



Emadlangeni Municipality  
Financial statements  
for the year ended 30 June 2015

# Emadlangeni Municipality

(Registration number KZN253)

Financial Statements for the year ended 30 June 2015

## General Information

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|                                                    |                                                                                                                                                              |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Legal form of entity</b>                        | Municipality                                                                                                                                                 |
| <b>Nature of business and principal activities</b> | Local Government                                                                                                                                             |
| Mayor                                              | Councillor J.G Zikhali(Deceased 20 June 2015)                                                                                                                |
| Councillors                                        | Councillor B.M. Phengane<br>Councillor M.A. Gama<br>Councillor P. Collins<br>Councillor S.O. Nkomonde<br>Councillor V.C. Ndlovu<br>Councillor T.V. Buthelezi |
| <b>Grading of local authority</b>                  | Grade 1                                                                                                                                                      |
| <b>Accounting Officer</b>                          | G.P.N. Ntshangase                                                                                                                                            |
| <b>Chief Finance Officer (CFO)</b>                 | W. Mtusva                                                                                                                                                    |
| <b>Registered office</b>                           | 34 Voor Street<br>Utrecht<br>2980                                                                                                                            |
| <b>Postal address</b>                              | P.O. Box 11<br>Utrecht<br>2980                                                                                                                               |
| <b>Bankers</b>                                     | Standard Bank                                                                                                                                                |
| <b>Auditors</b>                                    | Auditor General SA                                                                                                                                           |
| <b>Attorneys</b>                                   | Xaba Attorneys                                                                                                                                               |

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### Abbreviations

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

# Emadlangeni Municipality

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Financial Statements for the year ended 30 June 2015

## Accounting Officer's Responsibilities and Approval

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

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

The financial statements set out on pages 5 to 55, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on by:

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**G.P.N Ntshangase**  
**Municipal Manager**

# **Emadlangeni Municipality**

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# Emadlangeni Municipality

(Registration number KZN253)

Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

| Figures in Rand                                         | Note(s) | 2015               | 2014<br>Restated*  |
|---------------------------------------------------------|---------|--------------------|--------------------|
| <b>Assets</b>                                           |         |                    |                    |
| Current Assets                                          |         |                    |                    |
| Receivables from exchange transactions                  | 10&13   | 194 767            | 145 511            |
| Receivables from non-exchange transactions              | 13      | 3 877 219          | 5 035 734          |
| VAT receivable                                          | 11      | 1 550 319          | -                  |
| Receivables from exchange transactions-Consumer debtors | 12      | 7 373 872          | 3 856 342          |
| Financial Asset-Investments                             | 9       | 300 000            | -                  |
| Cash and cash equivalents                               | 14      | 27 463 226         | 25 923 724         |
|                                                         |         | <b>40 759 403</b>  | <b>34 961 311</b>  |
| Non-Current Assets                                      |         |                    |                    |
| Investment property                                     | 3       | 43 888 592         | 44 431 880         |
| Property, plant and equipment                           | 4       | 71 931 959         | 55 697 623         |
| Intangible assets                                       | 5       | 366 674            | 117 778            |
| Heritage assets                                         | 6       | 1 490 001          | 1 490 001          |
|                                                         |         | <b>117 677 226</b> | <b>101 737 282</b> |
| Non-Current Assets                                      |         | 117 677 226        | 101 737 282        |
| Current Assets                                          |         | 40 759 403         | 34 961 311         |
| <b>Total Assets</b>                                     |         | <b>158 436 629</b> | <b>136 698 593</b> |
| <b>Liabilities</b>                                      |         |                    |                    |
| Current Liabilities                                     |         |                    |                    |
| Payables from exchange transactions                     | 18      | 8 622 330          | 5 070 342          |
| Taxes and transfers payable (non-exchange)              |         | 193 844            | -                  |
| VAT payable                                             |         | -                  | 1 035 480          |
| Consumer deposits                                       | 19      | 163 568            | 150 094            |
| Unspent conditional grants and receipts                 | 15      | 1 893 050          | 4 745 477          |
| Provisions                                              | 16      | 1 467 246          | 1 390 929          |
| Current portion of the long term loan                   | 17      | 129 502            | 124 511            |
|                                                         |         | <b>12 469 540</b>  | <b>12 516 833</b>  |
| Non-Current Liabilities                                 |         |                    |                    |
| Provisions                                              | 16      | 7 505 257          | 7 165 593          |
| long term loan                                          | 17      | 807 822            | 863 441            |
|                                                         |         | <b>8 313 079</b>   | <b>8 029 034</b>   |
| Non-Current Liabilities                                 |         | 8 313 079          | 8 029 034          |
| Current Liabilities                                     |         | 12 469 540         | 12 516 833         |
| <b>Total Liabilities</b>                                |         | <b>20 782 619</b>  | <b>20 545 867</b>  |
| Assets                                                  |         | 158 436 629        | 136 698 593        |
| Liabilities                                             |         | (20 782 619)       | (20 545 867)       |
| <b>Net Assets</b>                                       |         | <b>137 654 010</b> | <b>116 152 726</b> |
| Accumulated surplus                                     |         | 137 654 010        | 116 152 726        |

\* See Note 42

# Emadlangeni Municipality

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Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

| Figures in Rand                                     | Note(s) | 2015                | 2014<br>Restated*   |
|-----------------------------------------------------|---------|---------------------|---------------------|
| <b>Revenue</b>                                      |         |                     |                     |
| <b>Revenue from exchange transactions</b>           |         |                     |                     |
| Service charges                                     | 21      | 13 340 405          | 12 934 177          |
| Rental of facilities and equipment                  | 22      | 1 096 805           | 981 554             |
| Licences and permits                                |         | 947 051             | 1 096 783           |
| Other income                                        |         | 957 707             | 2 056 143           |
| Interest received - investment                      | 23      | 1 293 463           | 1 292 905           |
| <b>Total revenue from exchange transactions</b>     |         | <b>17 635 431</b>   | <b>18 361 562</b>   |
| <b>Revenue from non-exchange transactions</b>       |         |                     |                     |
| <b>Taxation revenue</b>                             |         |                     |                     |
| Property rates                                      | 24      | 13 183 978          | 12 558 758          |
| Property rates - penalties imposed                  | 24      | 1 770 661           | 1 533 958           |
| <b>Transfer revenue</b>                             |         |                     |                     |
| Government grants & subsidies                       | 25      | 43 393 523          | 35 066 474          |
| Fines, Penalties and Forfeits                       |         | 242 208             | 315 621             |
| <b>Total revenue from non-exchange transactions</b> |         | <b>58 590 370</b>   | <b>49 474 811</b>   |
|                                                     |         | 17 635 431          | 18 361 562          |
|                                                     |         | 58 590 370          | 49 474 811          |
| <b>Total revenue</b>                                | 20      | <b>76 225 801</b>   | <b>67 836 373</b>   |
| <b>Expenditure</b>                                  |         |                     |                     |
| Employee related costs                              | 26      | (18 239 895)        | (17 044 061)        |
| Remuneration of councillors                         | 27      | (1 853 709)         | (1 743 871)         |
| Depreciation and amortisation                       | 28      | (6 189 816)         | (5 760 693)         |
| Impairment loss/ Reversal of impairments            | 29      | (15 936)            | (370 250)           |
| Finance costs                                       | 30      | (98 144)            | (102 872)           |
| Debt Impairment                                     | 31      | (2 175 537)         | (2 104 696)         |
| Repairs and maintenance                             |         | (1 980 547)         | (1 769 958)         |
| Bulk purchases                                      | 32      | (9 040 644)         | (8 321 427)         |
| Contracted services                                 | 33      | (3 248 585)         | (3 397 661)         |
| General Expenses                                    | 34      | (11 720 411)        | (11 675 728)        |
| <b>Total expenditure</b>                            |         | <b>(54 563 224)</b> | <b>(52 291 217)</b> |
| Total revenue                                       |         | 76 225 801          | 67 836 373          |
| Total expenditure                                   |         | (54 563 224)        | (52 291 217)        |
| <b>Operating surplus</b>                            |         | <b>21 662 577</b>   | <b>15 545 156</b>   |
| Surplus before taxation                             |         | 21 662 577          | 15 545 156          |
| Taxation                                            |         | -                   | -                   |
| <b>Surplus for the year</b>                         |         | <b>21 662 577</b>   | <b>15 545 156</b>   |

\* See Note 42

# Emadlangeni Municipality

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## Statement of Changes in Net Assets

| Figures in Rand                          | Accumulated surplus | Total net assets   |
|------------------------------------------|---------------------|--------------------|
| <b>Balance at 01 July 2013</b>           | <b>100 607 570</b>  | <b>100 607 570</b> |
| Changes in net assets                    |                     |                    |
| Surplus for the year                     | 15 545 156          | 15 545 156         |
| Total changes                            | 15 545 156          | 15 545 156         |
| <b>Restated* Balance at 01 July 2014</b> | <b>116 152 647</b>  | <b>116 152 647</b> |
| Changes in net assets                    |                     |                    |
| Surplus for the year                     | 21 662 577          | 21 662 577         |
| Abakus taken on balances                 | (161 214)           | (161 214)          |
| Total changes                            | 21 501 363          | 21 501 363         |
| <b>Balance at 30 June 2015</b>           | <b>137 654 010</b>  | <b>137 654 010</b> |

\* See Note 42



# Emadlangeni Municipality

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## Cash Flow Statement

| Figures in Rand                                             | Note(s) | 2015                | 2014<br>Restated*   |
|-------------------------------------------------------------|---------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                 |         |                     |                     |
| <b>Receipts</b>                                             |         |                     |                     |
| Sale of goods and services                                  |         | 22 509 333          | 22 634 315          |
| Grants                                                      |         | 40 541 000          | 28 250 000          |
| Interest income                                             |         | 1 293 463           | 1 292 905           |
| Other receipts                                              |         | 1 866 503           | 3 230 277           |
|                                                             |         | 66 210 299          | 55 407 497          |
| <b>Payments</b>                                             |         |                     |                     |
| Employee costs                                              |         | (20 017 287)        | (23 933 176)        |
| Suppliers                                                   |         | (22 280 034)        | (19 283 968)        |
| Finance costs                                               |         | (98 144)            | (102 872)           |
|                                                             |         | (42 395 465)        | (43 320 016)        |
| Total receipts                                              |         | 66 210 299          | 55 407 497          |
| Total payments                                              |         | (42 395 465)        | (43 320 016)        |
| <b>Net cash flows from operating activities</b>             | 37      | <b>23 814 834</b>   | <b>12 087 481</b>   |
| <b>Cash flows from investing activities</b>                 |         |                     |                     |
| Purchase of property, plant and equipment                   | 4       | (21 227 529)        | (15 131 397)        |
| Proceeds from sale of property, plant and equipment         | 4       | -                   | 615 714             |
| Purchase of investment property                             | 3       | (151 337)           | -                   |
| Purchase of other intangible assets                         | 5       | (545 838)           | -                   |
| Purchase of financial asset-investments                     |         | (300 000)           | -                   |
| Proceeds from sale of financial asset-investments           |         | -                   | 300 000             |
| <b>Net cash flows from investing activities</b>             |         | <b>(22 224 704)</b> | <b>(14 215 683)</b> |
| <b>Cash flows from financing activities</b>                 |         |                     |                     |
| Movement in long term loan                                  |         | (50 628)            | 28 988              |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |         | <b>1 539 502</b>    | <b>(2 099 214)</b>  |
| Cash and cash equivalents at the beginning of the year      |         | 25 923 724          | 28 022 938          |
| <b>Cash and cash equivalents at the end of the year</b>     | 14      | <b>27 463 226</b>   | <b>25 923 724</b>   |

\* See Note 42

# Emadlangeni Municipality

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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                                     |                     |                    |                     |                                    |                                            |             |
| <b>Statement of Financial Performance</b>           |                     |                    |                     |                                    |                                            |             |
| <b>Revenue</b>                                      |                     |                    |                     |                                    |                                            |             |
| <b>Revenue from exchange transactions</b>           |                     |                    |                     |                                    |                                            |             |
| Service charges                                     | 13 420 795          | (46 898)           | <b>13 373 897</b>   | 13 340 405                         | <b>(33 492)</b>                            | Appendix E1 |
| Rental of facilities and equipment                  | 1 496 972           | (462 177)          | <b>1 034 795</b>    | 1 096 805                          | <b>62 010</b>                              | Appendix E1 |
| Licences and permits                                | 1 270 232           | (317 091)          | <b>953 141</b>      | 947 051                            | <b>(6 090)</b>                             | Appendix E1 |
| Other income                                        | 1 294 537           | (664 363)          | <b>630 174</b>      | 957 707                            | <b>327 533</b>                             | Appendix E1 |
| Interest received - investment                      | 1 078 221           | -                  | <b>1 078 221</b>    | 1 293 463                          | <b>215 242</b>                             | Appendix E1 |
| <b>Total revenue from exchange transactions</b>     | <b>18 560 757</b>   | <b>(1 490 529)</b> | <b>17 070 228</b>   | <b>17 635 431</b>                  | <b>565 203</b>                             |             |
| <b>Revenue from non-exchange transactions</b>       |                     |                    |                     |                                    |                                            |             |
| <b>Taxation revenue</b>                             |                     |                    |                     |                                    |                                            |             |
| Property rates                                      | 12 659 662          | 523 590            | <b>13 183 252</b>   | 13 183 978                         | <b>726</b>                                 | Appendix E1 |
| Property rates - penalties imposed                  | 2 065 596           | -                  | <b>2 065 596</b>    | 1 770 661                          | <b>(294 935)</b>                           |             |
| <b>Transfer revenue</b>                             |                     |                    |                     |                                    |                                            |             |
| Government grants & subsidies                       | 38 912 000          | 384 500            | <b>39 296 500</b>   | 43 393 523                         | <b>4 097 023</b>                           | Appendix E1 |
| Fines, Penalties and Forfeits                       | 101 238             | (76 479)           | <b>24 759</b>       | 242 208                            | <b>217 449</b>                             | Appendix E1 |
| <b>Total revenue from non-exchange transactions</b> | <b>53 738 496</b>   | <b>831 611</b>     | <b>54 570 107</b>   | <b>58 590 370</b>                  | <b>4 020 263</b>                           |             |
| 'Total revenue from exchange transactions'          | 18 560 757          | (1 490 529)        | <b>17 070 228</b>   | 17 635 431                         | <b>565 203</b>                             |             |
| 'Total revenue from non-exchange transactions'      | 53 738 496          | 831 611            | <b>54 570 107</b>   | 58 590 370                         | <b>4 020 263</b>                           |             |
| <b>Total revenue</b>                                | <b>72 299 253</b>   | <b>(658 918)</b>   | <b>71 640 335</b>   | <b>76 225 801</b>                  | <b>4 585 466</b>                           |             |
| <b>Expenditure</b>                                  |                     |                    |                     |                                    |                                            |             |
| Employee related costs                              | (21 766 396)        | 4 176 505          | <b>(17 589 891)</b> | (18 239 895)                       | <b>(650 004)</b>                           | Appendix E1 |
| Remuneration of councillors                         | (1 948 604)         | 66 281             | <b>(1 882 323)</b>  | (1 853 709)                        | <b>28 614</b>                              |             |
| Depreciation and amortisation                       | (4 807 996)         | -                  | <b>(4 807 996)</b>  | (6 189 816)                        | <b>(1 381 820)</b>                         | Appendix E1 |
| Impairment loss/ Reversal of impairments            | (200 000)           | -                  | <b>(200 000)</b>    | (15 936)                           | <b>184 064</b>                             | Appendix E1 |
| Finance costs                                       | (171 112)           | 70 207             | <b>(100 905)</b>    | (98 144)                           | <b>2 761</b>                               | Appendix E1 |
| Bad debts written off                               | (2 000 000)         | (100 000)          | <b>(2 100 000)</b>  | (2 175 537)                        | <b>(75 537)</b>                            | Appendix E1 |
| Repairs and maintenance                             | (3 488 690)         | 883 678            | <b>(2 605 012)</b>  | (1 980 547)                        | <b>624 465</b>                             | Appendix E1 |
| Bulk purchases                                      | (11 033 648)        | 1 133 648          | <b>(9 900 000)</b>  | (9 040 644)                        | <b>859 356</b>                             | Appendix E1 |
| Contracted Services                                 | (1 345 984)         | (1 150 000)        | <b>(2 495 984)</b>  | (3 248 585)                        | <b>(752 601)</b>                           | Appendix E1 |
| Grant Expenditure                                   | (11 395 000)        | 6 762 760          | <b>(4 632 240)</b>  | -                                  | <b>4 632 240</b>                           |             |
| General Expenses                                    | (11 396 080)        | (558 354)          | <b>(11 954 434)</b> | (11 720 411)                       | <b>234 023</b>                             | Appendix E1 |
| <b>Total expenditure</b>                            | <b>(69 553 510)</b> | <b>11 284 725</b>  | <b>(58 268 785)</b> | <b>(54 563 224)</b>                | <b>3 705 561</b>                           |             |
|                                                     | 2 745 743           | 10 625 807         | <b>13 371 550</b>   | 21 662 577                         | <b>8 291 027</b>                           |             |
|                                                     | -                   | -                  | -                   | -                                  | -                                          |             |
| <b>Surplus before taxation</b>                      | <b>2 745 743</b>    | <b>10 625 807</b>  | <b>13 371 550</b>   | <b>21 662 577</b>                  | <b>8 291 027</b>                           |             |
| Deficit before taxation                             | 2 745 743           | 10 625 807         | <b>13 371 550</b>   | 21 662 577                         | <b>8 291 027</b>                           |             |

# Emadlangeni Municipality

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Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

|                                                                                                                  | Approved<br>budget | Adjustments       | Final Budget      | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference |
|------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|-------------------|------------------------------------------|-----------------------------------------------------|-----------|
| Figures in Rand                                                                                                  |                    |                   |                   |                                          |                                                     |           |
| Taxation                                                                                                         | -                  | -                 | -                 | -                                        | -                                                   |           |
| <b>Actual Amount on Comparable<br/>Basis as Presented in the<br/>Budget and Actual<br/>Comparative Statement</b> | <b>2 745 743</b>   | <b>10 625 807</b> | <b>13 371 550</b> | <b>21 662 577</b>                        | <b>8 291 027</b>                                    |           |

Reconciliation

# Emadlangeni Municipality

(Registration number KZN253)

Financial Statements for the year ended 30 June 2015

## 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                            |                    |                  |                    |                                    |                                            |           |
| <b>Statement of Financial Position</b>     |                    |                  |                    |                                    |                                            |           |
| <b>Assets</b>                              |                    |                  |                    |                                    |                                            |           |
| <b>Current Assets</b>                      |                    |                  |                    |                                    |                                            |           |
| Receivables from exchange transactions     | -                  | -                | -                  | 194 767                            | 194 767                                    |           |
| Receivables from non-exchange transactions | -                  | -                | -                  | 3 877 219                          | 3 877 219                                  |           |
| VAT receivable                             | -                  | -                | -                  | 1 550 319                          | 1 550 319                                  |           |
| Consumer debtors                           | 8 450 000          | -                | 8 450 000          | 7 373 872                          | (1 076 128)                                |           |
| Financial Asset-Investments                | 24 862 000         | 300 000          | 25 162 000         | 300 000                            | (24 862 000)                               |           |
| Cash and cash equivalents                  | 3 000 000          | -                | 3 000 000          | 27 463 226                         | 24 463 226                                 |           |
|                                            | <b>36 312 000</b>  | <b>300 000</b>   | <b>36 612 000</b>  | <b>40 759 403</b>                  | <b>4 147 403</b>                           |           |
| <b>Non-Current Assets</b>                  |                    |                  |                    |                                    |                                            |           |
| Investment property                        | 44 302 000         | -                | 44 302 000         | 43 888 592                         | (413 408)                                  |           |
| Property, plant and equipment              | 65 910 000         | -                | 65 910 000         | 71 931 959                         | 6 021 959                                  |           |
| Intangible assets                          | 119 000            | -                | 119 000            | 366 674                            | 247 674                                    |           |
| Heritage assets                            | -                  | -                | -                  | 1 490 001                          | 1 490 001                                  |           |
|                                            | <b>110 331 000</b> | <b>-</b>         | <b>110 331 000</b> | <b>117 677 226</b>                 | <b>7 346 226</b>                           |           |
| Non-Current Assets                         | 36 312 000         | 300 000          | 36 612 000         | 40 759 403                         | 4 147 403                                  |           |
| Current Assets                             | 110 331 000        | -                | 110 331 000        | 117 677 226                        | 7 346 226                                  |           |
| <b>Total Assets</b>                        | <b>146 643 000</b> | <b>300 000</b>   | <b>146 943 000</b> | <b>158 436 629</b>                 | <b>11 493 629</b>                          |           |
| <b>Liabilities</b>                         |                    |                  |                    |                                    |                                            |           |
| <b>Current Liabilities</b>                 |                    |                  |                    |                                    |                                            |           |
| Payables from exchange transactions        | 4 216 000          | 3 429 000        | 7 645 000          | 8 622 330                          | 977 330                                    |           |
| Taxes and transfers payable (non-exchange) | -                  | -                | -                  | 193 844                            | 193 844                                    |           |
| Consumer deposits                          | 177 000            | -                | 177 000            | 163 568                            | (13 432)                                   |           |
| Unspent conditional grants and receipts    | -                  | -                | -                  | 1 893 050                          | 1 893 050                                  |           |
| Provisions                                 | 1 395 000          | -                | 1 395 000          | 1 467 246                          | 72 246                                     |           |
| Current portion of the long term loan      | 40 000             | -                | 40 000             | 129 502                            | 89 502                                     |           |
|                                            | <b>5 828 000</b>   | <b>3 429 000</b> | <b>9 257 000</b>   | <b>12 469 540</b>                  | <b>3 212 540</b>                           |           |
| <b>Non-Current Liabilities</b>             |                    |                  |                    |                                    |                                            |           |
| Provisions long term loan                  | 7 361 000          | -                | 7 361 000          | 7 505 257                          | 144 257                                    |           |
|                                            | 868 000            | -                | 868 000            | 807 822                            | (60 178)                                   |           |
|                                            | <b>8 229 000</b>   | <b>-</b>         | <b>8 229 000</b>   | <b>8 313 079</b>                   | <b>84 079</b>                              |           |
|                                            | 5 828 000          | 3 429 000        | 9 257 000          | 12 469 540                         | 3 212 540                                  |           |
|                                            | 8 229 000          | -                | 8 229 000          | 8 313 079                          | 84 079                                     |           |
|                                            | -                  | -                | -                  | -                                  | -                                          |           |
| <b>Total Liabilities</b>                   | <b>14 057 000</b>  | <b>3 429 000</b> | <b>17 486 000</b>  | <b>20 782 619</b>                  | <b>3 296 619</b>                           |           |
| Assets                                     | 146 643 000        | 300 000          | 146 943 000        | 158 436 629                        | 11 493 629                                 |           |
| Liabilities                                | (14 057 000)       | (3 429 000)      | (17 486 000)       | (20 782 619)                       | (3 296 619)                                |           |

# Emadlangeni Municipality

(Registration number KZN253)

Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

|                                                                    | Approved<br>budget | Adjustments        | Final Budget       | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference |
|--------------------------------------------------------------------|--------------------|--------------------|--------------------|------------------------------------------|-----------------------------------------------------|-----------|
| Figures in Rand                                                    |                    |                    |                    |                                          |                                                     |           |
| <b>Net Assets</b>                                                  | <b>132 586 000</b> | <b>(3 129 000)</b> | <b>129 457 000</b> | <b>137 654 010</b>                       | <b>8 197 010</b>                                    |           |
| <b>Net Assets</b>                                                  |                    |                    |                    |                                          |                                                     |           |
| <b>Net Assets Attributable to<br/>Owners of Controlling Entity</b> |                    |                    |                    |                                          |                                                     |           |
| <b>Reserves</b>                                                    |                    |                    |                    |                                          |                                                     |           |
| Accumulated surplus                                                | 110 442 000        | 19 015 000         | <b>129 457 000</b> | 137 654 005                              | <b>8 197 005</b>                                    |           |

# Emadlangeni Municipality

(Registration number KZN253)

Financial Statements for the year ended 30 June 2015

## 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

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

|                            |                   |                  |                   |                   |                    |
|----------------------------|-------------------|------------------|-------------------|-------------------|--------------------|
| Sale of goods and services | 29 038 000        | (11 500 000)     | <b>17 538 000</b> | 22 998 726        | <b>5 460 726</b>   |
| Grants                     | 38 912 000        | 385 000          | <b>39 297 000</b> | 40 541 000        | <b>1 244 000</b>   |
| Interest income            | 1 078 000         | -                | <b>1 078 000</b>  | 1 293 463         | <b>215 463</b>     |
| Other receipts             | -                 | 10 842 000       | <b>10 842 000</b> | 2 092 286         | <b>(8 749 714)</b> |
|                            | <b>69 028 000</b> | <b>(273 000)</b> | <b>68 755 000</b> | <b>66 925 475</b> | <b>(1 829 525)</b> |

##### Payments

|                   |                     |                  |                     |                     |                    |
|-------------------|---------------------|------------------|---------------------|---------------------|--------------------|
| Employee costs    | (23 715 000)        | 4 243 000        | <b>(19 472 000)</b> | (17 997 242)        | <b>1 474 758</b>   |
| Suppliers         | (38 659 000)        | 5 087 000        | <b>(33 572 000)</b> | (18 671 817)        | <b>14 900 183</b>  |
| Finance costs     | (171 000)           | 70 000           | <b>(101 000)</b>    | (98 144)            | <b>2 856</b>       |
| Grant expenditure | -                   | -                | -                   | (6 602 210)         | <b>(6 602 210)</b> |
|                   | <b>(62 545 000)</b> | <b>9 400 000</b> | <b>(53 145 000)</b> | <b>(43 369 413)</b> | <b>9 775 587</b>   |

|                                                 |                  |                  |                     |                   |                    |
|-------------------------------------------------|------------------|------------------|---------------------|-------------------|--------------------|
| Total receipts                                  | 69 028 000       | (273 000)        | <b>68 755 000</b>   | 66 925 475        | <b>(1 829 525)</b> |
| Total payments                                  | (62 545 000)     | 9 400 000        | <b>(53 145 000)</b> | (43 369 413)      | <b>9 775 587</b>   |
| <b>Net cash flows from operating activities</b> | <b>6 483 000</b> | <b>9 127 000</b> | <b>15 610 000</b>   | <b>23 556 062</b> | <b>7 946 062</b>   |

#### Cash flows from investing activities

|                                                 |                     |                    |                     |                     |                    |
|-------------------------------------------------|---------------------|--------------------|---------------------|---------------------|--------------------|
| Purchase of property, plant and equipment       | (14 725 000)        | (6 000 000)        | <b>(20 725 000)</b> | (21 120 094)        | <b>(395 094)</b>   |
| Purchase of other intangible assets             | -                   | -                  | -                   | (545 838)           | <b>(545 838)</b>   |
| Other cash item                                 | 140 000             | -                  | <b>140 000</b>      | -                   | <b>(140 000)</b>   |
| <b>Net cash flows from investing activities</b> | <b>(14 585 000)</b> | <b>(6 000 000)</b> | <b>(20 585 000)</b> | <b>(21 665 932)</b> | <b>(1 080 932)</b> |

#### Cash flows from financing activities

|                                                         |                   |                    |                    |                   |                   |
|---------------------------------------------------------|-------------------|--------------------|--------------------|-------------------|-------------------|
| Movement in long term loan                              | (40 000)          | -                  | <b>(40 000)</b>    | (50 628)          | <b>(10 628)</b>   |
| Net increase/(decrease) in cash and cash equivalents    | (8 142 000)       | 3 127 000          | <b>(5 015 000)</b> | 1 839 502         | <b>6 854 502</b>  |
| Cash and cash equivalents at the beginning of the year  | 18 770 000        | (10 755 000)       | <b>8 015 000</b>   | 25 923 724        | <b>17 908 724</b> |
| <b>Cash and cash equivalents at the end of the year</b> | <b>10 628 000</b> | <b>(7 628 000)</b> | <b>3 000 000</b>   | <b>27 763 226</b> | <b>24 763 226</b> |

### Reconciliation

# Emadlangeni Municipality

(Registration number KZN253)

Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

|                                                                      | Original budget     | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget        | Actual outcome      | Unauthorised expenditure | Variance         | Actual outcome as % of final budget | Actual outcome as % of original budget |
|----------------------------------------------------------------------|---------------------|-----------------------------------------------------|--------------------------|--------------------------------------------|-------------------------------------------|---------------------|---------------------|--------------------------|------------------|-------------------------------------|----------------------------------------|
| <b>2015</b>                                                          |                     |                                                     |                          |                                            |                                           |                     |                     |                          |                  |                                     |                                        |
| <b>Financial Performance</b>                                         |                     |                                                     |                          |                                            |                                           |                     |                     |                          |                  |                                     |                                        |
| Property rates                                                       | 14 725 259          | 523 590                                             | 15 248 849               | -                                          |                                           | 15 248 849          | 14 954 639          |                          | (294 210)        | 98 %                                | 102 %                                  |
| Service charges                                                      | 13 420 795          | (46 898)                                            | 13 373 897               | -                                          |                                           | 13 373 897          | 13 340 405          |                          | (33 492)         | 100 %                               | 99 %                                   |
| Investment revenue                                                   | 1 078 221           | -                                                   | 1 078 221                | -                                          |                                           | 1 078 221           | 1 293 463           |                          | 215 242          | 120 %                               | 120 %                                  |
| Transfers recognised - operational                                   | 29 862 000          | (7 615 500)                                         | 22 246 500               | -                                          |                                           | 22 246 500          | 23 783 006          |                          | 1 536 506        | 107 %                               | 80 %                                   |
| Other own revenue                                                    | 4 162 979           | (1 520 110)                                         | 2 642 869                | -                                          |                                           | 2 642 869           | 3 243 771           |                          | 600 902          | 123 %                               | 78 %                                   |
| <b>Total revenue (excluding capital transfers and contributions)</b> | <b>63 249 254</b>   | <b>(8 658 918)</b>                                  | <b>54 590 336</b>        | <b>-</b>                                   |                                           | <b>54 590 336</b>   | <b>56 615 284</b>   |                          | <b>2 024 948</b> | <b>104 %</b>                        | <b>90 %</b>                            |
| Employee costs                                                       | (21 766 396)        | 4 176 505                                           | (17 589 891)             | -                                          | -                                         | (17 589 891)        | (18 239 895)        | -                        | (650 004)        | 104 %                               | 84 %                                   |
| Remuneration of councillors                                          | (1 948 604)         | 66 281                                              | (1 882 323)              | -                                          | -                                         | (1 882 323)         | (1 853 709)         | -                        | 28 614           | 98 %                                | 95 %                                   |
| Debt impairment                                                      | (2 000 000)         | (100 000)                                           | (2 100 000)              |                                            |                                           | (2 100 000)         | (2 175 537)         | -                        | (75 537)         | 104 %                               | 109 %                                  |
| Depreciation and asset impairment                                    | (5 007 996)         | -                                                   | (5 007 996)              |                                            |                                           | (5 007 996)         | (6 205 752)         | -                        | (1 197 756)      | 124 %                               | 124 %                                  |
| Finance charges                                                      | (171 111)           | 70 207                                              | (100 904)                | -                                          | -                                         | (100 904)           | (98 144)            | -                        | 2 760            | 97 %                                | 57 %                                   |
| Materials and bulk purchases                                         | (11 033 648)        | 1 133 648                                           | (9 900 000)              | -                                          | -                                         | (9 900 000)         | (9 040 644)         | -                        | 859 356          | 91 %                                | 82 %                                   |
| Grant Expenditure                                                    | (11 395 000)        | 6 762 760                                           | (4 632 240)              | -                                          | -                                         | (4 632 240)         | -                   | -                        | 4 632 240        | - %                                 | - %                                    |
| Other expenditure                                                    | (16 230 753)        | (824 676)                                           | (17 055 429)             | -                                          | -                                         | (17 055 429)        | (16 949 543)        | -                        | 105 886          | 99 %                                | 104 %                                  |
| <b>Total expenditure</b>                                             | <b>(69 553 508)</b> | <b>11 284 725</b>                                   | <b>(58 268 783)</b>      | <b>-</b>                                   | <b>-</b>                                  | <b>(58 268 783)</b> | <b>(54 563 224)</b> | <b>-</b>                 | <b>3 705 559</b> | <b>94 %</b>                         | <b>78 %</b>                            |
| Total revenue (excluding capital transfers and contributions)        | 63 249 254          | (8 658 918)                                         | 54 590 336               | -                                          | -                                         | 54 590 336          | 56 615 284          | -                        | 2 024 948        | 104 %                               | 90 %                                   |
| Total expenditure                                                    | (69 553 508)        | 11 284 725                                          | (58 268 783)             | -                                          | -                                         | (58 268 783)        | (54 563 224)        | -                        | 3 705 559        | 94 %                                | 78 %                                   |
| <b>Surplus/(Deficit)</b>                                             | <b>(6 304 254)</b>  | <b>2 625 807</b>                                    | <b>(3 678 447)</b>       | <b>-</b>                                   |                                           | <b>(3 678 447)</b>  | <b>2 052 060</b>    |                          | <b>5 730 507</b> | <b>(56)%</b>                        | <b>(33)%</b>                           |

# Emadlangeni Municipality

(Registration number KZN253)

Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

|                                                                    | Original budget   | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget      | Actual outcome    | Unauthorised expenditure | Variance           | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--------------------------------------------------------------------|-------------------|-----------------------------------------------------|--------------------------|--------------------------------------------|-------------------------------------------|-------------------|-------------------|--------------------------|--------------------|-------------------------------------|----------------------------------------|
| Transfers recognised - capital                                     | 9 050 000         | -                                                   | 9 050 000                | 8 000 000                                  |                                           | 17 050 000        | 19 610 517        |                          | 2 560 517          | 115 %                               | 217 %                                  |
| Surplus/(Deficit)                                                  | (6 304 254)       | 2 625 807                                           | (3 678 447)              | -                                          | -                                         | (3 678 447)       | 2 052 060         | -                        | 5 730 507          | (56)%                               | (33)%                                  |
| Capital transfers and contributions                                | 9 050 000         | -                                                   | 9 050 000                | 8 000 000                                  | -                                         | 17 050 000        | 19 610 517        | -                        | 2 560 517          | 115 %                               | 217 %                                  |
| <b>Surplus (Deficit) after capital transfers and contributions</b> | <b>2 745 746</b>  | <b>2 625 807</b>                                    | <b>5 371 553</b>         | <b>8 000 000</b>                           |                                           | <b>13 371 553</b> | <b>21 662 577</b> |                          | <b>8 291 024</b>   | <b>162 %</b>                        | <b>789 %</b>                           |
| Surplus (Deficit) after capital transfers and contributions        | 2 745 746         | 2 625 807                                           | 5 371 553                | 8 000 000                                  | -                                         | 13 371 553        | 21 662 577        | -                        | 8 291 024          | 162 %                               | 789 %                                  |
| <b>Surplus/(Deficit) for the year</b>                              | <b>2 745 746</b>  | <b>2 625 807</b>                                    | <b>5 371 553</b>         | <b>8 000 000</b>                           |                                           | <b>13 371 553</b> | <b>21 662 577</b> |                          | <b>8 291 024</b>   | <b>162 %</b>                        | <b>789 %</b>                           |
| <b>Capital expenditure and funds sources</b>                       |                   |                                                     |                          |                                            |                                           |                   |                   |                          |                    |                                     |                                        |
| Total capital expenditure                                          | 14 725 000        | 7 719 088                                           | 22 444 088               | -                                          |                                           | 22 444 088        | 21 120 094        |                          | (1 323 994)        | 94 %                                | 143 %                                  |
| <b>Sources of capital funds</b>                                    |                   |                                                     |                          |                                            |                                           |                   |                   |                          |                    |                                     |                                        |
| Transfers recognised - capital                                     | 12 450 000        | 5 147 260                                           | 17 597 260               | -                                          |                                           | 17 597 260        | 19 999 428        |                          | 2 402 168          | 114 %                               | 161 %                                  |
| Internally generated funds                                         | 2 275 000         | 2 571 828                                           | 4 846 828                | -                                          |                                           | 4 846 828         | 1 120 666         |                          | (3 726 162)        | 23 %                                | 49 %                                   |
| <b>Total sources of capital funds</b>                              | <b>14 725 000</b> | <b>7 719 088</b>                                    | <b>22 444 088</b>        | <b>-</b>                                   |                                           | <b>22 444 088</b> | <b>21 120 094</b> |                          | <b>(1 323 994)</b> | <b>94 %</b>                         | <b>143 %</b>                           |



# Emadlangeni Municipality

(Registration number KZN253)

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1. Presentation of Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

##### Trade receivables and loans and receivables

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

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

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

##### Allowance for doubtful debts

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

#### 1.4 Investment property

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

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

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

# Emadlangeni Municipality

(Registration number KZN253)

Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.4 Investment property (continued)

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

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

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

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

#### Cost model

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

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

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

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

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

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

### 1.5 Property, plant and equipment

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

# Emadlangeni Municipality

(Registration number KZN253)

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

---

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

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

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

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

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

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

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

# Emadlangeni Municipality

(Registration number KZN253)

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

#### Assets Under Construction

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

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

### 1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

### 1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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### 1.7 Intangible assets (continued)

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

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

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

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

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

| Item                     | Useful life |
|--------------------------|-------------|
| Computer software, other | 1-5 years   |

Intangible assets are derecognised:

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

### 1.8 Heritage assets

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

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

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

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

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

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

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### 1.8 Heritage assets (continued)

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

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

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

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

#### Impairment

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

#### Transfers

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

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

#### Derecognition

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

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

### 1.9 Financial instruments

#### Classification

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

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

#### Initial recognition

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

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## Accounting Policies

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### 1.9 Financial instruments (continued)

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

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

#### 1.10 Leases

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

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

#### Operating leases - lessor

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

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

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

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

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

#### 1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

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### 1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

### 1.13 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.



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### 1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

### 1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.16 Revenue from exchange transactions

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

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

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

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## Accounting Policies

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### 1.16 Revenue from exchange transactions (continued)

#### Measurement

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

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

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

#### Interest, royalties and dividends

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

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

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

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

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

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

### 1.17 Revenue from non-exchange transactions

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

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

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.

### Recognition

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

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

### Measurement

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

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Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

#### Transfers

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

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

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

#### Fines

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

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

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

#### Gifts and donations, including goods in-kind

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

#### Services in-kind

Services in-kind are not recognised.

### 1.18 Investment income

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

### 1.19 Comparative figures

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

### 1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.21 Fruitless and wasteful expenditure

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

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

### 1.22 Irregular expenditure

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

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### 1.22 Irregular expenditure (continued)

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

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

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

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

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

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

### 1.23 Budget information

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

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

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

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

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

### 1.24 Related parties

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

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

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

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

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## Accounting Policies

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### 1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

### 1.26 Gratuities

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

### 1.27 Offsetting

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

## Notes to the Financial Statements

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Figures in Rand

2015

2014

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## 2. New standards and interpretations

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

| <b>Standard/ Interpretation:</b>                                                 | <b>Effective date:<br/>Years beginning on or<br/>after</b> | <b>Expected impact:</b>                      |
|----------------------------------------------------------------------------------|------------------------------------------------------------|----------------------------------------------|
| • GRAP 18: Segment Reporting                                                     | 01 April 2015                                              | The impact of the amendment is not material. |
| • GRAP 105: Transfers of functions between entities under common control         | 01 April 2015                                              | The impact of the amendment is not material. |
| • GRAP 106: Transfers of functions between entities not under common control     | 01 April 2015                                              | The impact of the amendment is not material. |
| • GRAP 107: Mergers                                                              | 01 April 2015                                              | The impact of the amendment is not material. |
| • GRAP 20: Related parties                                                       | 01 April 2016                                              | The impact of the amendment is not material. |
| • IGRAP 11: Consolidation – Special purpose entities                             | 01 April 2015                                              | The impact of the amendment is not material. |
| • IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures | 01 April 2015                                              | The impact of the amendment is not material. |

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## Notes to the Financial Statements

### 2. New standards and interpretations (continued)

|                                                                                                                 |               |                                              |
|-----------------------------------------------------------------------------------------------------------------|---------------|----------------------------------------------|
| • GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements                                      | 01 April 2015 | The impact of the amendment is not material. |
| • GRAP 7 (as revised 2010): Investments in Associates                                                           | 01 April 2015 | The impact of the amendment is not material. |
| • GRAP 8 (as revised 2010): Interests in Joint Ventures                                                         | 01 April 2015 | The impact of the amendment is not material. |
| • GRAP32: Service Concession Arrangements: Grantor                                                              | 01 April 2016 | The impact of the amendment is not material. |
| • GRAP108: Statutory Receivables                                                                                | 01 April 2016 | The impact of the amendment is not material. |
| • IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset | 01 April 2016 | The impact of the amendment is not material. |
| • DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP                | 01 April 2016 | The impact of the amendment is not material. |

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

### 3. Investment property

|                     | 2015             |                                                     |                | 2014             |                                                     |                |
|---------------------|------------------|-----------------------------------------------------|----------------|------------------|-----------------------------------------------------|----------------|
|                     | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 51 888 434       | (7 999 842)                                         | 43 888 592     | 51 737 097       | (7 305 217)                                         | 44 431 880     |

#### Reconciliation of investment property - 2015

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

#### Reconciliation of investment property - 2014

|                     | Opening balance | Impairments | Depreciation | Total      |
|---------------------|-----------------|-------------|--------------|------------|
| Investment property | 45 724 988      | (109 426)   | (1 183 682)  | 44 431 880 |

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.

# Emadlangeni Municipality

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### 4. Property, plant and equipment

|                        | 2015                |                                                                 |                   | 2014                |                                                                 |                   |
|------------------------|---------------------|-----------------------------------------------------------------|-------------------|---------------------|-----------------------------------------------------------------|-------------------|
|                        | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value    | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value    |
| Buildings              | 20 819 629          | (6 684 777)                                                     | 14 134 852        | 19 038 943          | (6 063 161)                                                     | 12 975 782        |
| Plant and machinery    | 3 229 646           | (1 079 161)                                                     | 2 150 485         | 2 789 619           | (823 114)                                                       | 1 966 505         |
| Furniture and fixtures | 1 644 837           | (1 186 219)                                                     | 458 618           | 1 519 550           | (1 098 758)                                                     | 420 792           |
| Motor vehicles         | 2 587 546           | (1 476 339)                                                     | 1 111 207         | 2 134 186           | (1 299 994)                                                     | 834 192           |
| Office equipment       | 1 256 545           | (763 024)                                                       | 493 521           | 1 063 708           | (671 722)                                                       | 391 986           |
| Infrastructure         | 62 092 185          | (29 433 664)                                                    | 32 658 521        | 48 951 389          | (25 656 945)                                                    | 23 294 444        |
| Community              | 4 421 318           | (1 535 016)                                                     | 2 886 302         | 4 360 748           | (1 367 043)                                                     | 2 993 705         |
| Work in progress       | 18 038 453          | -                                                               | 18 038 453        | 12 820 217          | -                                                               | 12 820 217        |
| <b>Total</b>           | <b>114 090 159</b>  | <b>(42 158 200)</b>                                             | <b>71 931 959</b> | <b>92 678 360</b>   | <b>(36 980 737)</b>                                             | <b>55 697 623</b> |



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

#### Reconciliation of property, plant and equipment - 2015

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

#### Reconciliation of property, plant and equipment - 2014

|                        | Opening balance   | Additions         | Disposals        | Transfers   | Other changes, movements | Depreciation       | Impairment loss  | Total             |
|------------------------|-------------------|-------------------|------------------|-------------|--------------------------|--------------------|------------------|-------------------|
| Buildings              | 12 569 997        | -                 | (8 303)          | 1 166 999   | -                        | (735 155)          | (2 628)          | 12 990 910        |
| Plant and machinery    | 479 397           | 1 611 970         | (2 829)          | -           | 1 754                    | (123 787)          | -                | 1 966 505         |
| Furniture and fixtures | 537 187           | 92 417            | (38 134)         | -           | 3 240                    | (173 918)          | -                | 420 792           |
| Motor vehicles         | 1 510 435         | -                 | (351 071)        | -           | -                        | (325 172)          | -                | 834 192           |
| Office equipment       | 507 914           | 28 161            | (482)            | -           | 695                      | (144 302)          | -                | 391 986           |
| Infrastructure         | 17 759 415        | -                 | -                | 8 497 885   | -                        | (2 741 848)        | (258 194)        | 23 257 260        |
| Community              | 3 184 796         | -                 | -                | 22 060      | -                        | (191 091)          | -                | 3 015 765         |
| Work In Progress       | 9 108 310         | 13 398 849        | -                | (9 686 942) | -                        | -                  | -                | 12 820 217        |
|                        | <b>45 657 451</b> | <b>15 131 397</b> | <b>(400 819)</b> | <b>2</b>    | <b>5 689</b>             | <b>(4 435 273)</b> | <b>(260 822)</b> | <b>55 697 627</b> |

#### Depreciation rates

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

#### Reconciliation of Work-in-Progress 2015

|                                 | Included<br>within Other<br>PPE | Total             |
|---------------------------------|---------------------------------|-------------------|
| Opening balance                 | 12 820 217                      | 12 820 217        |
| Mgundeni Link Access Road       | 1 320 912                       | 1 320 912         |
| Enchuba Pedestrian Bridge       | 551 675                         | 551 675           |
| Ezihlabatini Gravel Road        | 886 631                         | 886 631           |
| Pension Paypoint                | 483 535                         | 483 535           |
| Fencing A&B                     | 72 057                          | 72 057            |
| Smith Street Upgrade            | 128 203                         | 128 203           |
| Rural electrification           | 8 631 272                       | 8 631 272         |
| Rondavel Rondavel Road          | 1 928 697                       | 1 928 697         |
| Mlwane Gravel Road              | 953 653                         | 953 653           |
| KwaMakhomba Gravel Road         | 470 561                         | 470 561           |
| Bensdorp Sportsfield            | 1 709 255                       | 1 709 255         |
| Kwamalambane Gravel Road        | 2 625 072                       | 2 625 072         |
| Transferred to completed Assets | (14 543 286)                    | (14 543 286)      |
|                                 | <b>18 038 454</b>               | <b>18 038 454</b> |

#### Reconciliation of Work-in-Progress 2014

|                                           | Included<br>within Other<br>PPE | Total             |
|-------------------------------------------|---------------------------------|-------------------|
| Opening balance                           | 9 108 310                       | 9 108 310         |
| Addition-Khayaletshu/Northill Gravel Road | 2 019 659                       | 2 019 659         |
| Hooggenoeg Gravel Road                    | 1 117 285                       | 1 117 285         |
| Inkululeko Yomphakathi                    | 716 560                         | 716 560           |
| Echuba Bridge                             | 573 260                         | 573 260           |
| Mgundeni Link Access road                 | 2 303 875                       | 2 303 875         |
| Pension Payout                            | 181 784                         | 181 784           |
| Fencing A&B                               | 776 219                         | 776 219           |
| Fencing C&E                               | 776 172                         | 776 172           |
| Fencing D                                 | 375 702                         | 375 702           |
| Smith Street upgrade                      | 1 123 200                       | 1 123 200         |
| Rural electrification                     | 3 435 135                       | 3 435 135         |
| Transferred to completed assets           | (9 686 944)                     | (9 686 944)       |
|                                           | <b>12 820 217</b>               | <b>12 820 217</b> |

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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## Notes to the Financial Statements

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### 5. Intangible assets

|                          | 2015                |                                                                 |                | 2014                |                                                                 |                |
|--------------------------|---------------------|-----------------------------------------------------------------|----------------|---------------------|-----------------------------------------------------------------|----------------|
|                          | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated<br>amortisation<br>and<br>accumulated<br>impairment | Carrying value |
| Computer software, other | 1 349 180           | (982 506)                                                       | 366 674        | 803 342             | (685 564)                                                       | 117 778        |

#### Reconciliation of intangible assets - 2015

|                          | Opening<br>balance | Additions | Amortisation | Total   |
|--------------------------|--------------------|-----------|--------------|---------|
| Computer software, other | 117 778            | 545 838   | (290 093)    | 366 674 |

#### Reconciliation of intangible assets - 2014

|                          | Opening<br>balance | Amortisation | Total   |
|--------------------------|--------------------|--------------|---------|
| Computer software, other | 259 515            | (141 737)    | 117 778 |

### 6. Heritage assets

|                      | 2015                |                                     |                | 2014                |                                     |                |
|----------------------|---------------------|-------------------------------------|----------------|---------------------|-------------------------------------|----------------|
|                      | Cost /<br>Valuation | Accumulated<br>impairment<br>losses | Carrying value | Cost /<br>Valuation | Accumulated<br>impairment<br>losses | Carrying value |
| Historical buildings | 1 490 001           | -                                   | 1 490 001      | 1 490 001           | -                                   | 1 490 001      |

#### Reconciliation of heritage assets 2015

# Emadlangeni Municipality

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## Notes to the Financial Statements

| Figures in Rand                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 2015                   | 2014           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|----------------|
| <b>6. Heritage assets (continued)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                        |                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Opening balance</b> | <b>Total</b>   |
| Historical buildings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 1 490 001              | 1 490 001      |
| <b>Reconciliation of heritage assets 2014</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                        |                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Opening balance</b> | <b>Total</b>   |
| Historical buildings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 1 490 001              | 1 490 001      |
| <b>7. Other financial assets</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                        |                |
| <b>At amortised cost</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                        |                |
| Housing Debtors                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 201 965                | 219 812        |
| The department of housing provided Emadlangeni Municipality with a loan to finance housing selling scheme undertaken by the municipality, the loan was extinguished on 1 April 1998 and transferred to the Housing Development Fund in terms of the Housing Act No. 107 of 1997. The initial contract states that residents who benefited from the housing scheme will pay a deposit of R300, the capital must be paid to Emadlangeni Municipality with 360 months together with interest of 13.5% per annum. The monthly payments will be determined as 11% of the buyer's salary. The buyer has an option to purchase the house after 3 years or once 10% of the capital amount has been paid and the buyer provides |                        |                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 201 965                | 219 812        |
| Impairments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | (201 965)              | (219 812)      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | -                      | -              |
| <b>8. Employee benefit obligations</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                        |                |
| <b>Defined contribution plan</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                        |                |
| All the municipal councillors and permanent employees belong to the Natal Joint Municipal Pension Fund(Superannuation) and The Natal Joint Municipal Pension Fund(Retirement) which are administered by the Province. The schemes cannot be broken down per municipality, as they are considered to be multi-employer schemes and hence are treated as defined contribution schemes by the municipality. Municipality employees are also members of the KwaZulu-Natal Joint Municipal Provident Fund. All contributions have been included in the employee related cost note(Refer to note 28)                                                                                                                         |                        |                |
| <b>9. Financial Asset-Investments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                        |                |
| Fixed term deposit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 300 000                | -              |
| The fixed term deposit is for a period of 12 months and is rolled over annually, the deposit is a surety for the DBSA long term loan in accordance with the loan agreement with the development bank.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                        |                |
| <b>10. Receivables from exchange transactions</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                        |                |
| Eskom Deposit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 55 114                 | 55 114         |
| Other receivables                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 139 653                | 90 397         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>194 767</b>         | <b>145 511</b> |
| <b>11. VAT receivable</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                        |                |
| VAT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 1 550 319              | -              |

# Emadlangeni Municipality

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## Notes to the Financial Statements

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|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>11. VAT receivable (continued)</b>                                                                                                                                                              |                    |                    |
| The VAT receivable is due to the input tax on supplies being greater than the output tax on accruals basis. The municipality declares vat receivable or payable on a payments basis ie cash basis. |                    |                    |
| <b>12. Consumer debtors</b>                                                                                                                                                                        |                    |                    |
| <b>Gross balances</b>                                                                                                                                                                              |                    |                    |
| Electricity                                                                                                                                                                                        | 8 840 525          | 7 162 840          |
| Refuse                                                                                                                                                                                             | 3 178 306          | 2 676 500          |
| Other (specify)                                                                                                                                                                                    | 1 725 467          | 1 271 730          |
|                                                                                                                                                                                                    | <b>13 744 298</b>  | <b>11 111 070</b>  |
| <b>Less: Allowance for impairment</b>                                                                                                                                                              |                    |                    |
| Electricity                                                                                                                                                                                        | (3 730 632)        | (3 857 257)        |
| Refuse                                                                                                                                                                                             | (2 143 557)        | (2 125 741)        |
| Other (specify)                                                                                                                                                                                    | (496 237)          | (1 271 730)        |
|                                                                                                                                                                                                    | <b>(6 370 426)</b> | <b>(7 254 728)</b> |
| <b>Net balance</b>                                                                                                                                                                                 |                    |                    |
| Electricity                                                                                                                                                                                        | 5 109 893          | 3 305 583          |
| Refuse                                                                                                                                                                                             | 1 034 749          | 550 759            |
| Other (specify)                                                                                                                                                                                    | 1 229 230          | -                  |
|                                                                                                                                                                                                    | <b>7 373 872</b>   | <b>3 856 342</b>   |
| <b>Electricity</b>                                                                                                                                                                                 |                    |                    |
| Current (0 -30 days)                                                                                                                                                                               | 3 321 430          | 2 080 987          |
| 31 - 60 days                                                                                                                                                                                       | 1 021 979          | 661 943            |
| 61 - 90 days                                                                                                                                                                                       | 510 989            | 562 653            |
| 91 - 120 days                                                                                                                                                                                      | 255 495            | -                  |
|                                                                                                                                                                                                    | <b>5 109 893</b>   | <b>3 305 583</b>   |
| <b>Refuse</b>                                                                                                                                                                                      |                    |                    |
| Current (0 -30 days)                                                                                                                                                                               | 672 587            | 242 334            |
| 31 - 60 days                                                                                                                                                                                       | 206 950            | 93 629             |
| 61 - 90 days                                                                                                                                                                                       | 103 475            | 88 121             |
| 91 - 120 days                                                                                                                                                                                      | 51 737             | 82 613             |
| 121 - 365 days                                                                                                                                                                                     | -                  | 44 062             |
|                                                                                                                                                                                                    | <b>1 034 749</b>   | <b>550 759</b>     |
| <b>Other (specify)</b>                                                                                                                                                                             |                    |                    |
| Current (0 -30 days)                                                                                                                                                                               | 1 229 230          | -                  |
| <b>Reconciliation of allowance for impairment</b>                                                                                                                                                  |                    |                    |
| Balance at beginning of the year                                                                                                                                                                   | (14 465 866)       | (12 350 264)       |
| Contributions to allowance                                                                                                                                                                         | (2 141 659)        | (2 115 602)        |
| Transferred to long term debtors                                                                                                                                                                   | 201 965            | 219 812            |
| Transfer to non exchange debtors                                                                                                                                                                   | 10 035 134         | 6 991 326          |
|                                                                                                                                                                                                    | <b>(6 370 426)</b> | <b>(7 254 728)</b> |

### Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

# Emadlangeni Municipality

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Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

| Figures in Rand                                                                                          | 2015                           | 2014                |                           |                     |
|----------------------------------------------------------------------------------------------------------|--------------------------------|---------------------|---------------------------|---------------------|
| <b>12. Consumer debtors (continued)</b>                                                                  |                                |                     |                           |                     |
| <b>Consumer debtors impaired</b>                                                                         |                                |                     |                           |                     |
| As of 30 June 2015, consumer debtors of 16 387 713- (2014: 14 246 054 -) were impaired and provided for. |                                |                     |                           |                     |
| The amount of the provision was - 16 387 713 as of 30 June 2015 (2014: 14 246 054 -).                    |                                |                     |                           |                     |
| The ageing of these loans is as follows:                                                                 |                                |                     |                           |                     |
| Over 6 months                                                                                            | 16 387 054                     | 14 246 054          |                           |                     |
| <b>13. Non-exchange receivables disclosure</b>                                                           |                                |                     |                           |                     |
| <b>Gross balances</b>                                                                                    |                                |                     |                           |                     |
| Consumer debtors - Rates                                                                                 | 13 833 321                     | 11 959 930          |                           |                     |
| Non exchange receivable - Traffic fines                                                                  | 303 970                        | 258 190             |                           |                     |
|                                                                                                          | <b>14 137 291</b>              | <b>12 218 120</b>   |                           |                     |
| <b>Less: Allowance for impairment</b>                                                                    |                                |                     |                           |                     |
| Consumer debtors - Rates                                                                                 | (10 035 134)                   | (6 991 326)         |                           |                     |
| Non-exchange debtors-Traffic fines                                                                       | (224 938)                      | (191 061)           |                           |                     |
|                                                                                                          | <b>(10 260 072)</b>            | <b>(7 182 387)</b>  |                           |                     |
| <b>Net balance</b>                                                                                       |                                |                     |                           |                     |
| Consumer debtors - Rates                                                                                 | 3 798 187                      | 4 968 604           |                           |                     |
| Non-exchange debtors-Traffic fines                                                                       | 79 032                         | 67 130              |                           |                     |
|                                                                                                          | <b>3 877 219</b>               | <b>5 035 734</b>    |                           |                     |
| <b>Rates</b>                                                                                             |                                |                     |                           |                     |
| Current (0 -30 days)                                                                                     | 2 468 821                      | 2 155 085           |                           |                     |
| 31 - 60 days                                                                                             | 759 637                        | 904 555             |                           |                     |
| 61 - 90 days                                                                                             | 379 819                        | 861 481             |                           |                     |
| 91 - 120 days                                                                                            | 189 910                        | 918 260             |                           |                     |
| 121 - 365 days                                                                                           | -                              | 129 223             |                           |                     |
|                                                                                                          | <b>3 798 187</b>               | <b>4 968 604</b>    |                           |                     |
| <b>14. Cash and cash equivalents</b>                                                                     |                                |                     |                           |                     |
| Cash and cash equivalents consist of:                                                                    |                                |                     |                           |                     |
| Cash on hand                                                                                             | 583                            | 583                 |                           |                     |
| Bank balances                                                                                            | 8 344 650                      | 8 014 703           |                           |                     |
| Short-term deposits                                                                                      | 19 117 993                     | 17 908 438          |                           |                     |
|                                                                                                          | <b>27 463 226</b>              | <b>25 923 724</b>   |                           |                     |
| <b>The municipality had the following bank accounts</b>                                                  |                                |                     |                           |                     |
| <b>Account number / description</b>                                                                      | <b>Bank statement balances</b> |                     | <b>Cash book balances</b> |                     |
|                                                                                                          | <b>30 June 2015</b>            | <b>30 June 2014</b> | <b>30 June 2015</b>       | <b>30 June 2014</b> |
| Standard Bank of South Africa -                                                                          | 8 344 726                      | 8 014 736           | -                         | 8 014 703           |
| Public sector current account -                                                                          |                                |                     |                           |                     |
| 06-010-0001                                                                                              |                                |                     |                           |                     |

# Emadlangeni Municipality

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### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Repair of 376 Houses            | 903 525          | 1 231 525        |
| MSIG Grant                      | -                | 435 130          |
| MAP Grant                       | -                | 174 160          |
| MFMS Grant                      | -                | 6 694            |
| FMG Grant                       | -                | 112 413          |
| PMS Grant                       | -                | 16 113           |
| LED Grant                       | -                | 1 840            |
| Small Town rehabilitation Grant | -                | 70 793           |
| Library Grant                   | 96               | 317 031          |
| Sports Grant                    | -                | 595 832          |
| Communication in IDP Grant      | -                | 200 000          |
| INEG                            | -                | 1 583 946        |
| Bensdorp Sportsfield            | 989 429          | -                |
|                                 | <b>1 893 050</b> | <b>4 745 477</b> |

#### Movement during the year

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Balance at the beginning of the year | 4 745 477        | 11 561 950       |
| Additions during the year            | 24 745 000       | 20 331 000       |
| Income recognition during the year   | (26 901 523)     | (19 559 473)     |
| Withheld                             | (696 000)        | (7 588 000)      |
|                                      | <b>1 892 954</b> | <b>4 745 477</b> |

These amounts are invested in a ring-fenced investment until utilised. All the grants are cash backed refer to Note 27

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### 16. Provisions

#### Reconciliation of provisions - 2015

|                              | Opening Balance  | Additions      | Utilised during the year | Total            |
|------------------------------|------------------|----------------|--------------------------|------------------|
| Environmental rehabilitation | 7 165 593        | 339 663        | -                        | 7 505 257        |
| Leave pay provision          | 1 390 929        | 388 029        | (311 713)                | 1 467 246        |
|                              | <b>8 556 522</b> | <b>727 692</b> | <b>(311 713)</b>         | <b>8 972 503</b> |

#### Reconciliation of provisions - 2014

|                              | Opening Balance  | Additions      | Utilised during the year | Total            |
|------------------------------|------------------|----------------|--------------------------|------------------|
| Environmental rehabilitation | 6 721 418        | 444 175        | -                        | 7 165 593        |
| Leave pay provision          | 965 713          | 513 560        | (88 344)                 | 1 390 929        |
|                              | <b>7 687 131</b> | <b>957 735</b> | <b>(88 344)</b>          | <b>8 556 522</b> |
| Non-current liabilities      |                  |                | 7 505 257                | 7 165 593        |
| Current liabilities          |                  |                | 1 467 246                | 1 390 929        |
|                              |                  |                | <b>8 972 503</b>         | <b>8 556 522</b> |

#### Environmental rehabilitation provision

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

#### Leave pay

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

### 17. long term loan

#### DBSA Loan

|                 |                |                |
|-----------------|----------------|----------------|
| Current portion | 937 324        | 987 952        |
|                 | (129 502)      | (124 511)      |
|                 | <b>807 822</b> | <b>863 441</b> |

The municipality acquired a loan from the Development bank of Southern Africa (DBSA) to fund the construction of municipal main offices. The term of the loan is 20 years. Interest charged is prime linked and varies between 10.81% and 14.4% per annum payable every half yearly.

### 18. Payables from exchange transactions

|                   |                  |                  |
|-------------------|------------------|------------------|
| Trade payables    | 5 984 896        | 3 180 430        |
| Other payables 1  | 1 092 490        | 1 403 022        |
| Deposits received | 25 994           | 23 806           |
| Other payables    | 1 518 950        | 463 084          |
|                   | <b>8 622 330</b> | <b>5 070 342</b> |



# Emadlangeni Municipality

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| Figures in Rand                                                                                   | 2015              | 2014              |
|---------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>19. Consumer deposits</b>                                                                      |                   |                   |
| Electricity                                                                                       | 163 568           | 150 094           |
| <b>20. Revenue</b>                                                                                |                   |                   |
| Service charges                                                                                   | 13 340 405        | 12 934 177        |
| Rental of facilities and equipment                                                                | 1 096 805         | 981 554           |
| Licences and permits                                                                              | 947 051           | 1 096 783         |
| Other income 1                                                                                    | 957 707           | 2 056 143         |
| Interest received - investment                                                                    | 1 293 463         | 1 292 905         |
| Property rates                                                                                    | 13 183 978        | 12 558 758        |
| Property rates - penalties imposed                                                                | 1 770 661         | 1 533 958         |
| Government grants & subsidies                                                                     | 43 393 523        | 35 066 474        |
| Fines, Penalties and Forfeits                                                                     | 242 208           | 315 621           |
|                                                                                                   | <b>76 225 801</b> | <b>67 836 373</b> |
| <b>The amount included in revenue arising from exchanges of goods or services are as follows:</b> |                   |                   |
| Service charges                                                                                   | 13 340 405        | 12 934 177        |
| Rental of facilities and equipment                                                                | 1 096 805         | 981 554           |
| Licences and permits                                                                              | 947 051           | 1 096 783         |
| Sundry income                                                                                     | 957 707           | 2 056 143         |
| Interest received - investment                                                                    | 1 293 463         | 1 292 905         |
|                                                                                                   | <b>17 635 431</b> | <b>18 361 562</b> |
| <b>The amount included in revenue arising from non-exchange transactions is as follows:</b>       |                   |                   |
| <b>Taxation revenue</b>                                                                           |                   |                   |
| Property rates                                                                                    | 13 183 978        | 12 558 758        |
| Property rates - penalties imposed                                                                | 1 770 661         | 1 533 958         |
| <b>Transfer revenue</b>                                                                           |                   |                   |
| Government grants & subsidies                                                                     | 43 393 523        | 35 066 474        |
| Fines, Penalties and Forfeits                                                                     | 242 208           | 315 621           |
|                                                                                                   | <b>58 590 370</b> | <b>49 474 811</b> |
| <b>21. Service charges</b>                                                                        |                   |                   |
| Sale of electricity                                                                               | 11 994 795        | 11 649 975        |
| Refuse removal                                                                                    | 1 345 610         | 1 284 202         |
|                                                                                                   | <b>13 340 405</b> | <b>12 934 177</b> |
| <b>22. Rental of facilities and equipment</b>                                                     |                   |                   |
| <b>Premises</b>                                                                                   |                   |                   |
| Premises                                                                                          | 914 907           | 815 227           |
| <b>Facilities and equipment</b>                                                                   |                   |                   |
| Rental of facilities                                                                              | 181 898           | 166 327           |
| Premises                                                                                          | 914 907           | 815 227           |
| Garages and parking                                                                               | -                 | -                 |
| Facilities and equipment                                                                          | 181 898           | 166 327           |
|                                                                                                   | <b>1 096 805</b>  | <b>981 554</b>    |

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| Figures in Rand                         | 2015                 | 2014                 |
|-----------------------------------------|----------------------|----------------------|
| <b>23. Investment revenue</b>           |                      |                      |
| <b>Interest revenue</b>                 |                      |                      |
| Bank                                    | 1 293 463            | 1 292 905            |
|                                         | -                    | -                    |
|                                         | <b>1 293 463</b>     | <b>1 292 905</b>     |
| <b>24. Property rates</b>               |                      |                      |
| <b>Rates received</b>                   |                      |                      |
| Property rates 1                        | 13 183 978           | 12 558 758           |
|                                         | 13 183 978           | 12 558 758           |
| Property rates - penalties imposed      | 1 770 661            | 1 533 958            |
|                                         | <b>14 954 639</b>    | <b>14 092 716</b>    |
| <b>Valuations</b>                       |                      |                      |
| Residential                             | 272 584 000          | 271 096 000          |
| Commercial                              | 54 644 000           | 36 860 000           |
| State                                   | 145 673 000          | 145 673 000          |
| Municipal                               | 47 485 000           | 47 485 000           |
| Small holdings and farms                | 1 631 192 000        | 1 653 965 000        |
| Public Service Infrastructure           | 31 135 000           | 31 135 000           |
| Schools(Private and State)              | 47 173 000           | 47 173 000           |
| Land reform Property                    | 214 006 000          | 209 094 000          |
| Other (PBO, Public Worship, Vacant etc) | 25 738 000           | 25 975 000           |
|                                         | <b>2 469 630 000</b> | <b>2 468 456 000</b> |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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## Notes to the Financial Statements

| Figures in Rand                                                | 2015              | 2014              |
|----------------------------------------------------------------|-------------------|-------------------|
| <b>25. Government grants and subsidies</b>                     |                   |                   |
| <b>Operating grants</b>                                        |                   |                   |
| Equitable share                                                | 17 467 000        | 15 507 000        |
| Finance Management Grant                                       | 1 800 413         | 1 537 586         |
| EPWP Grant                                                     | 1 000 000         | 1 000 000         |
| Municipal Systems Improvement Grant                            | 1 369 130         | 414 870           |
| Repair of 376 houses Grant                                     | 328 000           | 1 776 475         |
| Small town rehab Grant                                         | 70 793            | -                 |
| LED, PMS & MFMS Grants                                         | 24 647            | -                 |
| Sports Grant                                                   | 370 832           | 59 600            |
| Library Grant                                                  | 978 031           | 372 704           |
| Participation in IDP Grant                                     | 200 000           | -                 |
| MAP Grant                                                      | 174 160           | -                 |
|                                                                | <b>23 783 006</b> | <b>20 668 235</b> |
| <b>Capital grants</b>                                          |                   |                   |
| Municipal Infrastructure Grant                                 | 9 050 000         | 10 482 185        |
| Integrated National Electrification Programme Grant            | 8 999 946         | 3 916 054         |
| Bensdorp Sportsfield grant                                     | 1 560 571         | -                 |
|                                                                | <b>19 610 517</b> | <b>14 398 239</b> |
|                                                                | 23 783 006        | 20 668 235        |
|                                                                | 19 610 517        | 14 398 239        |
|                                                                | <b>43 393 523</b> | <b>35 066 474</b> |
| <b>Conditional and Unconditional</b>                           |                   |                   |
| Conditional grants                                             | 25 926 523        | 19 559 474        |
| Unconditional grants                                           | 17 467 000        | 15 507 000        |
|                                                                | <b>43 393 523</b> | <b>35 066 474</b> |
| <b>Repair of 376 houses Grant</b>                              |                   |                   |
| Balance unspent at beginning of year                           | 1 231 525         | 3 008 000         |
| Conditions met - transferred to revenue                        | (328 000)         | (1 776 475)       |
|                                                                | <b>903 525</b>    | <b>1 231 525</b>  |
| Conditions still to be met - remain liabilities (see note 15). |                   |                   |
| <b>Municipal Systems Improvement Grant</b>                     |                   |                   |
| Balance unspent at beginning of year                           | 435 130           | -                 |
| Current-year receipts                                          | 934 000           | 890 000           |
| Conditions met - transferred to revenue                        | (1 369 130)       | (414 870)         |
| Withheld                                                       | -                 | (40 000)          |
|                                                                | -                 | <b>435 130</b>    |
| <b>Municipal Assistance Programme</b>                          |                   |                   |
| Balance unspent at beginning of year                           | 174 160           | 174 160           |
| Conditions met - transferred to revenue                        | (174 160)         | -                 |
|                                                                | -                 | <b>174 160</b>    |
| <b>Municipal Infrastructure Grant</b>                          |                   |                   |

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## Notes to the Financial Statements

| Figures in Rand                                        | 2015        | 2014           |
|--------------------------------------------------------|-------------|----------------|
| <b>25. Government grants and subsidies (continued)</b> |             |                |
| Balance unspent at beginning of year                   | -           | 8 098 184      |
| Current-year receipts                                  | 9 050 000   | 9 932 000      |
| Conditions met - transferred to revenue                | (9 050 000) | (10 482 184)   |
| Withheld                                               | -           | (7 548 000)    |
|                                                        | -           | -              |
| <b>MFMS Grant</b>                                      |             |                |
| Balance unspent at beginning of year                   | 6 694       | 6 694          |
| Conditions met - transferred to revenue                | (6 694)     | -              |
|                                                        | -           | <b>6 694</b>   |
| <b>Finance Management Grant</b>                        |             |                |
| Balance unspent at beginning of year                   | 112 413     | 1 650 000      |
| Current-year receipts                                  | 1 800 000   | -              |
| Conditions met - transferred to revenue                | (1 800 413) | (1 537 587)    |
| Withheld                                               | (112 000)   | -              |
|                                                        | -           | <b>112 413</b> |
| <b>Performance Management System Grant</b>             |             |                |
| Balance unspent at beginning of year                   | 16 113      | 16 113         |
| Conditions met - transferred to revenue                | (16 113)    | -              |
|                                                        | -           | <b>16 113</b>  |
| <b>LED Grant</b>                                       |             |                |
| Balance unspent at beginning of year                   | 1 840       | 1 840          |
| Conditions met - transferred to revenue                | (1 840)     | -              |
|                                                        | -           | <b>1 840</b>   |
| <b>Small Town Rehab Grant</b>                          |             |                |
| Balance unspent at beginning of year                   | 70 793      | 70 793         |
| Conditions met - transferred to revenue                | (70 793)    | -              |
|                                                        | -           | <b>70 793</b>  |
| <b>Library Grant</b>                                   |             |                |
| Balance unspent at beginning of year                   | 317 031     | 55 734         |
| Current-year receipts                                  | 661 000     | 634 000        |
| Conditions met - transferred to revenue                | (977 935)   | (372 703)      |
|                                                        | <b>96</b>   | <b>317 031</b> |
| <b>Sports Grant</b>                                    |             |                |
| Balance unspent at beginning of year                   | 595 832     | 130 432        |
| Current-year receipts                                  | 750 000     | 525 000        |
| Conditions met - transferred to revenue                | (370 832)   | (59 600)       |
| Transfer to Bendsdorp Sportsfield                      | (975 000)   | -              |

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## Notes to the Financial Statements

| Figures in Rand                                        | 2015           | 2014             |
|--------------------------------------------------------|----------------|------------------|
| <b>25. Government grants and subsidies (continued)</b> | -              | <b>595 832</b>   |
| <b>EPWP Grant</b>                                      |                |                  |
| Current-year receipts                                  | 1 000 000      | 1 000 000        |
| Conditions met - transferred to revenue                | (1 000 000)    | (1 000 000)      |
|                                                        | -              | -                |
| <b>Community Participation in IDP Grant</b>            |                |                  |
| Balance unspent at beginning of year                   | 200 000        | -                |
| Current-year receipts                                  | -              | 200 000          |
| Conditions met - transferred to revenue                | (200 000)      | -                |
|                                                        | -              | <b>200 000</b>   |
| <b>INEP Grant</b>                                      |                |                  |
| Balance unspent at beginning of year                   | 1 583 946      | -                |
| Current-year receipts                                  | 8 000 000      | 5 500 000        |
| Conditions met - transferred to revenue                | (8 999 946)    | (3 916 054)      |
| Withheld                                               | (584 000)      | -                |
|                                                        | -              | <b>1 583 946</b> |
| <b>Bensdorp Sportfield Grant</b>                       |                |                  |
| Current-year receipts                                  | 1 575 000      | -                |
| Conditions met - transferred to revenue                | (1 560 571)    | -                |
| Transfer from Sports Grant                             | 975 000        | -                |
|                                                        | <b>989 429</b> | -                |

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

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

### Changes in level of government grants

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

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## Notes to the Financial Statements

| Figures in Rand                                                    | 2015              | 2014              |
|--------------------------------------------------------------------|-------------------|-------------------|
| <b>26. Employee related costs</b>                                  |                   |                   |
| Basic                                                              | 14 021 327        | 12 684 503        |
| Medical aid - company contributions                                | 630 193           | 575 054           |
| UIF                                                                | 117 005           | 105 729           |
| SDL                                                                | 172 475           | 149 527           |
| Other payroll levies                                               | 9 326             | 12 502            |
| Leave pay provision charge                                         | 388 029           | 513 560           |
| Defined contribution plans                                         | 985 095           | 906 493           |
| Travel, motor car, accommodation, subsistence and other allowances | 230 985           | 375 283           |
| Overtime payments                                                  | 384 661           | 379 655           |
| 13th Cheques                                                       | 728 632           | 645 707           |
| Acting allowances                                                  | 192 499           | 376 448           |
| Housing benefits and allowances                                    | 103 109           | 156 072           |
| Other allowance-Standby/Uniforms/Busfare                           | 276 559           | 163 528           |
|                                                                    | <b>18 239 895</b> | <b>17 044 061</b> |

### Remuneration of municipal manager

|                     |                  |                  |
|---------------------|------------------|------------------|
| Annual Remuneration | 1 045 839        | 966 632          |
| Acting Allowance    | -                | 24 756           |
| Phone allowance     | 21 600           | 20 430           |
|                     | <b>1 067 439</b> | <b>1 011 818</b> |

The Municipal Manager is not entitled to any other allowances or benefits, other than phone allowance and performance bonus on meeting specified requirements

### Remuneration of chief finance officer

|                      |                |                |
|----------------------|----------------|----------------|
| Annual Remuneration  | 630 000        | -              |
| Acting Allowance     | -              | 174 604        |
| Cell Phone Allowance | 6 300          | -              |
|                      | <b>636 300</b> | <b>174 604</b> |

The Chief Financial Officer is not entitled to any other allowances or benefits, other than phone allowance and performance bonus on meeting specified requirements

### Remuneration of Director Corporate Services

|                      |                |               |
|----------------------|----------------|---------------|
| Annual Remuneration  | 630 000        | 36 972        |
| Cell phone allowance | 13 663         | -             |
| Cellphone Allowance  | 6 930          | -             |
|                      | <b>650 593</b> | <b>36 972</b> |

The Director Corporate Services is not entitled to any other allowances or benefits, other than phone allowance and performance bonus on meeting specified requirements

### Director of Community Services

|                      |                |                |
|----------------------|----------------|----------------|
| Annual Remuneration  | 707 949        | 622 016        |
| Cell phone Allowance | 7 560          | 6 930          |
| Leave days paid      | 104 151        | -              |
|                      | <b>819 660</b> | <b>628 946</b> |

The Director Community Services is not entitled to any other allowances or benefits, other than phone allowance and performance bonus on meeting specified requirements

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## Notes to the Financial Statements

Figures in Rand 2015 2014

### 26. Employee related costs (continued)

The Director Community Services leave days accrued were encashed upon the end of employment contract on 30 June 2015

#### Senior Projects Engineer

|                     |                |                |
|---------------------|----------------|----------------|
| Annual Remuneration | 632 952        | 586 000        |
| Leave days paid     | 122 104        | -              |
|                     | <b>755 056</b> | <b>586 000</b> |

The Senior Projects Engineer is not entitled to any other allowances or benefits, other than phone allowance and performance bonus on meeting specified requirements

The Senior Projects Engineer leave days accrued were encashed upon the end of employment contract on 30 June 2015

### 27. Remuneration of councillors

|                     |                  |                  |
|---------------------|------------------|------------------|
| Mayor               | 252 248          | 351 299          |
| Councillors         | 1 568 583        | 1 392 572        |
| Other contributions | 11 577           | 11 577           |
|                     | <b>1 832 408</b> | <b>1 755 448</b> |

Salaries, allowances and benefits paid to councillors are the upper limits within the limits specified in accordance with the Remuneration of Public bearers Act 20 of 1998.

### 28. Depreciation and amortisation

|                               |                  |                  |
|-------------------------------|------------------|------------------|
| Property, plant and equipment | 5 213 546        | 4 435 274        |
| Investment property           | 679 328          | 1 183 682        |
| Intangible assets             | 296 942          | 141 737          |
|                               | <b>6 189 816</b> | <b>5 760 693</b> |

### 29. Impairment of assets

#### Impairments

|                               |        |         |
|-------------------------------|--------|---------|
| Property, plant and equipment | 15 936 | 370 250 |
|                               | 15 936 | 370 250 |
|                               | -      | -       |

### 30. Finance costs

|                        |        |         |
|------------------------|--------|---------|
| Non-current borrowings | 98 144 | 102 872 |
|------------------------|--------|---------|

### 31. Debt impairment

|                 |           |           |
|-----------------|-----------|-----------|
| Debt impairment | 2 175 537 | 2 104 696 |
|-----------------|-----------|-----------|

### 32. Bulk purchases

|             |           |           |
|-------------|-----------|-----------|
| Electricity | 9 040 644 | 8 321 427 |
|-------------|-----------|-----------|

### 33. Contracted services

|                   |           |           |
|-------------------|-----------|-----------|
| Other Contractors | 3 248 585 | 3 397 661 |
|-------------------|-----------|-----------|

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## Notes to the Financial Statements

| Figures in Rand                                           | 2015              | 2014              |
|-----------------------------------------------------------|-------------------|-------------------|
| <b>34. General expenses</b>                               |                   |                   |
| Advertising                                               | 426 559           | 288 402           |
| Auditors remuneration                                     | 1 413 862         | 1 208 489         |
| Bank charges                                              | 139 045           | 149 129           |
| Commission paid                                           | 46 536            | 62 780            |
| Consulting and professional fees                          | 1 963 622         | 1 138 420         |
| Consumables                                               | 81 167            | 150 913           |
| Entertainment                                             | 10 499            | 33 468            |
| Insurance                                                 | 170 869           | 225 590           |
| Community development and related social issues           | 1 172 759         | 2 038 006         |
| Motor vehicle expenses                                    | 30 582            | 95 709            |
| Fuel and oil                                              | 316 465           | 532 009           |
| Postage and courier                                       | 1 912             | 3 289             |
| Printing and stationery                                   | 5 348             | 19 939            |
| Security (Guarding of municipal property)                 | 914 179           | 929 908           |
| Software expenses                                         | 364 623           | 419 878           |
| Subscriptions and membership fees                         | 952 284           | 530 183           |
| Telephone and fax                                         | 504 989           | 508 089           |
| Training                                                  | 60 974            | 87 246            |
| Travel - local                                            | 482 650           | 393 519           |
| Refuse                                                    | 34 500            | -                 |
| Water                                                     | 105 868           | 168 715           |
| Game park expense                                         | -                 | 6 123             |
| Honorarium                                                | 2 107 039         | 2 122 941         |
| Landfill Provision                                        | 339 663           | 444 175           |
| Chemicals                                                 | 6 713             | 16                |
| Special programmes, indigent burial & interest on overdue | 67 704            | 118 792           |
|                                                           | <b>11 720 411</b> | <b>11 675 728</b> |
| <b>35. Auditors remuneration and Audit Committee</b>      |                   |                   |
| Auditor Fees                                              | 1 271 362         | 1 046 178         |
| Audit committee                                           | 142 500           | 162 311           |
|                                                           | <b>1 413 862</b>  | <b>1 208 489</b>  |
| <b>36. Operating lease</b>                                |                   |                   |

The municipality has low cost houses and flats that are leased to the public and staff. Lease rentals are based on a percentage of the lessee's income levels or on a rate below market value. These leases are cancellable at any time by either party provided that one month's notice is given and there is no fixed lease period. The related properties are included in property, plant and equipment. Operating lease income is R534 175(2014: R505 371)



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| Figures in Rand                                  | 2015              | 2014              |
|--------------------------------------------------|-------------------|-------------------|
| <b>37. Cash generated from operations</b>        |                   |                   |
| Surplus                                          | 21 662 577        | 15 545 156        |
| <b>Adjustments for:</b>                          |                   |                   |
| Depreciation and amortisation                    | 6 189 816         | 5 760 693         |
| Profit on sale of assets                         | 11 001            | (214 895)         |
| Impairment deficit                               | 15 936            | 370 250           |
| Debt impairment                                  | 2 175 537         | 2 104 696         |
| Movements in provisions                          | 415 981           | 869 391           |
| Annual charge for deferred tax                   | -                 | (5 693)           |
| Deemed cost additions                            | (232 082)         | -                 |
| Abakus take on                                   | (161 214)         | -                 |
| <b>Changes in working capital:</b>               |                   |                   |
| Receivables from exchange transactions           | (49 256)          | 544               |
| Consumer debtors                                 | (5 693 067)       | (4 084 203)       |
| Other receivables from non-exchange transactions | 1 158 515         | (2 549 774)       |
| Payables from exchange transactions              | 3 551 998         | 1 644 414         |
| VAT                                              | (2 585 799)       | (543 116)         |
| Taxes and transfers payable (non exchange)       | 193 844           | -                 |
| Unspent conditional grants and receipts          | (2 852 427)       | (6 816 473)       |
| Consumer deposits                                | 13 474            | 6 491             |
|                                                  | <b>23 814 834</b> | <b>12 087 481</b> |

## 38. Financial instruments disclosure

### Categories of financial instruments

#### 2015

#### Financial assets

|                                                         | At amortised cost | Total             |
|---------------------------------------------------------|-------------------|-------------------|
| Trade and other receivables from exchange transactions  | 194 767           | 194 767           |
| Other receivables from non-exchange transactions        | 3 683 374         | 3 683 374         |
| Receivables from exchange transactions-consumer debtors | 6 957 997         | 6 957 997         |
| Cash and cash equivalents                               | 27 763 226        | 27 763 226        |
|                                                         | <b>38 599 364</b> | <b>38 599 364</b> |

#### Financial liabilities

|                                                     | At amortised cost | Total             |
|-----------------------------------------------------|-------------------|-------------------|
| Loan from DBSA                                      | 937 324           | 937 324           |
| Trade and other payables from exchange transactions | 8 142 247         | 8 142 247         |
| Unspent grants                                      | 1 893 050         | 1 893 050         |
| Consumer deposits                                   | 163 568           | 163 568           |
|                                                     | <b>11 136 189</b> | <b>11 136 189</b> |

#### 2014

#### Financial assets

|                                                        | At amortised cost | Total     |
|--------------------------------------------------------|-------------------|-----------|
| Trade and other receivables from exchange transactions | 145 511           | 145 511   |
| Other receivables from non-exchange transactions       | 5 035 734         | 5 035 734 |

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| Figures in Rand                                         | 2015              | 2014              |
|---------------------------------------------------------|-------------------|-------------------|
| <b>Financial instruments disclosure (continued)</b>     |                   |                   |
| Receivables from exchange transactions-consumer debtors | 3 856 342         | 3 856 342         |
| Cash and cash equivalents                               | 25 923 724        | 25 923 724        |
|                                                         | <b>34 961 311</b> | <b>34 961 311</b> |

### Financial liabilities

|                                                     | At amortised cost   | Total               |
|-----------------------------------------------------|---------------------|---------------------|
| Loan from DBSA                                      | (987 952)           | (987 952)           |
| Trade and other payables from exchange transactions | (5 070 342)         | (5 070 342)         |
| Unspent grants                                      | (4 745 477)         | (4 745 477)         |
| Consumer deposits                                   | (150 094)           | (150 094)           |
|                                                     | <b>(10 953 865)</b> | <b>(10 953 865)</b> |

### 39. Commitments

#### Authorised capital expenditure

##### Approved and contracted for

|                                 |            |           |
|---------------------------------|------------|-----------|
| • Property, plant and equipment | 14 645 147 | 3 732 018 |
|---------------------------------|------------|-----------|

##### Approved and not yet contracted for

|                                 |            |           |
|---------------------------------|------------|-----------|
| • Property, plant and equipment | 13 170 088 | 5 625 000 |
|---------------------------------|------------|-----------|

##### Total capital commitments

|                                     |                   |                  |
|-------------------------------------|-------------------|------------------|
| Approved and contracted for         | 14 645 147        | 3 732 018        |
| Approved and not yet contracted for | 13 170 088        | 5 625 000        |
|                                     | <b>27 815 235</b> | <b>9 357 018</b> |

### 40. Contingencies

Litigation is in process against the Municipality relating to Natal Joint Municipal Pension Fund adjusted contributions by the municipality in respect of excessive salary increases in individual member pensionable emoluments: 1 April 2009 to March 2011. The summons were issued on the 9th of October 2013. The municipality's Attorney and management strongly believe that the Municipality has a strong defense. Should the action against the municipality be successful the value of the obligation is R618 558 and costs of the suit jointly and severally against the municipality with other defendants

An amount of R318 269.76 was paid wrongly into a personal account owing to a fraudulent change in banking details for a contractor. The matter is still under investigation by SAPS (Hawks white collar crime), pending the outcome of the aforementioned investigation, the municipality is potentially liable for a payment of R318 269.76 for the bona fide work carried out on the project in question.

### 41. Related parties

Close family member of an employee

Loma Mwenda Muyunda of M'powermaxx Development Projects.

M'powermaxx provided goods and services to the value of R9 700 to municipality for the 2014/15 financial year.

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

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### 42. Prior period errors

The retrospect implementation of IGRAP on traffic fines resulted in restatement of prior year figures. It should be noted that the net effect thereof is R67 130

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

#### Statement of financial position

Non exchange Debtor-Traffic fines

Impairment-Traffic fines debt

- 258 190

- (191 060)

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### 42. Prior period errors (continued)

#### Statement of Financial Performance

|                                 |   |           |
|---------------------------------|---|-----------|
| Revenue-Traffic Fines           | - | (258 190) |
| Impairment charge-Traffic fines | - | 191 060   |

An amount of R161 214.08 was corrected in current year through the accumulated surplus with respect to take on balances from the previous system Abakus.

#### Restatement of 2013/14 comparatives disclosure

##### Receivables from exchange transactions

|                                                      |   |                |
|------------------------------------------------------|---|----------------|
| As previously reported                               | - | 55 114         |
| reclassification from payables exchange transactions | - | 90 385         |
| rounding up configuration                            | - | 12             |
|                                                      | - | <b>145 511</b> |

##### Receivables from non-exchange transactions

|                                                                             |   |                  |
|-----------------------------------------------------------------------------|---|------------------|
| Correction-iGRAP traffic fines                                              | - | 67 130           |
| reclassification-Property rates from exchange transactions-consumer debtors | - | 4 968 604        |
|                                                                             | - | <b>5 035 734</b> |

##### Financial assets-Investments

|                                               |   |              |
|-----------------------------------------------|---|--------------|
| As previously reported                        | - | 17 908 438   |
| Reclassification to cash and cash equivalents | - | (17 908 438) |
|                                               | - | -            |

##### Cash and cash equivalents

|                                                                         |   |                   |
|-------------------------------------------------------------------------|---|-------------------|
| As previously reported                                                  | - | 8 015 286         |
| Reclassification of short term investments to cash and cash equivalents | - | 17 908 438        |
|                                                                         | - | <b>25 923 724</b> |

##### Payables from exchange transactions

|                                                        |   |                  |
|--------------------------------------------------------|---|------------------|
| As previously reported                                 | - | 4 979 957        |
| reclassification to receivables -exchange transactions | - | 90 385           |
|                                                        | - | <b>5 070 342</b> |

##### Accumulated surplus

|                                |   |                    |
|--------------------------------|---|--------------------|
| As previously reported         | - | 116 085 584        |
| Correction-iGRAP-Traffic fines | - | 67 130             |
| rounding up configuration      | - | 12                 |
|                                | - | <b>116 152 726</b> |

##### Revenue-fines, penalties and forfeits

|                                |   |                |
|--------------------------------|---|----------------|
| As previously reported         | - | 57 431         |
| Correction-iGRAP traffic fines | - | 258 190        |
|                                | - | <b>315 621</b> |

##### Employee related costs

|                                                 |   |                   |
|-------------------------------------------------|---|-------------------|
| As previously reported                          | - | 14 951 662        |
| reclassification from grant expenditure         | - | 2 080 822         |
| reclassification from councillor's remuneration | - | 11 577            |
|                                                 | - | <b>17 044 061</b> |

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|-------------------------------------------------|------|-------------------|
| <b>42. Prior period errors (continued)</b>      |      |                   |
| <b>Remuneration of councillors</b>              |      |                   |
| As previously reported                          | -    | 1 755 448         |
| reclassification to employee related costs      | -    | (11 577)          |
|                                                 | -    | <b>1 743 871</b>  |
| <b>Debt impairment</b>                          |      |                   |
| As previously reported                          | -    | 1 913 636         |
| correction-iGRAP traffic fines                  | -    | 191 060           |
|                                                 | -    | <b>2 104 696</b>  |
| <b>Repairs and maintenance</b>                  |      |                   |
| As previously reported                          | -    | 1 583 107         |
| reclassification from grant expenditure         | -    | 186 851           |
|                                                 | -    | <b>1 769 958</b>  |
| <b>Contracted services</b>                      |      |                   |
| As previously reported                          | -    | 987 425           |
| reclassification grant expenditure              | -    | 2 410 236         |
|                                                 | -    | <b>3 397 661</b>  |
| <b>General expenses</b>                         |      |                   |
| As previously reported                          | -    | 9 552 787         |
| reclassification from grant expenditure         | -    | 2 122 941         |
|                                                 | -    | <b>11 675 728</b> |
| <b>Grant expenditure</b>                        |      |                   |
| As previously reported                          | -    | 6 800 850         |
| reclassification-according to nature of expense | -    | (6 800 850)       |
|                                                 | -    | -                 |

### 43. Comparative figures

Certain comparative figures have been reclassified refer to Note 41.

### 44. Risk management

#### Financial risk management

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

#### Liquidity risk

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

#### Credit risk

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

#### Market risk

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### 44. Risk management (continued)

#### Interest rate risk

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

### 45. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 46. Events after the reporting date

There were no material events to report as at the date of the annual financial statements.

### 47. Unauthorised expenditure

|                          |           |   |
|--------------------------|-----------|---|
| Unauthorised expenditure | 1 455 515 | - |
|--------------------------|-----------|---|

The unauthorised expenditure relate to underbudgeting of depreciation and debt impairment on iGRAP for traffic fines.

### 48. Fruitless and wasteful expenditure

|                                                             |          |          |
|-------------------------------------------------------------|----------|----------|
| Fruitless and wasteful expenditure incurred during the year | 39 342   | 37 080   |
| Condoned/Approved                                           | -        | (37 080) |
| Awaiting condonation                                        | (39 342) | -        |
|                                                             | -        | -        |

### 49. Irregular expenditure

|                                           |                  |               |
|-------------------------------------------|------------------|---------------|
| Opening balance                           | 10 365           | 3 611 995     |
| Add: Irregular Expenditure - current year | 2 237 836        | 10 365        |
| Less: Amounts condoned                    | -                | (3 611 995)   |
| Less: Amounts written off                 | (10 365)         | -             |
|                                           | <b>2 237 836</b> | <b>10 365</b> |

#### Details of irregular expenditure – current year

|                       | Details of expenditure                                                  |                  |
|-----------------------|-------------------------------------------------------------------------|------------------|
| Irregular expenditure | Preference points not calculated                                        | 127 042          |
| Irregular expenditure | No three quotations obtained                                            | 361 289          |
| Irregular expenditure | CIDB grading of lead contractor in a Joint venture lower than required. | 1 697 309        |
| Irregular expenditure | Declaration of interest not signed                                      | 52 197           |
|                       |                                                                         | <b>2 237 837</b> |

### 50. Reconciliation between budget and statement of financial performance

The budget is approved on an accruals basis by nature classification. The approved budget covers the period 1 July 2014 to 30 June 2015. The budget and accounting basis are the same ie both on accruals basis therefore, financial statements and budget are on comparable basis. Accordingly a reconciliation is not necessary. The financial statements are prepared using a classification on the nature of expenses in the statement of financial statements.

|                                                        |            |            |
|--------------------------------------------------------|------------|------------|
| Net surplus per the statement of financial performance | 21 662 577 | 15 545 156 |
|--------------------------------------------------------|------------|------------|

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## Notes to the Financial Statements

| Figures in Rand                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 2015             | 2014             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>51. Additional disclosure in terms of Municipal Finance Management Act</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                  |                  |
| <b>Contributions to organised local government</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                  |                  |
| Opening balance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 403 670          | 403 670          |
| Current year subscription / fee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 500 000          | 450 000          |
| Amount paid - current year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | (500 000)        | (450 000)        |
| Amount paid - previous years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | (403 670)        | -                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | -                | <b>403 670</b>   |
| <b>Audit fees</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                  |                  |
| Current year fee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 1 264 862        | 1 046 178        |
| Amount paid - current year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | (1 264 862)      | (1 046 178)      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | -                | -                |
| <b>PAYE and UIF</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                  |                  |
| Opening balance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 196 523          | 179 307          |
| Current year subscription / fee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 3 183 056        | 2 369 963        |
| Amount paid - current year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | (3 353 492)      | (2 352 747)      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>26 087</b>    | <b>196 523</b>   |
| <b>52. Actual operating expenditure versus budgeted operating expenditure</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                  |                  |
| Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted expenditure.                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                  |                  |
| <b>53. Actual capital expenditure versus budgeted capital expenditure</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                  |                  |
| Refer to Appendix E 2 for the comparison of actual capital expenditure versus budgeted expenditure.                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                  |                  |
| <b>54. Deviation from supply chain management regulations</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                  |                  |
| Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.                                                                                                                                                                                                                                                                                                                                 |                  |                  |
| Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.                                                                                                                                                                                                                                 |                  |                  |
| Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The aforesaid deviations for 2014/15 amounted to R527 461.37 ( 2013/14 R2 130 418.07). The deviations were also taken to council and condoned. |                  |                  |
| <b>55. Electricity Losses</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                  |                  |
| <b>Electricity Losses units(kWh) lost in distribution</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                  |                  |
| Electricity units(kWh) purchased                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 12 288 527       | 12 149 122       |
| Electricity units(kWh) sold                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | (10 972 530)     | (10 366 748)     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>1 315 997</b> | <b>1 782 374</b> |

Electricity losses for the period under review is 11%, R1 066 089 (2014: 15%, R1 443 901)

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

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### 56. Biological Assets

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

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

As at 30 June 2015 the estimated number of biological assets are as follows: 1052 Game animals (June 2014: 1105)

### 57. Non-compliance with MFMA

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

### 58. Change in estimate

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

Based on the condition assessment carried out during the physical verification, the remaining useful lives of 5,278 assets were revised in accordance with the "Local Government Capital Asset Management Guideline" as issued by National Treasury.

The impact of the adjustment is that depreciation charges on property, plant and equipment for 2015 increased by R447 555.8 and from R 5 174 491.43 to R 5 622 047 and increased for future periods by R447 555.80 per period

### 59. Grant operational expenditure disclosure

#### By nature of expense

|                         |                  |                  |
|-------------------------|------------------|------------------|
| Employee related costs  | 2 020 046        | 2 080 822        |
| Repairs and maintenance | 181 393          | 186 851          |
| Contracted services     | 2 339 837        | 2 410 236        |
| General expenses        | 2 060 934        | 2 122 941        |
|                         | <b>6 602 210</b> | <b>6 800 850</b> |



# Emadlangeni Municipality

## Appendix E(1)

June 2015

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

|                                    | Current year<br>2015<br>Act. Bal.<br>Rand | Current year<br>2015<br>Adjusted<br>budget<br>Rand | Variance<br>Rand | Var    | Explanation of Significant Variances<br>greater than 10% versus Budget                                                                                                                                                                                                                                                                                     |
|------------------------------------|-------------------------------------------|----------------------------------------------------|------------------|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Revenue                            |                                           |                                                    |                  |        |                                                                                                                                                                                                                                                                                                                                                            |
| Property Rates                     | 13 183 978                                | 13 183 252                                         | 726              | -      |                                                                                                                                                                                                                                                                                                                                                            |
| Property rates Penalties           | 1 770 661                                 | 2 065 596                                          | (294 935)        | (14.3) | Better than expected overall collection rate. Budget anticipated a collection rate of about 65%. However, the average collection rate for 2014/15 was 84%. Hence less penalties charged on outstanding property rates due to better than expected receipts.                                                                                                |
| Government Grants                  | 43 393 523                                | 39 296 500                                         | 4 097 023        | 10.4   | Expenditure on previous rollover grants from previous periods resulting in more met conditions than budgeted anticipated. Accelerated spending on conditional as compared to prior periods is a major factor.                                                                                                                                              |
| Fines, Penalties and Forfeits      | 242 208                                   | 24 759                                             | 217 449          | 878.3  | IGRAP implementation on traffic fines, traffic fines revenue recognised on accruals basis as opposed to cash baais. The appointment of traffic officers during the year also explain the variance. In addition council resolved to give traffic officers motor vehicle allowances which resulted in high visibility and higher revenue from traffic fines. |
| Service charges                    | 13 340 405                                | 13 373 897                                         | (33 492)         | (0.3)  |                                                                                                                                                                                                                                                                                                                                                            |
| Rental of facilities and equipment | 1 096 805                                 | 1 034 795                                          | 62 010           | 6.0    |                                                                                                                                                                                                                                                                                                                                                            |
| Licences and permits               | 947 051                                   | 953 141                                            | (6 090)          | (0.6)  |                                                                                                                                                                                                                                                                                                                                                            |
| Other income                       | 957 707                                   | 630 174                                            | 327 533          | 52.0   | Higher insurance claims than anticipated. Donations and additional assets identified.                                                                                                                                                                                                                                                                      |
| Interest received - investment     | 1 293 463                                 | 1 078 221                                          | 215 242          | 20.0   | Accelerated spending on conditional grants resulted in less than anticipated interest revenue. As most of the interest is derived from interest on the investments cashbacking the conditional grants                                                                                                                                                      |
|                                    | 76 225 801                                | 71 640 335                                         | 4 585 466        | 6.4    |                                                                                                                                                                                                                                                                                                                                                            |
| Expenses                           |                                           |                                                    |                  |        |                                                                                                                                                                                                                                                                                                                                                            |
| Employee related costs             | (18 239 894)                              | (17 589 891)                                       | (650 003)        | 3.7    |                                                                                                                                                                                                                                                                                                                                                            |
| Remuneration of councillors        | (1 853 709)                               | (1 882 323)                                        | 28 614           | (1.5)  |                                                                                                                                                                                                                                                                                                                                                            |

# Emadlangeni Municipality

## Appendix E(1)

June 2015

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

|                                        | Current year<br>2015<br>Act. Bal. | Current year<br>2015<br>Adjusted<br>budget | Variance    |         | Explanation of Significant Variances<br>greater than 10% versus Budget                                                                                                                                                                                                                                                                                                 |
|----------------------------------------|-----------------------------------|--------------------------------------------|-------------|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Depreciation and<br>amortisation       | (6 187 974)                       | (4 807 996)                                | (1 379 978) | 28.7    | Earlier than expected completion of infrastructure projects. Contractors had own Plant and equipment. Depreciation was therefore not envisaged to be higher.                                                                                                                                                                                                           |
| Asset impairment                       | (15 936)                          | (200 000)                                  | 184 064     | (92.0)  | Most of the assets were impaired in the previous period, impairment was overbudgeted for.                                                                                                                                                                                                                                                                              |
| Finance costs                          | (98 144)                          | (100 905)                                  | 2 761       | (2.7)   |                                                                                                                                                                                                                                                                                                                                                                        |
| Debt Impairment                        | (2 175 537)                       | (2 100 000)                                | (75 537)    | 3.6     |                                                                                                                                                                                                                                                                                                                                                                        |
| Repairs and maintenance<br>- General   | (1 980 546)                       | (2 605 012)                                | 624 466     | (24.0)  | The variance is due to the delay in the beginning of the the repairs to the Town hall. Due to the late kick off of this project, repairs and maintenance expenditure was lower than anticipated.                                                                                                                                                                       |
| Bulk purchases                         | (9 040 644)                       | (9 900 000)                                | 859 356     | (8.7)   |                                                                                                                                                                                                                                                                                                                                                                        |
| Contracted Services                    | (3 248 585)                       | (2 495 984)                                | (752 601)   | 30.2    | Exercice for the Municipal plans and strategies budgeted to be completed by consultants did not take place envisaged. Hence under expenditure. The plans were budgeted for Community, Planning and Economic development new directorate. PMS was later subsequently funded by MSIG. Consequently, lower than budgeted expenditure was recorded on contracted services. |
| Grant Expenditure                      | -                                 | (4 632 240)                                | 4 632 240   | (100.0) | Spending on rolled over grants from previous period not catered for in the budget process for 2014/15 financial year.                                                                                                                                                                                                                                                  |
| General Expenses                       | (11 722 257)                      | (11 954 434)                               | 232 177     | (1.9)   | Expenditure budgeted for under General expenses were catered for under grant expenditure. Sports and Library contributed significantly to this expnditure.                                                                                                                                                                                                             |
| Other revenue and costs                | (54 563 226)                      | (58 268 785)                               | 3 705 559   | (6.4)   |                                                                                                                                                                                                                                                                                                                                                                        |
| Net surplus/ (deficit) for<br>the year | 21 662 575                        | 13 371 550                                 | 8 291 025   | 62.0    |                                                                                                                                                                                                                                                                                                                                                                        |

Capital Expenditure as at 30 June 2015

|                               | <b>Additions</b>  | <b>Original</b>   | <b>Revised</b>    | <b>Variance</b>  | <b>Variance</b> | <b>Explanation of significant</b>                                                                                                                                                                                                 |
|-------------------------------|-------------------|-------------------|-------------------|------------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                               | <b>Rand</b>       | <b>Budget</b>     | <b>Budget</b>     | <b>Rand</b>      | <b>%</b>        | <b>variances from budget</b>                                                                                                                                                                                                      |
|                               |                   | <b>Rand</b>       | <b>Rand</b>       |                  |                 |                                                                                                                                                                                                                                   |
| <b>Municipality</b>           |                   |                   |                   |                  |                 |                                                                                                                                                                                                                                   |
| Plant and Equipment           | 186 251           | 150 000           | 149 183           | (37 068)         | <b>(25)</b>     | Donated assets from Departement of Sports not budgeted for hence the variance recorded.                                                                                                                                           |
| Furniture and Fittings        | 62 150            | -                 | 265 500           | 203 350          | <b>77</b>       | The new directorate for Planning and Economic development was established towards the end of the year, later than anticipated initially, resulting in under expenditure for the newly established offices for the new Department. |
| Motor Vehicles                | 441 122           | 550 000           | 550 000           | 108 878          | <b>20</b>       | A special offer was obtained for the Toyota sedan. The vehicle was purchased at less than the budgeted amount resulting in the variance.                                                                                          |
| Office Equipment              | 182 558           | 125 000           | 414 000           | 231 442          | <b>56</b>       | The procurement processes for budgeted Server and UTM concluded later than planned resulting in under Expenditure.                                                                                                                |
| Infrastructure and immovables | 20 248 013        | 13 900 000        | 21 065 405        | 817 392          | <b>4</b>        | The procurement process for the Upgrade of Smith and Minaar street was not finalised as planned hence the under expenditure.                                                                                                      |
|                               | <b>21 120 094</b> | <b>14 725 000</b> | <b>22 444 088</b> | <b>1 323 994</b> | <b>6</b>        |                                                                                                                                                                                                                                   |