



UMZIMVUBU
— LOCAL MUNICIPALITY —

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2016

Index

TO

THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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GENERAL INFORMATION
TO
THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
MEMBERS OF THE EXECUTIVE COMMITTEE AS AT 30 JUNE 2016

Mayor

Cllr KS Pangwa

Speaker

Cllr ZO Sisilana

Chief Whip

Cllr N Mbele

Members

Cllr MV Nkqayi

Cllr VA Bulana

Cllr LT Qasha

Cllr Z Ndevu

Cllr EN Ngalonkulu - Lebelo

Cllr N Mpumlwana

Cllr N Nkula

Cllr PK Thingathinga

Portfolio

Infrastructure and Planning

Community Services

Corporate Services

Budget and Treasury

Communications and SPU

Local Economic Development

Exco Member

Exco Member

AUDITORS

Auditor-General
East London
Eastern Cape

BANKERS

First National Bank
Mount Frere

ATTORNEYS

The municipality makes use of various attorneys.

REGISTERED OFFICE

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Mount Frere

Private Bag X9020
Mount Frere
5090

Tel: (039) 255 0166
Fax: (039) 255 0167

Webpage: www.umzimvubu.gov.za

MUNICIPAL MANAGER

Mr. G.P.T. Nota

CHIEF FINANCIAL OFFICER

Mrs X. Venn

GENERAL INFORMATION (continued)
TO
THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

LEGAL FORM

Category B Municipality which operates in accordance with Chapter 7 of the Constitution of South Africa.

OBJECTIVES

The municipality strives, within its financial and administrative capacity, to achieve the following objectives:

- to provide democratic and accountable government for local communities
- to ensure the provision of services to communities in a sustainable manner
- to promote social and economic development
- to promote a safe and healthy environment
- to encourage the involvement of communities and community organisations in the matters of local government

GRADING

Grade 3

DEMARCATIION CODE

EC 442

JURISDICTION

Greater Umzimvubu area which includes:
Kwa-Bhaca, EmaXesibeni
and
various rural areas

2015/16

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

MEMBERS OF THE UMZIMVUBU LOCAL MUNICIPALITY

COUNCILLORS

WARD

- 1 FJ Hem
- 2 AL Mwezula
- 3 MV Nkqayi
- 4 MM Mpepanduku
- 5 M Mpakumpaku
- 6 X Jona
- 7 NM Mlenzana
- 8 M Jojo
- 9 ZJ Mendu
- 10 V Nyangane
- 11 N Gogela
- 12 ZB Mtebele
- 13 CT Ndawo
- 14 BMA Zililo
- 15 N Sonyabashi
- 16 SAN Cekeshe
- 17 S Mankanku
- 18 NT Xezu
- 19 N Jijana
- 20 V Ngabaza
- 21 FN Ngonyolo
- 22 CM Ngalonkulu
- 23 BT Ngqasa
- 24 MH Kwekwile
- 25 NA Sobahle
- 26 NP Ndabeni
- 27 S Nogcantsi

PROPORTIONAL

- N Nkula
SP Myingwa
EN Ngalonkulu-Lebelo
N Mpumlwana
NE Pakkies
T Mabindisa
MM Gwanya
AZ Gwebani
N Boyce
NO Godlo
LT Qasha
B Mngweba
NP Mlandu
UN Makanda
PK Thingathinga
TA Mambi
F Ntwakumba
ZO Sisilana
N Mbele
KS Phangwa
NN Gcadinja
VA Bulana
N Mpanda
SK Mnukwa
HM Ngqasa
B Ripa
NA Matshongo

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2016

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer is primarily responsible for the financial affairs of the municipality.

The accounting officer certifies that that the salaries, allowances and benefits of the councillors as disclosed in the notes to the financial statements are within the upper limits of the framework envisaged by section 219 of the Constitution read in conjunction with the Remuneration of Public Office Bearers Act and Minister of Provincial and Local Governments determination in accordance with this Act.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

I am responsible for the preparation of these annual financial statements, which are set out on pages 12 to 81 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

Mr. G.P.T. Nota
Municipal Manager

Date

UMZIMVUBU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Umzimvubu Local Municipality at 30 June 2016.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2015/16 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2016	2015
Surplus / (Deficit) for the year ended	96 371 419	30 667 470
Surplus / (Deficit) Accumulated as at	527 128 487	430 757 068
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	29.10%	24.58%
Remuneration of Councillors	8.12%	7.10%
Depreciation and Amortisation	16.03%	14.94%
Impairment Losses	4.18%	3.27%
Repairs and Maintenance	1.09%	0.94%
Interest Paid	0.58%	2.67%
Contracted Services	3.58%	3.56%
Grants and Subsidies Paid	2.07%	1.68%
General Expenses	32.52%	26.82%
Government Grants (Conditional)	2.75%	2.98%
Loss on Disposal of Property, Plant and Equipment	0.00%	11.46%
Current Ratio:		
Trade Creditors Days	41	35
Debtors	156	158

2.2 Performance Indicators:

INDICATOR	2016	2015
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	5.16%	4.74%
Liquidity Management:		
Liquidity Ratio	2.78	0.58
Liability Management:		
Capital Cost as percentage of Own Revenue	89.05%	114.73%
Financial Viability:		
Debt Coverage	0.97	0.92
Cost Coverage	0.25	0.14
Financial Performance		
Expenditure Management:		
Creditors to Cash and Investments	32.18%	49.79%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

**ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016**

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Umzimvubu Local Municipality can generally be classified as Rates and General and Economic Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2016 are as follows:

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	430 757 068	400 089 598	7.67	-	100.00
Operating income for the year	286 434 325	236 600 276	21.06	328 522 304	(12.81)
Appropriations for the year		(0)		-	-
	717 191 393	636 689 875	12.64	328 522 304	118.31
Expenditure:					
Operating expenditure for the year	190 062 906	205 932 807	(7.71)	243 520 000	(21.95)
Appropriations for the year		(0)		-	-
Closing surplus / (deficit)	527 128 487	430 757 068	22.37	85 002 304	520.13
	717 191 393	636 689 875	12.64	328 522 304	118.31

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Income	284 709 787	232 916 566	22.24	326 272 304	(12.74)
Expenditure	176 320 903	189 901 827	(7.15)	227 901 803	(22.63)
Surplus / (Deficit)	108 388 884	43 014 739	151.98	98 370 501	10.18
Surplus / (Deficit) as % of total income	38.07%	18.47%		30.15%	

3.2 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Percentage Variance %	Budgeted 2015/16 R	Variance actual/ budgeted %
Income	1 724 538	3 683 710	(53.18)	2 250 000	(23.35)
Expenditure	13 742 004	16 030 980	(14.28)	15 618 197	(12.01)
Surplus / (Deficit)	(12 017 465)	(12 347 270)	(2.67)	(13 368 197)	(10.10)
Surplus / (Deficit) as % of total income	(696.85)%	(335.19)%		(594.14)%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R84 354 203 (2014/15: R134 029 239). Full details of Assets are disclosed in Notes 8, 9, 10, 11 and Appendices "B, C and E (4)" to the Annual Financial Statements.

Source of funding as a percentage of Total Capital Expenditure:

**ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016**

DETAILS	2016	2015
Grants and Subsidies	144.49%	37.46%

Capital Assets are funded to a great extent from grants and subsidies as the municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2016	2015
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	85 002 304	43 473 303
Revenue variances	(42 087 979)	(52 002 375)
Expenditure variances:		
Employee Related Costs	2 631 791	226 877
Remuneration of Councillors	1 973 646	1 916 509
Depreciation and Amortisation	9 540 456	4 243 084
Impairment Losses	7 064 363	16 764 196
Repairs and Maintenance	1 784 329	1 440 445
Interest Paid	18 250 966	29 514 089
Contracted Services	529 335	(109 771)
Grants and Subsidies Paid	834 489	1 111 503
General Expenses	8 923 511	5 536 504
Government Grants (Conditional)	1 924 208	2 159 330
Loss on disposal of Property, Plant and Equipment	-	(23 606 224)
Actual surplus before appropriations	96 371 418	30 667 471

DETAILS	2016	2015
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	85 002 304	43 473 303
Executive and Council	4 178 952	3 233 618
Finance and Administration	(12 897 889)	(12 076 026)
Planning and Development	20 337 302	445 714
Community and Social Services	281 010	172 313
Public Safety	(1 880 993)	(797 677)
Waste Management	1 350 732	(3 783 776)
Actual surplus before appropriations	96 371 419	30 667 470

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

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for the year ended 30 June 2016

5.2 Capital Budget:

DETAILS	Actual 2015/16 R	Actual 2014/15 R	Variance actual 2015/16 / 2014/15 R	Budgeted 2015/16 R	Variance actual/ budgeted R
Executive and Council	47 814	129 003	(81 189)	132 578	(84 764)
Budget and Treasury	2 472 097	917 068	1 555 029	3 631 000	(1 158 903)
Corporate Services	2 038 841	877 622	1 161 218	4 854 750	(2 815 909)
Local Economic Development	381 081	3 941 271	(3 560 190)	1 100 000	(718 919)
Infrastructure and Planning	76 551 700	108 872 443	(32 320 743)	98 530 250	(21 978 550)
Community and Social Services	383 604	14 054 779	(13 671 175)	2 354 410	(1 970 806)
Waste Management	676 560	3 907 790	(3 231 230)	1 000 000	(323 440)
Public Safety	1 802 506	1 329 262	473 244	1 790 000	12 506
	<u>84 354 203</u>	<u>134 029 239</u>	<u>(49 675 036)</u>	<u>113 392 988</u>	<u>(29 038 785)</u>

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2016 amounted to R527 128 487 (30 June 2015: R430 757 068) and is made up as follows:

Capital Replacement Reserve	22 680 410
Accumulated Surplus	<u>504 448 077</u>
	<u><u>527 128 487</u></u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 20 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2016 was R0 (30 June 2015: R0).

Loans to the amount of R0 (2014/15: R0) was taken up during the financial year to enable the municipality to assist with bridging finance for the electrification of the area.

Refer to Note 17 and Appendix "A" for more detail.

8. NON-CURRENT PORTION OF EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R1 221 552 as at 30 June 2016 (30 June 2015: R1 011 912) and is made up as follows:

Long Service Awards Liability	<u>1 221 552</u>
	<u><u>1 221 552</u></u>

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 18 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R9 799 842 as at 30 June 2016 (30 June 2015: R9 040 445) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	<u>9 799 842</u>
	<u><u>9 799 842</u></u>

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for the year ended 30 June 2016

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 19 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R16 629 078 as at 30 June 2016 (30 June 2015: R43 267 408) and is made up as follows:

Provisions	Note 12	130 984
Payables from Exchange Transactions	Note 13	14 874 795
Payables from Non-exchange Transactions	Note 14	1 083 237
Unspent Conditional Grants and Receipts	Note 15	529 574
		<u>16 629 078</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R469 077 331 as at 30 June 2016 (30 June 2015: R417 604 718).

Refer to Note 8 and Appendices "B, C and E (4)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R1 723 895 as at 30 June 2016 (30 June 2015: R1 152 672).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 9 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Properties were R19 961 575 as at 30 June 2016 (30 June 2015: R20 411 575).

Investment Property is property 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.

Refer to Note 10 and Appendix "B" for more detail.

14. HERITAGE ASSETS

The net value of Heritage Assets were R17 719 as at 30 June 2016 (30 June 2015: R17 719).

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.

Refer to Note 11 and Appendix "B" for more detail.

15. CURRENT ASSETS

Current Assets amounted R63 998 438 as at 30 June 2016 (30 June 2015: R44 890 149) and is made up as follows:

Inventories	Note 2	745 001
Receivables from Exchange Transactions	Note 3	1 771 128
Receivables from Non-exchange Transactions	Note 4	8 723 450
VAT Receivable	Note 5	6 453 259
Cash and Cash Equivalents	Note 6	46 219 874
Operating Lease Assets	Note 7	85 727
		<u>63 998 438</u>

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for the year ended 30 June 2016**

The decrease in the amount for Current Assets is mainly due to the decrease in the amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

16. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 15 and 25, and Appendix "F" for more detail.

17. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 60.

18. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Note	Actual	
		2016	2015
		R	R
ASSETS			
Current Assets		63 998 438	44 890 149
Inventories	2	745 001	328 105
Receivables from Exchange Transactions	3	1 771 128	2 250 667
Receivables from Non-exchange Transactions	4	8 723 450	5 451 925
VAT Receivable	5	6 453 259	11 518 597
Cash and Cash Equivalents	6	46 219 874	25 251 175
Operating Lease Receivables	7	85 727	89 681
Non-Current Assets		490 780 521	439 186 684
Property, Plant and Equipment	8	469 077 331	417 604 718
Intangible Assets	9	1 723 895	1 152 672
Investment Property	10	19 961 575	20 411 575
Heritage Assets	11	17 719	17 719
Total Assets		554 778 959	484 076 832
LIABILITIES			
Current Liabilities		16 629 078	43 267 408
Current Portion of Employee Benefit Liability	12	130 984	159 898
Payables from Exchange Transactions	13	14 874 795	12 572 194
Payables from Non-exchange Transactions	14	1 083 237	2 393 845
Unspent Conditional Grants and Receipts	15	529 574	1 420 605
Operating Lease Liabilities	16	10 488	5 102
Current Portion of Long-term Liabilities	17	-	26 715 764
Non-Current Liabilities		11 021 394	10 052 357
Non-Current Portion of Employee Benefit Liabilities	18	1 221 552	1 011 912
Non-current Provisions	19	9 799 842	9 040 445
Total Liabilities		27 650 472	53 319 765
Total Assets and Liabilities		527 128 487	430 757 068
NET ASSETS		527 128 487	430 757 068
Accumulated Surplus / (Deficit)	20	527 128 487	430 757 068
Total Net Assets		527 128 487	430 757 068

UMZIMVUBU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Note	Actual	
		2016	2015
		R	R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	21	12 035 254	8 945 786
Fines	22	2 321 133	1 670 450
Licences and Permits	23	2 432 297	2 381 473
Income from Agency Services	24	1 634 115	1 400 182
Government Grants and Subsidies	25	255 038 665	210 997 462
Public Contributions and Donations	26	166 500	3 000
Revenue from Exchange Transactions			
Service Charges	27	1 477 615	1 426 599
Rental of Facilities and Equipment	28	1 508 102	1 282 767
Interest Earned - External Investments	29	4 855 359	3 704 587
Interest Earned - Outstanding Debtors	29	2 143 226	1 516 359
Other Revenue	30	2 822 060	2 761 655
Profit on Sale of Land:-	31	-	509 957
Sale of Land		-	511 470
Cost of Sales		-	(1 513)
Total Revenue		286 434 325	236 600 276
EXPENDITURE			
Employee Related Costs	32	55 311 425	50 612 945
Remuneration of Councillors	33	15 437 397	14 621 700
Depreciation and Amortisation	34	30 459 544	30 756 916
Impairment Losses	35	7 935 637	6 731 805
Repairs and Maintenance	36	2 074 087	1 936 177
Finance Costs	37	1 094 231	5 498 655
Contracted Services	38	6 795 712	7 341 493
Grants and Subsidies Paid	39	3 930 273	3 457 057
General Expenses	40	61 806 058	55 229 135
Government Grants (Conditional)	41	5 218 542	6 140 700
Loss on Disposal of Property, Plant and Equipment	42	-	23 606 224
Total Expenditure		190 062 906	205 932 807
SURPLUS / (DEFICIT) FOR THE YEAR		96 371 419	30 667 470

Refer to Budget Statement for explanation of budget variances

UMZIMVUBU LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Note	Actual	
		2016	2015
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		6 926 737	9 676 442
Government Grant and Subsidies		254 147 634	209 842 807
Public Contributions and Donations		166 500	3 000
Service Charges		737 898	2 353 579
Interest Received		5 412 091	4 100 102
Other Receipts		8 928 181	11 214 046
Payments			
Employee Related Costs		(55 130 699)	(50 418 700)
Remuneration of Councillors		(15 437 397)	(14 621 700)
Interest Paid		(1 094 231)	(5 498 655)
Suppliers Paid		(68 687 774)	(72 928 401)
Other Payments		(3 930 273)	(3 458 570)
NET CASH FLOWS FROM OPERATING ACTIVITIES	44	132 038 666	90 263 949
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(83 309 804)	(84 200 133)
Purchase of Intangible Assets		(1 044 399)	(392 961)
Proceeds on Disposal of Property, Plant and Equipment		-	442 409
Proceeds on Disposal of Intangible Assets		-	22 434
Proceeds on Sale of Land		-	511 470
NET CASH FLOWS FROM INVESTING ACTIVITIES		(84 354 203)	(83 616 781)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		(26 715 764)	(23 872 315)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(26 715 764)	(23 872 315)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		20 968 699	(17 225 147)
Cash and Cash Equivalents at Beginning of Period		25 251 175	42 476 321
Cash and Cash Equivalents at End of Period		46 219 874	25 251 175

UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

Description	Total
2015	
Balance at 30 June 2014	400 089 598
Balance 30 June 2014	400 089 599
Surplus / (Deficit) for 2014/15	30 667 470
Balance at 30 June 2015	430 757 068
2016	
Surplus / (Deficit) for the year 2015/16	96 371 419
Balance at 30 June 2016	527 128 487

Details on the movement of the Funds and Reserves are set out in Note 20.

UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

The budget was approved on an accrual basis by nature classification.

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	452 224	(123 119)	329 105	-	415 895	745 000	745 001	-	1	100.00	164.74
Receivables from Exchange Transactions	930 759	6 770 933	7 701 692	-	(5 758 892)	1 942 800	1 771 128	-	(171 672)	91.16	190.29
Receivables from Non-exchange Transactions	1 436 683	10 081 014	11 517 697	-	(2 791 697)	8 726 000	8 723 450	-	(2 550)	99.97	607.19
VAT Receivable	-	-	-	-	6 450 000	6 450 000	6 453 259	-	3 259	100.05	0.00
Cash and Cash Equivalents	63 706 262	(38 454 805)	25 251 457	-	20 973 543	46 225 000	46 219 874	-	(5 126)	99.99	72.55
Operating Lease Receivables	113 116	(23 435)	89 681	-	(3 681)	86 000	85 727	-	(273)	99.68	75.79
Non-Current Assets											
Property, Plant and Equipment	230 935 258	186 669 717	417 604 975	-	53 130 205	470 735 000	469 077 331	-	(1 657 669)	99.65	203.12
Intangible Assets	2 370 672	(1 218 900)	1 151 772	-	572 228	1 724 000	1 723 895	-	(105)	99.99	72.72
Investment Property	29 922 300	(9 510 425)	20 411 875	-	(449 875)	19 962 000	19 961 575	-	(425)	100.00	66.71
Heritage Assets	17 719	-	17 719	-	-	17 719	17 719	-	0	100.00	100.00
Total Assets	329 884 993	154 190 980	484 075 973	-	72 537 546	556 613 519	554 778 959	-	(1 834 560)	99.67	168.17
Current Liabilities											
Provisions	72 985	(72 985)	-	-	91 300	91 300	130 984	-	39 684	143.47	179.47
Payables from Exchange Transactions	17 119 339	1 123 556	18 242 895	-	(2 108 895)	16 134 000	14 874 795	-	(1 259 205)	92.20	86.89
Payables from Non-exchange Transactions	-	-	-	-	1 092 000	1 092 000	1 083 237	-	(8 763)	99.20	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	616 360	616 360	529 574	-	(86 786)	85.92	0.00
Operating Lease Liabilities	-	-	-	-	10 500	10 500	10 488	-	(12)	99.89	0.00
Current Portion of Long-term Liabilities	15 863 060	-	15 863 060	-	(15 863 060)	-	-	-	-	0.00	0.00
Non-Current Liabilities											
Long-term Liabilities	624 539	26 095 866	26 720 405	-	(26 720 405)	-	-	-	-	0.00	0.00
Retirement Benefit Liabilities	-	-	-	-	1 011 910	1 011 910	1 221 552	-	209 642	120.72	0.00
Non-current Provisions	10 788 652	(737 442)	10 051 210	-	(1 011 210)	9 040 000	9 799 842	-	759 842	108.41	90.83
Total Liabilities	44 468 575	26 408 995	70 877 570	-	(42 881 500)	27 996 070	27 650 472	-	(345 598)	98.77	62.18
Total Assets and Liabilities	285 416 417	127 781 985	413 198 402	-	115 419 047	528 617 449	527 128 487	-	(1 488 962)	99.72	184.69
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	285 416 417	127 781 985	413 198 402	-	115 419 047	528 617 449	527 128 487	-	(1 488 962)	99.72	184.69
Total Net Assets	285 416 417	127 781 985	413 198 402	-	115 419 047	528 617 449	527 128 487	-	(1 488 962)	99.72	184.69
							0		0		
Financial Position: Explanation of Variances between Approved Budget and Actual											
Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.											

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	10 430 000	4 570 000	15 000 000			15 000 000	12 035 254		(2 964 746)	80.24	115.39
Fines	4 242 477		4 242 477			4 242 477	2 321 133		(1 921 344)	54.71	54.71
Licences and Permits	2 500 000	542 468	3 042 468			3 042 468	2 432 297		(610 171)	79.94	97.29
Income for Agency Services	1 315 000	400 140	1 715 140		(55 270)	1 659 870	1 634 115		(25 755)	98.45	124.27
Government Grants and Subsidies Received	171 488 512	(22 944 000)	148 544 512		(3 945 500)	144 599 012	177 454 246		32 855 234	122.72	103.48
Public Contributions and Donations	3 000	1 500	4 500		176 910	181 410	166 500		(14 910)	91.78	5 550.00
Revenue from Exchange Transactions											

Service Charges	2 000 000		2 000 000		2 000 000	1 477 615		(522 385)	73.88	73.88
Rental of Facilities and Equipment	1 438 000		1 438 000	184 900	1 622 900	1 508 102		(114 798)	92.93	104.87
Interest Earned - External Investments	2 242 400	1 000 000	3 242 400	1 692 000	4 934 400	4 855 359		(79 041)	98.40	216.53
Interest Earned - Outstanding Debtors	1 460 200	906 000	2 366 200	(166 200)	2 200 000	2 143 226		(56 774)	97.42	146.78
Other Income	17 547 649	19 431 470	36 979 119	(2 432 340)	34 546 779	2 822 060		(31 724 720)	8.17	16.08
Gains on Disposal of Property, Plant and Equipment	800 000		800 000		800 000			(800 000)		
Profit on Sale of Land	300 000		300 000		300 000			(300 000)		
Total Revenue	215 767 238	3 907 578	219 674 816		(4 545 500)	215 129 316	208 849 906	(6 279 410)	97.08	96.79
Expenditure										
Employee Related Costs	53 544 303	3 284 697	56 829 000	1 114 216	57 943 216	55 311 425		(2 631 791)	95.46	103.30
Remuneration of Councillors	17 411 043		17 411 043		17 411 043	15 437 397		(1 973 646)	88.66	88.66
Collection Costs										
Depreciation and Amortisation	37 205 000	2 795 000	40 000 000		40 000 000	30 459 544		(9 540 456)	76.15	81.87
Impairment Losses	38 500 000	(23 500 000)	15 000 000		15 000 000	7 935 637		(7 064 363)	52.90	20.61
Repairs and Maintenance	3 782 463	125 288	3 907 751	(49 336)	3 858 415	2 074 087		(1 784 329)	53.75	54.83
Finance Costs	24 473 319	(1 549 018)	22 924 301	(3 579 104)	19 345 197	1 094 231		(18 250 966)	5.66	4.47
Bulk Purchases										
Contracted Services	7 625 047	(300 000)	7 325 047		7 325 047	6 795 712		(529 335)	92.77	89.12
Grants and Subsidies Paid	4 861 262	50 000	4 911 262	(146 500)	4 764 762	3 930 273		(834 489)	82.49	80.85
General Expenses	65 172 813	2 796 033	67 968 845	2 760 724	70 729 569	61 806 058		(8 923 511)	87.38	94.83
Government Grants (Conditional)	7 142 750		7 142 750		7 142 750	5 218 542		(1 924 208)	73.06	73.06
Loss on Disposal of Property, Plant and Equipment		100 000	100 000	(100 000)						
Total Expenditure	259 718 000	(16 198 000)	243 520 000			243 520 000	190 062 906	(53 457 094)	78.05	73.18
Surplus/(Deficit)	(43 950 762)	20 105 578	(23 845 184)		(4 545 500)	(28 390 684)	18 787 000	47 177 684		
Transfers Recognised - Capital	85 903 488	22 944 000	108 847 488	4 545 500	113 392 988	77 584 419		(35 808 570)	68.42	90.32
Surplus/(Deficit for the Year)	41 952 726	43 049 578	85 002 304	-	-	85 002 304	96 371 419	-	113.38	229.71

Financial Performance: Explanation of Variances between Approved Budget and Actual : Explanations will be submitted with the Final Financial Statements for the year.

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates:

The municipality billed it's own property and this was rectified and reversed.

Fines:

The municipality was hoping for early implimentation of AARTO.

Licences and Permits:

Estimates was based on previous records.

Income for Agency Services:

Income for Agency Services exceeded budgetary expectations.

Government Grants and Subsidies Received:

Unspent conditional grants from previous years were spend during the year and therefore increased the revenue acknowledged from said grants.

Service Charges:

Write off of services from Municipal owned properties.

Rental of Facilities and Equipment:

Outstanding amounts was received during the year.

Interest Earned - External Investments:

Nedbank investment yielded more interest than expected.

Interest Earned - Outstanding Debtors:

It was budgeted only for the portion of interest expected to be paid by debtors.

Other Income:

Amount from SARS allocated into VAT votes.

Remuneration of Councillors:

Low increment for Councillors.

Impairment Losses:

Impairment losses on assets less than estimated.

Finance Costs:

DBSA loan early redeemed.

Grants and Subsidies Paid:

Eskom changed offices and indigent data was not uploaded.. IEC Grant received late in the financial year.

General Expenses :

Over budgeted for General Expenses.

Transfers Recognised - Capital:

Capital Transfers are included in the budget for Government Grants and Subsidies Received above.

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	122 578	10 000	132 578	-	-	132 578	47 814	-	(84 764)	36.06	39.01
Budget and Treasury	1 800 000	1 331 000	3 131 000	-	500 000	3 631 000	2 472 097	-	(1 158 903)	68.08	137.34
Corporate Services	2 565 750	50 000	2 615 750	-	2 239 000	4 854 750	2 038 841	-	(2 815 909)	42.00	79.46
Local Economic Development	1 100 000	-	1 100 000	-	-	1 100 000	381 081	-	(718 919)	34.64	34.64
Infrastructure and Planning	75 510 750	21 553 000	97 063 750	-	1 466 500	98 530 250	76 551 700	-	(21 978 550)	77.69	101.38
Community and Social Services	2 354 410	-	2 354 410	-	-	2 354 410	383 604	-	(1 970 806)	16.29	16.29
Waste Management	700 000	-	700 000	-	300 000	1 000 000	676 560	-	(323 440)	67.66	96.65
Public Safety	1 750 000	-	1 750 000	-	40 000	1 790 000	1 802 506	-	12 506	100.70	103.00
Total Capital Expenditure	85 903 488	22 944 000	108 847 488		4 545 500	113 392 988	84 354 203		(29 038 785)	74.39	98.20

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual : Explanations will be submitted with the Final Financial Statements for the year.

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:

Expecting new Council but purchase of furniture postponed to next financial year.

Finance and Administration:

MSCOA and PMS were budgeted for the one year instead of multi year, computers were financed by grants and office furniture delayed.

Planning and Development:

Municipal offices were delayed due to the costing done based on the designs and still seeking for additional funding.

Community and Social Services:

Solis street upgrade phase 2 still in progress will be finalised on the next financial year

30 June 2016

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	8 865 500	3 384 000	12 249 500		(4 349 500)	7 900 000	6 926 737		(973 263)	87.68	78.13
Grants	257 392 350		257 392 350		(2 392 350)	255 000 000	254 147 634		(852 366)	99.67	98.74
Public Contributions and Donations					185 000	185 000	166 500		(18 500)	90.00	
Service Charges	1 700 000		1 700 000		700 000	2 400 000	737 898		(1 662 102)	30.75	43.41
Interest Received	3 702 650	1 906 000	5 608 650		(108 650)	5 500 000	5 412 091		(87 909)	98.40	146.17
Other Receipts	25 560 815	20 376 000	45 936 815		(37 436 815)	8 500 000	8 928 181		428 181	105.04	34.93
Employee Related Costs					(54 500 000)	(54 500 000)	(55 130 699)		(630 699)		
Remuneration of Councillors					(15 000 000)	(15 000 000)	(15 437 397)		(437 397)		
Interest Paid	(2 000 000)		(2 000 000)		1 755 000	(245 000)	(1 094 231)		(849 231)		
Suppliers Paid	(177 596 578)	20 594 000	(157 002 578)		89 002 578	(68 000 000)	(68 687 774)		(687 774)		
Other Payments	(4 416 765)		(4 416 765)		616 765	(3 800 000)	(3 930 273)		(130 273)		
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(84 802 588)	(22 944 000)	(107 746 588)		26 746 588	(81 000 000)	(83 309 804)		(2 309 804)		
Purchase of Intangible Assets					(1 000 000)	(1 000 000)	(1 044 399)		(44 399)		
Proceeds on Disposal of Property, Plant and Equipment	1 100 000		1 100 000		(1 100 000)						
Cash Flows from/(used in) Financing Activities											
Loans repaid	(25 000 000)	(4 000 000)	(29 000 000)		3 000 000	(26 000 000)	(26 715 764)		(715 764)		
Cash and Cash Equivalents at End of the Year	4 505 383	19 316 000	23 821 383	-	6 118 617	29 940 000	20 968 699	-	(8 971 301)	70.04	465.41

Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Standards of General Recognised Accounting Practice (GRAP) and Interpretations (IGRAP) issued and effective:

- GRAP 1 - Presentation of Financial Statements (as revised in 2010)
- GRAP 2 - Cash Flow Statements (as revised in 2010)
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
- GRAP 4 - The Effects of Changes in Foreign Exchange Rates (as revised in 2010)
- GRAP 5 - Borrowing Costs (as revised in 2013)
- GRAP 6 - Consolidated and Separate Financial Statements
- GRAP 7 - Investments in Associates
- GRAP 8 - Interests in Joint Ventures
- GRAP 9 - Revenue from Exchange Transactions (as revised in 2010)
- GRAP 10 - Financial Reporting in Hyperinflationary Economies (as revised in 2010)
- GRAP 11 - Construction Contracts (as revised in 2010)
- GRAP 12 - Inventories (as revised in 2010)
- GRAP 13 - Leases (as revised in 2010)
- GRAP 14 - Events After the Reporting Date (as revised in 2010)
- GRAP 16 - Investment Property (as revised in 2010)
- GRAP 17 - Property, Plant and Equipment (as revised in 2010)
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
- GRAP 21 - Impairment of Non-cash-generating Assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 25 - Employee Benefits
- GRAP 26 - Impairment of Cash-generating Assets
- GRAP 27 - Agriculture
- GRAP 31 - Intangible Assets
- GRAP 100 - Discontinued Operations (as revised in 2013)
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments
- IGRAP 1 - Applying the Probability Test on Initial Recognition of Revenue (As revised in 2012)
- IGRAP 2 - Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IGRAP 3 - Determining whether an Arrangement Contains a Lease
- IGRAP 4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP 5 - Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies

- IGRAP 6 - Loyalty Programmes
- IGRAP 7 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9 - Distributions of Non-cash Assets to Owners
- IGRAP 10 - Assets Received from Customers
- IGRAP 13 - Operating Leases – Incentives
- IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15 - Revenue – Barter Transactions Involving Advertising Services
- IGRAP 16 - Intangible Assets – Website Costs

1.2 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2015 and 30 June 2016 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.3 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.3.1 Revenue Recognition

Accounting Policy 11.2 on Revenue from Exchange Transactions and Accounting Policy 11.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.3.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on Financial Assets Classification and Accounting Policy 8.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

1.3.3 Impairment of Financial Assets

Accounting Policy 8.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (*Financial Instruments*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- Impairment of Trade Receivables:
The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions and that of Receivables from Non-exchange Transactions are disclosed in Notes 3 and 4 to the Annual Financial Statements.

1.3.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2 the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

The municipality has opted to early adopt the changes to GRAP 17 (*Property, Plant and Equipment*) as evident from Exposure Draft 126. Therefore, the useful lives and residual values of items of Property, Plant and Equipment, Intangible Assets and Investment Property shall only be amended if there have been any indicators that require such change to be made.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.3.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 9.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

1.3.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3.7 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.3.8 Defined benefit plan liability

As described in accounting policy note 13 the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit plan obligation of the municipality that has been identified is a Long Service Awards Liability. The related estimated liability is accounted for in accordance with the requirements of GRAP 25 Employee Benefits.

The present value of the Long Service Awards Liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions, such as discount rates, expected rates of return on plan assets, future salary increases, mortality rates and other factors. Any changes in these assumptions will impact on the carrying amount of post retirement obligations and due to the long term nature of Long Service Awards, such estimates are subject to significant uncertainty.

The net effective discount rate used for the purposes of the above-mentioned valuation is determined by the actuary based on various other rates and factors, as detailed in note 18 to the Annual Financial Statements. Such rates are estimated by the actuary and are also subject to significant uncertainty.

1.4 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.5 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

1.6 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.7 Standards and Interpretations and amendments to Standards effective and adopted in the current financial year.

GRAP 5 Borrowing Cost and GRAP 100 Discontinued Operations (previously titled Non-Current Assets Held for Sale and Discontinued Operations) have been amended and the amended Standards became effective 1 July 2014. These amended Standards are accounted for as described in accounting policy notes 15 and 10.

1.8 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following Standards of GRAP and Interpretations of the Standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued February 2011 (no effective date determined yet)
- GRAP 20 Related Party Disclosures (Revised) (no effective date determined yet)
- GRAP 32 Service Concession Arrangement Grantor - issued August 2013 (no effective date determined yet)
- GRAP 105 Transfers between Entities under common control - issued November 2010 (effective 1 July 2015)
- GRAP 106 Transfers between Entities not under common control - issued November 2010 (effective 1 July 2015)
- GRAP 107 Mergers - issued November 2010 (effective 1 July 2015)
- GRAP 108 Statutory Receivables - issued September 2013. (no effective date determined yet)

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- GRAP 109 Accounting by Principals and Agents - issued August 2013 (no effective date determined yet)
- IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset. issued August 2013 (no effective date determined yet).

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. NET ASSETS

2.1 Accumulated Surplus

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.

2.1.2 Capital Contributions from Government

When items of Property, Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from government grants.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

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

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

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Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of 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.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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

3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. 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.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Buildings	25 - 100		Other	
	Mobile Offices	5 - 10		Specialist Vehicles	5 - 20
	Infrastructure			Other Vehicles	5 - 10
	Roads and Paving	45 - 50		Office Equipment	3 - 7
	Gravel Roads	3 - 10		Furniture and Fittings	5 - 10
	Landfill Sites	10 - 65		Watercraft	15
	Community			Bins and Containers	5
	Security	5 - 10		Specialised Plant and Equipment	10 - 15
	Recreational Facilities	15 - 60		Other items of Plant and Equipment	2 - 5
				Library Books	5 - 20
				Leased Equipment	Lease period

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

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3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

3.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.7 Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.8 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised 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 an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

4. INTANGIBLE ASSETS

The municipality changed its Accounting Policy from GRAP 102 to GRAP 31 with no effect on the financial information previously disclosed.

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only 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.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- (a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
- (b) Management intends to complete the Intangible Asset and use or sell it;
- (c) There is an ability to use or sell the Intangible Asset;
- (d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- (f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software	4		Website	Infinite

Intangible Assets are annually tested for impairment as described in Accounting Policy 7 on Impairment of Assets, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible Assets 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 on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

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- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

5.2 Subsequent Measurement

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-line Method over the useful life of the property, which is estimated at 25 - 100 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. HERITAGE ASSETS

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

6.1 Initial Recognition

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

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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6.2 Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

6.3 Derecognition

The carrying amount of an item of Heritage Assets is derecognised 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 an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

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

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

8.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
 - (i) Derivatives;

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- (ii) Combined instruments that are designated at fair value;
 - (iii) Instruments held for trading;
 - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Fair Value.

8.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

8.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

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Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

8.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

8.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value plus transaction costs, and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

8.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

8.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

8.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

9. INVENTORIES

9.1 Initial Recognition

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Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9.2 Subsequent Measurement

9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the weighted average cost of commodities.

9.2.2 Other Arrangements

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

10. NON-CURRENT ASSETS HELD-FOR-SALE

The standard on GRAP 100 Non-current assets held for sale has been amended with effect as of the current year. The amendments led to the following changes in the presentation, classification and measurement of non-current assets held for sale.

(a) Changes to the way in which non-current assets held for sale are measured, applied prospectively at the beginning of the period in which these amendments are adopted.

(b) Changes to the way in which non-current assets held for sale are classified and presented on the statement of financial position and accompanying notes, shall be applied retrospectively by adjusting information for the earliest period presented.

This implies that assets classified as held for sale would be reclassified to its original designation (e.g. Property, plant and equipment) from the first period presented. The assets will be measured based on its original classification.

As per the transitional provision of this standard, management has assessed the residual values, useful lives, depreciation methods, and any indicators of impairment of the reclassified assets at the beginning of the 2014/15 period and not for prior periods. The reclassification was affected in the comparative figures as required by the transitional arrangements.

11. REVENUE RECOGNITION

11.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

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Revenue from Non-exchange Transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

11.2 Revenue from Exchange Transactions

11.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

11.2.2 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

11.2.3 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

11.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

11.2.5 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

11.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

11.3.2 Fines

Fines are accounted for in accordance with GRAP 23 and from the current year the interpretation was done in accordance with IGRAP 1 as detailed below.

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

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11.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with GRAP 23.

11.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, 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 best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

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12.1 Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

13. EMPLOYEE BENEFIT LIABILITIES

The municipality changed its Accounting Policy from IAS 19 to GRAP 25 with no effect on the financial information previously disclosed.

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

13.2.1 Defined Contribution Plans

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.2.2 Defined Benefit Plans

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

14. LEASES

14.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

14.2 The Municipality as Lessee

14.2.1 Finance Leases

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Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

14.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.3 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

14.4 Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

15. BORROWING COSTS

All borrowing costs are treated as an expense in the period in which they are incurred.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

18. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for 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.

19. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure 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.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

22. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

24. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

25. RELATED PARTIES

The municipality changed its Accounting Policy from IPSAS 20 to GRAP 20 with no effect on the financial information previously disclosed.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

26. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

26. COMPARATIVE INFORMATION

26.1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

26.2 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

26.3 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2015 to 30 June 2016.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016 **2015**
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1. GENERAL INFORMATION

Umzimvubu Local Municipality (the municipality) is a local government institution in Mount Frere, Eastern Cape Province, and is one of the local municipalities under the jurisdiction of the Alfred Nzo District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumable Stores - Stationery	269 925	303 029
Property Stock	475 076	25 076
Total Inventories	745 001	328 105

Consumable Stores - Stationery

Stationery is held for own use and measured at the lower of Cost and Current Replacement Cost.

The cost of Inventories recognised as an expense during the period was R 2 150 956 (30 June 2015: R 921 076).

Inventories are expected to be utilised within 12 months after the reporting date

Property Stock

The municipality developed two subdivided portions of land, erf 2906 and erf 3019 in Mount Ayliff, into residential and commercial properties of which are in the process of being sold. It is the intention to sell the remaining properties during the next twelve months.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Service Debtors:	3 858 826	3 306 362	552 465
Refuse	3 858 826	3 306 362	552 465
Other Receivables	2 175 309	956 646	1 218 663
Value Added Tax (VAT)	1 036 403	724 050	312 353
Land sales	290 763	232 596	58 167
Other Debtors	848 143		848 143
Total Receivables from Exchange Transactions	6 034 136	4 263 008	1 771 128

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Service Debtors:	2 893 005	2 438 512	454 493
Refuse	2 893 005	2 438 512	454 493
Other Receivables	2 401 414	605 239	1 796 174
Value Added Tax (VAT)	870 978	372 643	498 336
Land sales	854 139	232 596	621 542
Other Debtors	676 296		676 296
Total Receivables from Exchange Transactions	5 294 418	3 043 751	2 250 667

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

Government debtors have been impaired awaiting the outcome of the reconciliation process of Government properties between the National and Provincial Departments of Public Works.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2016

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Refuse:					
Gross Balances	113 439	105 936	101 372	3 538 079	3 858 826
Less: Provision for Impairment	81 964	81 581	80 817	3 061 999	3 306 362
Net Balances	31 475	24 355	20 555	476 080	552 465
Other Receivables:					
Gross Balances	196 936	14 946	14 252	1 949 176	2 175 309
Less: Provision for Impairment	11 544	11 490	11 319	922 293	956 646
Net Balances	185 392	3 456	2 933	1 026 883	1 218 663

As at 30 June Receivables of R1 554 261 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	120 882	115 623	5 487 255	5 723 760
Less: Provision for Impairment	93 071	92 136	3 984 292	4 169 500
Net Balances	27 811	23 487	1 502 963	1 554 261

As at 30 June 2015

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Refuse:					
Gross Balances	105 299	100 016	95 608	2 592 082	2 893 005
Less: Provision for Impairment	73 461	73 180	72 852	2 219 018	2 438 512
Net Balances	31 837	26 836	22 756	373 064	454 493
Other Receivables:					
Gross Balances	207 992	14 069	13 409	2 165 944	2 401 414
Less: Provision for Impairment	10 286	10 247	10 201	574 506	605 239
Net Balances	197 706	3 822	3 208	1 591 438	1 796 174

As at 30 June Receivables of R2 021 124 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	114 084	109 017	4 758 027	4 981 128
Less: Provision for Impairment	83 426	83 053	2 793 525	2 960 004
Net Balances	30 658	25 964	1 964 502	2 021 124

3.2 Reconciliation of the Provision for Impairment

Balance at beginning of year	3 043 751	5 637 406
Impairment Losses recognised	1 219 257	1 085 572
Amounts written off as uncollectable	-	(3 679 227)
Balance at end of year	4 263 008	3 043 751

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
3.3 Ageing of impaired Receivables from Exchange Transactions		
<i>Current:</i>		
0 - 30 Days	93 508	83 747
<i>Past Due:</i>		
31 - 60 Days	93 071	83 426
61 - 90 Days	92 136	83 053
+ 90 Days	3 984 292	2 793 525
Total	4 263 008	3 043 751

3.4 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Assessment Rates Debtors	17 741 528	12 838 808	4 902 720
Sundry Debtors	8 433		8 433
Interest/Penalty Charges	4 572 097	3 335 126	1 236 971
Traffic Fines	9 871 085	7 295 759	2 575 326
Total Receivables from Non-exchange Transactions	32 193 143	23 469 693	8 723 450

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Assessment Rates Debtors	12 633 010	8 898 495	3 734 516
Government Subsidy Claims	250 366		250 366
Sundry Debtors	9 055		9 055
Hall Securities	(8 771)		(8 771)
Interest/Penalty Charges	2 985 604	2 036 915	948 688
Sundry Deposits	1 885		1 885
Traffic Fines	7 833 503	7 317 317	516 185
Total Receivables from Non-exchange Transactions	23 704 652	18 252 727	5 451 925

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

Government debtors have been impaired awaiting the outcome of the reconciliation process of Government properties between the National and Provincial Departments of Public Works.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2016

	Current <i>0 - 30 days</i>	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>		
Assessment Rates Debtors					
Gross Balances	663 465	158 089	386 552	16 533 421	17 741 528
Less: Provision for Impairment	585 510	155 126	383 210	11 714 962	12 838 808
Net Balances	77 955	2 963	3 342	4 818 460	4 902 720

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

				2016 R	2015 R
Sundry Debtors					
Gross Balances				8 433	8 433
Net Balances	-	-	-	8 433	8 433
Interest/Penalty Charges					
Gross Balances	171 900	172 676	179 696	4 047 825	4 572 097
Less: Provision for Impairment	128 043	128 713	127 340	2 951 030	3 335 126
Net Balances	43 856	43 963	52 357	1 096 795	1 236 971
Traffic Fines					
Gross Balances	1 156 657	-	-	8 714 428	9 871 085
Less: Provision for Impairment	985 480	-	-	6 310 279	7 295 759
Net Balances	171 178	-	-	2 404 149	2 575 326

As at 30 June Receivables of R8 430 461 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	330 765	566 248	29 304 107	30 201 120
Less: Provision for Impairment	283 839	510 549	20 976 270	21 770 659
Net Balances	46 926	55 699	8 327 836	8 430 461

As at 30 June 2015

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates Debtors					
Gross Balances	340 678	309 491	296 041	11 686 801	12 633 010
Less: Provision for Impairment	236 955	236 606	233 433	8 191 500	8 898 495
Net Balances	103 722	72 885	62 607	3 495 301	3 734 516
Government Subsidy Claims					
Gross Balances	250 366				250 366
Net Balances	250 366				250 366
Sundry Debtors					
Gross Balances				9 055	9 055
Net Balances				9 055	9 055
Hall Securities					
Gross Balances	-	-	-	(8 771)	(8 771)
Net Balances	-	-	-	(8 771)	(8 771)
Interest/Penalty Charges					
Gross Balances	132 951	130 220	127 536	2 594 896	2 985 604
Less: Provision for Impairment	91 676	89 465	87 312	1 768 462	2 036 915
Net Balances	41 275	40 755	40 224	826 435	948 688
Sundry Deposits - Leases					
Gross Balances				1 885	1 885
Net Balances				1 885	1 885
Traffic Fines					
Gross Balances	16 300	3 000	35 350	7 778 853	7 833 503
Less: Provision for Impairment	1 017	187	2 206	7 313 907	7 317 317
Net Balances	15 283	2 813	33 144	464 946	516 185

As at 30 June Receivables of R5 041 279 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	442 711	458 927	22 062 720	22 964 358
Less: Provision for Impairment	326 258	322 951	17 273 869	17 923 079
Net Balances	116 453	135 975	4 788 850	5 041 279

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R
4.2 Reconciliation of Provision for Impairment		
Balance at beginning of year	18 252 727	25 172 214
Impairment Losses recognised	5 238 524	3 647 423
Impairment Losses reversed	(21 559)	
Amounts written off as uncollectable		(10 566 910)
Balance at end of year	<u>23 469 693</u>	<u>18 252 727</u>

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

The provision for impairment on Traffic Fines was calculated at a lower amount as the previous financial year and accordingly the excess provided before was accordingly reversed.

5. VAT RECEIVABLE

Vat Receivable	<u>6 453 259</u>	<u>11 518 597</u>
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

6. CASH AND CASH EQUIVALENTS

Current Investments	43 283 699	22 638 631
Cashbook	2 936 175	2 612 543
Total Bank, Cash and Cash Equivalents	<u>46 219 874</u>	<u>25 251 175</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Investments in Money Market Instruments.

6.1 Current Investments

Call Deposits	43 198 421	22 558 201
Notice Deposits	85 277	80 431
Total Current Investments	<u>43 283 699</u>	<u>22 638 631</u>

The following call deposit accounts for ring fenced purposes as indicated

			<u>43 283 571</u>	<u>22 638 502</u>
Service Delivery Reserve	First National	62 033 254 723	1 177	1 122
Operational Investment	First National	62 029 450 715	19 614 063	527 907
Municipal Infrastructure Grant (MIG)	First National	62 086 036 714	103 488	33 226
Guarantee Investment	First National	62 068 742 157	261 916	253 440
Dedea Projects	First National	62 245 288 411	398 661	378 908
Financial Management Grant (FMG)	First National	62 276 187 294	39 145	1 071
Munisipal System Improvement Grant	First National	62 276 189 018	43 199	1 047
Electrification Program	First National	62 288 560 925	56 243	17 032
DBSA Investment	First National	62 442 023 636	85 268	80 422
Operational Investment	NedBank	378 811 127 862	22 680 410	21 344 329

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4,82 % to 6,50 % (2015: 4,4% to 4,5%) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5,075 % to 5,68 % (2015: 5,54 % to 5,68 %) per annum.

Deposits of R161 400 (2015: R161 400) are committed as a guarantee to ESKOM.

6.2 Bank Accounts

Cashbook		
	2 936 175	2 612 543
Total Cash	<u>2 936 175</u>	<u>2 612 543</u>

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Cash book balance at beginning of year	2 612 543	22 163 466
Cash book balance at end of year	2 936 175	2 612 543
The Municipality has the following bank accounts:		
Primary Bank Account		
<i>First National Bank - Account Number 620 2218 3727:</i>		
Bank statement balance at beginning of year	2 586 400	24 969 362
Bank statement balance at end of year	2 893 540	2 586 400

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

7. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	89 681	121 263
Operating Lease Revenue recorded	14 767	4
Operating Lease Revenue effected	(18 721)	(31 585)
Total Operating Lease Receivables	85 727	89 681

7.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 2 to 10 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	195 830	343 393
2 to 5 years	356 058	551 889
Total Operating Lease Arrangements	551 889	895 282

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R-3 954 (2015: a decrease of R-31 581) in current year income.

Rental Income recognised in the Statement of Financial Performance	1 239 841	999 894
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The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

8 PROPERTY, PLANT AND EQUIPMENT

30 June 2016

Reconciliation of Carrying Value

Description	Land	Buildings	Infra- structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2015	7 673 371	23 940 669	306 117 674	65 687 684	14 021 388	163 932	417 604 718
Cost	7 673 371	36 941 340	422 332 049	81 606 757	26 066 146	1 681 279	576 300 943
- Completed Assets	7 006 756	32 735 749	286 525 474	61 901 890	26 066 146	1 681 279	415 917 295
- Under Construction	666 615	4 205 592	135 806 575	19 704 866	-	-	160 383 648
Accumulated Impairment Losses			(40 897)	(937 710)			(978 607)
Accumulated Depreciation:		(13 000 671)	(116 173 478)	(14 981 363)	(12 044 758)	(1 517 347)	(157 717 618)
- Cost	-	(13 000 671)	(116 173 478)	(14 981 363)	(12 044 758)	(1 517 347)	(157 717 618)
Acquisitions			2 830 377	1 341 249	6 607 011		10 778 636
Capital under Construction - Additions:		145 365	54 556 427	17 829 376			72 531 168
Reversals of Impairment Losses							
Depreciation:		(1 313 346)	(21 186 743)	(2 549 270)	(4 773 078)	(163 932)	(29 986 368)
- Based on Cost	-	(1 313 346)	(21 186 743)	(2 549 270)	(4 773 078)	(163 932)	(29 986 368)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:							
- Cost						(1 681 279)	(1 681 279)
- Accumulated Depreciation						1 681 279	1 681 279
Impairment Losses			(1 850 822)				(1 850 822)
Capital under Construction - Completed			(14 968 053)				(14 968 053)
Other Movements			14 968 053				14 968 053
- Cost			14 968 053				14 968 053
Carrying values at 30 June 2016	7 673 371	22 772 689	340 466 912	82 309 038	15 855 321	(0)	469 077 331
Cost	7 673 371	37 086 705	479 718 853	100 777 381	32 673 157	-	657 929 468
- Completed Assets	7 006 756	32 735 749	304 323 904	63 243 139	32 673 157	-	439 982 705
- Under Construction	666 615	4 350 957	175 394 949	37 534 242	-	-	217 946 763
Accumulated Impairment Losses			(1 891 720)	(937 710)			(2 829 429)
Accumulated Depreciation:		(14 314 017)	(137 360 221)	(17 530 633)	(16 817 836)		(186 022 707)
- Cost	-	(14 314 017)	(137 360 221)	(17 530 633)	(16 817 836)	(0)	(186 022 707)

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2015

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2014	7 673 371	25 171 489	255 439 478	85 629 979	14 137 748	499 385	388 551 450.45
Cost	7 673 371	36 878 889	364 273 445	116 418 708	22 886 349	1 681 279	549 812 041.71
- Completed Assets	7 006 756	29 216 093	282 753 902	96 917 251	22 886 349	1 681 279	440 461 630.39
- Under Construction	666 615	7 662 796	81 519 543	19 501 458	-	-	109 350 411.32
Accumulated Impairment Losses	-	-	(40 897)	-	(52 337)	-	(93 234.07)
Accumulated Depreciation:		(11 707 400)	(108 793 069)	(30 788 730)	(8 696 264)	(1 181 894)	(161 167 357.18)
Acquisitions		364 074	16 995 742	1 009 718	3 595 671		21 965 204.80
Capital under Construction - Additions:		61 665	54 287 033	7 886 230			62 234 928.01
Depreciation:		(1 293 271)	(20 272 028)	(3 855 680)	(4 404 091)	(335 453)	(30 160 523.37)
Carrying value of Disposals:			(695 838)	(23 057 355)	(295 439)		(24 048 632.46)
- Cost			(13 587 457)	(42 720 401)	(1 403 373)		(57 711 231.65)
- Accumulated Impairment Losses					52 337		52 336.58
- Accumulated Depreciation			12 891 619	19 663 047	1 055 597		33 610 262.61
Impairment Losses				(937 710)			(937 709.81)
Capital under Construction - Completed		(3 518 869)		(7 682 822)			(11 201 691.14)
Other Movements		3 155 582	363 287	6 695 323	987 499		11 201 691.14
- Cost		3 155 582	363 287	6 695 323	987 499		11 201 691.14
Carrying values at 30 June 2015	7 673 371	23 940 669	306 117 674	65 687 684	14 021 388	163 932	417 604 717.62
Cost	7 673 371	36 941 340	422 332 049	81 606 757	26 066 146	1 681 279	576 300 942.87
- Completed Assets	7 006 756	32 735 749	286 525 474	61 901 890	26 066 146	1 681 279	415 917 294.68
- Under Construction	666 615	4 205 592	135 806 575	19 704 866	-	-	160 383 648.19
Accumulated Impairment Losses			(40 897)	(937 710)			(978 607.30)
Accumulated Depreciation:		(13 000 671)	(116 173 478)	(14 981 363)	(12 044 758)	(1 517 347)	(157 717 617.94)
- Cost	-	(13 000 671)	(116 173 478)	(14 981 363)	(12 044 758)	(1 517 347)	(157 717 617.94)

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

The remaining useful life of property plant and equipment were considered and adjusted in accordance with its condition. For detail of this exercise please see Note 8.5 to the Financial Statements.

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
8 PROPERTY, PLANT AND EQUIPMENT (Continued)		
8.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
8.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal		
No Property, Plant and Equipment were retired from active use and held for disposal at the end of the financial year.		
8.3 Assets pledged as security		
The municipality did not pledge any of its assets as security.		
8.4 Impairment of Property, Plant and Equipment		
Impairment Losses on Property, Plant and Equipment to the amount of R1 850 822 (2015: R2 813 129) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 35.		
Infrastructure: Roads	1 850 822	-
Community Assets: Other Facilities	-	937 710
Other Assets: Plant and Equipment	-	1 875 420
Total Impairment of Property, Plant and Equipment	1 850 822	2 813 129
Impairment for the previous financial year were unfortunately not disclosed. It was however recognised as an expense and has therefore no affect on the financial performance or position at 30 June 2015.		
8.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed		
A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:		
Executive and Council	8 181	6 027
Finance and Administration	105 971	111 787
Corporate Services	62 205	101 863
Planning and Development	2 943	5 616
Community and Social Services	11 277	62 502
Public Safety	141	54 081
Roads and Transport	193 247	2 740 558
Total Change in Estimate for Useful Life of Property, Plant and Equipment	383 965	3 082 434
8.6 Land and Buildings carried at Fair Value		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
8.7 Work-in-Progress		
The municipality has incurred expenditure on capital projects which were not completed at year-end.		
Land	666 615	666 615
Buildings	4 350 957	4 205 592
Infrastructure: Electricity	71 245 793	63 347 812
Infrastructure: Roads	102 595 491	71 106 900
Infrastructure: Sanitation	1 428 663	1 351 863
Infrastructure: Security Measures	125 001	-
Community Assets: Recreational Facilities	3 316 434	1 533 417
Community Assets: Sports Facilities	10 483 060	3 307 147
Community Assets: Other Facilities	23 734 747	14 864 302
Total Carrying Amounts of Work-in-Progress	217 946 763	160 383 648

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R	
9 INTANGIBLE ASSETS			
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>1 723 895</u>	<u>1 152 672</u>	
The movement in Intangible Assets is reconciled as follows:			
	Website	Computer Software	Total
Carrying values at 01 July 2015	233 514	919 157	1 152 672
Cost	233 514	2 460 136	2 460 136
Work-in-Progress	233 514	-	233 514
Accumulated Amortisation	-	(1 540 979)	(1 540 979)
Acquisitions:	106 168	938 231	1 044 399
Purchased	106 168	938 231	938 231
Work-in-Progress	-	-	106 168
Amortisation:	-	(473 175)	(473 175)
Applied	-	(473 175)	(473 175)
Transfers:	-	-	-
At Cost	339 682	-	339 682
Work-in-Progress	(-339 682)	-	(-339 682)
Carrying values at 30 June 2016	339 682	1 384 213	1 723 895
Cost	339 682	3 398 367	3 738 049
Accumulated Amortisation	-	(2 014 154)	(2 014 154)
	Website	Computer Software	Total
Carrying values at 01 July 2014	122 400	1 256 137	1 378 537
Cost	122 400	2 333 356	2 333 356
Work-in-Progress	122 400	-	122 400
Accumulated Amortisation	-	(1 077 218)	(1 077 218)
Acquisitions:	111 114	281 847	392 961
Purchased	111 114	281 847	281 847
Work-in-Progress	-	-	111 114
Amortisation:	-	(596 393)	(596 393)
Purchased	-	(596 393)	(596 393)
Disposals:	-	(22 434)	(22 434)
At Cost	-	(155 067)	(155 067)
At Accumulated Amortisation	-	132 633	132 633
Carrying values at 30 June 2015	233 514	919 157	1 152 672
Cost	233 514	2 460 136	2 460 136
Work-in-Progress	233 514	-	233 514
Accumulated Amortisation	-	(1 540 979)	(1 540 979)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 34).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

Computer Software are issued under license and are restricted to the conditions under which each license are issued.

Refer to Appendix "B" for more detail on Intangible Assets.

9.1 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and none of such assets, but the Website, is regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

9.2 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

9.3 Work-in-Progress

The municipality has incurred expenditure on capital projects which were not completed at year-end.

Website	-	233 514
Total Carrying Amounts of Work-in-Progress	-	233 514

9.4 Delayed Projects

No projects that are currently in progress are experiencing significant delays.

10 INVESTMENT PROPERTY

At Cost	<u>19 961 575</u>	<u>20 411 575</u>
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The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	20 411 575	20 411 575
Cost	20 411 575	20 411 575
Transfers during the Year:	(450 000)	-
At Cost	(450 000)	-
Carrying values at 30 June	19 961 575	20 411 575
Cost	19 961 575	20 411 575
Estimated Fair Value of Investment Property at 30 June	<u>21 532 780</u>	<u>21 532 780</u>

Investment property consists out of land only.

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

10.1 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model but the fair value disclosed are the market related valuation per the municipal valuation roll.

10.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

10.3 Work-in-Progress

The municipality had no capital projects for Investment Property which were not completed at year-end.

11 HERITAGE ASSETS

At Cost less Accumulated Impairment Losses	<u>17 719</u>	<u>17 719</u>
--	---------------	---------------

The movement in Heritage Assets is reconciled as follows:

	Municipal Jewelry	Total
Carrying values at 01 July 2015	17 719	17 719
Cost	17 719	17 719
Carrying values at 30 June 2016	17 719	17 719
Cost	17 719	17 719

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
	Municipal Jewelry	Total
Carrying values at 01 July 2014	17 719	17 719
Cost	17 719	17 719
Carrying values at 30 June 2015	17 719	17 719
Cost	17 719	17 719

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Heritage Assets.

11.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

11.2 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

11.3 Work-in-Progress

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

12 CURRENT PORTION : EMPLOYEE BENEFITS

Current Portion of Employment Benefit Liability (See Note 18)	130 984	159 898
Total Provisions	130 984	159 898

Current Portion of Non-Current Provisions:

		Employee Benefit R
30 June 2016		
Balance at beginning of year		159 898
Transfer from non-current		106 616
Expenditure incurred		(135 530)
Balance at end of year		130 984
		Employee Benefit R
30 June 2015		
Balance at beginning of year		134 814
Transfer from non-current		147 552
Expenditure incurred		(122 468)
Balance at end of year		159 898

Refer to Note 18 on "Employee Benefits" for details on actuarial valuations. The short term portion is based on the actuarial estimate of the cost for the next financial period.

13 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	8 907 266	7 034 152
Retentions	323 001	516 740
Staff Leave	5 193 748	4 371 374
Value Added Tax - Output	145 041	359 416
Payments Received In Advance	305 738	290 512
Total Payables	14 874 795	12 572 194

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016 **2015**
R **R**

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

14 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Interest on External Loan		2 248 548
Payments Received In Advance	1 054 872	134 950
Rental Deposits	28 365	10 348
Total Payables	1 083 237	2 393 845

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

15.1 Conditional Grants from Government

	529 574	1 420 605
National Government Grants	29 641	898
<i>Municipal Infrastructure</i>	29 216	
<i>Financial Management</i>	73	87
<i>Municipal Systems Improvement</i>	352	811
Provincial Government Grants	499 933	1 419 707
<i>Department of Cooperative Government and Traditional Affairs</i>	110 908	392 385
<i>Department of Economic Affairs and Trade</i>	389 025	1 027 322
Total Conditional Grants and Receipts	529 574	1 420 605

The Unspent Conditional Grants and Receipts are invested until utilised.

See Note 25 for the reconciliation of Grants from Government and Note 26 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

16 OPERATING LEASE LIABILITIES

Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	5 102	
Operating Lease expenses recorded	5 387	5 102
Total Operating Lease Liabilities	10 488	5 102

16.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms of 2 years, with an option to extend for a further period.

16.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Other Equipment:		612 439
Up to 1 year	244 372	368 067
2 to 5 years		244 372
More than 5 years		
Total Operating Lease Arrangements	244 372	612 439

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
The following payments have been recognised as an expense in the Statement of Financial		
Minimum lease payments	402 571	177 415
Total Operating Lease Expenses	402 571	177 415

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment : Photocopier/Printers

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- (i) The equipment shall remain the property of the lessor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment without prior written consent.
- (iii) The equipment shall not be re-sited by the municipality.

17 LONG-TERM LIABILITIES

Annuity Loans	-	26 509 041
Finance Lease Liabilities	-	206 723
Sub-total	-	26 715 764
Less: Current Portion transferred to Current Liabilities:-	-	26 715 764
Annuity Loans	-	26 509 041
Finance Lease Liabilities	-	206 723
Total Long-term Liabilities (Neither past due, nor impaired)	-	-

Both the finance leases and annuity loan were redeemed during the current financial year.

Refer to Appendix "A" for more detail on Long-term Liabilities.

17.1 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2016 R	2015 R	2016 R	2015 R
Amounts payable under finance leases:				
Within one year		212 257		206 723
In the second to fifth years, inclusive				
Over five years	-	212 257	-	206 723
Less: Future Finance Obligations		5 534		
Present Value of Minimum Lease Obligations	-	206 723	-	206 723
Less: Amounts due for settlement within 12 months (Current Portion)				(206 723)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)	-	-	-	-

The municipality had finance lease agreements for the following significant classes of assets which came to an end on 21 January 2016:

- Vehicles

Included in these classes are the following significant leases:

(i) Vehicles	R 110 285
- Instalments are payable monthly in arrears	
- Average period outstanding	6 months
- Average effective interest rate, based on prime at the inception of the leases	9.00%
- Average monthly instalment	R 34 900.58

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
18 EMPLOYEE BENEFIT LIABILITIES		
Long Service Awards Liability	1 221 552	1 011 912
Total Employee Benefit Liabilities	<u>1 221 552</u>	<u>1 011 912</u>
18.1 Long Service Awards Liability		
Balance at beginning of year	1 011 912	842 751
Increase in provision due to change in estimate	316 256	316 713
Balance at end of Year	<u>1 328 168</u>	<u>1 159 464</u>
Transfer to Current Provisions	(106 616)	(147 552)
Total Long Service Awards Liability	<u>1 221 552</u>	<u>1 011 912</u>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years of continuous service, and every 5 years of continuous service thereafter to 45 years of service inclusive, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 143 (2015: 139) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2016 is estimated to be R208 540, whereas the cost for the ensuing year is estimated to be R230 935 (30 June 2015: R185 448 and R208 540 respectively).

	2016 R	2015 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8.40%	7.86%
Cost Inflation Rate	7.07%	7.02%
Net Effective Discount Rate	1.24%	0.79%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	1 171 810	977 565
Current service costs	208 540	185 448
Interest cost	86 888	71 834
Benefits paid	(135 530)	(122 468)
Actuarial losses / (gains)	20 828	59 431
Total Recognised Benefit Liability	<u>1 352 536</u>	<u>1 171 810</u>

The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	208 540	185 448
Interest cost	86 888	71 834
Actuarial losses / (gains)	20 828	59 431
Total Post-retirement Benefit included in Employee Related Costs (Note 32)	<u>316 256</u>	<u>316 713</u>

	2016 R	2015 R	2014 R	2013 R	2012 R
Present Value of Defined Benefit Obligation	1 352 536	1 171 810	977 565	941 275	718 205
Deficit	<u>1 352 536</u>	<u>1 171 810</u>	<u>977 565</u>	<u>941 275</u>	<u>718 205</u>

19 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	9 799 842	9 040 445
Total Non-current Provisions	<u>9 799 842</u>	<u>9 040 445</u>

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:		
Balance at beginning of year	9 040 445	6 158 527
Increase in provision due to discounting of interest	759 397	2 881 918
Balance at end of year	9 799 842	9 040 445

	Land-fill Sites R	
30 June 2016		
Balance at beginning of year	9 040 445	
Contributions to provision	759 397	
Balance at end of year	9 799 842	

	Land-fill Sites R	
30 June 2015		
Balance at beginning of year	6 158 527	
Contributions to provision	2 881 918	
Balance at end of year	9 040 445	

19.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs of R9 799 842 (2015: R9 040 445) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

Assumptions and estimates are based on a operational life expectancy of 25 years.

Actual data from the recent closure and rehabilitation of a landfill site in the Eastern Cape were used to extrapolate expected cost for the Umzimvubu landfill sites.

The valuation were done by Z.S. Godlimpi and H.A Roets from Scientific Roets Engineering Services based in Kokstad.

The provision was restated due to a discounting error made in the calculation of the liability during the previous financial year. See "Correction of Error" Note 48 for details.

The municipality will incur rehabilitation cost on its two dumping/landfill sites in the periods 2016/17 and 2024/25. Provision has been made for the net present value of this cost.

20 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	22 680 410	5 014 475
Accumulated Surplus / (Deficit) due to the results of Operations	504 448 077	425 742 593
Total Accumulated Surplus	527 128 487	430 757 068

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

21 PROPERTY RATES

	Property Valuations		Actual Levies	
	June 2016 R000's	June 2015 R000's		
Residential	378 553 095	376 970 395	2 891 813	2 864 098
Commercial	259 618 475	259 918 955	4 110 010	2 164 691
State	340 642 622	341 448 333	5 033 432	3 916 997
Total Property Rates	978 814 192	978 337 683	12 035 254	8 945 786

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016 **2015**
R **R**

Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 1,4 c/R (2014/15: 1.2 c/R)

Business Properties: 1,6 c/R (2014/15: 1,4 c/R)

Agricultural & Government Properties: 1,5 c/R (2014/15: 1,3 c/R)

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

In accordance with Section 17(h) of the Municipal Properties Rates Act the first R15 000 of the market value of residential properties are exempted from assessment rates.

22 FINES

Traffic Fines	2 321 133	1 670 450
Total Fines	<u>2 321 133</u>	<u>1 670 450</u>

The amount recognised as revenue this year is the value of all fines issued. Impairment on it was affected based on previous amounts received which is disclosed under Impairment Expenditure.

23 LICENCES AND PERMITS

Drivers & Learners Licenses	2 203 355	2 315 599
Hawker Stalls	51 317	11 189
Street Trading	21 712	19 942
Trading Licenses	155 913	34 744
Total Licences and Permits	<u>2 432 297</u>	<u>2 381 473</u>

24 INCOME FROM AGENCY SERVICES

Vehicle Registration	1 475 507	1 262 511
Vehicle Testing Station	158 608	137 671
Total Income from Agency Services	<u>1 634 115</u>	<u>1 400 182</u>

25 GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	169 767 000	136 168 000
Other Subsidies	2 200 000	685 366
Operational Grants	<u>171 967 000</u>	<u>136 853 366</u>

Conditional Grants	83 071 665	74 144 096
National: EPWP	1 737 000	1 593 000
National: FMG	1 600 014	1 599 913
National: MIG	44 584 419	41 112 442
National: MSIG	930 458	937 912
National: Energy	33 000 000	27 000 000
Provincial: Dept Cooperative Government & Traditional Affairs (COGTA)	281 477	1 277 360
Department Economic Affairs and Trade (DEAT)	938 297	623 469

Total Government Grants and Subsidies	<u>255 038 665</u>	<u>210 997 462</u>
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Government Grants and Subsidies:

Conditional Grants	82 790 187	74 122 741
Unconditional Grants	172 248 477	136 874 721

Total Government Grants and Subsidies	<u>255 038 665</u>	<u>210 997 462</u>
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Summary of Transfers:

Conditions met - transferred to Revenue: Operating Expenses	5 487 246	6 031 654
Conditions met - transferred to Revenue: Capital Expenses	77 584 419	68 112 442

Total Transfers	<u>83 071 665</u>	<u>74 144 096</u>
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UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Operational Grants:		
25.1 National: Equitable Share	169 767 000	136 168 000
<p>In terms of the Constitution, part of this grant is used to subsidise the provision of basic services to indigent community members on application. Households where the total gross monthly income of all occupants over 18 years of age does not exceed the earning of a combined gross income equivalent to or less than two times the Government pension grant as prescribed by the National Department of Social Development, qualify for a subsidy of the essential services package.</p>		
25.2 Community Based Planning		
Current year receipts - included in Revenue	200 000	435 000
<p>The Municipality received an amount of R200 000 (2014/15 : R435 000) from Alfred Nzo District Municipality for assistance in the data collection of community needs to be used as basis for future planning.</p>		
25.3 IEC Grant		
Current year receipts - included in Revenue	2 000 000	-
<p>The Municipality received an amount of R2 000 000 (2014/15 : R0) from Independent Electoral Commission for the preparation of rural roads and voting stations for the upcoming Local Government Elections in August 2016.</p>		
Conditional Grants:		
25.4 National: EPWP Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1 737 000	1 593 000
Conditions met - transferred to Revenue: Operating Expenses	(1 737 000)	(1 593 000)
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-
<p>The grant is utilised for creating of job opportunities in environmental and cultural, infrastructure and the social eradication of poverty and capacity building and skills programmes</p>		
25.5 National: FMG Grant		
Balance unspent at beginning of year	87	-
Current year receipts	1 600 000	1 600 000
Conditions met - transferred to Revenue: Operating Expenses	(1 600 014)	(1 599 913)
Conditions still to be met - transferred to Liabilities (see Note 15)	73	87
<p>The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.</p>		
25.6 National: MIG Funds		
Balance unspent at beginning of year	--	--
Current year receipts	44 613 634	41 112 442
Conditions met - transferred to Revenue: Capital Expenses	(44 584 419)	(41 112 442)
Conditions still to be met - transferred to Liabilities (see Note 15)	29 216	--
<p>The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.</p>		
25.7 National: MSIG Funds		
Balance unspent at beginning of year	811	4 723
Current year receipts	930 000	934 000
Conditions met - transferred to Revenue: Operating Expenses	(930 458)	(937 912)
Conditions still to be met - transferred to Liabilities (see Note 15)	352	811

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	R	R
The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.		
25.8 National: Department Energy		
Balance unspent at beginning of year	-	-
Current year receipts	33 000 000	27 000 000
Conditions met - transferred to Revenue: Capital Expenses	(33 000 000)	(27 000 000)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>-</u>	<u>-</u>

The grant was received from the Department of Mineral and Energy for the upgrading of substations and electrical installations within the greater municipal area. The expenditure was towards the repayment of a loan to the Development Bank of Southern Africa who provided bridging finance.

25.9 Provincial: Dept Cooperative Government & Traditional Affairs (Cogta)

Balance unspent at beginning of year	392 385	1 419 745
Current year receipts	-	250 000
Conditions met - transferred to Revenue: Operating Expenses	(281 477)	(1 277 360)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>110 908</u>	<u>392 385</u>

This grant is utilised as funding of "Operation Clean Audit" a National Government initiative.

25.10 Provincial: Department Economic Affairs and Trade (DEAT)

Balance unspent at beginning of year	1 027 322	1 150 791
Current year receipts	300 000	500 000
Conditions met - transferred to Revenue: Operating Expenses	(938 297)	(623 469)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>389 025</u>	<u>1 027 322</u>

This grant was received to assist in local economic development and the promotion of tourism. No funds have been withheld.

26 PUBLIC CONTRIBUTIONS AND DONATIONS

Conditional Contributions:		
Unconditional Contributions	6 500	3 000
Other Donations	160 000	
Total Public Contributions and Donations	<u>166 500</u>	<u>3 000</u>

27 SERVICE CHARGES

Refuse Removal	1 477 615	1 426 599
Total Service Charges	<u>1 477 615</u>	<u>1 426 599</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

28 RENTAL OF FACILITIES AND EQUIPMENT

Operating Lease Rental Revenue:		
- Other Rental Revenue	1 239 841	999 894
Rental Revenue from Amenities	179 557	173 091
Rental Revenue from Halls	87 443	91 228
Rental Revenue from Other Facilities	1 260	18 553
Total Rental of Facilities and Equipment	<u>1 508 102</u>	<u>1 282 767</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

29 INTEREST EARNED

External Investments:		
Bank Account	787 970	611 894
Investments	4 067 389	3 092 693
	<u>4 855 359</u>	<u>3 704 587</u>

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Outstanding Debtors:		
Outstanding Billing Debtors	2 143 226	1 516 359
	<u>2 143 226</u>	<u>1 516 359</u>
Total Interest Earned	<u>6 998 585</u>	<u>5 220 946</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Financial assets at Amortised Cost	4 855 359	3 704 587
Loans and Receivables	2 143 226	1 516 359
	<u>6 998 585</u>	<u>5 220 946</u>

30 OTHER REVENUE

Advertising	669 370	95 879
Awards		500 000
Building Plan Fees	335 337	381 984
Clearance Certificate	4 974	
Flea Market	10 474	3 211
Funeral Plot Fees	14 457	11 777
LG Seta	137 323	77 507
Parks	1 861	15 776
Pound Fees	281 665	358 437
Rezoning Certificate	498	1 037
Sales: Wood & Aloe	920	3 190
SG Diagrams	31	
Sportsfield	41 006	45 806
Storage of Goods	1 561	8 825
Subdivision		3 087
Sundry Income	1 055 650	1 001 277
Tender Fees	266 932	236 915
Tourism		16 946
Total Other Revenue	<u>2 822 060</u>	<u>2 761 655</u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 21 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

31 PROFIT ON SALE OF LAND

Proceeds on Sale of Land		511 470
Cost of Sale of Land		(1 513)
Total Loss on Sale of Land		<u>509 957</u>

32 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	38 698 864	35 456 599
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	8 068 279	6 983 814
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	4 685 205	4 528 747
Housing Benefits and Allowances	2 701 501	2 459 458
Performance Bonuses	1 157 576	1 184 328
Total Employee Related Costs	<u>55 311 425</u>	<u>50 612 945</u>

No advances were made to employees.

Remuneration to Section 57 employees was within the upper limits set by the South African Local Government Association (SALGA).

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager : Mr. GPT Nota

Annual Remuneration	982 785	820 223
Car and Other Allowances	257 896	224 428
Company Contributions to UIF, Medical and Pension Funds	267 026	188 532
Total	<u>1 507 708</u>	<u>1 233 183</u>

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Remuneration of the Chief Financial Officer : Mrs. X. Venn		
Annual Remuneration	736 422	618 244
Car and Other Allowances	282 292	265 787
Company Contributions to UIF, Medical and Pension Funds	80 843	45 888
Total	1 099 556	929 920
Remuneration of the Manager: Community Services : Mr. M Sineke		
Annual Remuneration	732 068	643 642
Car and Other Allowances	331 029	286 278
Total	1 083 452	929 920
Remuneration of the Manager: Corporate Services : Ms. N Kubone		
Annual Remuneration	740 776	669 041
Car and Other Allowances	297 038	234 091
Company Contributions to UIF, Medical and Pension Funds	85 766	26 788
Total	1 123 579	929 920
The manager was finally dismissed on 16 March 2012. An Acting Allowance was paid for the for the period 17 March 2012 to 30 June 2013.		
Remuneration of the Manager: Local Economic Development : Ms. SL Batyi		
Annual Remuneration	719 876	618 244
Car and Other Allowances	282 264	265 787
Company Contributions to UIF, Medical and Pension Funds	109 662	45 888
Total	1 111 803	929 920
Remuneration of the Manager: Infrastructure and Planning : Mr. SP Ntonga		
Annual Remuneration	727 714	618 244
Car and Other Allowances	331 029	311 676
Total	1 117 715	929 920
Remuneration of the Manager: Chief Operations Officer : Mr. S Kulu		
Annual Remuneration	711 169	618 244
Car and Other Allowances	265 322	249 810
Company Contributions to UIF, Medical and Pension Funds	105 178	61 866
Total	1 081 668	929 920

No compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

33 REMUNERATION OF COUNCILLORS

Mayor	390 532	374 498
Speaker	312 426	340 878
Chief Whip	292 899	280 874
Executive Committee Members	1 796 980	1 780 029
Councillors	5 448 754	5 256 104
Company Contributions to UIF, Medical and Pension Funds	1 627 237	1 241 186
Other Allowances (Cellular Phones, Housing, Transport, etc)	5 568 570	5 348 130
Total Councillors' Remuneration	15 437 397	14 621 700

Remuneration of Councillors:

Councillors were compensated within the limits set by the Remuneration of Public Office Bearers Act No 20 of 1998.

For details per Councillor see Appendix G

In-kind Benefits

Councillors may utilise official Council transportation when engaged in official duties.

The Mayor had an official office and car.

34 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	29 986 368	30 160 523
Amortisation: Intangible Assets	473 175	596 393
Total Depreciation and Amortisation	30 459 544	30 756 916

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
35 IMPAIRMENT LOSSES		
35.1 Impairment Losses on Fixed Assets		
Impairment Losses Recognised:	1 850 822	937 710
Property, Plant and Equipment	1 850 822	937 710
	1 850 822	937 710
35.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	6 106 374	5 794 095
Receivables from Exchange Transactions	1 219 257	1 085 572
Receivables from Non-exchange Transactions	5 238 524	3 647 423
Minus impairment of VAT Debtors (Not an expense to entity)	(351 407)	1 061 100
Total Impairment Losses	7 935 637	6 731 805
36 REPAIRS AND MAINTENANCE		
Land and Buildings	709 379	703 565
Infrastructure - Road Transport	715 602	763 060
Community Assets	44 440	144 159
Other Assets	604 666	325 393
Total Repairs and Maintenance	2 074 087	1 936 177
37 FINANCE COSTS		
Finance Leases	5 534	37 451
Loans and Payables at amortised cost	242 411	2 507 452
Provisions	846 285	2 953 752
Total Interest Paid on External Borrowings	1 094 231	5 498 655
38 CONTRACTED SERVICES		
Internal Audit	698 269	824 553
Debt Collection	132 424	562 314
Security Services	5 551 176	5 417 257
Valuation Services	413 843	537 369
Total Contracted Services	6 795 712	7 341 493
<p><i>Contracted Services</i> have been restated to correctly disclose the expenditure for Contracted Services in terms of Security Services. Refer to Note 41.3 on "Correction of Error" for details of the restatement.</p> <p><i>Contracted Services</i> only includes expenditure on services where the service is completely sourced out.</p>		
39 GRANTS AND SUBSIDIES PAID		
Community & Local Economic Development Projects	252 020	251 710
Free Basic Services	3 644 978	3 173 859
Work Exposure and Subsidies Paid	33 276	31 489
Total Grants and Subsidies	3 930 273	3 457 057
<p>Community Projects are in respect of community cultural programs and catering & transport cost of community development workers within the municipality's area of jurisdiction.</p> <p>Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.</p>		
40 GENERAL EXPENSES		
<p>Included in General Expenses are the following:</p>		
Administrative Expenses	44 084	59 596
Advertising Fees	795 850	836 047
Agrarian Reform	4 222 775	3 750 859
Ammunition		1 638

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Annual Report	98 850	
Audit Fees	3 791 909	3 709 684
Bank Charges	552 537	381 841
Batho Pele Programmes	34 145	34 270
Books & Publications	4 356	37 684
Branding & Marketing	1 496 818	526 779
Bursaries (Internal)	206 759	210 923
Bursaries (Scarce Skills)	874 358	408 112
Career Exhibition	881 815	802 034
Catering	577 325	616 078
Cleaning Services	226 658	363 864
Communication Strategy	165 247	192 712
Communication Development and Support	61 171	81 051
Community Based Planning	48 179	137 353
Community Radio Support	198 541	233 308
Conference Fees	493 148	381 286
Consultant & Professional Fees	1 060 896	2 037 679
Consumeables & Beverages	83 236	65 275
Development Programmes	301 978	187 450
Disaster Management Plan	144 322	137 970
Drivers Licence Cards	240 398	218 968
Electricity And Water Purchases	1 098 769	954 868
Employee Relations Programmes	146 766	266 560
Entertainment	101 715	101 491
Environmental Management	275 717	125 383
Equipment Rental	402 571	177 415
Events & Programs	1 363 850	1 437 725
Fleet Rental Services	644 305	445 404
Food For Waste	315 438	184 347
Forestry Development	83 000	98 000
Fuel & Oil	1 782 234	1 870 686
Health & Safety	295 661	303 450
Hiv/Aids	86 715	87 575
ICT Expenses	1 744 680	1 561 727
IDP Out Reach	227 154	166 988
Induction Program	2 640	8 950
Insurance: External	1 486 228	528 774
Intergovernmental Relations (Igr)	4 250	39 950
Internal Audit Committee	652 945	911 970
Internships	271 530	342 543
Investment Promotion	1 878 468	847 949
Job Evaluation	200 063	15 000
Legal Fees	2 048 385	983 846
Material & Stores	293 632	390 280
Membership Fees	24 447	83 949
Operational Losses		589 782
Outreach Program	356 818	21 898
Performance Management System	100 515	32 800
Policy Roll Out Program		27 423
Postage	3 429	5 221
Pound Fees	105 154	113 423
Printing & Stationery	2 150 956	921 076
Promotional Material	414 995	413 951
Public Safety	465 380	346 160
Ratepayers Incentive	487 212	289 920
Recruitment Activities	23 282	82 450
Refuse Bags & Bins	606 467	903 904
Small Towns Revilitisation	361 053	
SMME Development	2 202 210	1 411 444
Sports, Arts And Culture	295 634	504 777
Spu Programs	2 895 839	1 411 232
Strategic Planning	1 115 482	1 124 364
Strategic Support And Ind	240 887	180 324
Subsistance And Travelling	5 593 029	6 748 474
Survey And Planning	2 502 890	1 703 999
Telephone	3 364 827	3 453 888
Tourism	451 316	1 171 056
Training	1 704 616	1 494 607
Uniforms & Protective Clothing	766 429	931 078
Vehicle Licensing	55 281	41 564

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Ward Committees	3 210 000	3 298 450
Workman'S Compensation Assura		395 434
Year End Function	295 838	263 146
Total General Expenses	61 806 058	55 229 135

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

No other extra-ordinary expenses were incurred.

41 GOVERNMENT GRANTS (CONDITIONAL)

The following operating expenditure were financed by the grants as indicated:

Municipal Systems Improvement Grant (MSIG)	853 946	886 636
Financial Management Grant (FMG)	1 523 052	1 540 654
Department of Cooperative Government and Traditional Affairs (COGTA)	281 477	1 570 472
Department Education and Training (DEAT)	823 067	546 903
Extended Public Works Program (EPWP)	1 737 000	1 596 035
	5 218 542	6 140 700

The MSIG is used for capacity building of Councillors, Ward Committee seating allowance and Implimentation of the MPRA.
The FMG is used for salaries of the financial interns, staff capasitation and the improvement of systems.
The DME grant was utilised for the upgrading of the electrification and connections in the area.
The COGTA grant is utilised on "Operation Clean Audit" a National Government initiative to improve operations of Local Government.
The DEAT grant is used for environmental impact assessments and project management.
The EPWP grant is utilised for cleaning up operations in the municipal area.

42 GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Proceeds on Disposal of Land		511 470
Land Disposed at Carrying Value		(1 513)
Total Gains / Losses on Disposal of Land	-	509 957
Proceeds on Disposal of PPE		464 843
PPE Disposed at Carrying Value		(24 071 066)
Total Gains / Losses on Disposal of PPE	-	(23 606 223)
Nett Gains/(Losses) on Disposal of Assets	-	(23 096 266)
Proceeds on Sale of Assets	-	464 843
Assets Disposed at Carrying Value		(24 071 066)
Total Gains / Losses on Disposal of Capital Assets	-	(23 606 224)

No assets were sold during the current year.

The expense last year was caused by the transfer of pre-schools to the various communities was R23 227 225.15 being it's carrying value at 31 March 2015.

43 CHANGE IN ACCOUNTING ESTIMATES

43.1 Depreciation Expenditure:

The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2016.

Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:

Increase / (Decrease) in Depreciation due to adjustments to Residual Values of PPE		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(383 965)	(3 082 434)
Increase / (Decrease) in Depreciation of PPE	(383 965)	(3 082 434)
Depreciation as previously stated	30 843 509	33 839 350
Adjustment due to Change in Accounting Estimate	(383 965)	(3 082 434)
Depreciation as per Note 34	30 459 544	30 756 916

The remaining usefull life of property plant and equipment were considered and adjusted in accordance with its condition. For detail of this excercise please see Note 8.5 to the Financial Statements.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
44 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	96 371 419	30 667 470
Adjustment for:		
Depreciation and Amortisation	30 459 544	30 756 916
Impairment Losses on Property, Plant and Equipment	1 850 822	937 710
Losses / (Gains) on Disposal of Property, Plant and Equipment		23 606 224
Loss / (Gains) on Sale of Land		(511 470)
Expenditure incurred from Long Service Awards Liability	(135 530)	(122 468)
Contribution to Provisions - Current	106 616	147 552
Contribution to Provisions - Non-current	759 397	2 881 918
Contribution to Employee Benefits	209 640	169 161
Contribution to Impairment Provision	6 084 815	5 794 095
Operating surplus before working capital changes	135 706 723	94 327 107
Decrease/(Increase) in Inventories	33 104	50 285
Decrease/(Increase) in Non-Current Assets Held-for-Sale		
Decrease/(Increase) in Receivables from Exchange Transactions	(739 717)	926 980
Decrease/(Increase) in Receivables from Non-exchange Transactions	(8 488 491)	1 295 751
Decrease/(Increase) in VAT Receivable	5 065 338	(4 683 679)
Decrease/(Increase) in Operating Lease Assets	3 954	31 581
Increase/(Decrease) in Payables from Exchange Transactions	2 654 007	(523 821)
Increase/(Decrease) in Payables from Non-exchange Transactions	(1 310 608)	(10 701)
Increase/(Decrease) in Conditional Grants and Receipts	(891 031)	(1 154 654)
Increase/(Decrease) in Operating Lease Liabilities	5 387	5 102
Cash generated by / (utilised in) Operations	132 038 666	90 263 949

45 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 17)	-	26 715 764
Used to finance Property, Plant and Equipment - at cost	-	(206 723)
Bridging Finance to the Department of Mineral and Energy towards the Electrification of the area.	-	(26 509 041)
Cash invested for Repayment of Long-term Liabilities	-	-

The municipality redeemed all long-term liabilities during the current financial year.

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

46.1 Unauthorised Expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

46.2 Fruitless and Wasteful Expenditure

To management's best of knowledge instances of note indicating that Fruitless and Wasteful Expenditure was incurred during the year under review were not revealed.

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance		
Fruitless and Wasteful Expenditure current year	226 466	
Written off by Council	(226 466)	
Fruitless and Wasteful Expenditure awaiting condonement	-	-

Incident	Disciplinary Steps / Criminal Proceedings
Interest and Penalties charged by SARS	None

46.3 Irregular Expenditure

To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

47.1 Contributions to organised local government - SALGA

Opening Balance		
Council Subscriptions	770 514	614 266
Amount Paid - current year	(770 514)	(614 266)
Balance Unpaid (included in Creditors)	-	-

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
47.2 Audit Fees		
Opening Balance	33 513	44 128
Current year Audit Fee	3 812 200	3 709 684
Amount Paid - current year	(3 791 909)	(3 676 171)
Amount Paid - previous years	(33 513)	(44 128)
Balance Unpaid (included in Creditors)	20 291	33 513

47.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

47.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	38 733
Current year Payroll Deductions	12 921 532	14 403 186
Amount Paid - current year	(12 921 532)	(14 403 186)
Amount Paid - previous years	-	(38 733)
Balance Unpaid (included in Creditors)	-	--

47.5 Pension and Medical Aid Deductions

Opening Balance	-	2 092
Current year Payroll Deductions and Council Contributions	11 692 139	10 927 391
Amount Paid - current year	-11 692 139	(10 927 391)
Amount Paid - previous years	-	(2 092)
Balance Unpaid (included in Creditors)	--	-

47.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2016			
Councillor N. Mbele	1 869	916	953
Total Councillor Arrear Consumer Accounts	1 869	916	953
30 June 2015			
Councillor N. Mbele	1 857	522	1 335
Total Councillor Arrear Consumer Accounts	1 857	522	1 335

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

30 June 2016	Highest amount outstanding	Ageing
Councillor N. Mbele	953	> 90 Days
30 June 2015	Highest amount outstanding	Ageing
Councillor N. Mbele	1 335	> 90 Days

47.7 Non-Compliance with the Municipal Finance Management Act

47.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Community Services	2015/08/04	Department of transport	Supply and delivery of driving License Cards - Department of transport is the only supplier that is authorized to supply the license cards.	R 19 039
	2015/08/18	Department of transport	Same as above	R 17 064

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

	2015/11/03	Magna Business Solutions	Interface to laser camera data to the Trafman system - Trafman Traffic Management supplied the Interface laser to the camera so they are only service provide that can supply the software required by the speed enforcement camera.	R	17 064
	2015/11/17	Barbock Equipment	Transportation of dozer - The bulldozer has been procured from Barbock equipment and all repairs have to be done by the company ,that is why the deviation had to be done.	R	20 748
	2015/11/03	Magna Business Solutions	Trafman Annual License - Trafman Traffic Management is the only service provide that can supply the software required by the speed enforcement camera hence the deviation has been requested.	R	120 621
	2016/01/10	Rand data Pty Ltd	Section 56 notice books for traffic fines. - Deviation is based on fact that Rand Data is the company previously appointed to deliver the Traffic fines books. Now that the books have to be in sequential order, therefore to avoid duplication it is wise to use the same service provider.	R	7 442
	2016/02/22	Truvelo Manufactures	Calibration of machines - ULM bought Pro-Laser speed timing machine from Truvelo before, these machine have to be calibrated every six months.	R	15 417
	2016/05/03	Neffcon Roadtech	Traffic Equipment - Traffic equipment has been purchased at Neffcon Roadtech and it has to be Calibrated by them has the municipality has deviated.	R	12 198
	2016/05/17	Babcock Africa Services Pty Ltd	Repairs and Maintenance - The machine has been purchased form Barbock Africa and it has to be serviced on the same brand Volvo Babcock hence the municipality has deviated.	R	142 557
9 Occasions occurred during the financial year for the procurement goods and services amounting to R 372150					
Local Economic Development	2015/09/30	The Voice Clinic	Business English writing skills - The deviation was based on the fact that the voice clinic training was a unique training that was offered by Voice clinic and the municipality tried to request quotations there were no service providers offering the same service providers.	R	9 119
	2015/11/10	Voice clinic	Same as above.	R	17 988
	2016/03/23	Alfred Nzo Community Radio	Advertising - Alfred Community Radio is the only local radio that has a high listenership and good coverage under the community of Alfred Nzo.	R	20 000
3 Occasions occurred during the financial year for the procurement goods and services amounting to R 47107					
Budget and Treasury	2016/05/24	Game Stores	To procure Vouchers - Deviation is based on the fact that Game stores is situated at Kokstad and is the closest store that the winners of Rate payer's ceremony can easily access for the vouchers.	R	102 000
		Alfred Nzo Community Radio	Advert for Rate Payers - Alfred Community Radio is the only local radio that has a high listenership and good coverage under the community of Alfred Nzo.	R	3 591
2 Occasion occurred during the financial year for the procurement goods and services amounting to R 105591					
Special Projects	2015/07/24	Alfred Nzo Community Radio	Advert for Road Accident Fund in partnership with ULM - Alfred Community Radio is the only local radio that has a high listenership and good coverage under the community of Alfred Nzo.	R	4 503
	2015/07/08	Alfred Nzo Community Radio	Advert for road Mayoral Mbizo's - Alfred Community Radio is the only local radio that has a high listenership and good coverage under the community of Alfred Nzo.	R	8 379
	2015/07/07	Alfred Nzo Community Radio	Outside Broadcasting for SABC events on community radio - Alfred Community Radio is the only local radio that has a high listenership and good coverage under the community of Alfred Nzo.	R	23 940
	2015/08/25	Alfred Nzo Community Radio	Advert for Mayoral Cup - Alfred Community Radio is the only local radio that has a high listenership and good coverage under the community of Alfred Nzo.	R	6 384
	17noc2015	Alfred Nzo Community Radio	Advert for woman's Month - Alfred Community Radio is the only local radio that has a high listenership and good coverage under the community of Alfred Nzo.	R	29 200
	2015/11/11	Alfred Nzo Community Radio	Advert for Activism - Alfred Community Radio is the only local radio that has a high listenership and good coverage under the community of Alfred Nzo.	R	10 830

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

	2016/01/08	SAPOA	Design, photography and printing services. - Deviation is based on the fact that SAPOA was the only service provider that offers the magazine for property owners for the targeted audience.	R	21 512
	2016/03/08	SABC	Advertising - Deviation was based on the fact that the radio station has a high listenership especially with the targeted audience.	R	88 770
	2016/03/04	Alfred Nzo Community Radio	Advertising - Alfred Community Radio is the only local radio that has a high listenership and good coverage under the community of Alfred Nzo.	R	17 995
	2016/05/17	Alfred Nzo Community Radio	Advertising - Alfred Community Radio is the only local radio that has a high listenership and good coverage under the community of Alfred Nzo.	R	3 990
	2016/05/19	Alfred Nzo Community Radio	Advertising - Alfred Community Radio is the only local radio that has a high listenership and good coverage under the community of Alfred Nzo.	R	10 260
	2016/06/07	Alfred Nzo Community Radio	Media Liaison - Alfred Community Radio is the only local radio that has a high listenership and good coverage under the community of Alfred Nzo.	R	9 576
	2016/06/19	Alfred Nzo Community Radio	Media Liaison - Alfred Community Radio is the only local radio that has a high listenership and good coverage under the community of Alfred Nzo.	R	10 260
	2016/06/30	Jay couches	Service delivery - Deviation of two 65 seater bus for service delivery imbizo and it was an emergency where the actual number of passengers exceeded the expected number.	R	18 800

15 Occasions occurred during the financial year for the procurement goods and services amounting to R 264398

Corporate Services	2015/07/28	Lexis Nexis	It was impractical to follow SCM Processes due to the fact that Lexis Nexis was the only service provider that quoted on the printing of Labour law Conference.	R	12 114
	2015/11/10	Lexis Nexis	It was impractical to follow SCM Processes due to the fact that Lexis Nexis was the only service provider that quoted on the printing of Labour law Conference.	R	17 300
	2015/11/04	Lexis Nexis	It was impractical to follow SCM Processes due to the fact that Lexis Nexis was the only service provider that quoted on the printing of Labour law Conference.	R	41 490
	2015/11/04	SITA Soc Ltd	Gov Tech is the only service provider that has been accredited by Sita to conduct the summit of IT.	R	31 500
	2016/06/09	Delloitte	Deviation based on the fact that Delloitte and Consulting Pty Ltd has been appointed by SALGA to conduct evaluation of job description for uniformity hence the municipality has used the same service provider.	R	159 743
	2016/06/14	Alfred Nzo Community Radio	SMME Support - Alfred Community Radio is the only local radio that has a high listenership and good coverage under the community of Alfred Nzo.	R	3 990
	2016/06/14	Alfred Nzo Community Radio	ICT Programms - Alfred Community Radio is the only local radio that has a high listenership and good coverage under the community of Alfred Nzo.	R	7 182
	2016/06/30	Alfred Nzo Community Radio	ICT Programms - Alfred Community Radio is the only local radio that has a high listenership and good coverage under the community of Alfred Nzo.	R	7 182

8 Occasions occurred during the financial year for the procurement goods and services amounting to R 280500

Infrastructure and Planning	2015/09/15	Intlangula 86 Trading	Urgent repairs to Lugangeni Bridge which was inaccessible to communities after the contractors contract was terminated due to poor	R	464 978
	2015/10/27	Barbock Africa Services Volvo	Repairs and Maintenance - The machine has been purchased form Barbock Africa and it has to be serviced on the same brand Volvo Babcock hence the municipality has deviated.	R	23 338
	2015/11/17	Barbock Equipment	Repairs for Bulldozer - The bulldozer has been procured from Barbock equipment and all repairs have to be done by the company ,that is why the deviation had to be done	R	26 988
	2015/11/10	Barbock Africa Services Pty Ltd	Repairs for Bulldozer - The bulldozer has been procured from Barbock equipment and all repairs have to be done by the company ,that is why the deviation had to be done	R	127 145
	2016/01/20	Barbock Africa Services Pty Ltd	Repairs for Bulldozer - The bulldozer has been procured from Barbock equipment and all repairs have to be done by the company ,that is why the deviation had to be done	R	22 338

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2016
R

2015
R

	2016/06/30	Button O'Connor	Survey - Deviation based on the fact that there was a land claims that took process where the municipality has to do an urgent rezoning of ERF 188 as it was part of the land claims hence the municipality has deviated.	R	75 630
6 Occasions occurred during the financial year for the procurement goods and services amounting to R 740416.68					

48 COMMITMENTS FOR EXPENDITURE

48.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

	36 973 400	33 463 200
<i>Infrastructure</i>	30 431 481	28 617 889
<i>Community</i>	1 952 603	
<i>Other</i>	48 723	772 668
<i>Reclaimable Input Value Added Tax (VAT)</i>	4 540 593	4 072 643
Total Capital Commitments	36 973 400	33 463 200

This expenditure will be financed from:

Capital Replacement Reserve	36 973 400	33 463 200
Government Grants	-	-
	36 973 400	33 463 200

48.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 16 and 17.

Non-cancellable Operating Lease Commitments are disclosed in Note 16.

48.3 Other Commitments at Tender Value

The municipality has entered into a contract with :

Alfred Nzo Technologies for the Supply and delivery of refuse plastic bags.	447 703	668 606
Camibytte Pty Ltd for the Supply and delivery of Personal Protective Clothing.	-	987 706
Tshani Consulting CC - Housing Hector Plan	292 524	-
Tshani Consulting cc for the ULM Spatial Development Framework.	-	289 161
Tshani Consulting cc for the Umzimvubu	-	795 720
Indwe Risk Services for the Short term insurance for a period of 2 years.	121 078	1 395 844
Swift Travel and Tours for the Travel and Accommodation Management Services for a period of 2 years.	Fees plus 8%	Fees plus 8%
Ducharme Consulting for the Compilation of GRAP Compliant Annual Financial Statements and Asset Register.	504 579	883 840
Price Waterhouse Coopers for administrating the Performance Management System for a period of three years ending 28 September 2018 for the amount of R697 707.	603 909	-
Price Waterhouse Coopers for Internal Audit Services for a period of three years ending February 2019 for the amount of R1 176 481.	906 965	94 000
Xerox for the rental of office printing machines	366 258	838 056

49 FINANCIAL INSTRUMENTS

49.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Receivables from Exchange Transactions			
Refuse	Amortised cost	552 465	454 493
Other Receivables	Amortised cost	1 218 663	1 796 174
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	4 902 720	3 734 516
Government Subsidy Claims	Amortised cost		250 366
Sundry Debtors	Amortised cost	8 433	9 055
Hall Securities	Amortised cost		(8 771)
Traffic Fines	Amortised cost	2 575 326	516 185

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		2016 R	2015 R
Sundry Deposits	Amortised cost		1 885
Interest on Outstanding Debtors	Amortised cost	1 236 971	948 688
Call Deposits	Fair value	43 198 421	22 558 201
Notice Deposits	Fair value	85 277	80 431
Bank Balances	Fair value	2 936 175	2 612 543

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost:

Receivables from Exchange Transactions	Refuse	552 465	454 493
Receivables from Exchange Transactions	Other Debtors	1 218 663	1 796 174
Receivables from Non-exchange Transactions	Assessment Rates Debtors	4 902 720	3 734 516
Receivables from Non-exchange Transactions	Government Subsidy Claims		250 366
Receivables from Non-exchange Transactions	Sundry Debtors	8 433	9 055
Receivables from Non-exchange Transactions	Traffic Fines	2 575 326	516 185
Receivables from Non-exchange Transactions	Hall Securities		(8 771)
Receivables from Non-exchange Transactions	Sundry Deposits		1 885
Receivables from Non-exchange Transactions	Interest/Penalty Charges	1 236 971	948 688
		10 494 577	7 702 592

Financial Assets at Fair Value:

Cash and Cash Equivalents	Call Deposits	43 198 421	22 558 201
Cash and Cash Equivalents	Notice Deposits	85 277	80 431
Cash and Cash Equivalents	Bank Balances	2 936 175	2 612 543
		46 219 874	25 251 175
Total Financial Assets		56 714 451	32 953 766

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	8 907 266	7 034 152
Staff Leave Accrued	Amortised cost	5 193 748	4 371 374
Retentions	Amortised cost	323 001	516 740
Payments Received In Advance	Amortised cost	305 738	290 512
Other Creditors	Amortised cost	145 041	359 416
Payables from Non-exchange Transactions			
Interest on External Loan			2 248 548
Payments Received In Advance	Amortised cost	1 054 872	134 950
Sundry Deposits	Amortised cost	28 365	10 348
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost		26 509 041

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Payables from Exchange Transactions	Trade Creditors	8 907 266	7 034 152
Payables from Exchange Transactions	Projects	5 193 748	4 371 374
Payables from Exchange Transactions	Retentions	323 001	516 740
Payables from Exchange Transactions	Other Creditors	145 041	359 416
Payables from Non-exchange Transactions	Staff Leave Accrued		2 248 548
Payables from Non-exchange Transactions	Staff Salaries	1 360 611	425 461
Payables from Non-exchange Transactions	Sundry Deposits	28 365	10 348
Current Portion of Long-term Liabilities	Annuity Loans		26 509 041
Total Financial Liabilities		15 958 032	41 475 080

49.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016 **2015**
R **R**

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2016		30 June 2015	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	10 494 577	10 494 577	7 702 592	7 702 592
Trade Receivables from Exchange Transactions	1 771 128	1 771 128	2 250 667	2 250 667
Trade Receivables from Non-exchange Transactions	8 723 450	8 723 450	5 451 925	5 451 925
Measured at Fair Value	46 219 874	46 219 874	25 251 175	25 251 175
Cash and Cash Equivalents	46 219 874	46 219 874	25 251 175	25 251 175
Total Financial Assets	<u>56 714 451</u>	<u>56 714 451</u>	<u>32 953 766</u>	<u>32 953 766</u>
Measured at Amortised Cost:	15 958 032	15 958 032	41 475 080	41 475 080
Trade and Other Payables:				
- Payables from Exchange Transactions	14 569 056	14 569 056	12 281 682	12 281 682
- Payables from Non-exchange Transactions	1 388 975	1 388 975	2 684 357	2 684 357
- Current Portion of Long-term Liabilities	-	-	26 509 041	26 509 041
Total Financial Liabilities	<u>15 958 032</u>	<u>15 958 032</u>	<u>41 475 080</u>	<u>41 475 080</u>
Total Financial Instruments	<u>40 756 419</u>	<u>40 756 419</u>	<u>(8 521 314)</u>	<u>(8 521 314)</u>
Unrecognised Gain / (Loss)		<u>-</u>		<u>-</u>

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

Level 3:-
 Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2016

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	43 198 421			43 198 421
Notice Deposits	85 277			85 277
Bank Balances and Cash	2 936 175			2 936 175
Total Financial Instruments	46 219 874	-	-	46 219 874

30 June 2015

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	22 558 201			22 558 201
Notice Deposits	80 431			80 431
Bank Balances and Cash	2 612 543			2 612 543
Total Financial Instruments	25 251 175	-	-	25 251 175

49.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2015.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

Gearing Ratio

	2016 R		2015 R
The gearing ratio at the year-end was as follows:			
Debt	0		26 509 041
Cash and Cash Equivalents	(46 219 874)		(25 251 175)
Net Debt	(46 219 874)		1 257 866
Equity	527 128 487		430 757 068
Net debt to equity ratio	-8.77%		0.29%

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

49.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Budget and Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016	2015
R	R

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

49.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

49.6 Market Risk

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

49.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

49.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016 **2015**
R **R**

Interest Rate Sensitivity Analysis

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

49.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with First National Bank and Nedbank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Receivables from Exchange Transactions	6 034 136	5 294 418
Receivables from Non-exchange Transactions	32 193 143	23 704 652
Bank, Cash and Cash Equivalents	46 219 874	25 251 175
Maximum Credit and Interest Risk Exposure	84 447 152	54 250 245

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

Consumer Debtors	37.80%	38.18%
Total Credit Risk	37.80%	38.18%

Bank and Cash Balances

Short Term Investments - First National Bank	20 603 289	1 294 303
Short Term Investment - Nedbank	22 680 410	21 344 329
Current Account - First National Bank	2 936 175	2 612 543
Total Bank and Cash Balances	46 219 874	25 251 175

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

49 FINANCIAL INSTRUMENTS (Continued)

49.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS #	Average effective Interest Rate %	Total R	6 Months or less R	6 - 12 Months R	1 - 2 Years R	2 - 5 Years	More than 5 Years R
30 June 2016								
Non-interest Bearing		0.00%	15 958 032	15 958 032	-	-	-	-
- Payables from Exchange transactions	13		14 874 795	14 874 795	-	-	-	-
- Payables from Non-exchange transactions	14		1 083 237	1 083 237	-	-	-	-
Fixed Interest Rate Instruments	17		-	-	-	-	-	-
- DBSA		9.00%	-	-	-	-	-	-
			15 958 032	15 958 032	-	-	-	-
30 June 2015								
Non-interest Bearing		0.00%	14 966 039	14 966 039	-	-	-	-
- Payables from Exchange transactions	13		12 572 194	12 572 194	-	-	-	-
- Payables from Exchange transactions	14		2 393 845	2 393 845	-	-	-	-
			-	-	-	-	-	-
Fixed Interest Rate Instruments	17		26 509 041	26 509 041	-	-	-	-
- DBSA		9.00%	26 509 041	26 509 041	-	-	-	-
			41 475 080	41 475 080	-	-	-	-

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2016								
Non-interest Bearing			10 494 577	10 494 577	-	-	-	-
- Trade Receivables from Exchange Transactions	3.		1 771 128	1 771 128	-	-	-	-
- Trade Receivables from Non-exchange Transactions	4.		8 723 450	8 723 450	-	-	-	-
Variable Interest Rate Instruments			46 134 596	46 134 596	-	-	-	-
- Call Deposits	6.		43 198 421	43 198 421	-	-	-	-
- Bank Account	6.		2 936 175	2 936 175	-	-	-	-
Fixed Interest Rate Instruments			85 277	85 277	-	-	-	-
- Notice Deposits	6.		85 277	85 277	-	-	-	-
			56 714 451	56 714 451	-	-	-	-
30 June 2015								
Non-interest Bearing		0.00%	7 702 592	7 702 592	-	-	-	-
- Trade Receivables from Exchange Transactions			2 250 667	2 250 667	-	-	-	-
- Trade Receivables from Non-exchange Transactions			5 451 925	5 451 925	-	-	-	-
Variable Interest Rate Instruments		10.95%	25 170 744	25 170 744	-	-	-	-
- Call Deposits			22 558 201	22 558 201	-	-	-	-
- Bank Account			2 612 543	2 612 543	-	-	-	-
Fixed Interest Rate Instruments		0.00%	80 431	80 431	-	-	-	-
- Notice Deposits			80 431	80 431	-	-	-	-
			32 953 766	32 953 766	-	-	-	-

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

49.9 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2016

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
FIXED RATE INSTRUMENTS								
Unsecured Bank Facilities	17		-	-	-	-	-	-
DBSA - Electricity Infrastructure			-	-	-	-	-	-
CAPITAL LEASE LIABILITIES			-	-	-	-	-	-
Total Fixed Rate Instruments			-	-	-	-	-	-
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	6.		43 283 699	43 283 699	-	-	-	-
Bank Balances and Cash	6.		2 936 175	2 936 175	-	-	-	-
Total Fixed Rate Instruments			46 219 874	46 219 874	-	-	-	-

30 June 2015

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
FIXED RATE INSTRUMENTS								
Unsecured Bank Facilities	17		(26 509 041)	(26 509 041)	-	-	-	-
DBSA - Electricity Infrastructure		9.00%	(26 509 041)	(26 509 041)	-	-	-	-
Total Fixed Rate Instruments			(26 509 041)	(26 509 041)	-	-	-	-
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	6.		22 638 631	22 638 631	-	-	-	-
Bank Balances and Cash	6.		2 612 543	2 612 543	-	-	-	-
Total Fixed Rate Instruments			25 251 175	25 251 175	-	-	-	-

49.10 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016 **2015**
R **R**

50 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R5 538 439 (2015: R4 862 260) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Municipal Employees Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 28 February 2008.

The net assets available for benefits were R5 715 557 193.

No further information could be obtained.

National Fund for Municipal Workers - Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2014.

Net assets available for benefits R9 031 759 000.

The statutory valuation performed as at 30 June 2014 revealed that the fund had an excess of R9.2 (30 June 2013: deficit R65.2) million, with a funding level of 100.1% (30 June 2013: 99.07%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2012 and reported a funding ratio of 99.5%.

SARS raised penalties to the fund in the order of R10.3 million.

The Fund has a funding level of 99.5% as at the 30 June 2012 and is therefore technically not financially sound. The deficit of R6,407,706 at 30 June 2012 is regarded as relatively insignificant in the context of the Fund. It was noted that there is a strong possibility that SARS may reverse penalties and interest which will result in a fully funded position.

The Fund's objective is to provide a saving mechanism that can be used as a provision towards retirement, maximising members' benefits over a 5 year period at acceptable levels of risk. The Fund's primary benchmark is to achieve an investment return of at least CPI plus 4% per annum. It was certified that the Fund was following an appropriate investment strategy during the valuation period.

Municipal Employees Pension Fund

No details could be provided for the fund and of any valuation performed.

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016 **2015**
R **R**

The valuation performed as at 30 June 2012 revealed that the market value of the fund was R12 537 (30 June 2010: 9 774) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be in sound financial condition as at 30 June 2012.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 01 July 2010.

The net assets available for benefits were R4 191 (2008: R3 617) million.

The statutory valuation performed as at 1 July 2010 revealed that the fund had a deficit of R9,6 (1 July 2008: R6,3) million, with a funding level of 99,77% (1 July 2008: 99,83%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

None of the above mentioned plans are State Plans.

51 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

51.1 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2016				
<u>Councillors</u>				
Cllr N Mbele	599	2 405		
Total Services	599	2 405	-	-
For the Year ended 30 June 2015				
<u>Councillors</u>				
Cllr N Mbele	918	1 115		
Total Services	918	1 115	-	-

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

51.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans from prior to this date exists.

51.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Note 32 and Note 33 to the Financial Statements.

51.4 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the year	Purchases for last year
Soul Evolution Management CC	Mbedu Bongiswa	Owner (brother)	Intern - Audit	269 500	33 500
Mizestozz Trading Enterprise	Ntshengulana Mygirl	Owner(Husband)	Clerk - eNatis	77 869	
Myoza-yoza Trading	Mbedu Bongiswa	Owner (husband)	Intern - Audit	209 160	104 878
DMMP Trading CC	Dikwayo Siphokazi	Owner(Husband)	Personal Assistant	194 882	
SOC Cleaning	Madlanga Lindiswa	Owner (brother)	Demand Officer	28 350	79 200
Litto Trading	Canca Nokwazi	Owner (husband)	Disaster Officer	338 808	198 834
MPI Attorneys	Madlanga Lindiswa	Owner(Brother)	Demand officer	164 034	544 362
The Business Zone 1949 CC	Mgwatyou N.	Owner	Casual		66 760
Total Purchases				1 282 603	1 027 534

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

52 CONTINGENT LIABILITIES

52.1 Guarantees:

The municipality did not issue any guarantee during the financial years under review.

52.2 Court Proceedings:

	7 518 332	3 311 232
(a) Non-payment for work done: Maximum Profit Recovery (Case 2013/2012) In this matter we responded to the letter of demanding and the exposure is per the letter of demand for the amount of R526 868.24. the plea was filed by the defendant on the 04th of February 2013 and the plaintiff have not responded to the same date. Possibility of settlement as parties has started to engage each other. The matter was set down for trial to the 07th of March 2014 but matter could not proceed and it was postponed sine die. We have filed our discovery notices and now we waiting for the pre-trial date. Cancellation of contract: Possibility of application proceedings against Municipality responded to the plaintiff's Attorneys letter and still waiting for Application papers and or summons; The municipality is exposed to the value of the contract and costs however we are of the view that it will be successful in defending this matter hence we put estimated costs at R900 000.00. This matter was on the roll for trial. The plea was served and filed at Court on the 13th of May 2014.	200 000	200 000
(b) Simon Mzolo Civil Claim (Case 273/2016) The plaintiff is suing the Municipality for a sum of R164000.00 for damages which he wrongfully arrested by the traffic officers of the Municipality. The matter is not yet ready for trial.	164 000	
(c) Sunset Beach Trading 299CC Cancellation of contract: Possibility of application proceedings against Municipality responded to the plaintiff's Attorneys letter and still waiting for Application papers and or summons; The municipality is exposed to the value of the contract and costs however we are of the view that it will be successful in defending this matter hence we put estimated costs at R900 000.00. This matter was on the roll for trial. The plea was served and filed at Court on the 13th of May 2014.	800 000	400 000
(d) Chrisborne Moodley (Case EC/MTHA/RC611/2015) The plaintiff in this matter is claiming the sum of R400.000.00 which he is claiming that he was assaulted by the traffic officer being employed by the Municipality. In this matter the pleading are closed and the matter is ready for trial at Mthatha court we are still waiting for trial date.	400 000	
(e) Mr Jackson Mandyoli - Vehicle impound by Traffic Officers (Case 217/13) The applicant sought interim order against the Municipality that it must release the applicant's motor vehicle pending the finalization of the matter. The interim order was granted in favour of the Applicant on the 29 July 2013 and the return date was the 15 August 2013. The application was opposed by erstwhile respondent's attorneys but no answering affidavit was filed on behalf of the Municipality. On the 15 August the matter was not argued instead the rule nisi was extended until 12 September 2013. On 12 September 2013 nothing happened according to the court file, meaning the rule nisi lapsed on 12 September 2013. It was only on 09 July 2015 when the applicant explaining why he needed the revival of the rule nisi after almost two years. It was therefor necessary for us to oppose the revival of the rule nisi on the 30 July 2015. In deed our Mr. Ntayiya attended court on 30 July 2015. The applicant appeared on his own. The matter was before the Magistrate Mr. Gqoboka. Mr. Ntayiya argued the matter in opposition of the revival of the rule nisi. The applicant responded. The Magistrate agreed with Mr. Ntayiya that there was no substance to the applicant. In the result the matter was removed from the roll with no order as to costs. This matter is set down for hearing of the notice-re-instatement on the 28th July 2016.	100 000	
(f) Mr Khaya Jackson Mandyoli - Civil claim The letter of demand was received from Mr. Khaya Jackson Mandyoli claiming his motor vehicle which was allegedly impounded by traffic Officers who were working on course and scope of employment of Umzimvubu Local Municipality.	300 000	
(g) Reviewing of contracts : The amount claimed plus minus R200,000 (excluding the interest rate at legal rate of 15,5% per annum) and legal costs	200 000	
(h) M.Ngqwala - Land Invasion The municipality has lodged a claim against Mr Ngqwala for the invasion of the land of Municipality The matter is at Court it was postponed without date with purpose of securing the availability of witnesses for both parties as the Judge needed VIVA VOCE Evidence.		
(i) Mxhamli Thobile - Interdict against municipality This matter came before court on the 27th August 2015 an interdict applicant's who were interdicting the Municipality from stoping applicants in Badibanise Location, Lubhacweni administrative area, Mount Frere. The Municipality won this application against Mxhamli Thobile and applicants lodged an application for leave to appeal to the full bench of Mthatha high court and the matter is still pending.	800 000	

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
(j) KV Jizana // Umzimvubu Local Municipality (Case 70/2013) The Applicant in this matter has moved the application at Court for the delivery of the beast which was brought to our attention for safe keeping by the Station Commissioner in Mount Ayliff Police Station. The matter is on Opposed Court at Mount Ayliff Magistrate Court. The has been set down on contested Opposed roll for trial on the 23rd day of July 2014 at Mount Ayliff Magistrate's Court.	69 000	
(k) Madodana Mayekiso //Umzimvubu Local Municipality The plaintiff is claiming the value of his Goats which were sold on Auction by the Municipality after they were impounded. The estimated value of goats is R15000.00 as per the letter sent to us by the Plaintiff's Attorneys. There are no summons issued as yet hence there is no Court case no.	15 000	
(l) Ngangelizwe Jama//Umzimvubu Local Municipality (Case 1034/2011) In this matter the Municipality is sued by the Plaintiff for malicious arrest, detention and prosecution. The matter was set down for trial on the 20th of May 2014 but however the matter was removed from the roll due to the unavailability of Plaintiff's Attorneys otherwise our plea was filled and served long	250 000	250 000
(m) Imbuba Mzamani JV//Umzimvubu Local Municipality (Case EC/MTHA/ RC/569/2013) Regional Magistrate's court claim based on non-payment of a sum of R156 097.52 plus interest for services rendered by the plaintiff to the Municipality	212 000	212 000
(n) S Mhlongo/Umzimvubu Local Municipality The plaintiff is claiming an amount of R100 000 for unlawful arrest and detention by the traffic Officers. The matter is pending, set down for trial on the 3rd of September 2015.		100 000
(o) Millennium Development Trust Extension 6 Development / Assisting LLM and providing legal advisory service on progress to the project.	350 000	200 000
(p) Mgeyi Fundiswa (Case 2299/15) This matter came before court on the 20th August 2015 for an interdict application that was brought on urgent basis by applicants who wrer interdicting the Municipality from stoping applicants in their conduct of building houses at Santombe Location, Mount Ayliff. The Municipality won this application against Mgeyi Fundiswa and applicants lodged an application for leave to appeal to the full bench of Mthatha high court and the matter is still pending.	800 000	
(q) Kholiswa Putela and Others Magistrate's Court application for an interdict to stop the Municipality from continuing with installing electricity at ward 14		250 000
(r) Siyabulela Ndzumo (Case 84/2015) Magistrate's court claim for R200 000.00 in damages suffered by plaintiff due to allegedly unlawful demolition of his house including furniture and a kraal by municipality. Plaintiff's case dismissed but subject of appeal and no dates given for set down.	80 000	80 000
(s) Ndzameko Kene (Case 87/2015) Magistrate's court claim for R200 000.00 in damages suffered by plaintiff due to allegedly unlawful demolition of his house including furniture and a kraal by municipality. Plaintiff's case dismissed but subject of appeal and no dates given for set down.	80 000	80 000
(t) Tamsanqa Tuswa (Case 86/2015) Magistrate's court claim for R200 000.00 in damages suffered by plaintiff due to allegedly unlawful demolition of his house including furniture and a kraal by municipality. Plaintiff's case dismissed but subject of appeal and no dates given for set down.	80 000	80 000
(u) Rose Jakuja (Case 82/2015) Magistrate's court claim for R200 000.00 in damages suffered by plaintiff due to allegedly unlawful demolition of his house including furniture and a kraal by municipality. Plaintiff's case dismissed but subject of appeal and no dates given for set down.	80 000	80 000
(v) Gideon Kondlo (Case 85/2015) Magistrate's court claim for R200 000.00 in damages suffered by plaintiff due to allegedly unlawful demolition of his house including furniture and a kraal by municipality. Plaintiff's case dismissed but subject of dates given for set down.	80 000	80 000
(w) Yelela Ntintili (Case 83/2015) Magistrate's court claim for R200 000.00 in damages suffered by plaintiff due to allegedly unlawful demolition of his house including furniture and a kraal by municipality. Plaintiff's case dismissed but subject of appeal and no dates given for set down.	80 000	80 000
(x) Sivumela Village Community (Case 1161/2015) High Court application for an interdict to declare the municipality's decision to prioritise electrification of Maxhegwini village over Sivumela village unlawful and for the decision to be set aside. Matter subject of appeal at Supreme Court of Appeal.	900 000	250 000

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
(y) Mzolisi Gqunu Magistrate's court application for an interdict to prevent the sale of applicant's sheep by the municipality pending the finalization of a stock theft criminal case against the applicant.	50 000	50 000
(z) The Phonebook Company (Pty) Ltd Final letter of demand regarding unpaid subscription fee for advertising services rendered by the Phonebook Company to the Municipality	68 332	68 332
(aa) Veronica Jizana The plaintiff is claiming the value of her beast which was sold on public auction by the Municipality after the criminal court case has been finalized. The matter is still pending at the Mthatha High Court.		60 000
(ab) Gcobisa Kwebulana The plaintiff is claiming a sum of R200 000 for the allegation of the child that was electrificated at Mount Ayliff Sport		20 900
(ac) Adelaide Moody and Others (Case 130/2015) The plaintiffs in this matter are claiming damages on the allegations of the assault which were inflicted by the ULM Traffic Officers in Mount Ayliff. the matter is still pending the next court date is 22 &23 August 2016.	200 000	400 000
(ad) Jeffrey Sanqela and Others This matter concerns the illegal invasion of land in Mount Ayliff. The respondents proceeded with erection of illegal structures		160 000
(ae) Norman Liliza Nqetho and 27 Others Illegal occupation of RDP Houses		120 000
(af) Andile Menyo (Case 2016/2011) In this matter the the Municipality is seeking an order evicting the Defendant from its land and the Defendant is contending that the land belongs to him by the virtue of acquisitive prescription and even raised counterclaim of R420 000-00 against the Municipality as for improvements he made on the said land in question. This matter is still awaiting to be allocated a trial date by the Registrar of the High court for trial.	150 000	90 000
(ag) Phumza Vitshima The matter goes to court at Port Elizabeth labour court an our estimated legal costs will be +_R160 000.	160 000	
(ah) Mbulawa Nothobile and two others (Case 1643/2015) This matter came before court on the 11th June 2015 for an interdict application that was brought on urgent basis by applicants who were interdicting the Municipality from stoping applicants in their conduct of building houses at Santombe Location, Mount Ayliff. The Municipality won this application against Mbulawa Nothobile and applicants lodged an application for leave to appeal to the full Bench of Mthatha high court and the matter is still pending.	850 000	

53 CONTINGENT ASSETS

The case of Mbali Rural developers against the Municipality was dismissed by the court, and Mbali has to pay the Municipality legal costs amounting to R150 000,00 as per Norton Rose Attorneys.

54 IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance:

16 Days of activism campaign	SEBL		3 000
Investor Conference	Nedbank	8 772	
Investor Conference	Group Five	43 860	
Gift of Happiness	Denipel	500	
Gift of Happiness	Osolwazi Consulting	2 000	
Gift of Happiness	Agrichat	1 000	
Gift of Happiness	Sizasande 11 (Pty) Ltd	1 000	
Gift of Happiness	AVBOB	1 000	
Gift of Happiness	Mr Ngcingwana	1 000	
Fashion Show	Alfred Nzo District Municipality	100 000	
		159 132	3 000

55 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2016
R

2015
R

56 EVENTS AFTER THE REPORTING DATE

Local Government election will take place on the 3rd of August and new Council structure will be in place therefore there are anticipated changes in Political Leadership.

57 COMPARATIVE FIGURES

No comparative figures were restated during the years under review.

58 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

- (i) The Council adopted the 2015/16 to 2017/18 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- (ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
UMZIMVUBU LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

Details	Original Loan Amount	Interest Rate	Loan Number	Loan Redeemable	Balance at 30 June 2015	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2016
	R				R	R	R	R
ANNUITY LOANS								
DBSA - Electricity Infrastructure	50 000 000	9.00%		07-Aug-16	26 509 041		26 509 041	-
Total Annuity Loans	50 000 000				26 509 041	-	26 509 041	-
CAPITAL LEASE LIABILITIES								
Isuzu KB50D LWB S/Cab FMX 914 EC	187 807	9.00%	1	21-Jan-16	22 790		22 790	-
Isuzu KB250D TEQ S/Cab FMX 923 EC	265 351	9.00%	2	22-Dec-15	32 199		32 199	-
Isuzu KB250D TEQ D/Cab FMX 972 EC	328 421	9.00%	3	21-Jan-16	39 852		39 852	-
Chevrolet Aveo 1.6 L FNH 218 EC	137 450	9.00%	4	31-Jan-16	19 386		19 386	-
Chevrolet Aveo 1.6 L FMX 935 EC	152 450	9.00%	5	21-Jan-16	18 499		18 499	-
Chevrolet Aveo 1.6 L FMX 936 EC	152 450	9.00%	6	21-Jan-16	18 499		18 499	-
Chevrolet Aveo 1.6 L FMX 937 EC	152 450	9.00%	7	21-Jan-16	18 499		18 499	-
Chevrolet Aveo 1.6 L FMX 938 EC	152 450	9.00%	8	21-Jan-16	18 499		18 499	-
Chevrolet Aveo 1.6 L FMX 940 EC	152 450	9.00%	10	21-Jan-16	18 499		18 499	-
Total Capital Lease Liabilities	1 681 279				206 723	-	206 723	-
TOTAL EXTERNAL LOANS	51 681 279				26 715 764	-	26 715 764	-

ANNUITY LOANS:

DBSA:

The Annuity Loan was taken up during the year and is repayable in 3 instalments over the next three financial years at an interest rate of 9,00% per annum. The Annuity Loan is secured by Electrification Grants to be received from National Government in accordance with the Division of Revenue Act. For the next three years.

Vehicle Leases:

Vehicles are leased from Fleetafrica for a period of 5 years at the interest rate of 9%. At the expiry of the leases, the municipality do not have the option to (a) extend or assign the lease for a further period, or (b) repurchase the assets with the sales proceeds refunded to the municipality as a rebate of rentals.

APPENDIX B
UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Land												
Land: Developed			666 615			666 615					-	666 615
Land: Undeveloped	7 006 756					7 006 756					-	7 006 756
	7 006 756	-	666 615	-	-	7 673 371	-	-	-	-	-	7 673 371
Buildings												
Office Buildings	29 152 504		4 350 957			33 503 461	12 674 474	1 165 300			13 839 774	19 663 687
Residences	3 155 582					3 155 582	98 669	105 397			204 067	2 951 515
Mobile Offices	427 663					427 663	227 528	42 649			270 176	157 487
	32 735 749	-	4 350 957	-	-	37 086 705	13 000 671	1 313 346	-	-	14 314 017	22 772 689
Infrastructure												
<i>Electricity:</i>												
Electricity Supply and Reticulation			71 245 793			71 245 793					-	71 245 793
<i>Roads and Transport:</i>												
Bridges - Vehicle: Concrete	1 919 261		11 423 617	3 483 589		16 826 467	340 217	40 621			380 838	16 445 629
Bus / Taxi Terminals	152 952					152 952	101 984	10 210			112 194	40 758
Parking Meters	185 000					185 000	25 527	12 358			37 885	147 115
Roads - Asphalt	54 857 848		61 945 981			116 803 830	5 772 466	1 128 892			6 901 358	109 902 471
Roads - Other	672 323					672 323	496 984	95 293			592 277	80 046
Roads - Gravel Surface	219 466 737	1 274 247	28 816 593	11 484 464		261 042 041	106 258 019	21 198 449			127 456 468	133 585 573
Roads - Retaining Walls	3 581					3 581	1 521	179			1 700	1 880
Street Lighting	1 994 941	260 000	256 387			2 511 328	187 273	101 553			288 826	2 222 502
Streetname Signs	426 007					426 007	95 769	42 682			138 452	287 556
Traffic Signs	104 467					104 467	50 520	6 869			57 389	47 078
<i>Sanitation:</i>												
Landfill Site - Structure	3 901 276					3 901 276	1 302 431	182 668			1 485 099	2 416 177
Landfill Site - Weighbridge			294 926			294 926					-	294 926
Transfer Station			1 133 737			1 133 737					-	1 133 737
Sanitation - Concrete Bins	23 220	49 500				72 720	16 030	5 869			21 899	50 821
<i>Security Measures:</i>												
Fencing / Perimeter Protection	2 470 542	192 800	125 001			2 788 344	1 518 700	190 135			1 708 834	1 079 510
<i>Sewerage:</i>												
Sewer Purification Works		178 080				178 080		1 430			1 430	176 650
<i>Water:</i>												
Water Boreholes - Mechanical	57 014					57 014	19 012	3 807			22 819	34 195
Water Boreholes - Structure	270 000					270 000	23 944	9 018			32 962	237 038
Water Tanks	7 805					7 805	3 980	1 116			5 096	2 709
	286 512 974	2 995 790	175 242 036	14 968 053	-	479 718 853	116 214 376	23 037 565	-	-	139 251 941	340 466 912
Community Assets												
<i>Recreational Facilities:</i>												
Concrete Furniture	323 974	178 800				502 774	32 105	34 662			66 767	436 007
Museums and Art Galleries			78 000			78 000					-	78 000
Parks	3 126 905	997 035	3 391 348			7 515 288	155 810	162 808			318 618	7 196 670
Recreation Centers	2 167 158					2 167 158	107 987	108 580			216 568	1 950 591
<i>Sports Facilities:</i>												
Indoor Sports Facilities	73 368		103 290			176 658	31 055	2 940			33 995	142 663

APPENDIX B
UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying	
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R
Outdoor Sports Facilities	4 744 773		4 815 797			9 560 570	1 395 625	190 161			1 585 785	7 974 785
Stadiums	180 000		4 649 388			4 829 388	616	9 018			9 635	4 819 754
Basketball Courts	264 478					264 478	111 947	10 599			122 547	141 932
Fencing / Perimeter Protection	198 528		914 585			1 113 113	179 692	2 228			181 920	931 193
Floodlighting	328 977					328 977	16 393	16 483			32 875	296 102
<i>Other Facilities:</i>												
Cemeteries	230 572		1 536 329			1 766 901	55 350	9 241			64 591	1 702 310
Community Centers	35 843 861		18 232 773			54 076 635	12 845 324	1 363 835			14 209 158	39 867 476
Fencing / Perimeter Protection	58 015					58 015	45 020	2 110			47 130	10 885
Libraries	6 035 200					6 035 200	301 553	302 380			603 933	5 431 267
Markets	6 486 882		2 323 340			8 810 222	386 769	260 015			646 784	8 163 438
Nurseries	1 861		528 639			530 500	186	74			260	530 240
Public Conveniences and Bathrooms	1 331 245					1 331 245	211 054	53 358			264 412	1 066 833
Pound	518 593		1 113 667			1 632 259	42 587	20 777			63 364	1 568 895
	61 914 390	1 175 835	37 687 155			100 777 381	15 919 073	2 549 270			18 468 343	82 309 038
Leased Assets												
Leased Motor Vehicles	1 681 279				(1 681 279)	-	1 517 347	163 932		(1 681 279)	-	-
	1 681 279	-	-	-	(1 681 279)	-	1 517 347	163 932	-	(1 681 279)	-	-
Other Assets												
<i>Computer Equipment:</i>												
Computer Hardware	4 897 598	1 170 852				6 068 450	2 358 122	1 020 640			3 378 762	2 689 688
Computer Networks	372 414	204 622				577 036	150 486	98 893			249 380	327 656
<i>Emergency Equipment:</i>												
Emergency / Rescue Equipment	23 396					23 396	11 376	5 157			16 533	6 862
Fire Equipment	56 571					56 571	44 212	6 211			50 423	6 148
Medical and Allied Equipment	5 475					5 475	4 450	544			4 995	480
<i>Furniture and Fittings:</i>												
Advertising Boards	409 160	364 287				773 447	6 667	32 817			39 484	733 963
Cabinets and Cupboards	114 474	18 060				132 534	56 291	10 494			66 785	65 749
Chairs	128 441	65 708				194 149	38 937	29 242			68 179	125 970
Desks and Tables	58 559	38 573				97 132	11 743	7 308			19 052	78 080
Domestic / Hostel Furniture	163 090					163 090	90 372	16 329			106 701	56 389
Other Furniture and Fittings	2 877 901	427 263				3 305 164	1 906 811	590 569			2 497 381	807 783
Air Conditioners (Individual)	366 750					366 750	328 424	25 683			354 108	12 642
Audiovisual Equipment	905 142	347 421				1 252 563	234 279	245 522			479 801	772 762
Domestic Equipment	93 226					93 226	47 294	17 536			64 830	28 396
Kitchen Appliances	36 304	2 000				38 304	21 002	6 487			27 489	10 815
Learning / Training Materials	166 550					166 550	11 744	33 383			45 126	121 424
Decorative Signage	350 600					350 600	178 500	50 150			228 650	121 950
Music Instruments	21 922					21 922	10 519	2 195			12 714	9 208
<i>Motor Vehicles:</i>												
Bakkies (LDV's)	1 356 181					1 356 181	167 820	244 711			412 532	943 650
Busses	316 216					316 216	284 616				284 616	31 600
Motor Cars	1 069 826	1 890 000				2 959 826	423 083	210 097			633 181	2 326 645
Tractors	179 386					179 386	86 102	32 388			118 490	60 896
Trailers and Accessories	150 200					150 200	129 409	2 899			132 309	17 891
Trucks	1 069 848					1 069 848	530 218	101 550			631 769	438 079

APPENDIX B
UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
<i>Office Equipment:</i>	R	R	R	R	R	R	R	R	R	R	R	R
Office Machines	207 394	46 026				253 420	126 551	42 082			168 633	84 787
Photographic Equipment	210 727					210 727	123 430	44 733			168 163	42 564
Library Books	979 252					979 252	130 274	98 113			228 387	750 865
<i>Plant and Equipment:</i>												
Cycles	7 570					7 570	127	379			507	7 063
Compressors, Generators and All	98 026	483 610				581 636	51 283	22 353			73 636	508 000
Container - Storage	634 535					634 535	548 666	40 733			589 399	45 136
Fire Arms	10 447	125 000				135 447	7 118	4 279			11 397	124 050
Gardening Equipment	458 395					458 395	266 960	90 920			357 880	100 515
Irrigation Equipment / Systems	97 153					97 153	4 841	4 868			9 709	87 445
Radio Equipment	39 805	347 382				387 187	25 619	7 494			33 113	354 074
Road Construction and Maintenan		247 901				247 901		30 145			30 145	217 756
Security Equipment / Systems / M	168 262					168 262	81 182	33 726			114 909	53 354
Sport and Recreational Equipmen		233 650				233 650		545			545	233 105
Workshop Equipment	319 506					319 506	135 679	64 041			199 720	119 786
Workshop Tools	661 389					661 389	401 018	133 433			534 451	126 938
Other Plant and Equipment	5 174 756	594 658				5 769 414	2 484 633	1 201 760			3 686 393	2 083 021
<i>Specialised Vehicles:</i>												
Waste Disposal Trucks	1 809 699					1 809 699	524 897	162 664			687 561	1 122 138
-	26 066 146	6 607 011	-	-	-	32 673 157	12 044 758	4 773 078	-	-	16 817 836	15 855 321
Total	415 917 295	10 778 636	217 946 763	14 968 053	(1 681 279)	657 929 468	158 696 225	31 837 190	-	(1 681 279)	188 852 137	469 077 331

UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2016

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
<i>Investment Properties</i>	R	R	R	R	R	R	R	R	R	R	R	R
IP Land	20 411 575				(450 000)	19 961 575					-	19 961 575
	20 411 575	-	-	-	(450 000)	19 961 575	-	-	-	-	-	19 961 575

UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2016

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
<i>Intangible Assets</i>	R	R	R	R	R	R	R	R	R	R	R	R
Website				339 682		339 682					-	339 682
Computer Software	2 460 136	938 231				3 398 367	1 540 979	473 175			2 014 154	1 384 213
	2 460 136	938 231	-	339 682	-	3 738 049	1 540 979	473 175	-	-	2 014 154	1 723 895

APPENDIX B
UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value	
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals		Closing Balance
	R	R	R	R	R	R	R	R	R	R	R	R

UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2016

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value		
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals		Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	
Heritage Assets													
Jewellery	17 719					17 719						-	17 719
	17 719	-	-	-	-	17 719	-	-	-	-	-	-	17 719
Total Asset Register	438 806 725	11 716 867	217 946 763	15 307 735	(2 131 279)	681 646 812	160 237 204	32 310 366	-	(1 681 279)	190 866 290	490 780 521	

APPENDIX C
UMZIMVUBU LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2016

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	2 188 845	47 814				2 236 659	1 208 717	370 024			1 578 742	657 917
Finance and Administration	11 886 653	4 404 770		339 682		16 631 105	6 291 907	2 083 470			8 375 378	8 255 727
Planning and Development	8 347 944	542 367	784 640			9 674 951	1 127 834	504 129			1 631 963	8 042 988
Community and Social Services	44 661 645	39 000	6 368 475			51 069 121	15 664 516	2 027 471			17 691 987	33 377 134
Public Safety	4 949 588	1 464 541	1 259 032		(1 681 279)	5 991 882	2 443 726	592 914		(1 681 279)	1 355 361	4 636 521
Waste Management	11 415 882	496 470	1 531 953			13 444 305	3 532 315	1 430 144			4 962 459	8 481 846
Roads and Transport	355 356 167	4 721 905	208 002 663	14 968 053	(450 000)	582 598 788	129 968 188	25 302 213			155 270 401	427 328 387
Total	438 806 725	11 716 867	217 946 763	15 307 735	(2 131 279)	681 646 812	160 237 204	32 310 366	-	(1 681 279)	190 866 290	490 780 521

APPENDIX D
UMZIMVUBU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

2015 Actual Income	2015 Actual Expenditure	2015 Surplus/ (Deficit)	Description	2016 Actual Income	2016 Actual Expenditure	2016 Surplus/ (Deficit)
R	R	R		R	R	R
435 000	33 098 798	(32 663 798)	Executive and Council	200 000	34 952 894	(34 752 894)
156 051 337	99 170 689	56 880 648	Finance and Administration	193 903 550	81 209 691	112 693 859
70 456 398	37 213 821	33 242 577	Planning and Development	83 925 983	40 531 202	43 394 781
220 338	3 035 125	(2 814 786)	Community and Social Services	238 425	3 705 650	(3 467 225)
5 753 492	17 383 394	(11 629 902)	Public Safety	6 441 830	15 921 466	(9 479 637)
3 683 710	16 030 980	(12 347 270)	Waste Management	1 724 538	13 742 004	(12 017 465)
236 600 276	205 932 807	30 667 470	Total	286 434 325	190 062 906	96 371 419

APPENDIX E(1)
UMZIMVUBU LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16							2014/15		
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD										
Governance and Administration:										
Executive and Council	319 000		319 000		319 000	200 000	(119 000)	62.70	62.70	435 000
Budget and Treasury Office	204 778 700	24 961 104	229 739 804	(735 072)	229 004 732	193 759 727	(35 245 005)	84.61	94.62	155 970 830
Corporate Services	112 557	1 500	114 057	30 676	144 733	143 823	(910)	99.37	127.78	80 507
Community and Public Safety:										
Community and Social Services	321 244		321 244	29 388	350 632	238 425	(112 207)	68.00	74.22	225 438
Public Safety	8 342 387	924 253	9 266 640	(55 270)	9 211 370	6 441 830	(2 769 540)	69.93	77.22	5 753 492
Economic and Environmental Services:										
Planning and Development	3 164 020	85 171	3 249 191	730 278	3 979 469	1 326 432	(2 653 036)	33.33	41.92	837 105
Road Transport	82 382 819	879 550	83 262 369		83 262 369	82 599 550	(662 818)	99.20	100.26	69 614 193
Trading Services:										
Waste Management	2 250 000		2 250 000		2 250 000	1 724 538	(525 462)	76.65	76.65	3 683 710
Total Revenue - Standard	301 670 726	26 851 578	328 522 304	0	328 522 304	286 434 325	(42 087 979)	87.19	94.95	236 600 276
EXPENDITURE - STANDARD										
Governance and Administration:										
Executive and Council	38 812 798	321 366	39 134 164	116 681	39 250 846	34 952 894	(4 297 952)	89.05	90.06	33 098 798
Budget and Treasury Office	103 836 438	(19 282 403)	84 554 035	(488 366)	84 065 669	63 598 650	(20 467 020)	75.65	61.25	82 751 426
Corporate Services	18 680 716	(241 090)	18 439 627	1 052 421	19 492 048	17 611 041	(1 881 007)	90.35	94.27	16 419 263
Community and Public Safety:										
Community and Social Services	11 942 123	1 733 974	13 676 097	444 814	14 120 911	12 824 735	(1 296 175)	90.82	107.39	12 149 921
Public Safety	15 479 522	1 251 123	16 730 646	79 368	16 810 014	15 921 466	(888 547)	94.71	102.86	17 383 394
Economic and Environmental Services:										
Planning and Development	16 342 171	335 060	16 677 231	34 892	16 712 123	13 749 155	(2 962 968)	82.27	84.13	11 473 278
Road Transport	40 400 868	(213 230)	40 187 638	(2 737 445)	37 450 193	17 662 962	(19 787 231)	47.16	43.72	16 625 747
Trading Services:										
Waste Management	14 223 363	(102 801)	14 120 563	1 497 635	15 618 197	13 742 004	(1 876 194)	87.99	96.62	16 030 980
Total Expenditure - Standard	259 718 000	(16 198 000)	243 520 000	(0)	243 520 000	190 062 906	(53 457 094)	78.05	73.18	205 932 807
Surplus/(Deficit) for the year	41 952 726	43 049 578	85 002 304	0	85 002 304	96 371 419	11 369 114	113.38	229.71	30 667 470

APPENDIX E (2)
UMZIMVUBU LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16							2014/15		
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE										
Vote 1 - Executive and Council	419 000		419 000		419 000	200 000	(219 000)	47.73	47.73	440 100
Vote 2 - Budget and Treasury	204 778 700	24 961 104	229 739 804	(735 072)	229 004 732	193 759 727	(35 245 005)	84.61	94.62	155 970 830
Vote 3 - Corporate Services	112 557	1 500	114 057	30 676	144 733	143 823	(910)	99.37	127.78	80 507
Vote 4 - Community and Social Services	10 813 631	924 253	11 737 884	(25 882)	11 712 002	8 404 793	(3 307 209)	71.76	77.72	9 657 541
Vote 5 - Local Economic Development	3 164 020	85 171	3 249 191	730 278	3 979 469	1 326 432	(2 653 036)	33.33	41.92	837 105
Vote 6 - Infrastructure and Planning	82 382 819	879 550	83 262 369		83 262 369	82 599 550	(662 818)	99.20	100.26	69 614 193
Total Revenue by Vote	301 670 726	26 851 578	328 522 304	0	328 522 304	286 434 325	(42 087 979)	87.19	94.95	236 600 276
EXPENDITURE BY VOTE										
Vote 1 - Executive and Council	47 800 396	1 147 953	48 948 348	424 540	49 372 889	44 071 979	(5 300 910)	89.26	92.20	42 213 594
Vote 2 - Budget and Treasury	103 836 438	(19 282 403)	84 554 035	(488 366)	84 065 669	63 598 650	(20 467 020)	75.65	61.25	82 751 426
Vote 3 - Corporate Services	18 680 716	(241 090)	18 439 627	1 052 421	19 492 048	17 611 041	(1 881 007)	90.35	94.27	16 419 263
Vote 4 - Community and Social Services	32 657 410	2 055 710	34 713 121	1 713 958	36 427 078	33 369 120	(3 057 958)	91.61	102.18	36 449 499
Vote 5 - Local Economic Development	16 342 171	335 060	16 677 231	34 892	16 712 123	13 749 155	(2 962 968)	82.27	84.13	11 473 278
Vote 6 - Infrastructure and Planning	40 400 868	(213 230)	40 187 638	(2 737 445)	37 450 193	17 662 962	(19 787 231)	47.16	43.72	16 625 747
Total Expenditure by Vote	259 718 000	(16 198 000)	243 520 000	(0)	243 520 000	190 062 906	(53 457 094)	78.05	73.18	205 932 807
Surplus/(Deficit) for the year	41 952 726	43 049 578	85 002 304	0	85 002 304	96 371 419	11 369 114	113.38	229.71	30 667 470

APPENDIX E (3)
UMZIMVUBU LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16							2014/15		
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R	R
Revenue by Source										
Property Rates	10 430 000	4 570 000	15 000 000		15 000 000	12 035 254	(2 964 746)	80.24	115.39	8 945 786
Service Charges - Refuse	2 000 000		2 000 000		2 000 000	1 477 615	(522 385)	73.88	73.88	1 426 599
Rental of Facilities and Equipment	1 438 000		1 438 000	184 900	1 622 900	1 508 102	(114 798)	92.93	104.87	1 282 767
Interest Earned - External Investments	2 242 400	1 000 000	3 242 400	1 692 000	4 934 400	4 855 359	(79 041)	98.40	216.53	3 704 587
Interest Earned - Outstanding Debtors	1 460 200	906 000	2 366 200	(166 200)	2 200 000	2 143 226	(56 774)	97.42	146.78	1 516 359
Fines	4 242 477		4 242 477		4 242 477	2 321 133	(1 921 344)	54.71	54.71	1 670 450
Licences and Permits	2 500 000	542 468	3 042 468		3 042 468	2 432 297	(610 171)	79.94	97.29	2 381 473
Agency Services	1 315 000	400 140	1 715 140	(55 270)	1 659 870	1 634 115	(25 755)	98.45	124.27	1 400 182
Transfers Recognised - Operational	257 395 000	1 500	257 396 500	776 910	258 173 410	177 620 746	(80 552 664)	68.80	69.01	211 000 462
Other Revenue	17 547 649	19 431 470	36 979 119	(2 432 340)	34 546 779	2 822 060	(31 724 720)	8.17	16.08	2 761 655
Gains on Disposal of PPE	1 100 000		1 100 000		1 100 000		(1 100 000)			509 957
Total Revenue (excluding Capital Transfers & Contributions)	301 670 726	26 851 578	328 522 304	0	328 522 304	208 849 906	(119 672 398)	63.57	69.23	236 600 276
Expenditure										
Employee Related Costs	53 544 303	3 284 697	56 829 000	1 114 216	57 943 216	55 311 425	(2 631 791)	95.46	103.30	50 612 945
Remuneration of Councillors	17 411 043		17 411 043		17 411 043	15 437 397	(1 973 646)	88.66	88.66	14 621 700
Debt Impairment	30 000 000	(25 000 000)	5 000 000		5 000 000	6 084 815	1 084 815	121.70	20.28	5 794 095
Depreciation and Asset Impairment	45 705 000	4 295 000	50 000 000		50 000 000	32 310 366	(17 689 634)	64.62	70.69	31 694 626
Finance Charges	24 473 319	(1 549 018)	22 924 301	(3 579 104)	19 345 197	1 094 231	(18 250 966)	5.66	4.47	5 498 655
Other Materials	3 782 463	125 288	3 907 751	(49 336)	3 858 415	2 074 087	(1 784 329)	53.75	54.83	1 936 177
Contracted Services	7 625 047	(300 000)	7 325 047		7 325 047	6 795 712	(529 335)	92.77	89.12	7 341 493
Transfers and Grants	4 861 262	50 000	4 911 262	(146 500)	4 764 762	3 930 273	(834 489)	82.49	80.85	3 457 057
Other Expenditure	72 315 563	2 796 033	75 111 595	2 760 724	77 872 319	67 024 600	(10 847 719)	86.07	92.68	61 369 834
Loss on Disposal of PPE		100 000	100 000	(100 000)						23 606 224
Total Expenditure	259 718 000	(16 198 000)	243 520 000	(0)	243 520 000	190 062 906	(53 457 094)	78.05	73.18	205 932 807
Surplus/(Deficit)	41 952 726	43 049 578	85 002 304		85 002 304	18 787 000	(66 215 304)	22.10	44.78	30 667 470
Transfers Recognised - Capital						77 584 419	77 584 419			
Surplus/(Deficit) for the Year	41 952 726	43 049 578	85 002 304	0	85 002 304	96 371 419	11 369 114	113.38	229.71	30 667 470

APPENDIX E(4)
UMZIMVUBU LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16									2014/15
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE										
Multi-year Expenditure										
Executive and Council	122 578	10 000	132 578		132 578	47 814	(84 764)	36.06	39.01	
Budget and Treasury	1 800 000	1 331 000	3 131 000	500 000	3 631 000	2 472 097	(1 158 903)	68.08	137.34	
Corporate Services	2 565 750	50 000	2 615 750	2 239 000	4 854 750	2 038 841	(2 815 909)	42.00	79.46	
Local Economic Development	1 100 000		1 100 000		1 100 000	381 081	(718 919)	34.64	34.64	
Infrastructure and Planning	75 510 750	21 553 000	97 063 750	1 466 500	98 530 250	76 551 700	(21 978 550)	77.69	101.38	
Community and Social Services	2 354 410		2 354 410		2 354 410	383 604	(1 970 806)	16.29	16.29	
Waste Management	700 000		700 000	300 000	1 000 000	676 560	(323 440)	67.66	96.65	
Public Safety	1 750 000		1 750 000	40 000	1 790 000	1 802 506	12 506	100.70	103.00	
Total Capital Expenditure - Multi-year	85 903 488	22 944 000	108 847 488	4 545 500	113 392 988	84 354 203	(29 038 785)	74.39	98.20	-
Total Capital Expenditure - Vote	85 903 488	22 944 000	108 847 488	4 545 500	113 392 988	84 354 203	(29 038 785)	74.39	98.20	-
CAPITAL EXPENDITURE - STANDARD										
Governance and Administration:										
Executive and Council	122 578	10 000	132 578		132 578	47 814	(84 764)	36.06	39.01	129 003
Budget and Treasury Office	1 800 000	1 331 000	3 131 000	500 000	3 631 000	2 472 097	(1 158 903)	68.08	137.34	917 068
Corporate Services	2 565 750	50 000	2 615 750	2 239 000	4 854 750	2 038 841	(2 815 909)	42.00	79.46	
Community and Public Safety:										
Community and Social Services	2 354 410		2 354 410		2 354 410	383 604	(1 970 806)	16.29	16.29	108 872 443
Public Safety	1 750 000		1 750 000	40 000	1 790 000	1 802 506	12 506	100.70	103.00	3 907 790
Economic and Environmental Services:										
Planning and Development	1 100 000		1 100 000		1 100 000	381 081	(718 919)	34.64	34.64	877 622
Road Transport	75 510 750	21 553 000	97 063 750	1 466 500	98 530 250	76 551 700	(21 978 550)	77.69	101.38	
Trading Services:										
Waste Management	700 000		700 000	300 000	1 000 000	676 560	(323 440)	67.66	96.65	
Total Capital Expenditure - Standard	85 903 488	22 944 000	108 847 488	4 545 500	113 392 988	84 354 203	(29 038 785)	74.39	98.20	134 029 239
FUNDED BY:										
National Government	85 903 488	22 944 000	108 847 488	4 545 500	113 392 988	84 354 203	(29 038 785)	74.39	98.20	
Total Capital Funding	85 903 488	22 944 000	108 847 488	4 545 500	113 392 988	84 354 203	(29 038 785)	74.39	98.20	-

APPENDIX E(5)
UMZIMVUBU LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/16							2014/15	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and Other	36 126 315	23 760 000	59 886 315	18 985 000	16 759 315	(2 225 685)	88.28	46.39	23 247 068
Government - Operating	257 392 350		257 392 350	255 000 000	176 563 216				141 730 366
Government - Capital					77 584 419	77 584 419			68 112 442
Interest	3 702 650	1 906 000	5 608 650	5 500 000	5 412 091	(87 909)	98.40	146.17	4 100 102
Payments									
Suppliers and Employees	(177 152 081)	20 644 000	(156 508 081)	(136 535 238)	(139 255 870)	(2 720 632)			(137 970 315)
Finance Charges	(2 000 000)		(2 000 000)	(245 000)	(1 094 231)	(849 231)			(5 498 655)
Transfers and Grants	(4 861 262)	(50 000)	(4 911 262)	(4 764 762)	(3 930 273)	834 489			(3 457 057)
NET CASH FROM / (USED) OPERATING ACTIVITIES	-	-	-	-	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	1 100 000		1 100 000						976 313
Payments									
Capital Assets	(84 802 588)	(22 944 000)	(107 746 588)	(82 000 000)	(84 354 203)	(2 354 203)			(84 593 094)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(83 702 588)	(22 944 000)	(106 646 588)	(82 000 000)	(84 354 203)	(2 354 203)	0.00	0.00	(83 616 781)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
New Loans raised									-
Payments									
Loans repaid	(25 000 000)	(4 000 000)	(29 000 000)	(26 000 000)	(26 715 764)	(715 764)			(23 872 315)
NET CASH FROM / (USED) FINANCING ACTIVITIES	(25 000 000)	(4 000 000)	(29 000 000)	(26 000 000)	(26 715 764)	(715 764)	0.00	0.00	(23 872 315)
NET INCREASE / (DECREASE) IN CASH HELD	25 000 000	4 000 000	29 000 000	26 000 000	26 715 764				23 872 315
Cash / Cash Equivalents at the Year begin:	(4 505 383)	(19 316 000)	(23 821 383)	(29 940 000)	(20 968 699)	8 971 301	0.00	0.00	17 225 147
Cash / Cash Equivalents at the Year end:	42 476 321	(17 225 147)	25 251 174	25 251 174	25 251 175		100.00	59.45	42 476 321
	46 981 704	2 090 853	49 072 557	55 191 174	46 219 874	(8 971 300)	83.75	98.38	25 251 175

**APPENDIX F
UMZIMVUBU LOCAL MUNICIPALITY**

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Compliance to Revenue Act (*) See below Yes / No
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	
Equitable Share	Nat Treasury	0	70 736 000	56 589 000	42 442 000	0	0	41 528 933	51 534 044	46 892 000	29 812 022	Yes
FMG	Nat Treasury	0	1 600 000	0	0	0	0	663 866	604 648	108 333	223 066	Yes
NDPG	Nat Treasury	0	0	0	0	0	0	0	0	0	0	Yes
MIG Projects	MIG	0	9 880 000	16 989 000	17 995 000	0	250 366	6 608 991	8 476 769	11 345 256	18 182 619	Yes
Bulk Infrastructure Grant	DWAF	0	0	0	0	0	0	0	0	0	0	Yes
DWAF O & M	DWAF	0	0	0	0	0	0	0	0	0	0	Yes
DME Projects	DME	0	30 000 000	3 000 000	0	0	0	29 000 000	2 000 000	1 000 000	1 000 000	Yes
MSIG	DPLG	0	930 000	0	0	0	-811	412 743	252 048	42 019	224 113	Yes
EPWP Incentive Grant	Province	0	695 000	521 000	521 000	0	0	140 686	94 696	644 804	856 814	Yes
Total Grants and Subsidies Received		0	113 841 000	77 099 000	60 958 000	0	249 555	78 355 219	62 962 205	60 032 412	50 298 634	

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?

APPENDIX G
UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2016

Incumbent	Personal Reference Number	Period		Basic	Bonuses	Allowances	Contributions to Funds	CC Skills	Total
		From	To	Salaries	R	R	R	R	Remuneration
				R	R	R	R	R	R
Mayor									
KS Pangwa	3078	2015/07/01	2016/06/30	390 532	-	297 650	69 830	6 325	764 337
Speaker: Full Time									
ZO Sisilana	3159	2015/07/01	2016/06/30	312 426	-	217 019	76 966	5 264	611 674
Chief WIP: Full Time									
N Mbele	3117	2015/07/01	2016/06/30	292 899	-	234 269	41 342	4 728	573 238
Executive Committee									
MV Nkqayi	3116	2015/07/01	2016/06/30	292 899	-	199 953	75 658	4 729	573 239
VA Bulana	3085	2015/07/01	2016/06/30	162 268	-	104 861	47 033	2 614	316 776
LT Qasha	3150	2015/07/01	2016/06/30	292 899	-	187 325	88 286	5 203	573 713
Z Ndevu	3045	2015/07/01	2016/04/30	245 524	-	164 388	63 847	4 085	477 843
HM Ngqasa	3160	2016/06/01	2016/06/30	23 688	-	20 135	3 553	432	47 808
EN Ngalonkulu - Lebelo	3047	2015/07/01	2016/06/30	162 268	-	101 418	50 476	2 623	316 784
N Mpumlwana	3136	2015/07/01	2016/06/30	292 899	-	219 561	56 050	4 743	573 253
N Nkula	3118	2015/07/01	2016/06/30	162 268	-	129 110	22 784	2 876	317 038
PK Thingathinga	3102	2015/07/01	2016/06/30	162 268	-	135 701	16 193	2 745	316 907
Other Councillors									
FJ Hem	3156	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
AL Mwezula	3140	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
MM Mpepanduku	3091	2015/07/01	2016/06/30	118 013	-	73 977	36 492	1 907	230 388
X Jona	3158	2015/07/01	2016/06/30	118 013	-	79 190	31 278	1 907	230 388
M Mpakumpaku	3154	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
NM Mlenzana	3147	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
M Jojo	3122	2015/07/01	2016/06/30	118 013	-	93 898	16 570	2 092	230 572
ZJ Mendu	3128	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
V Nyangane	3131	2015/07/01	2016/06/30	118 013	-	79 190	31 278	1 907	230 388
N Gogela	3145	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
ZB Mtebele	3138	2015/07/01	2016/06/30	173 247	-	11 343	43 891	1 907	230 388
CT Ndawo	3137	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
BMA Zililo	3129	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
N Sonyabashi	3135	2015/07/01	2016/06/30	118 013	-	70 534	39 934	2 214	230 695
SAN Cekeshe	3113	2015/07/01	2016/06/30	118 013	-	93 898	16 570	2 092	230 572
S Mankanku	3132	2015/07/01	2016/06/30	118 013	-	80 822	29 646	1 907	230 388
NT Xezu	3112	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
N Jijana	3142	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
V Ngabaza	3123	2015/07/01	2016/06/30	118 013	-	73 542	36 926	1 907	230 388
FN Ngonyolo	3115	2015/07/01	2016/06/30	118 013	-	70 534	39 934	2 214	230 695
CM Ngalonkulu	3114	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
BT Ngqasa	3149	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
MH Kwekwile	3133	2015/07/01	2016/06/30	118 013	-	76 654	33 814	2 092	230 573

NA Sobahle	3139	2015/07/01	2016/06/30	156 677	-	52 735	19 069	2 092	230 573
NP Ndabeni	3126	2015/07/01	2016/06/30	118 013	-	80 822	29 646	1 907	230 388
S Nogcantsi	3130	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
SP Myingwa	3157	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
NE Pakkies	3122	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
T Mabindisa	3141	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
MM Gwanya	3155	2015/07/01	2016/06/30	118 013	-	93 898	16 570	2 092	230 573
AZ Gwebani	3006	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
N Boyce	3125	2015/07/01	2016/06/30	118 013	-	79 906	30 562	2 092	230 572
B Mngweba	3127	2015/07/01	2016/06/30	173 337	-	30 275	24 865	1 907	230 384
NO Godlo	3124	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
NP Mlandu	3120	2015/07/01	2016/06/30	173 337	-	11 239	43 905	2 092	230 573
GU Makanda	3088	2015/07/01	2016/06/30	118 013	-	93 898	16 570	1 907	230 388
TA Mambi	3146	2015/07/01	2016/06/30	118 013	-	93 898	16 570	2 092	230 572
F Ntwakumba	3143	2015/07/01	2016/06/30	122 503	-	66 681	39 296	1 908	230 389
NN Gcadinja	3084	2015/07/01	2016/06/30	118 013	-	83 462	27 006	2 092	230 573
N Mpanda	3094	2015/07/01	2016/06/30	151 449	-	120 503	21 265	2 448	295 665
SK Mnu kwa	3153	2015/07/01	2016/06/30	118 013	-	68 318	42 150	2 092	230 573
B Ripa	3148	2015/07/01	2016/06/30	118 013	-	93 898	16 570	2 083	230 564
NA Matshongo	3144	2015/07/01	2016/06/30	118 013	-	93 898	16 570	2 092	230 572
Total for Councillors				8 109 851		5 568 570	1 627 237	131 739	15 437 397

Incumbent	Personal Reference Number	Period		Basic Salaries	Bonuses	Allowances	Contributions to Funds	Any Other Benefits	Total Remuneration
		From	To						
Municipal Manager GPT Nota	4274	2015/07/01	2016/06/30	R 812 911	R 169 874	R 257 896	R 267 026	R -	R 1 507 708
Chief Financial Officer X. Venn	4314	2015/07/01	2016/06/30	612 732	123 689	282 292	80 843	-	1 099 556
Manager: Community Services M Sineke	4281	2015/07/01	2016/06/30	612 732	119 335	331 029	20 355	-	1 083 452
Manager: Corporate Services N Kubone	4280	2015/07/01	2016/06/30	612 732	128 043	297 038	85 766	-	1 123 579
Manager: Local Economic Development SL Batyi	4267	2015/07/01	2016/06/30	612 732	107 144	282 264	109 662	-	1 111 803
Manager: Infrastructure and Planning SP Ntonga	1517	2015/07/01	2016/06/30	612 732	114 981	331 029	58 972	-	1 117 715
Manager: Chief Operations Officer S Kulu	4158	2015/07/01	2016/06/30	612 732	98 436	265 322	105 178	-	1 081 668
Total for Senior Managers				4 489 306	861 503	2 046 870	727 801	-	8 125 480
Total for Management				12 599 157	861 503	7 615 440	2 355 038	131 739	23 562 877

Incumbent	Personal Reference Number	Period		Basic Salaries	Bonuses	Allowances	Contributions to Funds	Any Other Benefits	Total Remuneration
		From	To						
Mayor				R	R	R	R	R	R
KS Pangwa	3078	2014/07/01	2015/06/30	374 498	-	278 557	65 440		718 495
Speaker: Full Time									
ZO Sisilana	3159	2014/07/01	2015/06/30	340 878	-	203 006	30 912		574 796
Chief WIP: Part Time									-
Chief WIP: Full Time									
N Mbele	3117	2014/07/01	2015/06/30	280 874	-	219 298	38 700		538 872
Executive Committee									
MV Nkqayi	3116	2014/07/01	2015/06/30	280 874	-	188 342	69 656		538 872
VA Bulana	3085	2014/07/01	2015/06/30	154 481	-	98 637	21 977		275 094
LT Qasha	3150	2014/07/01	2015/06/30	319 574	-	175 113	44 185		538 872
Z Ndevu	3045	2014/07/01	2015/06/30	280 784	-	190 426	67 572		538 782
EN Ngalonkulu - Lebelo	3047	2014/07/01	2015/06/30	154 481	-	94 569	26 045		275 094
N Mpumlwana	3136	2014/07/01	2015/06/30	280 874	-	205 457	52 540		538 872
N Nkula	3118	2014/07/01	2015/06/30	154 481	-	120 614			275 094
PK Thingathinga	3102	2014/07/01	2015/06/30	154 481	-	122 123			276 603
Other Councillors									
FJ Hem	3156	2014/07/01	2015/06/30	112 349	-	87 719	15 480		215 548
AL Mwezula	3140	2014/07/01	2015/06/30	112 349	-	87 719	15 480		215 548
MM Mpepanduku	3091	2014/07/01	2015/06/30	112 349	-	69 811	33 389		215 548
X Jona	3158	2014/07/01	2015/06/30	112 349	-	73 879	29 321		215 548
M Mpakumpaku	3154	2014/07/01	2015/06/30	112 349	-	87 719	15 480		215 548
NM Mlenzana	3147	2014/07/01	2015/06/30	112 349	-	87 719	15 480		215 548
M Jojo	3122	2014/07/01	2015/06/30	112 349	-	103 199	-		215 548
ZJ Mendu	3128	2014/07/01	2015/06/30	112 349	-	87 719	15 480		215 548
V Nyangane	3131	2014/07/01	2015/06/30	112 349	-	73 879	29 321		215 548
N Gogela	3145	2014/07/01	2015/06/30	112 349	-	87 719	15 480		215 548
ZB Mtebele	3138	2014/07/01	2015/06/30	163 949	-	10 471	41 128		215 548
CT Ndawo	3137	2014/07/01	2015/06/30	112 349	-	87 719	15 480		215 548
BMA Zililo	3129	2014/07/01	2015/06/30	112 349	-	87 719	15 480		215 548
N Sonyabashi	3135	2014/07/01	2015/06/30	112 349	-	81 222	21 977		215 548
SAN Cekeshe	3113	2014/07/01	2015/06/30	112 349	-	103 199	-		215 548
S Mankanku	3132	2014/07/01	2015/06/30	112 349	-	87 719	15 480		215 548
NT Xezu	3112	2014/07/01	2015/06/30	112 349	-	87 719	15 480		215 548
N Jijana	3142	2014/07/01	2015/06/30	112 349	-	87 719	15 480		215 548
V Ngabaza	3123	2014/07/01	2015/06/30	112 349	-	69 498	33 701		215 548
FN Ngonyolo	3115	2014/07/01	2015/06/30	112 349	-	83 975	19 224		215 548
CM Ngalonkulu	3114	2014/07/01	2015/06/30	112 349	-	87 719	15 480		215 548
BT Ngqasa	3149	2014/07/01	2015/06/30	112 349	-	87 719	15 480		215 548
MH Kwekwile	3133	2014/07/01	2015/06/30	112 349	-	70 385	33 083		215 816
NA Sobahle	3139	2014/07/01	2015/06/30	148 469	-	67 079	-		215 548
NP Ndabeni	3126	2014/07/01	2015/06/30	112 349	-	75 963	27 236		215 548
S Nogcantsi	3130	2014/07/01	2015/06/30	112 349	-	87 719	15 480		215 548
SP Myingwa	3157	2014/07/01	2015/06/30	112 349	-	87 719	15 480		215 548

NE Pakkies	3122	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548	
T Mabindisa	3141	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548	
MM Gwanya	3155	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548	
AZ Gwebani	3006	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548	
N Boyce	3125	2014/07/01	2015/06/30	112 349	-	90 241	12 958	215 548	
B Mngweba	3127	2014/07/01	2015/06/30	163 949	-	28 380	23 220	215 548	
NO Godlo	3124	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548	
NP Mlandu	3120	2014/07/01	2015/06/30	163 949	-	10 471	41 128	215 548	
GU Makanda	3088	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548	
TA Mambi	3146	2014/07/01	2015/06/30	112 349	-	103 199	-	215 548	
F Ntwakumba	3143	2014/07/01	2015/06/30	112 349	-	69 018	34 181	215 548	
NN Gcadinja	3084	2014/07/01	2015/06/30	112 349	-	78 737	24 463	215 548	
N Mpanda	3094	2014/07/01	2015/06/30	144 181	-	107 121	25 318	276 620	
SK Mnu kwa	3153	2014/07/01	2015/06/30	112 349	-	64 723	38 476	215 548	
B Ripa	3148	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548	
NA Matshongo	3144	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548	
Total for Councillors				7 830 037		5 348 130	1 241 186	-	14 419 353

Incumbent	Personal Reference Number	Period		Basic Salaries	Bonuses	Allowances	Contributions to Funds	Any Other Benefits	Total Remuneration
		From	To						
Municipal Manager GPT Nota	4274	2014/07/01	2015/06/30	R 758 537	R 61 686	R 224 428	R 188 532	R -	R 1 233 183
Chief Financial Officer X. Venn	4314	2014/07/01	2015/06/30	571 748	46 496	265 787	45 888	-	929 920
Manager: Community Services M Sineke	4281	2014/07/01	2015/06/30	597 146	46 496	286 278	-	-	929 920
Manager: Corporate Services N Kubone	4280	2014/07/01	2015/06/30	622 545	46 496	234 091	26 788	-	929 920
Manager: Local Economic Development SL Batyi	4267	2014/07/01	2015/06/30	571 748	46 496	265 787	45 888	-	929 920
Manager: Infrastructure and Planning SP Ntonga	1517	2014/07/01	2015/06/30	571 748	46 496	311 676	-	-	929 920
Manager: Chief Operations Officer S Kulu	4158	2014/07/01	2015/06/30	571 748	46 496	249 810	61 866	-	929 920
Total for Senior Managers				4 265 221	340 662	1 837 857	368 963	-	6 812 703
Total for Management				12 095 258	340 662	7 185 987	1 610 149	-	21 232 056

APPENDIX H
UMZIMVUBU LOCAL MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
					2016	2015		
1. FINANCIAL POSITION								
A. Asset Management / Utilisation								
1. Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	10% - 20%		30.74%	39.42%	Refer to Page 2 of MFMA Circular No 71	Total Operating expenditure is high due to implementation of programmes like Free Basic Services, Insurance of assets, and Audit Fees, Legal Fees due to transfer of properties.
				Total Operating Expenditure	190 062 906	205 932 807		
				Taxation Expense	-	-		
				Total Capital Expenditure	84 354 203	134 029 239		
2. Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment / (Total Property, Plant and Equipment + Investment Property + Intangible Assets) x 100	Statement of Financial Position, Notes to the AFS and AR	0%		0.38%	0.21%	Refer to Page 3 of MFMA Circular No 71	This is within the norm, there is no major impairment.
				PPE, Investment Property & Intangible Impairment	1 850 822	937 710		
				PPE at Carrying Value	469 077 331	417 604 718		
				IP at Carrying Value	19 961 575	20 411 575		
				Intangible Assets at Carrying Value	1 723 895	1 152 672		
3. Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying value) x 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-year Reports	8%		0.42%	0.44%	Refer to Page 4 of MFMA Circular No 71	The major part of repairs and maintenance is done on gravel roads and because it is huge amounts in most cases, it ends up being capitalised.
				Total Repairs and Maintenance Expenditure	2 074 087	1 936 177		
				PPE at Carrying Value	469 077 331	417 604 718		
				Investment Property at Carrying Value	19 961 575	20 411 575		
B. Debtors Management								
1. Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written-off) / Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	95%		51.07%	109.03%	Refer to Page 5 of MFMA Circular No 71	The collection rate is below the norm because consumers had issues about the past valuation roll but the Municipality is now in a process of ensuring that debtors do pay, and the debt that was disputed has now been written off.
				Gross Debtors Closing Balance	26 172 451	18 511 619		
				Gross Debtors Opening Balance	18 511 619	33 831 202		
				Bad Debts Written-off	-	14 246 137		
				Billed Revenue	15 656 095	11 888 744		
2. Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off / Provision for Bad Debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		0.00%	106.52%	Refer to Page 5 of MFMA Circular No 71	The Municipality did not write off any debt because most write offs were done last financial year.
				Consumer Debtors Bad Debts Written-off	-	14 246 137		
				Consumer Debtors Current Bad Debt Provision	26 776 055	13 373 922		
3. Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue) x 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 Days		156 Days	158 Days	Refer to Page 6 of MFMA Circular No 71	The culture of non-payment is still an issue in most areas more especially with the residential consumers, hoping that with the write off of old irrecoverable debt the situation will improve.
				Gross Debtors	26 172 451	18 511 619		
				Bad Debts Provision	19 480 296	13 373 922		
				Billed Revenue	15 656 095	11 888 744		
C. Liquidity Management								
1. Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short-term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports and AR	1 - 3 Months		4 Months	2 Months	Refer to Page 7 of MFMA Circular No 71	The Municipality is within the acceptable norm and will meet its obligations.
				Cash and Cash Equivalents	46 219 874	25 251 175		
				Unspent Conditional Grants	529 574	1 420 605		
				Overdraft	-	-		
				Short-term Investments	-	-		
				Total Annual Operational Expenditure	151 667 725	144 837 862		
2. Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		3.85	1.04	Refer to Page 7 of MFMA Circular No 71	Current liabilities have been reduced due to repayment of DBSA Loan and end of term for Finance Lease.
				Current Assets	63 998 438	44 890 149		
				Current Liabilities	16 629 078	43 267 408		

APPENDIX H
UMZIMVUBU LOCAL MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
					2016	2015		
C. Liability Management								
1. Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-year Reports and AR	6% - 8%		-13.93%	-10.36%	Refer to Page 8 of MFMA Circular No 71	This is within the norm.
				Interest Paid	247 945	2 544 903		
				Redemption	(26 715 764)	(23 872 315)		
				Total Operating Expenditure	190 062 906	205 932 807		
				Taxation Expense	-	-		
2. Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non-current Finance Lease Obligation + Short-term Borrowings + Long-term Borrowings) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%		0.01%	26.79%	Refer to Page 9 of MFMA Circular No 71	Municipality paid off its debt from major creditors.
				Total Debt	10 488	26 720 866		
				Total Operating Revenue	286 434 325	236 600 276		
				Operational Conditional Grants	172 248 477	136 874 721		
C. Sustainability								
1. Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank Overdraft + Short-term Investment + Long-term Investment - Unspent Grants) / (Net Assets - Accumulated Surplus - Non-controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%		100.00%	100.00%	Refer to Page 9 of MFMA Circular No 71	All municipality's reserves are cash backed, unspent conditional grants as well are cash-backed.
				Cash and Cash Equivalents	46 219 874	25 251 175		
				Unspent Grants	529 574	1 420 605		
				Net Assets	527 128 487	430 757 068		
				Accumulated Surplus	527 128 487	430 757 068		
2. FINANCIAL PERFORMANCE								
A. Efficiency								
1. Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure) / Total Operating Revenue	Statement of Financial Performance, Budget, In-year Reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Assets	= or > 0%		33.65%	22.77%	Refer to Page 10 of MFMA Circular No 71	The Municipality is within the required norm.
				Total Operating Revenue	286 434 325	236 090 319		
				Depreciation - Revalued Portion	-	-		
				Total Operating Expenditure	190 062 906	182 326 583		
				Taxation Expense	-	-		
2. Net Surplus / Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%		-696.85%	-335.19%	Refer to Page 12 of MFMA Circular No 71	The Municipality is rural and currently operating at a loss because of low tariffs.
				Total Refuse Revenue	1 724 538	3 683 710		
				Total Refuse Expenditure	13 742 004	16 030 980		

APPENDIX H
UMZIMVUBU LOCAL MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)	
					2016	2015			
B. Distribution Losses N/A									
C. Revenue Management									
1.	Revenue Growth (%)	$\frac{(\text{Period under Review's Total Revenue} - \text{Previous Period's Total Revenue})}{\text{Previous Period's Total Revenue}} \times 100$	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	= CPI	CPI	21.06%	-4.01%	Refer to Page 15 of MFMA Circular No 71	Revenue increased due to increase in tariffs
					Total Revenue (Previous)	236 600 276	246 488 019		
					Total Revenue (Current)	286 434 325	236 600 276		
2.	Revenue Growth (%) - Excluding Capital Grants	$\frac{(\text{Period under Review's Total Revenue, excluding Capital Grants} - \text{Previous Period's Total Revenue, excluding Capital Grants})}{\text{Previous Period's Total Revenue, excluding Capital Grants}} \times 100$	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= CPI	CPI	23.72%	5.04%	Refer to Page 15 of MFMA Circular No 71	Revenue decreased due to identification of Municipal properties that were being billed and implementation of the new valuation roll.
					Total Revenue, excluding Capital Grants (Previous)	195 487 835	186 115 082		
					Total Revenue, excluding Capital Grants (Current)	241 849 906	195 487 835		
D. Expenditure Management									
1.	Creditors Payment Period (Trade Creditors)	$\frac{\text{Trade Creditors Outstanding}}{\text{Credit Purchases (Operating and Capital)}} \times 365$	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days	Trade Creditors	21 Days	17 Days	Refer to Page 16 of MFMA Circular No 71	The municipality pays creditors weekly.
					Contracted Services	8 907 266	7 034 152		
					Repairs and Maintenance	6 795 712	7 341 493		
					General Expenses	2 074 087	1 936 177		
					Bulk Purchases	61 806 058	55 229 135		
					Capital Credit Purchases	-	-		
						84 354 203	84 593 094		
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	$\frac{(\text{Irregular, Fruitless \& Wasteful and Unauthorised Expenditure})}{\text{Total Operating Expenditure}} \times 100$	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%	Irregular, Fruitless & Wasteful and Unauthorised Expenditure	0.12%	0.00%	Refer to Page 16 of MFMA Circular No 71	The Municipality is ensuring 100% implementation of policies to eliminate fruitless and wasteful expenditure and also irregular expenditure.
					Total Operating Expenditure	226 466	-		
					Taxation Expense	190 062 906	205 932 807		
						-	-		
3.	Remuneration as % of Total Operating Expenditure	$\frac{\text{Remuneration (Employee Related Costs and Councillors' Remuneration)}}{\text{Total Operating Expenditure}} \times 100$	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	25% - 40%	Employee / Personnel Related Cost	37.22%	31.68%	Refer to Page 17 of MFMA Circular No 71	The Municipality is within the required norm.
					Councillors Remuneration	55 311 425	50 612 945		
					Total Operating Expenditure	15 437 397	14 621 700		
					Taxation Expense	190 062 906	205 932 807		
						-	-		
4.	Contracted Services % of Total Operating Expenditure	$\frac{\text{Contracted Services}}{\text{Total Operating Expenditure}} \times 100$	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	2% - 5%	Contracted Services	3.58%	3.56%	Refer to Page 17 of MFMA Circular No 71	The Municipality is within the required norm.
					Total Operating Expenditure	6 795 712	7 341 493		
					Taxation Expense	190 062 906	205 932 807		
						-	-		

APPENDIX H
UMZIMVUBU LOCAL MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2016

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)		
					2016	2015				
E. Grant Dependency										
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		0.00%	62.54%	Refer to Page 18 of MFMA Circular No 71	No borrowed funds during the financial year.	
					Internally Generated Funds		83 817 760			
					Borrowings		-			
						84 354 203	134 029 239			
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		0.00%	62.54%	Refer to Page 18 of MFMA Circular No 71	Capital is mostly funded from Equitable Share and MIG Grants. Only the moveable assets are funded from own revenue.	
					Internally Generated Funds		83 817 760			
					Total Capital Expenditure		84 354 203			
						84 354 203	134 029 239			
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	(Own Source Revenue (Total Revenue - Government Grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including Agency Services)) x 100	Statement Financial Performance, Budget, IDP, In-year Reports and AR	None		15.34%	15.76%	Refer to Page 18 of MFMA Circular No 71	The Municipal revenue base is very small and therefore own revenue is only 15.76 of the total revenue.	
					Total Revenue		286 434 325			236 600 276
					Government Grant and Subsidies		255 038 665			210 997 462
					Public Contributions and Donations		166 500			3 000
					Capital Grants		82 790 187			74 122 741
3. BUDGET IMPLEMENTATION										
A. Efficiency										
1.	Capital Expenditure Budget Implementation Indicator	(Actual Capital Expenditure / Budgeted Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, In-year Reports and AR	95% - 100%		74.39%	81.23%	Refer to Page 19 of MFMA Circular No 71	Capital expenditure below average due to construction of offices that was delayed.	
					Actual Capital Expenditure		84 354 203			134 029 239
					Budgeted Capital Expenditure		113 392 988			164 993 540
						84 354 203	134 029 239			
2.	Operating Expenditure Budget Implementation Indicator	(Actual Operating Expenditure / Budgeted Operating Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		78.05%	84.01%	Refer to Page 20 of MFMA Circular No 71	The Municipality applied cost containment measures approach to reduce operational expenditure.	
					Actual Operating Expenditure		190 062 906			205 932 807
					Budgeted Operating Expenditure		243 520 000			245 129 348
						190 062 906	205 932 807			
3.	Operating Revenue Budget Implementation Indicator	(Actual Operating Revenue / Budgeted Operating Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		87.19%	81.98%	Refer to Page 20 of MFMA Circular No 71	Revenue collection is still a big challenge for the Municipality.	
					Actual Operating Revenue		286 434 325			236 600 276
					Budgeted Operating Revenue		328 522 304			288 602 651
						286 434 325	236 600 276			
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	(Actual Service Charges and Property Rates Revenue / Budgeted Service Charges and Property Rates Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		79.49%	82.98%	Refer to Page 21 of MFMA Circular No 71	The Municipality over-budgeted for rates hoping to implement a supplementary valuation roll.	
					Actual Service Charges and Property Rates Revenue		13 512 869			10 372 385
					Budgeted Service Charges and Property Rates Revenue		17 000 000			12 500 000
						13 512 869	10 372 385			
Interpretation of Results:										
	The green colour indicates that the result is within the norm and is acceptable.									
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.									
	Data should be captured in the blue coloured cell to calculate a ratio.									
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.									