	30,088,577	37,025,385

Cash and cash equivalents consist of the following

Description	Account number	Bank statement balances		Cash book balances	
		June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
FNB: Main account	62024185432	858,172	14,246,978	858,172	14,246,978
Petty cash		5,000	-	5,000	49
ABSA: Operational account	4069-6249-54	2,400,528	2,548,827	2,400,528	2,517,058
FNB: Investment	74274189205	-	5,069,666	-	5,069,666
FNB: Investment	74306527662	-	5,094,919	-	5,094,919
Grindrod: Investment	16520	47,870	72,489	47,870	72,489
Grindrod: Investment	164419	96,024	91,555	96,024	91,555
STD: Investment	268741042	5,000,488	5,070,027	5,000,488	5,070,024
Cancelled cheques		-	(158,142)	-	(158,142)
ABSA: Investment	2073276014	5,000,000	5,000,000	5,000,000	5,000,000
Cashiers collection		15,617	-	15,617	20,789
FNB: Unspent conditional grant	62406733164	16,664,878	-	16,664,878	-
Total		30,088,577	37,036,320	30,088,577	37,025,385

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Notes to the Financial Statements

Figures in rand	2013	2012
6. General expenses		
Advertising	285,295	312,488
Internal and External audit fees	2,380,166	2,121,195
Bank charges	60,000	87,020
Cleaning & teas	82,549	15,096
Consultant fees	1,611,290	2,329,642
Provision for annual bonus expense	90,741	363,896
Entertainment	246,574	166,106
Community development and training	811,466	278,375
Accomodation expenses	1,428,454	860,151
SARS:PAYE/UIF/SDL Expense	213,965	1,587,293
Licences	15,305	52,482
Fuel and oil	596,544	728,034
Printing and stationery	298,982	344,575
Publicity	363,974	513,503
Security	1,035,026	1,503,608
Subscriptions and membership fees	400,000	25,916
Telephone and postage	2,093,698	309,374
Staff training & bursaries	563,672	754,329
Subsistence and Travel	2,119,224	2,475,606
Other expenses	7,655,287	5,886,094
Provision for leave pay adjustment	49,200	-
Poverty Alleviation projects	14,283,171	3,413,795
	36,684,583	24,128,578

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Notes to the Financial Statements

Figures in rand

7. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	49,727,857	(5,058,832)	44,669,025	25,579,431	(4,051,807)	21,527,624
Motor vehicles	4,964,821	(2,114,041)	2,850,780	4,882,496	(4,181,274)	701,222
Office equipment	5,885,222	(3,379,776)	2,505,446	5,406,199	(2,917,979)	2,488,220
Infrastructure	171,549,516	(78,105,570)	93,443,946	161,626,245	(69,723,955)	91,902,290
Work-In-Progress (WIP)	35,240,238	-	35,240,238	12,486,101	-	12,486,101
Total	267,367,654	(88,658,219)	178,709,435	209,980,472	(80,875,015)	129,105,457

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	21,527,624	13,470,258	(6,223)	10,700,824	(1,023,458)	44,669,025
Motor vehicles	701,222	2,745,302	(353,130)	-	(242,615)	2,850,780
Equipment	2,488,220	1,147,676	(232,337)	-	(898,115)	2,505,446
Infrastructure	91,902,290	4,734,087	-	5,232,091	(8,794,539)	93,443,946
Work-In-Progress (WIP)	12,486,101	38,671,601	-	(15,917,464)	-	35,240,238
	129,105,457	60,768,924	(591,690)	15,451	(10,958,727)	178,709,435

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Financial Statements for the year ended June 30, 2013

Notes to the Financial Statements

Figures in rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Fair value adjustment	Depreciation	Total
Buildings	23,189,943	-	-	-	355,804	(2,018,123)	21,527,624
Motor vehicles	195,154	1,171,486	-	-	230,000	(895,418)	701,222
Office equipment	3,083,924	376,480	-	-	2,400	(974,584)	2,488,220
Infrastructure	18,251,803	38,055,105	(587,594)	1,619,588	36,365,807	(1,802,596)	91,902,290
Work-In-Progress (WIP)	1,040,596	12,486,101	-	(1,040,596)	-	-	12,486,101
	45,761,420	52,089,172	(587,594)	578,992	36,954,011	(5,690,721)	129,105,457

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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Financial Statements for the year ended June 30, 2013

Notes to the Financial Statements

Figures in rand 2013 2012

8. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software and licences	491,431	(366,987)	124,444	258,292	(123,009)	135,283

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Intangible assets	135,283	233,139	(243,979)	124,444

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Intangible assets	47,078	90,700	(2,495)	135,283

9. Payables from exchange transactions

Trade creditors		3,373,898	1,941,479
Retention and sureties held		11,880,350	5,806,280
		15,254,248	7,747,759

Jozini Local Municipality
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10. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Provision for long service award	-	780,000	-	-	780,000
Leave pay provision	1,644,594	386,858	-	-	2,031,452
Provision for landfill site	145,216	3,439,809	-	-	3,585,025
Provision for performance bonus	114,843	310,757	-	-	425,600
Provision for annual bonus	579,250	90,742	-	-	669,992
	2,483,903	5,008,166	-	-	7,492,069

- Provision for long service awards calculations were prepared by ZAQ consultants the qualified actuaries and independent valuers registered with Actuarial Society of South Africa. They carried out statutory valuation on an annual basis using a discount rate of 7.4%.
- Provision for Landfill Site was prepared by Pradeep the professional engineers for AB Projects Engineering and Management. They are registered with the engineering council of South Africa. The site is anticipated to be rehabilitated during July 2023.

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
Leave Pay Provision	1,373,648	525,249	(254,303)	1,644,594
Provision for Landfill Site	255,451	72,608	(182,843)	145,216
Provision for Performance Bonus	148,985	112,725	(146,867)	114,843
Provision for annual bonus	435,490	336,679	(192,919)	579,250
	2,213,574	1,047,261	(776,932)	2,483,903

Jozini Local Municipality
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11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Housing Grant	83,492	83,492
MIG	81,364	3,254,718
Area 17 Water Scheme	521,807	521,807
Ndumo Sports Complex	1,203,736	385,510
Establishment of Internal Control Unit	150,000	150,000
Ward Committee Induction training	23,355	23,355
Municipal Housing Sector Plan	11,775	11,775
Jozini Upgrading Projects	107,606	107,606
Fresh Produce Market	867,014	647,210
Bhambanana Town Formalization	69,365	69,365
Synergistic Program	7,224	10,882
Ubuhle Besiko Cultural Village	69,700	69,700
MPRA Transfers	-	(10,057)
Bhanjana Road	624,412	624,412
Corridor Development	1,184,150	1,184,150
Library Grant	416,789	731,104
IDP Grant	240	240
MSIG	269	139,364
LGSETA	-	185,444
Finance Management Grant	404	136,785
Sports & Recreation	-	150,000
School Crossing	-	4,680
National Electrification Grant	9,671,450	8,057,139
Development of recycling	10,730	10,730
LG Expert	22,384	22,384
Jozini Town formalization	3,921,752	1,270,987
DBSA Contribution	10,365	10,365
Implimentation of pound	74,754	850,312
Supply of Solar, Water, Geyser	2,312,102	2,665,199
	21,446,239	21,368,658

12. Total revenue

Refuse Removal	1,992,983	2,021,871
Rental of facilities and equipment	595,074	245,936
Licences and permits	730,650	57,800
Interest on debtors overdue accounts	5,118,551	3,331,824
Provisions adjustment	-	521,457
Other income	2,018,840	396,257
Interest received - investment	2,715,312	1,980,366
Property rates	11,910,914	10,117,061
Government grants & subsidies	118,420,965	115,916,792
Fines	236,875	166,747
Plan submission	5,839,066	-
	149,579,230	134,756,111

Jozini Local Municipality
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12. Total revenue (continued)

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

Refuse Removal	1,992,983	2,021,871
Rental of facilities and equipment	595,074	245,936
Licences and permits	730,650	57,800
Interest on debtors overdue accounts	5,118,551	3,331,824
Provisions adjustment	-	521,457
Other income	2,018,840	396,257
Interest received - investment	2,715,312	1,980,366
	13,171,410	8,555,511

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

Taxation revenue

Property rates	11,910,914	10,117,061
Transfer revenue		
Government grants & subsidies	118,420,965	115,916,792
Traffic Fines	236,875	166,747
Plan submission	5,839,066	-
	136,407,820	126,200,600

13. Property rates

Rates received

Residential	443,021	601,862
Commercial	3,549,983	5,512,309
Agriculture	684,151	966,478
Rural communal land	2,991,909	3,009,309
Place of worship	354	425
Public service infrastructure	9,972	7,490
Specialised properties	4,231,524	3,337,635
	11,910,914	10,117,061

14. Refuse removal

Commercial	373,334	300,001
Rural communal land	422,059	548,085
Residential	913,509	893,786
Specialised properties	284,081	279,999
	1,992,983	2,021,871

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Figures in rand	2013	2012
15. Government grants and subsidies		
Operating grants		
Equitable share	70,314,943	62,001,000
Finance management grant	1,636,381	1,343,611
Umnothophansi	780,196	-
Fresh produced market	-	6,473,606
IDP Grant	-	54,960
LGWSETA	317,128	-
Library Grant	1,150,116	898,717
MPRA transfers	-	29,240
MSIG	939,095	671,608
Supply of solar, water, gyser	1,753,097	12,334,802
School crossing Dot	13,740	20,720
Synergistic programme	3,658	38,713
Jozini town formalization	849,236	4,415,035
Corridor development	-	150,000
Implementation of pound	775,558	149,688
DBSA contribution	-	74,033
Development of recycling centres	-	24,270
	78,533,148	88,680,003
Capital grants		
National electrification programme grant	7,385,690	3,384,267
MIG	32,495,354	22,581,385
Bhanjana road	6,773	1,271,137
	39,887,817	27,236,789
	118,420,965	115,916,792
Housing grant		
Balance unspent at beginning of year	83,492	83,492
The project has been completed and an application has been submitted to COGTA to utilise the balance of the funds for the project of the similar nature.		
Municipal infrastructure grant		
Balance unspent at beginning of year	3,254,718	3,254,718
Current-year receipts	29,322,000	-
Conditions met - transferred to revenue	(32,495,354)	-
	81,364	3,254,718
This is an ongoing project		
Area 17 water scheme		
Balance unspent at beginning of year	521,807	521,807
The project has been completed and an application has been submitted to COGTA to utilise the balance of the funds for the project of a similar nature.		
Ndumo sport field		
Balance unspent at beginning of year	385,510	385,510
Current-year receipts	825,000	-
Conditions met - transferred to revenue	(6,774)	-

Jozini Local Municipality
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Financial Statements for the year ended June 30, 2013

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Figures in rand 2013 2012

15. Government grants and subsidies (continued)

	1,203,736	385,510
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There were delays in finalising the agreement between the Municipality and DSR which resulted in the procurement process only being finalised in June 2013. The project is now underway and is due for completion in October as per the SLA and project schedule. Permission has since been received from DSR to roll over the unspent grant into the 2013/2014 financial year.

Establishment of internal control unit

Balance unspent at beginning of year	150,000	150,000
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The project has been completed and an application has been submitted to COGTA to utilise the balance of the funds for the project of a similar nature.

Ward committee induction training

Balance unspent at beginning of year	23,355	23,355
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This project has been completed and an application has been submitted to COGTA to utilise the balance of the funds for a project of a similar nature.

Municipal housing sector plan

Balance unspent at beginning of year	11,775	11,775
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This project has been completed and an application has been submitted to COGTA to utilise the balance of the funds for a project of a similar nature.

Jozini upgrading project

Balance unspent at beginning of year	107,606	107,606
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This project has been completed and an application has been submitted to COGTA to utilise the balance of the funds for a project of a similar nature.

Jozini value adding centre

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

The balance of the funding is to be used for the investigation of an alternative energy source to support the JVAC, appointment of mentor for JVAC farmers on the operation of JVAC as well as the procurement of equipment to operationalise the JVAC. The new project schedule indicates that the outstanding project deliverables are due for completion at the end of December 2013.

Bhambanana town formalisation

Balance unspent at beginning of year	69,365	69,365
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The project has been completed and an application has been submitted to COGTA to utilise the balance of the funds for the project of a similar nature.

Synergistic programme

Jozini Local Municipality
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Financial Statements for the year ended June 30, 2013

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Figures in rand 2013 2012

15. Government grants and subsidies (continued)

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

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

Ubuhle besiko cultural village

Balance unspent at beginning of year	69,700	69,700
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The initial project has now been completed the municipality is awaiting for approval of additional fund to complete phase two of the project which is the construction process, the balance of the funds will be utilised for that purpose.

MPRA

Balance unspent at beginning of year	(10,057)	(10,057)
Other	10,057	-
	-	(10,057)

The grant was overspent and a portion balance was voted against equitable share.

Bhanjana road

Balance unspent at beginning of year	624,412	624,412
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The project has been completed and an application has been submitted to COGTA to utilise the balance of the funds for the project of a similar nature.

Umnothophansi Ndumo and maize milling project

Balance unspent at beginning of year	1,184,150	1,184,150
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The project has been temporarily place on hold by the funders COGTA.

Library grant

Balance unspent at beginning of year	731,104	731,104
Current-year receipts	835,800	-
Conditions met - transferred to revenue	(1,150,115)	-
	416,789	731,104

The operational requirements of the library are continuous in nature and permission to roll over the funding into 2013/2014 financial year has been received from the department of arts and culture.

IDP grant

Balance unspent at beginning of year	240	850,552
Conditions met - transferred to revenue	-	(850,312)
	240	240

These are savings from the IDP grant.

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Figures in rand 2013 2012

15. Government grants and subsidies (continued)

MSIG grant

Balance unspent at beginning of year	139,364	139,364
Current-year receipts	800,000	-
Conditions met - transferred to revenue	(939,095)	-
	269	139,364

This grant was fully spent on the 2012/2013 financial year and the remaining balance are the savings.

LGSETA

Balance unspent at beginning of year	185,444	185,444
Other	(185,444)	-
	-	185,444

These were initially claims from LGSETA and not grants in their nature therefore had to remove from list of grants to income and expenditure.

FMG

Balance unspent at beginning of year	136,785	136,785
Current-year receipts	1,500,000	-
Other	(1,636,381)	-
	404	136,785

FMG grant was fully spent during the 2012/2013 financial year.

Sports and recreation

Balance unspent at beginning of year	150,000	150,000
Other	(150,000)	-
	-	150,000

The grant of R150 000 for Ndumo sports field was mistakenly allocated to Sports and recreation vote and reallocation was effected during the 2012/2013 financial year.

Department of transport grant

Balance unspent at beginning of year	4,680	4,680
Other	(4,680)	-
	-	4,680

School crossing Department of transport is not a grant in its nature, we have employed patrollers to assist school children to cross over the main road and we pay them and claim back from the Department of transport.

Intergrated national electrification

Balance unspent at beginning of year	8,057,139	8,057,139
Current-year receipts	9,000,000	-
Conditions met - transferred to revenue	(7,385,689)	-
	9,671,450	8,057,139

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Financial Statements for the year ended June 30, 2013

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15. Government grants and subsidies (continued)

There have been delays with the commencement of this project however all procurement processes have since been concluded engineers are busy designing and surveying and they are currently awaiting final approval from Eskom.

Development of recycling centre

Balance unspent at beginning of year	10,730	10,730
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The project has been completed and an application has been submitted to COGTA to utilise the balance of funds for the project of a similar nature.

LG expert

Balance unspent at beginning of year	22,384	22,384
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The project has been completed and an application has been submitted to COGTA to utilise the balance of the funds for the project of a similar nature.

Jozini town formalisation Nodal town expansion and Jozini street lighting

Balance unspent at beginning of year	1,270,987	1,270,987
Current-year receipts	3,500,000	-
Other	(849,235)	-
	3,921,752	1,270,987

There were delays in finalising the funding agreement between the municipality and COGTA which resulted in procurement processes only being finalised in April 2013. Both projects namely Nodal expansion and street lighting are now underway and nodal expansion projects are due for completion in October as per the SLA and project schedule and street lighting project due for completion on 30 June 2014 since surveys have been completed and now busy with design stage. Permissions have since been received from COGTA to roll over the unspent grant into 2013/2014 financial year.

DBSA contribution

Balance unspent at beginning of year	10,365	10,365
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The project has been completed and an application has been submitted to COGTA to utilise the balance of the fund for the project of a similar nature.

Implementation of pound

Balance unspent at beginning of year	850,312	850,312
Conditions met - transferred to revenue	(775,558)	-
	74,754	850,312

The construction of the animal pound has now been completed an application to rollover and utilise the balance of the fund for the operational requirements of the pound during the 2013/2014 financial year has since been received from COGTA.

Supply of water,solar, gyser

Balance unspent at beginning of year	2,665,199	2,665,199
Current-year receipts	1,400,000	-
Other	(1,753,097)	-
	2,312,102	2,665,199

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Figures in rand	2013	2012
15. Government grants and subsidies (continued)		
The project is completed and the project manager is due to submit the close out report. An application is to be submitted to DME to utilise the balance remaining on the project.		
16. Other income		
Miscellaneous	7,198	245,271
Hall hire	29,953	26,267
Non-refundable Group life	193,391	8,088
Commission received	36,832	4,172
Library	13,902	7,444
Sale of tender documents	136,324	89,343
Clearance certificates issued	900	1,104
Penalties	462	2,810
Ashbin waste management fund	6,260	11,758
Penalties	1,286,358	-
Employees cellphone deductions	284,369	-
Discount received	20,173	-
Commission for sale of coffins	2,718	-
	2,018,840	396,257

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Figures in rand	2013	2012
17. Employee related costs		
Salaries & wages	19,887,622	15,222,299
Bonus	1,067,638	866,665
Medical aid - company contributions	940,265	790,025
UIF	137,793	121,856
SDL	189,878	179,600
Leave pay provision charge	1,058,144	316,883
Defined contribution plan	3,055,160	1,832,419
Travel, motor car, accommodation, subsistence and other allowances	1,326,309	1,633,321
Overtime payments	527,302	156,861
Acting allowances	5,499	133,249
Housing benefits and allowances	144,868	109,997
Cellphone allowance	198,603	165,951
Long-term benefits - incentive scheme	1,926,671	1,722,562
	30,465,752	23,251,688

- 2011/2012 employee related cost included Speakers salary, Deputy mayor salary, council skills development levy and council subsistence and travel. This was accordingly rectified and the comparative amount restated in 2012/2013.

Remuneration of Municipal Manager

Annual Remuneration	292,834	578,968
Car Allowance	156,917	363,532
Performance Bonuses	-	27,695
Contributions to UIF, Medical and Pension Funds	192,589	1,490
Other	31,499	116,924
	673,839	1,088,609

The Municipal Manager was only appointed in December 2012 hence the reduction from previous year.

Remuneration of Chief Finance Officer

Annual Remuneration	262,500	548,618
Car Allowance	139,417	302,637
Performance Bonuses	-	48,907
Contributions to UIF, Medical and Pension Funds	86,796	1,497
Other	52,849	72,229
	541,562	973,888

The CFO was only appointed in December 2012 hence the reduction from previous year.

Remuneration of Director Technical and planning

Annual Remuneration	187,347	548,618
Car Allowance	95,114	285,342
Performance Bonuses	-	800
Contributions to UIF, Medical and Pension Funds	86,733	1,497
Other	3,763	237,224
	372,957	1,073,481

Executive director Technical and Planning contract came to an end in September 2012. the post was only filled in August 2013 hence the reduction.

Remuneration of Director of Corporate and Community Services

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Figures in rand	2013	2012
17. Employee related costs (continued)		
Annual Remuneration	363,503	548,618
Car Allowance	143,778	285,342
Performance Bonuses	-	24,454
Contributions to UIF, Medical and Pension Funds	64,750	1,497
Other	134,849	178,088
	706,880	1,037,999

Executive director Corporate and Community contract was terminated in July 2012 and the new Executive director was only appointed on November 2012 hence the reduction from the previous year

18. Remuneration of councillors

Mayor's allowance	448,900	328,448
Deputy Mayor	211,759	126,897
Executive Committee	1,188,197	940,654
Speaker	387,008	766,525
Ordinary Councillors	5,425,044	5,092,923
	7,660,908	7,255,447

- 2011/2012 councillors remuneration were understated with Speaker's salary, councillors Substance and Travel, councillors Skills development levy and Employee related cost was overstated with the same. these were re-classified accordingly and the amounts were restated in 2012/2013 financial year.

In-kind benefits

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

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

The Mayor has two full-time bodyguards .

19. Expenditure relating to grants

Expenditure relating to grants		
FMG grant	1,462,330	1,348,835
Ndumo Sport Field	6,773	-
IDP grant	-	54,960
Library grant	856,248	907,668
MSIG grant	939,095	671,608
Property rates grant	-	29,240
School crossing DOT	32,970	20,720
Synergistic	122,374	39,913
Development of recycling centres	-	24,270
Jozini town formalization	503,861	-
LGWSETA	9,576	-
Solar water geysers	1,753,097	-
Electricity reticulation	6,895,432	-
	12,581,756	3,097,214

The description grants and subsidies paid have been changed to reflect expenditure relating to grants in the 2012/2013 due to the fact that the Municipality does not issue any grants and subsidies to the stakeholders.

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Notes to the Financial Statements

Figures in rand	2013	2012
20. Net cash flow from operating activities		
Surplus	27,471,582	63,344,336
Adjustments for:		
Depreciation and amortisation	11,213,362	5,827,490
Debt impairment	563,124	-
Movements in provisions	5,008,166	185,990
Other non-cash items	(396,127)	(587,594)
Changes in working capital:		
Receivables from exchange transactions	1,969,282	(3,285,863)
Consumer debtors	1,206,735	(5,763,328)
Payables from exchange transactions	7,506,489	3,440,324
(Increase)/decrease in VAT	(1,146,629)	2,019,179
Unspent conditional grants and receipts	77,581	(2,499,482)
	53,473,565	62,681,052

21. Commitments

Authorised capital expenditure

Commitments in respect of expenditure

• Approved but not yet contracted for	11,794,550	689,620
• Approved and contracted for	20,955,346	15,969,108
	32,749,896	16,658,728

This expenditure will be financed from

• MIG and Provincial Grants	32,749,896	16,658,728
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	540,064	537,472
- in second to fifth year inclusive	225,546	398,357
	765,610	935,829

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

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22. Contingencies

Contingent liabilities

Matter	Name of claimant	Date of claim	Possible Liability	Progress on claim	Total
Unlawful arrest and assault	Mr Mthembu & Mr Ngcamphalala	-	90,000	Awaiting claimant to apply for trial date	90,000
Donation of land	Ingwavuma and Ubombo Properties	-	50,000	Awaiting final documentation and settlements of agreements	50,000
Breach of contracts	Mothey consulting engineers	-	1,200,000	Awaiting trial date	1,200,000
Application to compel reinstatement of agreement	Metroprojects Development (pty) LTD	-	250,000	Awaiting for date for hearing of final agreement	250,000
VAT Services	Preson investments (pty) LTD	-	3,500,000	Claimant issued summons, plea to be lodged in week 2 to 6 September 2013	3,500,000
Appeal PDF Application	Shell SA & J. Senekal	-	30,000	Awaiting final decision of the appeal tribunal	30,000
Contract	Nkombankombane General Trading cc	-	300,000	Awaiting Trial dates	300,000
Breach of contracts	Inhloso Planning	-	350,000	Applied for rescission of judgement trial date is 26 September 2013	350,000
			5,770,000		5,770,000

23. Prior year error

As disclosed in the previous financial year 2011/2012 the total net asset amount has been calculated erroneously due to a casting error. This has been adjusted and restated in the 2012/2013 financial year

The effect on the adjustment is as follows:

Statement of financial position

Prior Opening balance	-	148,209,984
Add: adjustment	-	41,509
	-	148,251,493

During the year ended 30 June 2012, the installation of gysers were erroneously capitalised as assets instead of being expensed as it does not meet the definition of the asset as per GRAP 17

The comparative amount has been restated as follows

Statement of Financial position

Assets: solar, water, gysers - (1,753,097)

Statement of Financial performance

Expenses: solar, water, gysers - 1,753,097

- -

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23. Prior year error (continued)

Correction of an error on long service award which was erroneously omitted during the 2011/ 2012 financial year. Evaluation on the the liability for long service have been calculated by the actuaries as disclosed in the actuarial report. The present value of the funded obligations is R780 000.00

The movements in the defined benefit obligations have been consequently restated as follows

Statement of Financial position

Liability: provision for Long service award	-	169,000
Statement of Financial Performance		
Expense: Current Service & interest cost	-	(169,000)
Statement of Changes in net assets		
	-	-

2011/2012 Coucillors remuneration were understated with Speaker's salary, Councillors subsistence and travel, councillors skills development, levy and employee related cost and general expenditure were overstated with the same. These were reclassified accordingly and the amounts were restated in 2012/2013 financial year

Statement of Financial performance

Employee related cost opening balance	-	26,666,179
Adjustment	-	(1,399,431)
Councillors remuneration opening balance	-	5,789,357
Adjustment from employee related cost	-	1,399,431
Adjustment adjustment from general expenditure	-	66,659
General expenditure opening balance	-	22,180,175
Adjustment to Councillors remuneration	-	(66,659)
Statement of Financial position		
Accumulated surplus(effect on net asset)	-	(25,266,748)
Accumulated surplus(effect on net assets)	-	(7,255,447)
Accumulated surplus(effect on net assets)	-	(22,113,516)
	-	-

24. Unauthorised expenditure

Unauthorised expenditure	1,285,023	1,285,023
Less approved by Council or condoned	(1,285,023)	-
	-	1,285,023

25. Deviation from SCM procedures (in terms of section 36) of Municipal supply chain management regulation

Deviations

Opening	469,507	-
Add: SCM deviations during the year	2,689,699	469,507
	3,159,206	469,507

26. Irregular expenditure

Opening balance	46,071,499	1,654,156
Add: Forensic Audit findings	-	40,922,652
Add: SCM findings by AG	-	3,494,691
Add: Irregular expenditure internal audit contract	170,000	-
	46,241,499	46,071,499

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Financial Statements for the year ended June 30, 2013

Notes to the Financial Statements

Figures in rand	2013	2012	
27. Additional disclosure in terms of Municipal Finance Management Act			
Audit fees			
Internal audit fees	1,275,324	804,764	
External audit fees	1,104,842	2,121,195	
	2,380,166	2,925,959	
VAT			
VAT receivable	2,502,866	1,356,237	
All VAT returns have been submitted by the due date throughout the year.			
28. Rental of facilities and equipment			
Facilities and equipment			
Rental of facilities	16,500	-	
29. Related parties			
Relationships			
Consist of councillors			
The Municipal Mayor	Refer to note 18		
The Deputy Mayor	Refer to note 18		
The Speaker	Refer to note 18		
Executive council members	Refer to note 18		
Ordinary councillors	Refer to note 18		
The Municipal Manager	refer to note 17		
Executive director corporate and community	refer to note 17		
Executive director technical and planning	refer to note 17		
Chief financial officer	refer to note 17		
The following councillors had arrear account outstanding for more than 90 days at June 30, 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
GP MOODLEY TRUST-TRUSTEES ACC 329065707	15,915	353,712	369,627
CLLR SS MACWELE	-	3,832	3,832
	15,915	357,544	373,459
Compensation to accounting officer and other key management			
Long-term benefits - incentive scheme		(1,926,671)	(1,722,562)
30. Investment revenue			
Interest revenue			
Interest received - other		2,715,312	1,980,366

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31. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

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, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

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

32. Reconciliation of actual amount on comparable basis to financial statements

Heading	Operating	Investing	Reference	Actual amount on comparable basis as presented in the budget and actual comparative statement	Total
Actual profit on comparable basis	-	-		(15,483,455)	(15,483,455)
Revenue from non-exchange transaction	5,839,066	-		-	5,839,066
Government grants	(76,778)	-		-	(76,778)
Finance cost	(470,125)	-		-	(470,125)
Allowance for impairment adjustment	(15,985,944)	-		-	(15,985,944)
Repairs and maintenance	(41,787)	-		-	(41,787)
Contracted services	(15,592)	-		-	(15,592)
Expenditure relating to grants	(389,167)	-		-	(389,167)
Loss on disposal of PPE	-	(407,772)		-	(407,772)
General expenditure	(426,722)	-		-	(426,722)
Capital expenditure	-	-		54,929,858	54,929,858
	(11,567,049)	(407,772)		39,446,403	27,471,582

The budgeting basis as applied by the Jozini Local Municipality covering the period 1 July 2012 to 30 June 2013 has been prepared using both cash and accrual basis, with all the internally generated funding budgeted for on accrual basis whilst the externally generated funding is budgeted for on the cash basis. The operational expenses are also budgeted for using the cash basis.

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Financial Statements for the year ended June 30, 2013

Notes to the Financial Statements

32. Reconciliation of actual amount on comparable basis to financial statements (continued)

Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:

Operating activities

Actual amount as presented in the budget statement	53,473,565	62,681,052
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Investing activities

Actual amount as presented in the budget statement	(60,410,373)	(51,592,278)
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Net cash generated from operating, investing and financing activities	(6,936,808)	11,088,774
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Jozini Local Municipality
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Financial Statements for the year ended June 30, 2013

Notes to the Financial Statements

33. Comparison between budget and actual

Statement of Financial performance	Original Budget	Budget adjustment	Final Adjustment	Actual outcome	Variance	Reason for variance
Property rates	7,500,000	4,695,000	12,195,000	11,910,914	(284,086)	The variance is due to the write offs on protected areas as a result of the fact that they are exempted by national legislation and at the time of budget we were not aware of this exemption
Service Charges	600,000	1,023,000	1,623,000	1,992,983	369,983	The Municipality collected more than budgeted for this is partially due to the interest waiving initiative which was introduced to encourage debtors collection.
Rental of Facilities and Equipment	730,000	106,000	836,000	595,074	(240,926)	The variance is a result of pending lease agreements to be finalised with the tenants(government departments) that are occupying the Thusong centre.
Licences and permits	250,000	446,000	696,000	730,650	34,650	
Interest earned-Outstanding account	-	3,687,000	3,687,000	5,118,551	1,431,551	The variance is a result of increased number of outstanding debtors
Other income	146,000	1,906,000	2,052,000	2,018,840	(33,160)	
Interest received-investment	2,000,000	2,460,000	4,460,000	2,715,312	(1,744,688)	There was over optimistic projection of anticipated interest from investments, cautioned to be exercised in projection of revenue from investments.
Grants received	115,625,000	20,379,000	136,004,000	118,497,743	(17,506,257)	The variance is largely as a result of withholding of the equitable share and over estimation of the library grant.

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Notes to the Financial Statements

33. Comparison between budget and actual (continued)

Fines	125,000	219,000	344,000	236,875	(107,125)	There was also an over optimistic projection of anticipated income from fines, couitioned to be excercised in future in projection of revenue from fines.
Subtotal	126,976,000	34,921,000	161,897,000	143,816,942	(18,080,058)	-
Employee related cost	(28,990,000)	(2,292,000)	(31,282,000)	(30,465,752)	816,248	The variance is by and large as a result of vacant posts that remained unfilled as at 30 June 2013.
Remuneration of councillors	(10,109,000)	353,000	(9,756,000)	(7,660,908)	2,095,092	The variance is due to the fact that the Municipality had budgeted more than the percentage approved by the National Minister for coucillors.
Depreciation	(507,000)	-	(507,000)	(11,202,706)	(10,695,706)	The variance is due to the gross under budgeting for depreciation
Impairment loss	(700,000)	-	(700,000)	(563,124)	136,876	
Repairs and maintenance	(3,310,000)	(67,000)	(3,377,000)	(2,992,058)	384,942	The variance is due to the fact that there were portions of repairs and maintenance which were not implemented during the 2012/2013 financial year.
Contracted Services	(1,600,000)	(1,895,000)	(3,495,000)	(3,024,885)	470,115	The Municipality utilised fewer consultants during the 2012/13 financial year hence the actual expenditure less that the originally projected.

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Notes to the Financial Statements

33. Comparison between budget and actual (continued)

Expenditure relating to grants	(12,486,000)	(4,500,000)	(16,986,000)	(12,192,589)	4,793,411	The expenditure relating to grants includes the major grants such as corridor development, town formalisation and the solar, water, gysers. the reason for variances between the budgeted and the actual is largely due to the fact that the solar, water, gysers has now been completed whilst whilst the corridor development project has been put on hold and no expenditure has been incurred in this regard.
General expenses	(30,952,000)	(18,993,000)	(49,945,000)	(35,890,861)	14,054,139	The reason for variances was due to the late implementation of the poverty alleviation projects.
Operating Surplus/Capital budget	38,322,000	7,527,000	45,849,000	39,824,059	(6,024,941)	
	Approved budget	Adjustment budget	Final budget	Actual amounts	Variance	Reasons for variances
Capital expenditure	(43,715,000)	(15,069,000)	(58,784,000)	(54,929,858)	3,854,142	The difference between final and actual is due to the retentions held for Capital projects implemented during the 2012/2013 financial year.
Subtotal	(43,715,000)	(15,069,000)	(58,784,000)	(54,929,858)	3,854,142	-
	(43,715,000)	(15,069,000)	(58,784,000)	(54,929,858)	3,854,142	

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Financial Statements for the year ended June 30, 2013

Notes to the Financial Statements

34. Comparison between original budget and budget adjustment

Statement of Financial performance	Original Budget	Budget adjustment	Final Adjustment	Reason for variance
Property rates	7,500,000	4,695,000	12,195,000	There was an under estimation of property rates budgeted between the various categories as per the Valuation roll
Service Charges	600,000	1,023,000	1,623,000	The budget for service charges did not account for the approved tariff of charges hence the adjustment.
Rental of Facilities and Equipment	730,000	106,000	836,000	Not all facilities such as Thusong centre were considered in the budget for rental of facilities and equipment revenue.
Licences and permits	250,000	446,000	696,000	The licencing centre only became operational after the budget approval process.
Interest earned-Outstanding account	-	3,687,000	3,687,000	Interest on outstanding account was not budgeted for in the 2012/2013 approved budget
Other income	146,000	1,906,000	2,052,000	The difference was mainly as a result of income categories such as bid documents, planning income, enforcement of building regulations resulting in penalties all which were not considered during the budget.
Interest received-investment	2,000,000	2,460,000	4,460,000	The revision was a result of the frequent investment of short term capital
Grants received	115,625,000	20,379,000	136,004,000	Additional grants which includes Jozini town formalisation and Fresh produced market were received during the financial year hence were not budgeted for.
Fines	125,000	219,000	344,000	The revenue received during the first course of the year was the basis for adjusting the fines projections upwards
Subtotal	126,976,000	34,921,000	161,897,000	-

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Financial Statements for the year ended June 30, 2013

Notes to the Financial Statements

34. Comparison between original budget and budget adjustment (continued)

Employee related cost	(28,990,000)	(2,292,000)	(31,282,000)	This was due to the revision of the organisational structure in creation of the additional post
Remuneration of councillors	(10,109,000)	353,000	(9,756,000)	The MEC approval was below the budgeted estimates for councillors remuneration.
Depreciation	(507,000)	-	(507,000)	
Impairment loss	(700,000)	-	(700,000)	
Repairs and maintenance	(3,310,000)	(67,000)	(3,377,000)	
Contracted Services	(1,600,000)	(1,895,000)	(3,495,000)	There was an under budget of contracted services during the the budget process
Expenditure relating to grants	(12,486,000)	(4,500,000)	(16,986,000)	The expenditure relating to grants is a result of additional grant funding received for town formalisation & Fresh produced market
General expenses	(30,952,000)	(18,993,000)	(49,945,000)	General expenses was largely due to the change of priorities & investment in initiatives such as job expansion & poverty alleviation
Operating Surplus/Capital budget	38,322,000	7,527,000	45,849,000	
	Approved budget	Adjustment budget	Final budget	Reasons for variances
Capital expenditure	(43,715,000)	(15,069,000)	(58,784,000)	Capital expenditure was due to vigorous investment in infrastructure projects
Subtotal	(43,715,000)	(15,069,000)	(58,784,000)	-
	(43,715,000)	(15,069,000)	(58,784,000)	