



**UMZIMVUBU**  
— LOCAL MUNICIPALITY —

***ANNUAL FINANCIAL STATEMENTS***

***30 JUNE 2017***

**Index**  
**TO**  
**THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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**GENERAL INFORMATION**  
**TO**  
**THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**  
**MEMBERS OF THE EXECUTIVE COMMITTEE AS AT 30 JUNE 2017**

**Mayor**

Cllr P.B. Mabhengu

**Speaker**

Cllr S.K. Mnukwa

**Chief Whip**

Cllr N.G. Mdzinwa

**Members**

Cllr H.M. NGqasa

Cllr M. Mataka

Cllr A.N. Garane

Cllr U.G. Makanda

Cllr N. Sonyabashi

Cllr S.P. Myingwa

Cllr F.N. Ngonyolo

Cllr T.A. Mambi

Cllr P.K. Thingathinga

**Portfolio**

Budget and Treasury

Corporate Services

Local Economic Development

Infrastructure and Planning

Community and Citizen Services

Chairperson Mpac

Exco Member

Exco Member

Exco Member

**AUDITORS**

Auditor-General

East London

Eastern Cape

**BANKERS**

First National Bank

KwaBhaca

**ATTORNEYS**

The municipality makes use of various attorneys.

**REGISTERED OFFICE**

Erf 813 Main Street

KwaBhaca

Private Bag X9020

KwaBhaca

5090

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Webpage: [www.umzimvubu.gov.za](http://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 2017**

**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, Ema-Xesibeni  
and  
various rural areas

## GENERAL INFORMATION (continued)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### MEMBERS OF THE UMZIMVUBU LOCAL MUNICIPALITY

#### COUNCILLORS

WARD		PROPORTIONAL
1	F.J. Hem	P.B. Mabhengu
2	M. Ntsevu	S.K. Mnukwa
3	M.V. Nkqayi	N.G. Mdzinwa
4	N.V. Nomaqaqa	H.M. Ngqasa
5	S. Sifolo	M. Mataka
6	N.C. Tshayisa	A.N. Garane
7	S.S. Dangisa	U.G. Makanda
8	T. Sokhanyile	N. Sonyabashi
9	M. Mqulwane	T.A. Mambi
10	P. Makhinzi	P.K. Thingathinga
11	N. Gogela	L.S. Maqhashalala
12	G.V. Lugongolo	N. Ntshayisa
13	C.L. Noqhakala	L.L. Nqatsha
14	T.V. Hlazo	N.N. Gcadinja
15	C.N. Mnyaiza	H.N. Dandala
16	B. Majalamba	S.A.N. Cekeshe
17	S. Mankanku	S.P. Myingwa
18	A. Mgangatho	X. Jona
19	E.N. Ngalonkulu-Lebelo	N.A. Mantshongo
20	T. Nomkuca	F.P. Sontsi
21	F.N. Ngonyolo	M. Ramabina
22	S.O. Madlanga	S. Gqiza
23	N.H. Kolweni	T. Ntsalaze
24	M. Jolobe	M. Maliwa
25	A. N. Zongwana	M. Hlanekela
26	M. Tuku	T. Ndara
27	N.S. Soldat	

## **APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

### **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 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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.

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**Mr. G.P.T. Nota**  
**Municipal Manager**

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**Date**

**UMZIMVUBU LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2017

**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 2017.

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 2016/17 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

**2. MSCOA IMPLEMENTATION PLAN**

At 30 June 2017 the municipality was still in progress with the MSCoA implimentation plan. The municipality did not early adopt disclosures to be aligned to MSCOA chart, neither were any of the Accounting Policies amended based on the classification requirements within MSCOA. Disclosure has therefore been applied consistently from the prior year.

Frequent Provincial Treasury Workshops on MSCOA were attended by the delegated officials of the municipality to ensure that all staff are aware of the impact that MSCOA will have on the municipal operations and reporting as from 1 July 2017.

**3. 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.

**3.1 Financial Statement Ratios:**

INDICATOR	2017	2016
Surplus for the year ended	74,652,803	95,484,726
Surplus Accumulated as at	600,354,925	525,702,122
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	28.24%	28.97%
Remuneration of Councillors	7.79%	8.08%
Depreciation and Amortisation	18.09%	16.42%
Impairment Losses	1.44%	4.16%
Repairs and Maintenance	2.21%	1.09%
Interest Paid	0.39%	0.57%
Contracted Services	3.62%	3.56%
Grants and Subsidies Paid	2.15%	2.06%
General Expenses	34.09%	32.37%
Government Grants (Conditional)	1.78%	2.73%
Loss on Disposal of Property, Plant and Equipment	0.20%	0.00%
Current Ratio:		
Trade Creditors Days	19	41
Debtors Days	200	156

**3.2 Performance Indicators:**

INDICATOR	2017	2016
<b>Financial Position</b>		
Debtors Management:		
Outstanding Debtors to Revenue	7.52%	5.16%
Liquidity Management:		
Liquidity Ratio	2.36	2.69
Liability Management:		
Capital Cost as percentage of Own Revenue	2.27%	89.05%



**ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2017**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

INDICATOR	2017	2016
Financial Viability:		
Debt Coverage	5.23	0.97
Cost Coverage	0.28	0.25
<b>Financial Performance</b>		
Expenditure Management:		
Creditors to Cash and Investments	24.85%	33.40%

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

**4. 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 2017 are as follows:

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Movement %	Budgeted 2016/17 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus	525,702,122	430,757,068	22.04	-	100.00
Operating income for the year	274,401,130	286,434,325	(4.20)	307,466,012	(10.75)
	800,103,251	717,191,393	11.56	307,466,012	160.22
<b>Expenditure:</b>					
Operating expenditure for the year	199,748,326	190,949,599	4.61	230,516,789	(13.35)
Closing surplus	600,354,925	525,702,122	14.20	76,949,222	680.20
	800,103,251	717,191,393	11.56	307,466,012	160.22

**4.1 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 2016/17 R	Actual 2015/16 R	Percentage Movement %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income	262,604,864	284,709,787	(7.76)	303,750,904	(13.55)
Expenditure	180,243,715	177,207,596	1.71	209,855,628	(14.11)
Surplus	82,361,149	107,502,191	(23.39)	93,895,275	(12.28)
Surplus as % of total income	31.36%	37.76%		30.91%	

**4.2 Waste Management Services:**

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

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Movement %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income	11,796,266	1,724,538	584.02	3,715,108	217.52
Expenditure	19,504,611	13,742,004	41.93	20,661,161	(5.60)
(Deficit)	(7,708,345)	(12,017,465)	(35.86)	(16,946,053)	(54.51)
(Deficit) as % of total income	(65.35)%	(696.85)%		(456.14)%	

**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2017

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**5. FINANCING OF CAPITAL EXPENDITURE**

The expenditure on Assets during the year amounted to R108,357,980 (2015/16: 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.

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.

**6. RECONCILIATION OF BUDGET TO ACTUAL**

**6.1 Operating Budget:**

DETAILS	2017	2016
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	76,949,222	85,002,304
Revenue variances	(33,064,882)	(42,087,979)
Expenditure variances:		
Employee Related Costs	5,514,624	1,517,575
Remuneration of Councillors	2,999,914	1,973,646
Depreciation and Amortisation	6,263,254	8,653,764
Impairment Losses	12,619,798	7,064,363
Repairs and Maintenance	586,385	1,833,665
Interest Paid	52,647	21,830,070
Contracted Services	71,291	529,335
Grants and Subsidies Paid	611,412	980,989
General Expenses	2,021,276	6,162,787
Government Grants (Conditional)	26,113	1,924,208
Loss on disposal of Property, Plant and Equipment	1,749	100,000
Actual surplus before appropriations	74,652,804	95,484,727

DETAILS	2017	2016
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	76,949,222	85,002,304
Executive and Council	3,404,885	4,062,270
Finance and Administration	(11,591,648)	(15,053,033)
Planning and Development	(5,059,258)	23,462,275
Community and Social Services	470,700	173,443
Public Safety	1,241,194	(2,015,631)
Waste Management	9,237,708	(146,903)
Actual surplus before appropriations	74,652,803	95,484,726

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)".

**ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2017**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**6.2 Capital Budget:**

<b>DETAILS</b>	<b>Actual 2016/17 R</b>	<b>Actual 2015/16 R</b>	<b>Variance actual 2016/17 / 2015/16 R</b>	<b>Budgeted 2016/17 R</b>	<b>Variance actual/ budgeted R</b>
Executive and Council	1,710,054	129,003	1,581,051	2,400,000	(689,946)
Budget and Treasury	1,746,145	917,068	829,077	2,000,000	(253,855)
Corporate Services	2,659,004	877,622	1,781,381	3,500,000	(840,996)
Local Economic Development	194,700	3,941,271	(3,746,571)	500,000	(305,300)
Infrastructure and Planning	82,981,871	108,872,443	(25,890,572)	106,000,000	(23,018,129)
Community and Social Services	16,434,728	14,054,779	2,379,949	17,300,000	(865,272)
Waste Management	1,681,406	3,907,790	(2,226,384)	2,000,000	(318,594)
Public Safety	950,071	1,329,262	(379,191)	1,000,000	(49,929)
	<b>108,357,980</b>	<b>134,029,239</b>	<b>(25,671,259)</b>	<b>134,700,000</b>	<b>(26,342,020)</b>

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

**7. ACCUMULATED SURPLUS**

The balance of the Accumulated Surplus as at 30 June 2017 amounted to R600,354,925 (30 June 2016: R525,702,122) and is made up as follows:

Capital Replacement Reserve	24,186,495
Accumulated Surplus	<u>576,168,430</u>
	<u><u>600,354,925</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 19 and the Statement of Change in Net Assets for more detail.

**8. NON-CURRENT PORTION OF EMPLOYEE BENEFIT LIABILITIES**

Employee Benefit Liabilities amounted R1,201,036 as at 30 June 2017 (30 June 2016: R1,221,552) and is made up as follows:

Long Service Awards Liability	<u>1,201,036</u>
	<u><u>1,201,036</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 17 for more detail.

**9. NON-CURRENT PROVISIONS**

Non-current Provisions amounted R10,477,991 as at 30 June 2017 (30 June 2016: R9,799,842) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	<u>10,477,991</u>
	<u><u>10,477,991</u></u>

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 18 for more detail.

**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2017

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**10. CURRENT LIABILITIES**

Current Liabilities amounted R19,488,145 as at 30 June 2017 (30 June 2016: R17,193,851) and is made up as follows:

Current Portion of Employee Benefit Liability	Note 12	202,428
Payables from Exchange Transactions	Note 13	11,413,736
Payables from Non-exchange Transactions	Note 14	2,284,584
Unspent Conditional Grants and Receipts	Note 15	5,587,397
		<u>19,488,145</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 R540,070,037 as at 30 June 2017 (30 June 2016: R468,215,739).

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

**12. HERITAGE ASSETS**

The net value of Heritage Assets were R17,719 as at 30 June 2017 (30 June 2016: 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 9 and Appendix "B" for more detail.

**13. INTANGIBLE ASSETS**

The net value of Intangible Assets were R2,288,560 as at 30 June 2017 (30 June 2016: R1,723,895).

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 10 and Appendix "B" for more detail.

**14. INVESTMENT PROPERTY**

The net value of Investment Properties were R19,961,575 as at 30 June 2017 (30 June 2016: R19,961,575).

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 11 and Appendix "B" for more detail.

**15. CURRENT ASSETS**

Current Assets amounted R69,184,205 as at 30 June 2017 (30 June 2016: R63,998,438) and is made up as follows:

Inventories	Note 2	957,909
Receivables from Exchange Transactions	Note 3	3,137,625
Receivables from Non-exchange Transactions	Note 4	12,376,664
VAT Receivable	Note 5	4,352,683
Cash and Cash Equivalents	Note 6	45,932,159
Operating Lease Receivables	Note 7	2,427,165
		<u>69,184,205</u>

**ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2017**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

The increase in the amount for Current Assets is mainly due to the increase in the amount held in Operating Lease Receivables.

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 24, 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 55.

**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 Budget and Treasury, for without their assistance these Annual Financial Statements would not have been possible.

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**CHIEF FINANCIAL OFFICER**

# UMZIMVUBU LOCAL MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 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 2016 and 30 June 2017 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 2017

### 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 a 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 9.1 on Financial Assets Classification and Accounting Policy 9.2 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 9.4 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 2017

### 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 10.2 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.

Estimated impairments during the year to Property, Plant and Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventory are disclosed in Notes 9, 8, 10, 11 and 2 to the Annual Financial Statements, if applicable.

### 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 17 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.

### 1.8 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 108 Statutory Receivables - issued September 2013. (no effective date determined yet)
- 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).



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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

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.

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.

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### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MSCoA).

#### 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
	<b>Buildings</b>	25 - 100		<b>Other</b>	
	Mobile Offices	5 - 10		Specialist Vehicles	5 - 20
	<b>Infrastructure</b>			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
	<b>Community</b>			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 methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Assets, including assets not yet available for use, are annually tested for impairment as described in Accounting Policy 7, Impairment of Assets, whilst estimates in useful lives are reviewed in accordance with Accounting Policy 8, Estimation of Useful Lives.

#### 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.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### **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, its deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MSCoA).

#### **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.

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### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

The assets' residual values, estimated useful lives and amortisation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Assets, including assets not yet available for use, are annually tested for impairment as described in Accounting Policy 7, Impairment of Assets, whilst estimates in useful lives are reviewed in accordance with Accounting Policy 8, Estimation of Useful Lives.

#### 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:

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) 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);
- (c) 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);
- (d) A property owned by the municipality and leased out at a below market rental; and
- (e) 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 or Inventory as appropriate:

- (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.

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### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in the Statement of Financial Performance and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (MSCoA).

#### **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.

#### **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.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 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.

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.

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### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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. ESTIMATION OF USEFUL LIVES

The municipality depreciates its assets over their estimated useful lives.

The useful life of an asset is defined as:

- The period over which an asset is expected to be available for use by an municipality; or
- The number of production or similar units expected to be obtained from the asset by the municipality.

The municipality assesses at each reporting date whether there is any indication that the useful life of an asset has changed. If any such indication exists, the useful life is changed.

Any change in the useful life is accounted for as Change in Estimate in accordance with GRAP 3 (Accounting Policies, Change in Accounting Estimates and Errors).

Annually the municipality considers whether there is any indication that the initial useful lives of assets need to be revised. The municipality considers the following during the assessment of its assets' useful lives. Whether:

- (a) The composition of the asset has changed.
- (b) The use of the asset has changed because of the following:
  - (i) The municipality has changed the manner in which the asset is used;
  - (ii) The municipality has changed the utilisation rate of the asset;
  - (iii) The municipality has made the decision to dispose of the asset during a future reporting period which results in a change in the useful life of the asset;
  - (iv) Technological, environmental or commercial changes occurred during the reporting period that will change the use of the asset; and
  - (v) The asset was idle or retired during the current reporting period.
- (c) The asset is approaching its previously expected useful life.
- (d) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- (e) The asset is assessed as being impaired in accordance with the Accounting Policy and on Impairment of Assets.

A decrease in the estimated useful life of an asset is accounted for as an impairment in the Statement of Financial Performance.

The impairment of an asset is accounted for in accordance with Accounting policy and on Impairment of Assets.

The estimation of the useful lives of the municipality's assets is a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors.

#### 9. 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.

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#### 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.

#### 9.1 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;
  - (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.

#### 9.2 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).



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### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 9.3 Initial and Subsequent Measurement

##### 9.3.1 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.

##### 9.3.2 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.

###### 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.

#### 9.4 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.

##### 9.4.1 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.

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#### 9.4.2 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.

#### 9.5 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.

#### 9.6 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.

### 10. INVENTORIES

#### 10.1 Initial Recognition

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.

#### 10.2 Subsequent Measurement

##### 10.2.1 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.

##### 10.2.2 Other Arrangements

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

Inventories identified to be sold by public auction are written down from cost to net realisable value with regard to their estimated economic or realisable values. 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 current replacement cost or 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 current replacement cost or net realisable value 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.

### 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.

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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.

*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.

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#### 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.

#### 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.

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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.

#### **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

#### **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.

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## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 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

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

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the municipality shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

### 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

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(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).

#### 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.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 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.
- 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 2016 to 30 June 2017.



**UMZIMVUBU LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

	Note	Actual	
		2017 R	2016 Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>69,184,205</b>	<b>63,998,438</b>
Inventories	2	957,909	745,001
Receivables from Exchange Transactions	3	3,137,625	1,771,128
Receivables from Non-exchange Transactions	4	12,376,664	8,723,450
VAT Receivable	5	4,352,683	6,453,259
Cash and Cash Equivalents	6	45,932,159	46,219,874
Operating Lease Receivables	7	2,427,165	85,727
<b>Non-Current Assets</b>		<b>562,337,892</b>	<b>489,918,929</b>
Property, Plant and Equipment	8	540,070,037	468,215,739
Heritage Assets	9	17,719	17,719
Intangible Assets	10	2,288,560	1,723,895
Investment Property	11	19,961,575	19,961,575
<b>Total Assets</b>		<b>631,522,097</b>	<b>553,917,367</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>19,488,145</b>	<b>17,193,851</b>
Current Portion of Employee Benefit Liability	12	202,428	130,984
Payables from Exchange Transactions	13	11,413,736	15,439,567
Payables from Non-exchange Transactions	14	2,284,584	1,083,237
Unspent Conditional Grants and Receipts	15	5,587,397	529,574
Operating Lease Liabilities	16	-	10,488
<b>Non-Current Liabilities</b>		<b>11,679,027</b>	<b>11,021,394</b>
Employee Benefit Liabilities	17	1,201,036	1,221,552
Provisions	18	10,477,991	9,799,842
<b>Total Liabilities</b>		<b>31,167,172</b>	<b>28,215,245</b>
<b>Total Assets and Liabilities</b>		<b>600,354,925</b>	<b>525,702,122</b>
<b>NET ASSETS</b>		<b>600,354,925</b>	<b>525,702,122</b>
Accumulated Surplus	19	600,354,925	525,702,122
<b>Total Net Assets</b>		<b>600,354,925</b>	<b>525,702,122</b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

	Note	Actual	
		2017 R	2016 Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	20	14,339,340	12,035,254
Fines	21	2,262,968	2,321,133
Licences and Permits	22	2,241,112	2,432,297
Income from Agency Services	23	1,847,180	1,634,115
Government Grants and Subsidies	24	239,883,865	255,038,665
Public Contributions and Donations	25	-	166,500
<b>Revenue from Exchange Transactions</b>			
Service Charges	26	700,628	1,477,615
Rental of Facilities and Equipment	27	3,270,215	1,508,102
Interest Earned - External Investments	28	5,387,136	4,855,359
Interest Earned - Outstanding Debtors	28	2,308,724	2,143,226
Other Revenue	29	2,159,963	2,822,060
<b>Total Revenue</b>		<b>274,401,130</b>	<b>286,434,325</b>
<b>EXPENDITURE</b>			
Employee Related Costs	30	56,409,344	55,311,425
Remuneration of Councillors	31	15,563,284	15,437,397
Depreciation and Amortisation	32	36,136,746	31,346,236
Impairment Losses	33	2,880,203	7,935,637
Repairs and Maintenance	34	4,405,637	2,074,087
Finance Costs	35	783,353	1,094,231
Contracted Services	36	7,231,781	6,795,712
Grants and Subsidies Paid	37	4,288,588	3,930,273
Operational Costs	38	68,103,253	61,806,058
Government Grants (Conditional)	39	3,555,887	5,218,542
Loss on Disposal of Property, Plant and Equipment	40	390,251	-
<b>Total Expenditure</b>		<b>199,748,326</b>	<b>190,949,599</b>
<b>SURPLUS FOR THE YEAR</b>		<b>74,652,803</b>	<b>95,484,726</b>

Refer to Budget Statement for explanation of budget variances

**UMZIMVUBU LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

	Note	Actual	
		2017	2016
		R	R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates		9,907,357	6,926,737
Government Grant and Subsidies		235,809,000	254,147,634
Public Contributions and Donations		-	166,500
Service Charges		690,021	737,898
Interest Received		6,594,079	5,412,091
Other Receipts		6,527,433	8,928,181
<b>Payments</b>			
Employee Related Costs		(56,358,416)	(55,130,699)
Remuneration of Councillors		(15,563,284)	(15,437,397)
Interest Paid		-	(1,094,231)
Suppliers Paid		(84,515,622)	(68,687,774)
Other Payments		(4,288,588)	(3,930,273)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>43</b>	<b>98,801,981</b>	<b>132,038,666</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(98,008,393)	(83,309,804)
Purchase of Intangible Assets		(1,216,899)	(1,044,399)
Proceeds on Disposal of Property, Plant and Equipment		135,596	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(99,089,696)</b>	<b>(84,354,203)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings		-	(26,715,764)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>(26,715,764)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(287,715)</b>	<b>20,968,699</b>
Cash and Cash Equivalents at Beginning of Period		46,219,874	25,251,175
Cash and Cash Equivalents at End of Period		45,932,159	46,219,874

**UMZIMVUBU LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017**

Description	Accumulated Surplus		Total
	Capital Replacement Reserve	Accumulated Surplus	
	R	R	R
<b>2015/16</b>			
Balance at 01 July 2015	5,014,475	425,742,593	430,757,068
Correction of Error (Note 41)	-	(539,672)	(539,672)
Surplus for 2015/16		96,371,419	96,371,419
Contributions to Funds and Reserves	17,665,935	(17,665,935)	-
<b>Balance at 30 June 2016</b>	<b>22,680,410</b>	<b>503,908,405</b>	<b>526,588,815</b>
Correction of Error (Note 41)		(886,693)	(886,693)
<b>Restated Balance at 30 June 2016</b>	<b>22,680,410</b>	<b>503,021,712</b>	<b>525,702,122</b>
<b>2016/17</b>			
Surplus for the year 2016/17		74,652,803	74,652,803
Contributions to Funds and Reserves	1,506,086	(1,506,086)	-
<b>Balance at 30 June 2017</b>	<b>24,186,495</b>	<b>576,168,430</b>	<b>600,354,925</b>
	-		-

Details on the movement of the Funds and Reserves are set out in Note 19.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017**

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
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	328,500	416,501	745,001	-	-	745,001	957,909	-	212,908	128.58	291.60
Receivables from Exchange Transactions	1,943,846	916,372	2,860,218	-	-	2,860,218	3,137,625	-	277,406	109.70	161.41
Receivables from Non-exchange Transactions	9,574,154	4,513,465	14,087,619	-	-	14,087,619	12,376,664	-	(1,710,955)	87.85	129.27
VAT Receivable	-	-	-	-	-	-	4,352,683	-	4,352,683	0.00	0.00
Cash and Cash Equivalents	34,084,936	12,134,938	46,219,874	-	-	46,219,874	45,932,159	-	(287,715)	99.38	134.76
Operating Lease Receivables	-	-	-	-	-	-	2,427,165	-	2,427,165	0.00	0.00
Current Portion of Long-term Receivables	90,000	(4,273)	85,727	-	-	85,727	-	-	(85,727)	0.00	0.00
<b>Non-Current Assets</b>											
Property, Plant and Equipment	495,121,295	(26,044,544)	469,076,751	-	-	469,076,751	540,070,037	-	70,993,286	115.13	109.08
Heritage Assets	17,500	219	17,719	-	-	17,719	17,719	-	0	100.00	101.25
Intangible Assets	1,151,500	572,395	1,723,895	-	-	1,723,895	2,288,560	-	564,665	132.76	198.75
Investment Property	20,412,000	(450,425)	19,961,575	-	-	19,961,575	19,961,575	-	-	100.00	97.79
<b>Total Assets</b>	<b>562,723,732</b>	<b>(7,945,352)</b>	<b>554,778,379</b>	<b>-</b>	<b>-</b>	<b>554,778,379</b>	<b>631,522,097</b>	<b>-</b>	<b>76,743,718</b>	<b>113.83</b>	<b>112.23</b>
<b>Current Liabilities</b>											
Current Portion of Employee Benefit Liability	10,051,000	(10,040,512)	10,488	-	-	10,488	202,428	-	191,940	1,930.09	2.01
Payables from Exchange Transactions	16,386,644	100,962	16,487,606	-	-	16,487,606	11,413,736	-	(5,073,870)	69.23	69.65
Payables from Non-exchange Transactions	-	-	-	-	-	-	2,284,584	-	2,284,584	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	5,587,397	-	5,587,397	0.00	0.00
Operating Lease Liabilities	-	-	-	-	-	-	-	-	-	0.00	0.00
Current Portion of Long-term Liabilities	-	130,984	130,984	-	-	130,984	-	-	(130,984)	0.00	0.00
<b>Non-Current Liabilities</b>											
Employee Benefit Liabilities	-	-	-	-	-	-	1,201,036	-	1,201,036	0.00	0.00
Provisions	10,052,357	969,037	11,021,394	-	-	11,021,394	10,477,991	-	(543,403)	95.07	104.23
<b>Total Liabilities</b>	<b>36,490,001</b>	<b>(8,839,529)</b>	<b>27,650,472</b>	<b>-</b>	<b>-</b>	<b>27,650,472</b>	<b>31,167,172</b>	<b>-</b>	<b>3,516,700</b>	<b>112.72</b>	<b>85.41</b>
<b>Total Assets and Liabilities</b>	<b>526,233,731</b>	<b>894,177</b>	<b>527,127,907</b>	<b>-</b>	<b>-</b>	<b>527,127,907</b>	<b>600,354,925</b>	<b>-</b>	<b>73,227,018</b>	<b>113.89</b>	<b>114.09</b>
<b>Net Assets (Equity)</b>											
Accumulated Surplus / (Deficit)	526,233,731	894,177	527,127,907	-	-	527,127,907	600,354,925	-	73,227,018	113.89	114.09
<b>Total Net Assets</b>	<b>526,233,731</b>	<b>894,177</b>	<b>527,127,907</b>	<b>-</b>	<b>-</b>	<b>527,127,907</b>	<b>600,354,925</b>	<b>-</b>	<b>73,227,018</b>	<b>113.89</b>	<b>114.09</b>
							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.

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
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	15,900,000	(1,900,000)	14,000,000			14,000,000	14,339,340		339,340	102.42	90.18
Fines	4,497,026	(3,997,026)	500,000			500,000	2,262,968		1,762,968	452.59	50.32
Licences and Permits	3,328,976	(676,216)	2,652,760			2,652,760	2,241,112		(411,648)	84.48	67.32
Income for Agency Services	1,817,762	232,238	2,050,000			2,050,000	1,847,180		(202,820)	90.11	101.62
Government Grants and Subsidies Received	121,105,911	5,850,500	126,956,411		39,734,360	166,690,771	175,824,328		9,133,557	105.48	145.18
Public Contributions and Donations	4,770		4,770			4,770			(4,770)		
<b>Revenue from Exchange Transactions</b>											
Service Charges	2,120,000	(356,872)	1,763,128			1,763,128	700,628		(1,062,500)	39.74	33.05
Rental of Facilities and Equipment	737,340	(243,085)	494,255			494,255	3,270,215		2,775,960	661.65	443.52
Interest Earned - External Investments	3,884,464	615,536	4,500,000			4,500,000	5,387,136		887,136	119.71	138.68
Interest Earned - Outstanding Debtors	1,547,812		1,547,812			1,547,812	2,308,724		760,912	149.16	149.16
Other Income	17,374,267	(429,930)	16,944,337			16,944,337	2,159,963		(14,784,374)	12.75	12.43
Gains on Disposal of Property, Plant and Equipment	848,000		848,000			848,000			(848,000)		
Profit on Sale of Land	491,179		491,179			491,179			(491,179)		
<b>Total Revenue</b>	<b>173,657,506</b>	<b>(904,854)</b>	<b>172,752,652</b>		<b>39,734,360</b>	<b>212,487,012</b>	<b>210,341,593</b>		<b>(2,145,419)</b>	<b>98.99</b>	<b>121.12</b>
<b>Expenditure</b>											
Employee Related Costs	61,681,619	248,348	61,929,967		(6,000)	61,923,967	56,409,344		(5,514,624)	91.09	91.45
Remuneration of Councillors	18,563,199		18,563,199			18,563,199	15,563,284		(2,999,914)	83.84	83.84
Depreciation and Amortisation	42,400,000		42,400,000			42,400,000	36,136,746		(6,263,254)	85.23	85.23
Impairment Losses	15,900,000	(400,000)	15,500,000			15,500,000	2,880,203		(12,619,797)	18.58	18.11
Repairs and Maintenance	4,171,748	(748,726)	3,423,022		1,569,000	4,992,022	4,405,637		(586,385)	88.25	105.61
Finance Costs	50,000	150,000	200,000		636,000	836,000	783,353		(52,647)	93.70	1,566.71
Contracted Services	7,659,072	1,050,000	8,709,072		(1,406,000)	7,303,072	7,231,781		(71,291)	99.02	94.42
Grants and Subsidies Paid	5,000,000		5,000,000		(100,000)	4,900,000	4,288,588		(611,412)	87.52	85.77
General Expenses	70,790,748	(1,544,219)	69,246,529		878,000	70,124,529	68,103,253		(2,021,276)	97.12	96.20
Government Grants (Conditional)	5,613,000	(112,000)	5,501,000		(1,919,000)	3,582,000	3,555,887		(26,113)	99.27	63.35
Loss on Disposal of Property, Plant and Equipment	106,000	344,000	450,000		(58,000)	392,000	390,251		(1,749)	99.55	368.16
<b>Total Expenditure</b>	<b>231,935,386</b>	<b>(1,012,596)</b>	<b>230,922,789</b>		<b>(406,000)</b>	<b>230,516,789</b>	<b>199,748,326</b>		<b>(30,768,463)</b>	<b>86.65</b>	<b>86.12</b>
<b>Surplus/(Deficit)</b>	<b>(58,277,880)</b>	<b>107,742</b>	<b>(58,170,138)</b>		<b>40,140,360</b>	<b>(18,029,778)</b>	<b>10,593,267</b>		<b>28,623,044</b>		
Transfers Recognised - Capital	130,516,600	4,196,760	134,713,360		(39,734,360)	94,979,000	64,059,537		(30,919,463)	67.45	49.08
<b>Surplus/(Deficit for the Year)</b>	<b>72,238,720</b>	<b>4,304,502</b>	<b>76,543,222</b>	<b>-</b>	<b>406,000</b>	<b>76,949,222</b>	<b>74,652,803</b>	<b>-</b>	<b>(2,296,419)</b>	<b>97.02</b>	<b>103.34</b>

**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:

Fines:

Budget was based on historical actual collection but more traffic fines were issued during the year under review

Service Charges:

Council resolved to increase rates tariffs for vacant site instead of charging availability charge for refuse removal on vacant sites

Interest Earned - External Investments:

Budget included funds for construction of new municipal offices which have not commenced yet.

Interest Earned - Outstanding Debtors:

Tariffs increase and increase in debtors

Other Income:

Included in the income of revenue is the vat refund however they are accounted for in the VAT Receivable . The VAT amounts to R 15,5M

Profit on Sale of Land:

No disposal of land was made

Remuneration of Councillors:

The increment implemented was less than budgeted due to Determination of Councillors Remuneration and a prorata when new Council was sworn in.

Depreciation and Amortisation:

The non completion of Municipal Offices and other Capital Projects that are still WIP resulted less actual in the depreciation

Impairment Losses:

Impairment losses on assets less than estimated.

Grants and Subsidies Paid:

This is due to accrual payment for Eskom and a VAT portion

Transfers Recognised - Capital:

Portion of Equitable which funds Capital Projects and its accounted under Government Grants & Subsidies Received

30 June 2017

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
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council	-	-	-	-	2,400,000	2,400,000	1,710,054	-	(689,946)	71.25	0.00
Budget and Treasury	3,700,000	500,000	4,200,000	-	(2,200,000)	2,000,000	1,746,145	-	(253,855)	87.31	47.19
Corporate Services	2,650,000	766,000	3,416,000	-	84,000	3,500,000	2,659,004	-	(840,996)	75.97	100.34
Local Economic Development	3,050,000	(1,550,000)	1,500,000	-	(1,000,000)	500,000	194,700	-	(305,300)	38.94	6.38
Infrastructure and Planning	115,953,000	6,135,000	122,088,000	-	(16,088,000)	106,000,000	82,981,871	-	(23,018,129)	78.28	71.57
Community and Social Services	-	-	-	-	17,300,000	17,300,000	16,434,728	-	(865,272)	95.00	0.00
Waste Management	3,127,000	(500,000)	2,627,000	-	(627,000)	2,000,000	1,681,406	-	(318,594)	84.07	53.77
Public Safety	2,036,600	(1,154,240)	882,360	-	117,640	1,000,000	950,071	-	(49,929)	95.01	46.65
<b>Total Capital Expenditure</b>	<b>130,516,600</b>	<b>4,196,760</b>	<b>134,713,360</b>		<b>(13,360)</b>	<b>134,700,000</b>	<b>108,357,980</b>		<b>(26,342,020)</b>	<b>80.44</b>	<b>83.02</b>

**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:

Budgeted for furniture for new Mayor & Speaker however they maintained the old furniture as part of cost containment

Budget and Treasury

The variance as a result of vat portion

Corporate Services

Implementation of cost containment measures

Corporate Services

Implementation of cost containment measures

Local Economic Development

Project delayed due to EIA approval

Infrastructure and Planning

Unspent conditional grant (MIG) & Unspent Grant for Municipal Offices (Own Funding)

Community and Social Services

Unspent conditional grant which has been accrued for payment layer.

Waste Management

The variance as a result of vat portion

30 June 2017

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
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	12,720,000		12,720,000			12,720,000	9,907,357		(2,812,643)	77.89	77.89
Grants	227,238,720	9,955,000	237,193,720			237,193,720	235,809,000		(1,384,720)	99.42	103.77
Service Charges	1,696,000		1,696,000			1,696,000	690,021		(1,005,979)	40.69	40.69
Interest Received	6,572,787		6,572,787			6,572,787	6,594,079		21,293	100.32	100.32
Other Receipts	47,839,294		47,839,294			47,839,294	6,527,433		(41,311,861)	13.64	13.64
Employee Related Costs	(56,409,344)		(56,409,344)		(5,457,407)	(61,866,751)	(56,358,416)		5,508,335		
Remuneration of Councillors	(15,563,284)		(15,563,284)		(3,170,784)	(18,734,068)	(15,563,284)		3,170,784		
Interest Paid	(50,000)		(50,000)		(750,000)	(800,000)	(800,000)		800,000		
Suppliers Paid	(97,377,336)		(97,377,336)			(97,377,336)	(84,515,622)		12,861,715		
Other Payments	(4,600,000)		(4,600,000)			(4,600,000)	(4,288,588)		311,412		
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(130,516,578)		(130,516,578)		1,500,000	(129,016,578)	(98,008,393)		31,008,185		
Purchase of Intangible Assets					(1,500,000)	(1,500,000)	(1,216,899)		283,101		
Proceeds on Disposal of Property, Plant and Equipment	1,339,179		1,339,179			1,339,179	135,596		(1,203,583)	10.13	10.13
<b>Cash and Cash Equivalents at End of the Year</b>	<b>(7,110,563)</b>	<b>9,955,000</b>	<b>2,844,437</b>		<b>(9,378,191)</b>	<b>(6,533,754)</b>	<b>(287,715)</b>		<b>6,246,039</b>	<b>0.00</b>	<b>0.00</b>

**Cash Flow: Explanation of Variances between Approved Budget and Actual**

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

Property Rates and Service Charges

Non payment by debtors

Other Receipts

Included in other receipts is 15.5M for VAT which is accounted for in other VAT Receivables & 22 M for Municipal Offices which have not been withdrawn

Employee Related Costs

The 12% variance is as a result of implementation of increament which was less than budgeted for and vacant position which were filled later in the year

Purchase of Property, Plant and Equipment:

Unspent conditional grant (MIG) & Unspent Grant for Municipal Offices (Own Funding)

Proceeds on Disposal of Property, Plant and Equipment:

Did not dispose of land.



**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R                      2016  
R

**1. GENERAL INFORMATION**

Umzimvubu Local Municipality (the municipality) is a local government institution in KwaBhaca, 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	323,534	269,925
Maintenance Materials - Traffic Signs	159,300	
Property Stock	475,076	475,076
<b>Total Inventories</b>	<b>957,909</b>	<b>745,001</b>

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 1,231,162 (30 June 2016: R 2,150,956).

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

Maintenance Materials - Traffic Signs

Traffic signs are held for own use and measured at the lower of Cost and Current Replacement Cost.

The signs will be erected during the next year whereafter it will be capitalised as road furniture with the specific roads where it were erected.

Property Stock

The municipality developed two subdivided portions of land, erf 2906 and erf 3019 in Ema-Xesibeni, 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
<b>As at 30 June 2017</b>			
Service Debtors:	3,869,433	3,136,154	733,279
Refuse	3,869,433	3,136,154	733,279
Other Receivables	3,194,438	790,093	2,404,345
Value Added Tax (VAT)	1,219,376	557,496	661,879
Land sales	290,763	232,596	58,167
Rental	681,577		681,577
Other Debtors	1,002,722		1,002,722
<b>Total Receivables from Exchange Transactions</b>	<b>7,063,872</b>	<b>3,926,247</b>	<b>3,137,625</b>

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2016</b>			
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
<b>Total Receivables from Exchange Transactions</b>	<b>6,034,136</b>	<b>4,263,008</b>	<b>1,771,128</b>

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.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
R                      **2016**  
R

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.

**3.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2017**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Refuse:</b>					
Gross Balances	125,939	111,731	104,244	3,527,520	3,869,433
Less: Provision for Impairment	80,518	79,300	78,202	2,898,134	3,136,154
<b>Net Balances</b>	<b>45,421</b>	<b>32,431</b>	<b>26,042</b>	<b>629,385</b>	<b>733,279</b>
<b>Other Receivables:</b>					
Gross Balances	207,545	927,086	15,360	2,044,447	3,194,438
Less: Provision for Impairment	11,493	11,370	11,247	755,983	790,093
<b>Net Balances</b>	<b>196,052</b>	<b>915,716</b>	<b>4,113</b>	<b>1,288,464</b>	<b>2,404,345</b>

As at 30 June Receivables of R2,896,152 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	
<b>All Receivables:</b>				
Gross Balances	1,038,817	119,604	5,571,966	6,730,388
Less: Provision for Impairment	90,670	89,449	3,654,117	3,834,236
<b>Net Balances</b>	<b>948,147</b>	<b>30,155</b>	<b>1,917,850</b>	<b>2,896,152</b>

**As at 30 June 2016**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Refuse:</b>					
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
<b>Net Balances</b>	<b>31,475</b>	<b>24,355</b>	<b>20,555</b>	<b>476,080</b>	<b>552,465</b>
<b>Other Receivables:</b>					
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
<b>Net Balances</b>	<b>185,392</b>	<b>3,456</b>	<b>2,933</b>	<b>1,026,883</b>	<b>1,218,663</b>

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	
<b>All Receivables:</b>				
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
<b>Net Balances</b>	<b>27,811</b>	<b>23,487</b>	<b>1,502,963</b>	<b>1,554,261</b>

**3.2 Reconciliation of the Provision for Impairment**

Balance at beginning of year	4,263,008	3,043,751
Impairment Losses recognised	-	1,219,257
Impairment Losses reversed	(336,761)	-
<b>Balance at end of year</b>	<b>3,926,247</b>	<b>4,263,008</b>

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 2017**

	2017 R	2016 R
<b>3.3 Ageing of impaired Receivables from Exchange Transactions</b>		
<i>Current:</i>		
0 - 30 Days	92,011	93,508
<i>Past Due:</i>		
31 - 60 Days	90,670	93,071
61 - 90 Days	89,449	92,136
+ 90 Days	3,654,117	3,984,292
<b>Total</b>	<b>3,926,247</b>	<b>4,263,008</b>

**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
<b>As at 30 June 2017</b>			
Assessment Rates Debtors	22,173,510	15,119,666	7,053,844
Sundry Debtors	63,872		63,872
Interest/Penalty Charges	5,673,878	3,953,032	1,720,846
Traffic Fines	11,709,083	8,170,981	3,538,102
<b>Total Receivables from Non-exchange Transactions</b>	<b>39,620,343</b>	<b>27,243,679</b>	<b>12,376,664</b>
<b>As at 30 June 2016</b>			
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
<b>Total Receivables from Non-exchange Transactions</b>	<b>32,193,143</b>	<b>23,469,693</b>	<b>8,723,450</b>

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.

**4.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2017**

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates Debtors</b>					
Gross Balances	832,066	427,969	357,220	20,556,255	22,173,510
Less: Provision for Impairment	454,406	341,426	340,327	13,983,507	15,119,666
<b>Net Balances</b>	<b>377,660</b>	<b>86,543</b>	<b>16,893</b>	<b>6,572,748</b>	<b>7,053,844</b>
<b>Sundry Debtors</b>					
Gross Balances	13,023	41,793		9,055	63,872
<b>Net Balances</b>	<b>13,023</b>	<b>41,793</b>	<b>-</b>	<b>9,055</b>	<b>63,872</b>
<b>Interest/Penalty Charges</b>					
Gross Balances	201,822	187,451	184,623	5,099,982	5,673,878
Less: Provision for Impairment	145,097	130,427	127,833	3,549,675	3,953,032
<b>Net Balances</b>	<b>56,725</b>	<b>57,024</b>	<b>56,790</b>	<b>1,550,307</b>	<b>1,720,846</b>
<b>Traffic Fines</b>					
Gross Balances	3,048,462	71,700	52,200	8,536,721	11,709,083
Less: Provision for Impairment	2,127,317	50,035	36,427	5,957,203	8,170,981
<b>Net Balances</b>	<b>921,146</b>	<b>21,665</b>	<b>15,773</b>	<b>2,579,518</b>	<b>3,538,102</b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

2016  
R

As at 30 June Receivables of R11,008,110 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	
<b>All Receivables:</b>				
Gross Balances	728,913	594,043	34,202,014	35,524,970
Less: Provision for Impairment	521,887	504,587	23,490,386	24,516,860
<b>Net Balances</b>	<b>207,026</b>	<b>89,456</b>	<b>10,711,628</b>	<b>11,008,110</b>

As at 30 June 2016

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates Debtors</b>					
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
<b>Net Balances</b>	<b>77,955</b>	<b>2,963</b>	<b>3,342</b>	<b>4,818,460</b>	<b>4,902,720</b>
<b>Sundry Debtors</b>					
Gross Balances				8,433	8,433
<b>Net Balances</b>				<b>8,433</b>	<b>8,433</b>
<b>Interest/Penalty Charges</b>					
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
<b>Net Balances</b>	<b>43,856</b>	<b>43,963</b>	<b>52,357</b>	<b>1,096,795</b>	<b>1,236,971</b>
<b>Traffic Fines</b>					
Gross Balances	1,156,657	-	-	8,714,428	9,871,085
Less: Provision for Impairment	985,480	-	-	6,310,279	7,295,759
<b>Net Balances</b>	<b>171,178</b>			<b>2,404,149</b>	<b>2,575,326</b>

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	
<b>All Receivables:</b>				
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
<b>Net Balances</b>	<b>46,926</b>	<b>55,699</b>	<b>8,327,836</b>	<b>8,430,461</b>

**4.2 Reconciliation of Provision for Impairment**

Balance at beginning of year	23,469,693	18,252,727
Impairment Losses recognised	3,773,986	5,238,524
Impairment Losses reversed		(21,559)
<b>Balance at end of year</b>	<b>27,243,679</b>	<b>23,469,693</b>

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. VALUE ADDED TAX (V.A.T.) RECEIVABLE**

V.A.T. Receivable	<b>4,352,683</b>	<b>6,453,259</b>
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VAT is accounted for on the cash basis and only actual cash received and actual payments made are considered with VAT returns to SARS.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>6. CASH AND CASH EQUIVALENTS</b>		
Current Investments	45,085,958	43,283,699
Cashbook (Operating Account)	846,200	2,936,175
<b>Total Bank, Cash and Cash Equivalents</b>	<b>45,932,159</b>	<b>46,219,874</b>

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	45,085,958	43,198,421
Notice Deposits	(0)	85,277
<b>Total Current Investments</b>	<b>45,085,958</b>	<b>43,283,699</b>

Detail of relevant bank accounts:

			45,085,958	43,283,571
Service Delivery Reserve	First National	62033254723	5,014,444	1,177
Operational Investment	First National	62029450715	9,697,399	19,614,063
Municipal Infrastructure Grant (MIG)	First National	62086036714	5,714,519	103,488
Guarantee Investment	First National	62068742157	272,593	261,916
Dedea Projects	First National	62245288411		398,661
Financial Management Grant (FMG)	First National	62276187294	186,543	39,145
Munisipal System Improvement Grant	First National	62276189018		43,199
Electrification Program	First National	62288560925	13,964	56,243
DBSA Investment	First National	62442023636		85,268
Operational Investment	NedBank	7881112786	24,186,495	22,680,410

**Call Deposits** are investments with a maturity period of less than 3 months and earn interest rates varying from 4,82 % to 6.50 % (2016: 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 % (2016: 5,54 % to 5,68 %) per annum.

Deposits of R161 400 (2016: R161 400) are committed as a guarantee to ESKOM.

**6.2 Bank Accounts**

**Cashbook**

	846,200	2,936,175
<b>Total Cash</b>	<b>846,200</b>	<b>2,936,175</b>

Cash book balance at beginning of year	2,936,175	2,612,543
Cash book balance at end of year	846,200	2,936,175

The Municipality has the following bank accounts:

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>Primary Bank Account</b>		
<i>First National Bank - Account Number 620 2218 3727:</i>		
Bank statement balance at beginning of year	2,893,540	2,586,400
Bank statement balance at end of year	807,630	2,893,540

The municipality does not have any overdraft 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 except for the electricity guarantee investment.

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	85,727	89,681
Operating Lease Revenue recorded	2,356,196	14,767
Operating Lease Revenue effected	(14,758)	(18,721)
<b>Total Operating Lease Receivables</b>	<b>2,427,165</b>	<b>85,727</b>

**7.1 Leasing Arrangements**

**The Municipality as Lessor:**

Operating Leases relate to Property owned by the municipality with lease terms of between 2 to 50 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	2,638,634	195,830
2 to 5 years	9,860,381	356,058
More than 5 years	110,265,023	-
<b>Total Operating Lease Arrangements</b>	<b>122,764,038</b>	<b>551,889</b>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R2,341,438 (2016: a decrease of -R3,954) in current year income.

Rental Income recognised in the Statement of Financial Performance	3,058,743	1,239,841
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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 2017**

**8 PROPERTY, PLANT AND EQUIPMENT**

30 June 2017

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra- structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2016</b>	<b>7,006,756</b>	<b>22,772,689</b>	<b>340,545,514</b>	<b>82,035,459</b>	<b>15,855,321</b>	-	<b>468,215,739</b>
Cost	7,006,756	37,086,705	480,950,241	100,777,381	32,673,157	-	658,494,241
- Completed Assets	7,006,756	32,735,749	347,369,803	66,521,847	32,673,157	-	486,307,313
- Under Construction	-	4,350,957	133,580,438	34,255,533	-	-	172,186,928
Accumulated Impairment Losses			(1,891,720)	(937,710)			(2,829,429)
Accumulated Depreciation:		(14,314,017)	(138,513,008)	(17,804,212)	(16,817,836)		(187,449,072)
Acquisitions			139,886	9,132,688	7,379,132		16,651,705
Capital under Construction - Additions:			69,179,825	21,309,551			90,489,376
- Cost	-	-	69,179,825	21,309,551	-	-	90,489,376
Reversals of Impairment Losses			723,576				723,576
Depreciation:		(1,315,200)	(24,847,561)	(3,843,522)	(5,505,844)		(35,512,126)
Carrying value of Disposals:					(498,232)		(498,232)
- Cost			(286,716)		(2,879,514)		(3,166,230)
- Accumulated Depreciation			286,716		2,381,281		2,667,998
Capital under Construction - Completed		(145,365)	(92,792,107)	(23,306,249)			(116,243,721)
Other Movements		145,365	92,792,107	23,306,249			116,243,721
- Cost		145,365	92,792,107	23,306,249			116,243,721
<b>Carrying values at 30 June 2017</b>	<b>7,006,756</b>	<b>21,457,489</b>	<b>385,741,240</b>	<b>108,634,176</b>	<b>17,230,377</b>	-	<b>540,070,037</b>
Cost	7,006,756	37,086,705	549,983,236	131,219,620	37,172,776	-	762,469,092
- Completed Assets	7,006,756	32,881,114	440,015,080	98,960,784	37,172,776	-	616,036,510
- Under Construction	-	4,205,592	109,968,155	32,258,835	-	-	146,432,582
Accumulated Impairment Losses			(1,168,144)	(937,710)			(2,105,853)
Accumulated Depreciation:		(15,629,216)	(163,073,852)	(21,647,734)	(19,942,399)		(220,293,201)

Included in acquisitions is a Library to the value of R9 132 687.84 which was donated to the municipality during the year.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**8 PROPERTY, PLANT AND EQUIPMENT (Continued)**

30 June 2016

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra-structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2015</b>	<b>7,006,756</b>	<b>23,940,669</b>	<b>306,371,143</b>	<b>65,561,157</b>	<b>14,021,388</b>	<b>163,932</b>	<b>417,065,046</b>
Cost	7,006,756	36,941,340	422,998,665	81,606,757	26,066,146	1,681,279	576,300,943
- Completed Assets	7,006,756	32,735,749	318,511,888	65,180,599	26,066,146	1,681,279	451,182,417
- Under Construction	-	4,205,592	104,486,776	16,426,158	-	-	125,118,526
Accumulated Impairment Losses	-	-	(40,897)	(937,710)	-	-	(978,607)
Accumulated Depreciation:		(13,000,671)	(116,586,624)	(15,107,890)	(12,044,758)	(1,517,347)	(158,257,290)
Acquisitions			2,830,377	1,341,249	6,607,011		10,778,636
Capital under Construction - Additions:		145,365	55,121,200	17,829,376			73,095,941
Depreciation:		(1,313,346)	(21,926,383)	(2,696,322)	(4,773,078)	(163,932)	(30,873,061)
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			(26,027,538)				(26,027,538)
Other Movements			26,027,538				26,027,538
<b>Carrying values at 30 June 2016</b>	<b>7,006,756</b>	<b>22,772,689</b>	<b>340,545,514</b>	<b>82,035,459</b>	<b>15,855,321</b>	<b>-</b>	<b>468,215,739</b>
Cost	7,006,756	37,086,705	480,950,241	100,777,381	32,673,157	-	658,494,241
- Completed Assets	7,006,756	32,735,749	347,369,803	66,521,847	32,673,157	-	486,307,313
- Under Construction	-	4,350,957	133,580,438	34,255,533	-	-	172,186,928
Accumulated Impairment Losses			(1,891,720)	(937,710)			(2,829,429)
Accumulated Depreciation:		(14,314,017)	(138,513,008)	(17,804,212)	(16,817,836)		(187,449,072)

Items with a net value of R152 913.38 were re-classified from Community Assets to Infrastructure. The retention on the Bandibanise Stadium (R82 497.91) and Mount Frere Little Park (R70 415.47) were also accounted for as Completed Assets although it is Work in Progress at the time.

Infrastructure services to the value of R666 615.22 which were part of a land development were transferred to Infrastructure Assets.

There are no other correction of error disclosures on these reallocations as it has no effect on the balance of Property Plant and Equipment.

**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 2017**

	2017 R	2016 R
<b>8 PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
<b>8.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use</b>		
There is no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
<b>8.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal</b>		
No Property, Plant and Equipment was retired from active use and held for disposal at the end of the financial year.		
<b>8.3 Assets pledged as security</b>		
The municipality did not pledge any of its assets as security.		
<b>8.4 Impairment of Property, Plant and Equipment</b>		
No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date for the current year.		
Infrastructure: Roads	-	1,850,822
<b>Total Impairment of Property, Plant and Equipment</b>	-	1,850,822
<b>8.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed</b>		
A change in the remaining 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	61,495	8,181
Finance and Administration	61,731	105,971
Corporate Services	125,480	62,205
Planning and Development	5,271	2,943
Community and Social Services	78,648	11,277
Public Safety	-	141
Roads and Transport	1,001,776	193,247
<b>Total Change in Remaining Estimated for Useful Life of Property, Plant and Equipment</b>	<b>1,334,400</b>	<b>383,965</b>
<b>8.6 Work-in-Progress</b>		
The municipality has incurred expenditure on capital projects which were not completed at year-end.		
Land	-	-
Buildings	4,205,592	4,350,957
Infrastructure: Electricity	96,400,714	71,245,793
Infrastructure: Roads	13,044,192	60,780,981
Infrastructure: Sanitation	523,250	1,428,663
Infrastructure: Security Measures	-	125,001
Community Assets: Recreational Facilities	1,472,556	37,726
Community Assets: Sports Facilities	1,947,292	10,483,060
Community Assets: Other Facilities	28,838,988	23,734,747
<b>Total Carrying Amounts of Work-in-Progress</b>	<b>146,432,582</b>	<b>172,186,928</b>
<b>9 HERITAGE ASSETS</b>		
At Cost less Accumulated Impairment Losses	17,719	17,719

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
The movement in Heritage Assets is reconciled as follows:		
	<b>Municipal Jewelry</b>	<b>Total</b>
<b>Carrying values at 01 July 2016</b>	<b>17,719</b>	<b>17,719</b>
Cost	17,719	17,719
<b>Carrying values at 30 June 2017</b>	<b>17,719</b>	<b>17,719</b>
Cost	17,719	17,719
	<b>Municipal Jewelry</b>	<b>Total</b>
<b>Carrying values at 01 July 2015</b>	<b>17,719</b>	<b>17,719</b>
Cost	17,719	17,719
<b>Carrying values at 30 June 2016</b>	<b>17,719</b>	<b>17,719</b>
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.

**9.1 Impairment of Heritage Assets**

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

**9.2 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.

**10 INTANGIBLE ASSETS**

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<b>2,288,560</b>	<b>1,723,895</b>
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The movement in Intangible Assets is reconciled as follows:

	Website	Computer Software	Total
<b>Carrying values at 01 July 2016</b>	<b>339,682</b>	<b>1,384,213</b>	<b>1,723,895</b>
Cost	339,682	3,398,367	3,738,049
Accumulated Amortisation		(2,014,154)	(2,014,154)
Acquisitions:	137,734	1,079,165	1,216,899
Purchased	137,734	1,079,165	1,216,899
Amortisation:	-	(624,620)	(624,620)
Applied		(624,620)	(624,620)
Disposals:	-	-27,614	-27,614
At Cost		-338,140	-338,140
At Accumulated Amortisation		310,526	310,526
<b>Carrying values at 30 June 2017</b>	<b>477,416</b>	<b>1,811,144</b>	<b>2,288,560</b>
Cost	477,416	4,139,391	4,616,808
Accumulated Amortisation		(2,328,247)	(2,328,247)
	<b>Website</b>	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2015</b>	<b>233,514</b>	<b>919,157</b>	<b>1,152,672</b>
Cost	233,514	2,460,136	2,460,136
Work-in-Progress			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

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
Amortisation:	-	(473,175)
Applied	(473,175)	(473,175)
Transfers:	-	-
At Cost	339,682	339,682
Work-in-Progress	-339,682	(339,682)
<b>Carrying values at 30 June 2016</b>	<b>339,682</b>	<b>1,723,895</b>
Cost	339,682	3,738,049
Accumulated Amortisation	(2,014,154)	(2,014,154)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 32).

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.

**10.1 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.

**10.2 Impairment of Intangible Assets**

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

**11 INVESTMENT PROPERTY**

At Cost	<b>19,961,575</b>	<b>19,961,575</b>
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The movement in Investment Property is reconciled as follows:

<b>Carrying values at 1 July</b>	<b>19,961,575</b>	<b>20,411,575</b>
Cost	19,961,575	20,411,575
Transfers during the Year:	-	(450,000)
At Cost	(450,000)	(450,000)
<b>Carrying values at 30 June</b>	<b>19,961,575</b>	<b>19,961,575</b>
Cost	19,961,575	19,961,575
<b>Estimated Fair Value of Investment Property at 30 June</b>	<b>44,032,780</b>	<b>21,532,780</b>

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.

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

**11.1 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 for 2012.

**11.2 Impairment of Investment Property**

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

**12 CURRENT PORTION : EMPLOYEE BENEFITS**

Current Portion of Employment Benefit Liability (See Note 17)	202,428	130,984
<b>Total Provisions</b>	<b>202,428</b>	<b>130,984</b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>Current Portion Non-Current Provisions:</b>		
Balance at beginning of year	130,984	159,898
Transfer from non-current	276,599	106,616
Expenditure incurred	(205,155)	(135,530)
	<b>202,428</b>	<b>130,984</b>

Refer to Note 17 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	4,490,280	8,907,266
Retentions	1,408,305	887,774
Staff Leave	5,001,128	5,193,748
Value Added Tax - Output	459,679	145,041
Payments Received In Advance	53,635	305,738
<b>Total Payables</b>	<b>11,413,736</b>	<b>15,439,567</b>

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

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**

Payments Received In Advance	2,235,827	1,054,872
Hall Deposits	48,757	28,365
<b>Total Payables</b>	<b>2,284,584</b>	<b>1,083,237</b>

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**

	<b>5,587,397</b>	<b>529,574</b>
National Government Grants	5,466,067	29,641
<i>Municipal Infrastructure</i>	5,465,679	29,216
<i>Financial Management</i>	389	73
<i>Municipal Systems Improvement</i>		352
Provincial Government Grants	121,330	499,933
<i>Department of Cooperative Government and Traditional Affairs</i>	121,330	110,908
<i>Department of Economic Affairs and Trade</i>		389,025
<b>Total Conditional Grants and Receipts</b>	<b>5,587,397</b>	<b>529,574</b>

The Unspent Conditional Grants and Receipts are invested until utilised.

See Note 24 for the reconciliation of Grants from Government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

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

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>
<b>16 OPERATING LEASE LIABILITIES</b>		
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	10,488	5,102
Operating Lease expenses recorded	-10,488	5,387
<b>Total Operating Lease Liabilities</b>	<b>-</b>	<b>10,488</b>

**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 no outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment. Agreements on the rental of Printing/Photocopier Machines have expired and the municipality will be going out on tender in the new financial year to obtain new equipment.

**Other Equipment:**

Up to 1 year	-	244,372
<b>Total Operating Lease Arrangements</b>	<b>-</b>	<b>244,372</b>

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	414,060	402,571
<b>Total Operating Lease Expenses</b>	<b>414,060</b>	<b>402,571</b>

**17 EMPLOYEE BENEFIT LIABILITIES**

Long Service Awards Liability	1,201,036	1,221,552
<b>Total Employee Benefit Liabilities</b>	<b>1,201,036</b>	<b>1,221,552</b>

**17.1 Long Service Awards Liability**

Balance at beginning of year	1,221,552	1,011,912
Increase in provision due to change in estimate	256,083	316,256
Balance at end of Year	1,477,635	1,328,168
Transfer to Current Provisions	(276,599)	(106,616)
<b>Total Long Service Awards Liability</b>	<b>1,201,036</b>	<b>1,221,552</b>

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 2017 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 (2016: 143) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2017 is estimated to be R230,935, whereas the cost for the ensuing year is estimated to be R226 520 (30 June 2016: R208,540 and R230,935 respectively).

	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount Rate	8.24%	8.40%
Cost Inflation Rate	6.06%	7.07%
Net Effective Discount Rate	2.06%	1.24%
Expected Retirement Age	58	58

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>		
Balance at the beginning of the year	1,352,536	1,171,810
Current service costs	230,935	208,540
Interest cost	105,204	86,888
Benefits paid	(205,155)	(135,530)
Actuarial losses / (gains)	(80,056)	20,828
<b>Total Recognised Benefit Liability</b>	<b><u>1,403,464</u></b>	<b><u>1,352,536</u></b>

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	230,935	208,540
Interest cost	105,204	86,888
Actuarial losses / (gains)	(80,056)	20,828
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 30)</b>	<b><u>256,083</u></b>	<b><u>316,256</u></b>

**The history of experienced adjustments is as follows:**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Present Value of Defined Benefit Obligation	1,403,464	1,352,536	1,171,810	977,565	941,275
<b>Deficit</b>	<b><u>1,403,464</u></b>	<b><u>1,352,536</u></b>	<b><u>1,171,810</u></b>	<b><u>977,565</u></b>	<b><u>941,275</u></b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>18 NON-CURRENT PROVISIONS</b>		
Provision for Rehabilitation of Land-fill Sites	10,477,991	9,799,842
<b>Total Non-current Provisions</b>	<b>10,477,991</b>	<b>9,799,842</b>
<b>The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:</b>		
Balance at beginning of year	9,799,842	9,040,445
Increase in provision due to discounting of interest	678,149	759,397
<b>Balance at end of year</b>	<b>10,477,991</b>	<b>9,799,842</b>
Balance at beginning of year	9,799,842	9,040,445
Contributions to provision	678,149	759,397
	<b>10,477,991</b>	<b>9,799,842</b>

**18.1 Rehabilitation of Land-fill Sites**

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs of R10,477,991 (2016: R9,799,842) 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 municipality will incur rehabilitation cost on its two dumping/landfill sites in the 2017/18. Provision has been made for the net present value of this cost.

**19 ACCUMULATED SURPLUS**

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

Capital Replacement Reserve (CRR)	24,186,495	22,680,410
Accumulated Surplus due to the results of Operations	576,168,430	503,021,712
<b>Total Accumulated Surplus</b>	<b>600,354,925</b>	<b>525,702,122</b>

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.

**20 PROPERTY RATES**

	Property Valuations		Actual Levies	
	June 2017 R000's	June 2016 R000's		
Residential	277,856,211	378,553,095	3,120,343	2,891,813
Commercial	258,012,967	259,618,475	4,200,881	4,110,010
State	468,535,213	340,642,622	7,018,116	5,033,432
<b>Total Property Rates</b>	<b>1,004,404,391</b>	<b>978,814,192</b>	<b>14,339,340</b>	<b>12,035,254</b>

Interim valuations are processed on an 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: 1,48 c/R (2015/16: 1.4 c/R)
- Vacant Land: 1,7 c/R (2015/16: 1.4 c/R)
- Business Properties: 1,69 c/R (2015/16: 1,6 c/R)
- Government Properties: 1,6 c/R (2015/16: 1,5 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.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>
<p>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.</p>		
<b>21 FINES</b>		
Traffic Fines	2,262,968	2,321,133
<b>Total Fines</b>	<b><u>2,262,968</u></b>	<b><u>2,321,133</u></b>
<p>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.</p>		
<b>22 LICENCES AND PERMITS</b>		
Drivers & Learners Licenses	1,942,053	2,203,355
Hawker Stalls	32,395	51,317
Street Trading	35,895	21,712
Trading Licenses	230,768	155,913
<b>Total Licences and Permits</b>	<b><u>2,241,112</u></b>	<b><u>2,432,297</u></b>
<b>23 INCOME FROM AGENCY SERVICES</b>		
Vehicle Registration	1,702,919	1,475,507
Vehicle Testing Station	144,261	158,608
<b>Total Income from Agency Services</b>	<b><u>1,847,180</u></b>	<b><u>1,634,115</u></b>
<b>24 GOVERNMENT GRANTS AND SUBSIDIES</b>		
National Equitable Share	162,712,000	169,767,000
Provincial Department of Arts & Culture	9,132,688	-
Other Subsidies	-	2,200,000
<b>Operational Grants</b>	<b><u>171,844,688</u></b>	<b><u>171,967,000</u></b>
<b>Conditional Grants</b>	<b>68,039,177</b>	<b>83,071,665</b>
National: EPWP	1,626,000	1,737,000
National: FMG	1,624,685	1,600,014
National: MIG	46,559,537	44,584,419
National: MSIG	352	930,458
National: Department of Energy	17,500,000	33,000,000
Provincial: Dept Cooperative Government & Traditional Affairs (COGTA)	339,578	281,477
Department Economic Affairs and Trade (DEAT)	389,025	938,297
<b>Total Government Grants and Subsidies</b>	<b><u>239,883,865</u></b>	<b><u>255,038,665</u></b>
<b>Government Grants and Subsidies:</b>		
Conditional Grants	68,039,177	83,071,665
Unconditional Grants	171,844,688	171,967,000
<b>Total Government Grants and Subsidies</b>	<b><u>239,883,865</u></b>	<b><u>255,038,665</u></b>
<b>Summary of Transfers:</b>		
Conditions met - transferred to Revenue: Operating Expenses	3,979,640	5,487,246
Conditions met - transferred to Revenue: Capital Expenses	64,059,537	77,584,419
<b>Total Transfers</b>	<b><u>68,039,177</u></b>	<b><u>83,071,665</u></b>
<b>Operational Grants:</b>		
<b>24.1 National: Equitable Share</b>	<b><u>162,712,000</u></b>	<b><u>169,767,000</u></b>
<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>		
<b>24.2 Community Based Planning</b>		
Current year receipts - included in Revenue	-	200,000



**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>
<p>The Municipality received an amount of R200 000 during the 2015/16 financial year from Alfred Nzo District Municipality for assistance in the data collection of community needs to be used as basis for future planning.</p>		
<b>24.3 IEC Grant</b>		
Current year receipts - included in Revenue	-	2,000,000
<p>The Municipality received an amount of R2 000 000 during the 2015/16 financial year from the Independent Electoral Commission for the preparation of rural roads and voting stations for the Local Government Elections in August 2016.</p>		
<b>24.4 Library Donated</b>		
The Department of Arts and Culture Build a Library in Ema-Xesibeni and donated it to the municipality	9,132,688	
<b>Conditional Grants:</b>		
<b>24.5 National: EPWP Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1,626,000	1,737,000
Conditions met - transferred to Revenue: Operating Expenses	(1,626,000)	(1,737,000)
Conditions still to be met - transferred to Liabilities (see Note 15)	--	-
<p>The grant is utilised for creating of job opportunities in enviromental and cultural, infrastructure and the social eradication of poverty and capacity building and skills programmes</p>		
<b>24.6 National: FMG Grant</b>		
Balance unspent at beginning of year	73	87
Current year receipts	1,625,000	1,600,000
Conditions met - transferred to Revenue: Operating Expenses	(1,624,685)	(1,600,014)
Conditions still to be met - transferred to Liabilities (see Note 15)	389	73
<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>		
<b>24.7 National: MIG Funds</b>		
Balance unspent at beginning of year	29,216	--
Current year receipts	51,996,000	44,613,634
Conditions met - transferred to Revenue: Capital Expenses	(46,559,537)	(44,584,419)
Conditions still to be met - transferred to Liabilities (see Note 15)	5,465,679	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>		
<b>24.8 National: MSIG Funds</b>		
Balance unspent at beginning of year	352	811
Current year receipts	-	930,000
Conditions met - transferred to Revenue: Operating Expenses	(352)	(930,458)
Conditions still to be met - transferred to Liabilities (see Note 15)	-	352
<p>Municipalities did not receive the MSIG grant during the 2017/17 financial year and were allowed to allocate any unspend balance to own revenue.</p>		
<b>24.9 National: Department Energy</b>		
Balance unspent at beginning of year	-	-
Current year receipts	17,500,000	33,000,000
Conditions met - transferred to Revenue: Capital Expenses	(17,500,000)	(33,000,000)
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<p>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.</p>		
<b>24.10 Provincial: Dept Cooperative Government &amp; Traditional Affairs (Cogta)</b>		
Balance unspent at beginning of year	110,908	392,385
Current year receipts	350,000	-
Conditions met - transferred to Revenue: Operating Expenses	(339,578)	(281,477)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>121,330</u>	<u>110,908</u>
<p>This grant is utilised as funding of "Operation Clean Audit" a National Government initiative.</p>		
<b>24.11 Provincial: Department Economic Affairs and Trade (DEAT)</b>		
Balance unspent at beginning of year	389,025	1,027,322
Current year receipts	-	300,000
Conditions met - transferred to Revenue: Operating Expenses	(389,025)	(938,297)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>-</u>	<u>389,025</u>
<p>No grant was received during the 2016/17 financial year. The municipality were authorised to allocate any unspent balance to own revenue.</p>		
<b>25 PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Unconditional Contributions		6,500
Other Donations		160,000
<b>Total Public Contributions and Donations</b>	<u>-</u>	<u>166,500</u>
<b>26 SERVICE CHARGES</b>		
Refuse Removal	700,628	1,477,615
<b>Total Service Charges</b>	<u>700,628</u>	<u>1,477,615</u>
<p>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.</p>		
<b>27 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Operating Lease Rental Revenue	3,058,743	1,239,841
Rental Revenue from Amenities	111,809	179,557
Rental Revenue from Halls	86,282	87,443
Rental Revenue from Plant Rental	13,381	1,260
<b>Total Rental of Facilities and Equipment</b>	<u>3,270,215</u>	<u>1,508,102</u>
<p>Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.</p>		
<b>28 INTEREST EARNED</b>		
<b>External Investments:</b>		
Bank Account	364,574	787,970
Investments	5,022,562	4,067,389
	<u>5,387,136</u>	<u>4,855,359</u>
<b>Outstanding Debtors:</b>		
Outstanding Billing Debtors	2,308,724	2,143,226
	<u>2,308,724</u>	<u>2,143,226</u>
<b>Total Interest Earned</b>	<u>7,695,860</u>	<u>6,998,585</u>
<p>Interest Earned on Financial Assets, analysed by category of asset, is as follows:</p>		
Financial assets at Amortised Cost	5,387,136	4,855,359
Loans and Receivables	2,308,724	2,143,226
	<u>7,695,860</u>	<u>6,998,585</u>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>29 OTHER REVENUE</b>		
Advertising	109,701	669,370
Building Plan Fees	193,512	335,337
Clearance Certificate	4,895	4,974
Flea Market	11,325	10,474
Funeral Plot Fees	21,884	14,457
Insurance Claims	805,057	
LG Seta	146,260	137,323
Parks	1,301	1,861
Pound Fees	539,723	281,665
Rezoning Certificate	628	498
Sales: Wood & Aloe		920
SG Diagrams	31	31
Sportsfield	741	41,006
Storage of Goods	9,035	1,561
Sundry Income	61,933	1,055,650
Tender Fees	239,607	266,932
Tourism	14,331	
<b>Total Other Revenue</b>	<b>2,159,963</b>	<b>2,822,060</b>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 28, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**30 EMPLOYEE RELATED COSTS**

Employee Related Costs - Salaries and Wages	39,630,169	38,698,864
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	8,817,034	8,068,279
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	4,087,707	4,685,205
Housing Benefits and Allowances	2,680,030	2,701,501
Performance Bonuses	1,194,403	1,157,576
<b>Total Employee Related Costs</b>	<b>56,409,344</b>	<b>55,311,425</b>

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	858,998	812,911
Performance Bonus	231,702	169,874
Car and Other Allowances	310,888	257,896
Contributions to UIF, Medical and Pension Funds	159,116	267,026
<b>Total</b>	<b>1,560,704</b>	<b>1,507,708</b>

**Remuneration of the Chief Financial Officer : Mrs. X. Venn**

Annual Remuneration	647,470	612,732
Performance Bonus	122,192	123,689
Car and Other Allowances	300,957	282,292
Contributions to UIF, Medical and Pension Funds	53,745	80,843
<b>Total</b>	<b>1,124,365</b>	<b>1,099,556</b>

**Remuneration of the Manager: Community Services : Mr. M Sineke**

Annual Remuneration	647,470	612,732
Performance Bonus	118,219	119,335
Car and Other Allowances	352,917	331,029
Contributions to UIF, Medical and Pension Funds	1,785	20,355
<b>Total</b>	<b>1,120,391</b>	<b>1,083,452</b>

**Remuneration of the Manager: Corporate Services : Ms. N Kubone**

Annual Remuneration	647,470	612,732
Performance Bonus	122,192	128,043
Car and Other Allowances	316,678	297,038
Contributions to UIF, Medical and Pension Funds	38,024	85,766
<b>Total</b>	<b>1,124,365</b>	<b>1,123,579</b>

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.

**UMZIMVUBU LOCAL MUNICIPALITY**  
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	2017 R	2016 R
<b>Remuneration of the Manager: Local Economic Development : Ms. SL Batyi</b>		
Annual Remuneration	647,470	612,732
Performance Bonus	118,219	107,144
Car and Other Allowances	301,106	282,264
Acting Allowance	126,365	
Contributions to UIF, Medical and Pension Funds	53,726	109,662
<b>Total</b>	<b>1,246,886</b>	<b>1,111,803</b>

The manager also acted in the position of Manager Special Programs and Communication from 1 March 2017 to 30 June 2017 for which she was paid an acting allowance.

<b>Remuneration of the Manager: Infrastructure and Planning : Mr. SP Ntonga</b>		
Annual Remuneration	647,470	612,732
Performance Bonus	112,258	114,981
Car and Other Allowances	352,917	331,029
Contributions to UIF, Medical and Pension Funds	1,785	58,972
<b>Total</b>	<b>1,114,430</b>	<b>1,117,715</b>

<b>Remuneration of the Manager: Special Programs and Communication : Mr. S Kulu</b>		
Annual Remuneration	108,781	612,732
Performance Bonus	95,866	98,436
Termination Benefits	111,265	
Car and Other Allowances	49,688	265,322
Contributions to UIF, Medical and Pension Funds	8,833	105,178
<b>Total</b>	<b>374,433</b>	<b>1,081,668</b>

The post was vacated during August 2016. At a later stage the Manager Local Economic Development acted in the position.

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

### 31 REMUNERATION OF COUNCILLORS

Mayor	380,780	390,532
Speaker	323,132	312,426
Chief Whip	285,586	292,899
Executive Committee Members	1,975,067	1,634,712
Councillors	4,956,808	5,611,022
Company Contributions to UIF, Medical and Pension Funds	1,319,300	1,627,237
Other Allowances (Cellular Phones, Housing, Transport, etc)	6,322,611	5,568,570
<b>Total Councillors' Remuneration</b>	<b>15,563,284</b>	<b>15,437,397</b>

#### 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 and the Speaker had an official office and car.

### 32 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	35,512,126	30,873,061
Amortisation: Intangible Assets	624,620	473,175
<b>Total Depreciation and Amortisation</b>	<b>36,136,746</b>	<b>31,346,236</b>

### 33 IMPAIRMENT LOSSES

#### 33.1 Impairment Losses on Fixed Assets

<b>Impairment Losses Recognised:</b>	(723,576)	1,850,822
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**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>33.2 Impairment Losses on Financial Assets</b>		
<b>Impairment Losses Recognised:</b>	3,940,540	6,106,374
Receivables from Non-exchange Transactions	3,773,986	5,238,524
Minus impairment of VAT Debtors (Not an expense to entity)	166,553	(351,407)
<b>Impairment Losses Reversed:</b>	(336,761)	(21,559)
Receivables from Exchange Transactions	(336,761)	(21,559)
Receivables from Non-exchange Transactions	(336,761)	(21,559)
<b>Total Impairment Losses</b>	<b>2,880,203</b>	<b>7,935,637</b>
<b>34 REPAIRS AND MAINTENANCE</b>		
Land and Buildings	1,187,973	709,379
Infrastructure - Road Transport	2,378,302	715,602
Community Assets	224,075	44,440
Other Assets	615,287	604,666
<b>Total Repairs and Maintenance</b>	<b>4,405,637</b>	<b>2,074,087</b>
<b>35 FINANCE COSTS</b>		
Finance Leases	-	5,534
Loans and Payables at amortised cost	-	242,411
Provisions (Liability on Long Services Awards and Rehabilitation of Landfill Sites)	783,353	846,285
<b>Total Interest Paid on External Borrowings</b>	<b>783,353</b>	<b>1,094,231</b>
<b>36 CONTRACTED SERVICES</b>		
Internal Audit	633,639	698,269
Debt Collection	351,142	132,424
Security Services	5,746,413	5,551,176
Valuation Services	500,587	413,843
<b>Total Contracted Services</b>	<b>7,231,781</b>	<b>6,795,712</b>
<i>Contracted Services</i> only includes expenditure on services where the service is completely sourced out.		
<b>37 GRANTS AND SUBSIDIES PAID</b>		
Local Economic Development Programmes	265,848	252,020
Free Basic Services/Low Income Subsidy	3,731,720	3,644,978
Refuse bins donated & Work Exposure program	291,020	33,276
<b>Total Grants and Subsidies</b>	<b>4,288,588</b>	<b>3,930,273</b>
<b>Local Economic Development Projects</b> including the Farmer Mentorship Programme and Other Economic Development Programmes.		
<b>Free Basic Services</b> are in respect of assistance to and providing basic service levels to indigent households.		
<b>Refuse Bins</b> bins donated to households in order for the household to keep waste for the municipality to collect weekly and the <b>Work Exposure</b> is in respect of provision of training and introduction to work environment for local unemployed tertiary graduates.		
<b>38 OPERATIONAL COSTS</b>		
Administrative Expenses	105,251	44,084
Advertising Fees	704,562	795,850
Agrarian Reform	3,933,476	4,222,775
Annual Report	-	98,850
Audit Fees	2,475,615	3,791,909
Bank Charges	374,967	552,537
Batho Pele Programmes	41,020	34,145
Books & Publications	35,400	4,356
Branding & Marketing	1,148,739	1,496,818
Bursaries (Internal)	178,309	206,759
Bursaries (Scarce Skills)	734,168	874,358
Career Exhibition	715,723	881,815

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
Catering	599,768	577,325
Cleaning Services	138,638	226,658
Communication Strategy	119,123	165,247
Communication Development and Support	30,000	61,171
Community Based Planning	270,294	48,179
Community Radio Support	209,660	198,541
Conference Fees	186,927	493,148
Consultant & Professional Fees	3,075,026	1,060,896
Consumeables & Beverages	59,906	83,236
Development Programmes	32,300	301,978
Disaster Management Plan	138,166	144,322
Drivers Licence Cards	103,808	240,398
Electricity And Water Purchases	1,239,150	1,098,769
Employee Relations Programmes	105,862	146,766
Entertainment	61,662	101,715
Environmental Management	189,000	275,717
Equipment Rental	414,060	402,571
Events & Programs	1,141,902	1,363,850
Fleet Rental Services	494,755	644,305
Food For Waste	2,445,987	315,438
Forestry Development	41,100	83,000
Fuel & Oil	1,529,277	1,782,234
Health & Safety	897,179	295,661
Hiv/Aids	98,140	86,715
ICT Expenses	3,303,836	1,744,680
IDP Out Reach	216,910	227,154
Induction Program	2,040	2,640
Insurance: External	1,617,972	1,486,228
Intergovernmental Relations (Igr)	166,684	4,250
Internal Audit Committee	468,700	652,945
Internships	376,502	271,530
Investment Promotion	641,109	1,878,468
Job Evaluation		200,063
Legal Fees	1,599,578	2,048,385
Material & Stores	193,654	293,632
Membership Fees	40,956	24,447
Outreach Program	820,817	356,818
Performance Management System	49,341	100,515
Policy Formulation & Review	83,430	
Postage	4,366	3,429
Pound Fees	28,565	105,154
Printing & Stationery	1,231,162	2,150,956
Promotional Material	248,266	414,995
Public Safety	541,906	465,380
Ratepayers Incentive	323,487	487,212
Recruitment Activities	166,975	23,282
Refuse Bags & Bins	494,753	606,467
Small Towns Revitalisation		361,053
SMME Development	2,046,158	2,202,210
Sports, Arts And Culture	981,803	295,634
Spu Programs	3,966,832	2,895,839
Strategic Planning	2,055,913	1,115,482
Strategic Support And Ind	105,300	240,887
Subsistance And Travelling	6,505,475	5,593,029
Sundry Expenses	389,758	
Survey And Planning	2,720,411	2,502,890
Telephone	4,207,782	3,364,827
Tourism	489,970	451,316
Training	2,484,446	1,704,616
Uniforms & Protective Clothing	613,010	766,429
Urban Renewal	484,766	
Vehicle Licensing	43,520	55,281
Ward Committees	3,467,550	3,210,000
Workman's Compensation Assurance	550,000	
Year End Function	300,630	295,838
<b>Total Operational Costs</b>	<b>68,103,253</b>	<b>61,806,058</b>

The amounts disclosed above for Other Operational Costs 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.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>39 GOVERNMENT GRANTS (CONDITIONAL)</b>		
<u>The following operating expenditure were financed by the grants as indicated:</u>		
Municipal Systems Improvement Grant (MSIG)		853,946
Financial Management Grant (FMG)	1,598,888	1,523,052
Department of Cooperative Government and Traditional Affairs (COGTA)	330,998	281,477
Department Education and Training (DEAT)		823,067
Extended Public Works Program (EPWP)	1,626,000	1,737,000
	<b>3,555,887</b>	<b>5,218,542</b>

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 capacitation and the improvement of systems.  
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.

**40 LOSSES ON DISPOSAL OF CAPITAL ASSETS**

Proceeds on Disposal of Property, Plant and Equipment	135,596	
Property, Plant and Equipment Disposed at Carrying Value	(498,232)	
Total Losses on Disposal of Property, Plant and Equipment	<b>(362,637)</b>	-
Intangible Assets Disposed at Carrying Value	(27,614)	
Total Losses on Disposal of Intangible Assets	<b>(27,614)</b>	-
<b>Nett Losses on Disposal of Assets</b>	<b>(390,251)</b>	-
Proceeds on Sale of Assets	135,596	-
Assets Disposed at Carrying Value	(525,846)	
<b>Total Losses on Disposal of Capital Assets</b>	<b>(390,251)</b>	-

Redundant furniture and equipment were sold per public auction during the year.

**41 CORRECTION OF ERROR**

**41.1 Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June 2016 and 30 June 2015**

Appropriations are summarised as follows:

	2016	2015
Property, Plant and Equipment	-321,920	-539,672
Payables from Exchange Transactions	-564,773	-
	-886,693	-539,672

**41.2 Reclassification of Expenditure - 2014/15**

	AFS	RESTATE	ADJUSTMENT
Depreciation and Amortisation	30,756,916	31,296,589	539,672
			539,672

**Detail :**

Depreciation and Amortisation

*Sigidini Community Hall - The construction was still recorded as work in progress (not completed) until the current year but it was in fact completed during 2014. Accordingly the asset was not properly depreciated since it become available for use.*

58,869

*Since 2009 the municipality embarked on a tarring program whereby the streets in Mount Ayliff and Mount Frere will be tarred in phases over several years. Mount Frere Phase 3 and 4 and Mount Ayliff Phase 3 were completed during the 2014/15 financial year. It was however never transferred to completed assets and properly depreciated. The depreciation is thus restated for the 2014/15 financial year.*

372,368

*The following items were completed and ready for use before 30 June 2015 but was never transferred to completed assets and accordingly depreciated over it's economic usefull life. The depreciation is restated.*

- Weigh Bridge40,575
- Nursery54,492
- Cemeteries4,206

*A retention payment of R13 981.12 was made in respect of Abrose Acces Road which were completed at 8/5/2015. The retention was never added to the asset value nor depreciated. The depreciation theron is restated for 2014/15*

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**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<i>A Payment for the amount of R104 877.60 which should have been part of the asset value of the Phuti Hawker Stalls (Asset ID 41861 was posted against the Eco Hub which was only completed this year. Accordingly the Hawkers Stalls asset value was understated and the depreciation was understated. These are now restated.</i>		8,959
		539,672

**41.3 Reclassification of Expenditure - 2015/16**

	AFS	RESTATED	ADJUSTMENT
Depreciation and Amortisation	30,459,544	31,346,236	886,693
			886,693

**Detail :**

Depreciation and Amortisation

*Sigidini Community Hall - The construction was still recorded as work in progress (not completed) until the current year but it was in fact completed during 2014. Accordingly the asset was not properly depreciated since it become available for use.*

50,578

*Since 2009 the municipality embarked on a tarring program whereby the streets in Mount Ayliff and Mount Frere will be tarred in phases over several years. Mount Frere Phase 3 and 4 and Mount Ayliff Phase 3 were completed during the 2014/15 financial year. It was however never transferred to completed assets and properly depreciated. The depreciation is thus restated for the 2015/16 financial year.*

631,767

*Mount Ayliff Phase 4 was completed during the 2015/16 financial year. It was however never transferred to completed assets and properly depreciated. The depreciation is thus restated for the 2015/16 financial year.*

90,220

*Payments made during the current financial year which should have been added to the asset value of Gcakini Access Road (Asset ID 105831) during the 2015/16 financial year when it was completed was incorrectly not done. Accordingly the Depreciation on the asset was understated.*

1,157

*Payments made during the current financial year which should have been added to the asset value of Ntlabeni Bridge (Asset ID 107271) during the 2015/16 financial year when it was completed was incorrectly not done. Accordingly the Depreciation on the asset was understated.*

318

*The following items were completed and ready for use before 30 June 2015 but was never transferred to completed assets and accordingly depreciated over its economic useful life. The depreciation for 2015/16 is thus restated.*

- Weigh Bridge14,777
- Nursery26,486
- Cemeteries61,581

*A retention payment of R13 981.12 was made in respect of Abrose Acces Road which were completed at 8/5/2015. The retention was never added to the asset value nor depreciated. The depreciation thereon is restated for 2015/16*

1,401

*A Payment for the amount of R104 877.60 which should have been part of the asset value of the Phuti Hawker Stalls (Asset ID 41861 was posted against the Eco Hub which was only completed this year. Accordingly the Hawkers Stalls asset value was understated and the depreciation was understated. These are now restated.*

8,408

886,693

**41.4 Reclassification of Statement of Financial Position : 30 June 2015**

	AFS	RESTATED	ADJUSTMENT
Property, Plant and Equipment	417,604,718	417,065,046	(539,672)
			-539,672

**Detail :**

Property, Plant and Equipment

*Sigidini Community Hall - The construction was still recorded as work in progress (not completed) until the current year but it was in fact completed during 2014. Accordingly the asset was not properly depreciated since it become available for use.*

-58,869

*Since 2009 the municipality embarked on a tarring program whereby the streets in Mount Ayliff and Mount Frere will be tarred in phases over several years. Mount Frere Phase 3 and 4 and Mount Ayliff Phase 3 were completed during the 2014/15 financial year. It was however never transferred to completed assets and properly depreciated. The asset value is thus being restated after depreciation up to 30 June 2015*

-372,368

*The following items were completed and ready for use before 30 June 2015 but was never transferred to completed assets and accordingly depreciated over its economic useful life. The asset value had therefore be overstated and are herewith restated.*

- Weigh Bridge-40,575
- Nursery-54,492
- Cemeteries-4,206

*A retention payment of R13 981.12 was made in respect of Abrose Acces Road which were completed at 8/5/2015. The retention was never added to the asset value nor depreciated. The asset value at 30 June 2015 was overstated and are hereby restated.*

-203

*A Payment for the amount of R104 877.60 which should have been part of the asset value of the Phuti Hawker Stalls (Asset ID 41861 was posted against the Eco Hub which was only completed this year. Accordingly the Hawkers Stalls asset value was understated and the depreciation was understated. These are now restated.*

-8,959



**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
		-539,672
		-
<b>41.5 Reclassification of Statement of Financial Position : 30 June 2016</b>	<b>AFS</b>	<b>RESTATED</b>
		<b>ADJUSTMENT</b>
Property, Plant and Equipment	468,537,659	468,215,739
Payables from Exchange Transactions	-14,874,795	-15,439,567
		-886,693
<b>Detail :</b>		<b>ADJUSTMENT</b>
<u>Property, Plant and Equipment</u>		
<i>Sigidini Community Hall - The construction was still recorded as work in progress (not completed) until the current year but it was in fact completed during 2014. Accordingly the asset was not properly depreciated since it become available for use.</i>		-50,578
<i>Since 2009 the municipality embarked on a tarring program whereby the streets in Mount Ayliff and Mount Frere will be tarred in phases over several years. Mount Frere Phase 3 and 4 and Mount Ayliff Phase 3 were completed during the 2014/15 financial year. It was however never transferred to completed assets and properly depreciated. The asset value is thus being restated after depreciation up to 30 June 2016.</i>		-631,767
<i>Mount Ayliff Phase 4 was completed during the 2015/16 financial year. It was however never transferred to completed assets and properly depreciated. The asset value is thus restated after depreciation up to 20 June 2016.</i>		-90,220
<i>Payments made during the current financial year which should have been added to the asset value of Gcakini Access Road (Asset ID 105831) during the 2015/16 financial year when it was completed was incorrectly not done.</i>		201,331
<i>Payments made during the current financial year which should have been added to the asset value of Ntlabeni Bridge (Asset ID 107271) during the 2015/16 financial year when it was completed was incorrectly not done.</i>		363,442
<i>Payments made during the current financial year which should have been added to the asset value of Gcakini Access Road (Asset ID 105831) during the 2015/16 financial year when it was completed was incorrectly not done. Accordingly the Depreciation on the asset was understated.</i>		-1,157
<i>Payments made during the current financial year which should have been added to the asset value of Ntlabeni Bridge (Asset ID 107271) during the 2015/16 financial year when it was completed was incorrectly not done. Accordingly the Depreciation on the asset was understated.</i>		-318
<i>The following items were completed and ready for use before 30 June 2015 but was never transferred to completed assets and accordingly depreciated over it's economic usefull life. The asset value had therefore be overstated and are herewith restated.</i>		
<i>- Weigh Bridge</i>		-14,777
<i>- Nursery</i>		-26,486
<i>- Cemeteries</i>		-61,581
<i>A retention payment of R13 981.12 was made in respect of Abrose Acces Road which were completed at 8/5/2015. The retention was never added to the asset value nor depreciated. The asset value at 30 June 2016 was overstated and are hereby restated.</i>		-1,401
<i>A Payment for the amount of R104 877.60 which should have been part of the asset value of the Phuti Hawker Stalls (Asset ID 41861) was posted agains the Eco Hub which was only completed this year. Accordingly the Hawkers Stalls asset value was understated and the depreciation was understated. These are now restated.</i>		-8,408
		-321,920
<u>Payables from Exchange Transactions</u>		-
<i>Payments made during the current financial year which should have been added to the asset value of Gcakini Access Road (Asset ID 105831) during the 2015/16 financial year when it was completed was incorrectly not done.</i>		-201,331
<i>Payments made during the current financial year which should have been added to the asset value of Ntlabeni Bridge (Asset ID 107271) during the 2015/16 financial year when it was completed was incorrectly not done.</i>		-363,442
		-564,773
		-
<b>42 CHANGE IN ESTIMATES OF REMAINING USEFULL LIVES</b>		
<b>42.1 Depreciation Expenditure:</b>		
The residual values, remaining estimated useful lives and depreciation method were reviewed at 30 June 2017.		
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 Useful Lives of Assets	(1,334,400)	(383,965)
<b>Increase / (Decrease) in Depreciation of Assets</b>	<b>(1,334,400)</b>	<b>(383,965)</b>
Depreciation as previously stated	37,471,146	31,730,202

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
Adjustment due to Change in Accounting Estimate	(1,334,400)	(383,965)
<b>Depreciation as per Note 32</b>	<b>36,136,746</b>	<b>31,346,236</b>

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.

**43 CASH GENERATED BY OPERATIONS**

Surplus for the Year	74,652,803	96,371,419
Adjustment for:		
Correction of Prior Year Errors - PPE Raised as Creditors		(564,773)
Depreciation and Amortisation	36,136,746	30,459,544
Impairment Losses on Property, Plant and Equipment	(723,576)	1,850,822
Losses on Disposal of Property, Plant and Equipment	390,251	
PPE Donations (Non-Cash)	(9,132,688)	
Expenditure incurred from Long Service Awards Liability	(205,155)	(135,530)
Contribution to Provisions - Current	276,599	106,616
Contribution to Provisions - Non-current	678,149	759,397
Contribution to Employee Benefits	(20,516)	209,640
Contribution to Impairment Provision	3,603,779	6,084,815
<b>Operating surplus before working capital changes</b>	<b>105,656,392</b>	<b>135,141,950</b>
(Increase)/Decrease in Inventories	(212,908)	33,104
(Increase) in Receivables from Exchange Transactions	(1,029,736)	(739,717)
(Increase) in Receivables from Non-exchange Transactions	(7,427,200)	(8,488,491)
Decrease in VAT Receivable	2,100,575	5,065,338
(Increase)/Decrease in Operating Lease Assets	(2,341,438)	3,954
(Decrease)/Increase in Payables from Exchange Transactions	(4,192,385)	3,218,780
Increase/(Decrease) in Payables from Non-exchange Transactions	1,201,347	(1,310,608)
Increase/(Decrease) in Conditional Grants and Receipts	5,057,823	(891,031)
(Decrease)/Increase in Operating Lease Liabilities	(10,488)	5,387
<b>Cash generated by / (utilised in) Operations</b>	<b>98,801,981</b>	<b>132,038,666</b>

**44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

**44.1 Unauthorised Expenditure**

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

**44.2 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
<i>Interest and Penalties charged by SARS</i>	<i>None</i>

**44.3 Irregular Expenditure**

Reconciliation of Irregular Expenditure:

Opening balance		
Irregular Expenditure current year		56,635,749
Irregular Expenditure awaiting condonement	56,635,749	-

Incident	Disciplinary Steps / Criminal Proceedings
<i>'The irregular expenditure is on the basis of non-compliance with Regulation 29 of the Supply Chain Management Act on composition of Bid committees, resulting in all tenders awarded for the 2016/2017 financial year being deemed irregular'.</i>	<i>Under Investigation. To be submitted to Council for condonement.</i>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>45.1 Contributions to organised local government - SALGA</b>		
Council Subscriptions	754,758	770,514
Amount Paid - current year	(754,758)	(770,514)
<b>Balance Unpaid</b>	<b>-</b>	<b>-</b>
<b>45.2 Audit Fees</b>		
Opening Balance		33,513
Current year Audit Fee	2,478,760	3,812,200
Amount Paid - current year	(2,453,151)	(3,791,909)
Amount Paid - previous years		(33,513)
<b>Balance Unpaid (included in Creditors)</b>	<b>25,609</b>	<b>20,291</b>
<b>45.3 VAT</b>		
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.		
<b>45.4 PAYE, Skills Development Levy and UIF</b>		
Current year Payroll Deductions	12,148,955	12,921,532
Amount Paid - current year	(12,148,955)	(12,921,532)
<b>Balance Unpaid</b>	<b>-</b>	<b>-</b>
<b>45.5 Pension and Medical Aid Deductions</b>		
Current year Payroll Deductions and Council Contributions	11,981,770	11,692,139
Amount Paid - current year	-11,981,770	-11,692,139
<b>Balance Unpaid</b>	<b>--</b>	<b>--</b>

**45.6 Councillor's arrear Consumer 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
<b>30 June 2017</b>			
Councillor Mdzinwa	7,689	2,400	5,290
Councillor Garane	6,712	1,607	5,105
Councillor Dangisa	3,630	485	3,145
<b>Total Councillor Arrear Consumer Accounts</b>	<b>18,031</b>	<b>4,491</b>	<b>13,540</b>
<b>30 June 2016</b>			
Councillor N. Mbele	1,869	916	953
<b>Total Councillor Arrear Consumer Accounts</b>	<b>1,869</b>	<b>916</b>	<b>953</b>

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

	Highest amount outstanding	Ageing
<b>30 June 2017</b>		
Councillor Mdzinwa	5,290	> 90 Days
Councillor Garane	5,105	> 90 Days
Councillor Dangisa	3,145	> 90 Days
<b>30 June 2016</b>		
Councillor N. Mbele	953	> 90 Days

**45.7 Non-Compliance with the Municipal Finance Management Act**

**45.8 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:

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**  
R

**2016**  
R

Department	Date	Successful Tenderer	Reason	Amount
Community Services	2016/11/10	Truvelo Manufactures	The Pro-t Laser speed timing machine was bought from Truvelo and the service is preferred to be done there due to the fact that it was purchase from them and its preferred that its calibrated every six months by them, and that reduces the chances of problems that can occur if it's serviced somewhere wherein PSA Africa might dispute repairing claiming the cause might be other reasons of negligence by any other service provider but them which will result to financial loss to the Municipality..	R 12,856
	2016/07/11	Truvelo Manufactures	The Pro-t Laser speed timing machine was bought from Truvelo and the service is preferred to be done there due to the fact that it was purchase from them and its preferred that its calibrated every six months by them, and that reduces the chances of problems that can occur if it's serviced somewhere wherein PSA Africa might dispute repairs claiming the cause might be other reasons of negligence by any other service provider but them which will result to financial loss to the Municipality.	R 1,936
	2016/11/10	PSA Africa	The Calibration of Alcohol test Machine was bought from PSA Africa and the service is preferred to be done there due to the fact that Alcohol test Machine has been purchased from them, and that reduces the chances of problems that can occur if it's serviced somewhere wherein PSA Africa might dispute repairing the machine claiming the cause might be other reasons of negligence by any other service provider but them which will result to financial loss to the Municipality.	R 2,485
	2016/11/21	Babcock International Group	The Municipal Plant was bought at Babcock and the service is preferred to be done there due to the fact that Volvo Machinery & Plant (Dozer) has been purchased from them, and that reduces the chances of problems that can occur if it's serviced somewhere wherein Babcock might dispute repairing claiming the cause might be other reasons of negligence by any other service provider but them which will result to financial loss to the	R 15,313
	2017/08/02	Mascor Mount Currie	The Municipal Plant was bought at Mascor Mount Currie John Deere and the service is preferred to be done there due to the fact that John Deere tractor has been purchased from them, and that reduces the chances of problems that can occur if it's serviced somewhere wherein Babcock might dispute repairing claiming the cause might be other reasons of negligence by any other service provider but them which will result to financial loss to the Municipality.	R 7,044
	2017/02/03	Govrment Printing Works	Government Printing Works is the sole service provider that promulgates government and legal notices and it is against this reason that pocket books for Law Enforcement used by traffic Officers to print and supply the pocket for Law Enforcement.	R 15,683
	6 Occasions occurred during the financial year for the procurement goods and services amounting to R 55318			
Budget and Treasury	2016/11/21	Alfred Nzo Community Radio	Alfred Community Radio is the only community radio in Umzimvubu LM jurisdiction with good coverage at a cheaper rates than others from outside the jurisdiction.	R 1,050
	2016/06/10	Government Printing Works	The Municipality is required to comply with section 14 of Local Government: Municipal Property Rates Act, where rates must be promulgate in the Provincial Gazette in to order to levy rates for that particular financial year.	R 1,000
	2016/06/10	Government Printing Works	Government Printing Works is the sole service provider that promulgates government and legal notices and it is for that reason that a deviation is	R 1,000
	2017/03/22	PAYDAY	Umzimvubu Local Municipality is required to comply with MSCOA as indicated by Treasury and in order to comply with MSCOA requirements of the current payroll system needs to be upgraded. The Municipality is currently using Payday for processing and payment of Salaries .SCM processes could not be followed as PAYDAY is only system used by the Municipality to process salaries	R 166,496
4 Occasion occurred during the financial year for the procurement goods and services amounting to R 169546				
Special Projects	2016/08/15	Alfred Nzo Community Radio	Alfred Community Radio is the only community radio in Umzimvubu LM jurisdiction with good coverage at a cheaper rates than others from outside the jurisdiction.	R 3,591

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

			2017 R	2016 R
	2016/08/24	Alfred Nzo Community Radio	Alfred Community Radio is the only community radio in Umzimvubu LM jurisdiction with good coverage at a cheaper rates than others from outside the jurisdiction.	R 15,960
	2016/08/24	Alfred Nzo Community Radio	Alfred Community Radio is the only community radio in Umzimvubu LM jurisdiction with good coverage at a cheaper rates than others from outside the jurisdiction.	R 21,660
	2016/09/29	Alfred Nzo Community Radio	Alfred Community Radio is the only community radio in Umzimvubu LM jurisdiction with good coverage at a cheaper rates than others from outside the jurisdiction.	R 20,520
	2016/09/29	Alfred Nzo Community Radio	Alfred Community Radio is the only community radio in Umzimvubu LM jurisdiction with good coverage at a cheaper rates than others from outside the jurisdiction.	R 5,700
	2016/10/14	Alfred Ndzo Community Radio	Alfred Community Radio is the only community radio in Umzimvubu LM jurisdiction with good coverage at a cheaper rates than others from outside the jurisdiction.	R 39,900
	2017/01/09	Alfred Nzo Community Radio	Alfred Community Radio is the only community radio in Umzimvubu LM jurisdiction with good coverage at a cheaper rates than others from outside the jurisdiction.	R 34,300
	2017/03/10	Amabhaca Craft	The emergency of the event required SCM processes not to be followed due to the fact that a disaster occurred and kids were homeless as a result they did not even have school uniform and the Municipality assisted.	R 72,800
	2017/04/04	Alfred Nzo Community Radio	Alfred Community Radio is the only community radio in Umzimvubu LM jurisdiction with good coverage at a cheaper rates than others from outside the jurisdiction.	R 20,100
	2017/04/12	Visual Advertising	SCM processes could not be followed due to the fact that LED screen in Mt Ayliff was Supplied on tender by visual Advertising and also have been tasked with the monitoring and control for both ULM LED screens, hence it will be advisable that the training to ULM staff on how to operate, monitor and control of the specialized equipment be done by them.	R 11,400
<b>10 Occasions occurred during the financial year for the procurement goods and services amounting to R 245931</b>				
Infrastructure and Planning	2016/08/08	Babcock Africa	The Municipal Plant was bought at Babcock and the service is preferred to be done there due to the fact that Volvo Machinery & Plant (TLB) has been purchased from them, and that reduces the chances of problems that can occur if it's serviced somewhere wherein Babcock might dispute repairing the plant claiming the cause might be other reasons of negligence by any other service provider but them which will result to financial loss to the Municipality.	R 22,456
	2016/01/09	Barloworld Equipment	The TLB was bought at Barloworld and the service is preferred to be done there due to the fact that TLB has been purchased from them, and that reduces the chances of problems that can occur if it's serviced somewhere wherein Barloworld might dispute repairing the plant claiming the cause might be other reasons of negligence by any other service provider but them which will result to financial loss to the Municipality.	R 122,155
<b>2 Occasions occurred during the financial year for the procurement goods and services amounting to R 144610.88</b>				

**46 COMMITMENTS FOR EXPENDITURE**

**46.1 Capital Commitments**

Commitments in respect of Capital Expenditure:

**- Approved and Contracted for:-**

Land and Buildings

Infrastructure

Community

Other

**Total Capital Commitments**

	68,393,661	36,973,400
Land and Buildings	542,443	
Infrastructure	60,716,961	34,691,889
Community	4,971,445	2,225,967
Other	2,162,812	55,544
<b>Total Capital Commitments</b>	<b>68,393,661</b>	<b>36,973,400</b>

This expenditure will be financed from:

Government Grants

68,393,661	36,973,400
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**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
	<b>68,393,661</b>	<b>36,973,400</b>

**47 FINANCIAL INSTRUMENTS**

**47.1 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>		
<b>Receivables from Exchange Transactions</b>			
Refuse	Amortised cost	733,279	552,465
Other Receivables	Amortised cost	2,404,345	1,218,663
<b>Receivables from Non-exchange Transactions</b>			
Assessment Rates Debtors	Amortised cost	7,053,844	4,902,720
Sundry Debtors	Amortised cost	63,872	8,433
Traffic Fines	Amortised cost	3,538,102	2,575,326
Interest on Outstanding Debtors	Amortised cost	1,720,846	1,236,971
Call Deposits	Fair value	45,085,958	43,198,421
Notice Deposits	Fair value		85,277
Bank Balances	Fair value	846,200	2,936,175

**SUMMARY OF FINANCIAL ASSETS**

**Financial Assets at Amortised Cost:**

Receivables from Exchange Transactions	Refuse	733,279	552,465
Receivables from Exchange Transactions	Other Debtors	2,404,345	1,218,663
Receivables from Non-exchange Transactions	Assessment Rates Debtors	7,053,844	4,902,720
Receivables from Non-exchange Transactions	Sundry Debtors	63,872	8,433
Receivables from Non-exchange Transactions	Traffic Fines	3,538,102	2,575,326
Receivables from Non-exchange Transactions	Interest/Penalty Charges	1,720,846	1,236,971
		<b>15,514,288</b>	<b>10,494,577</b>

**Financial Assets at Fair Value:**

Cash and Cash Equivalents	Call Deposits	45,085,958	43,198,421
Cash and Cash Equivalents	Notice Deposits		85,277
Cash and Cash Equivalents	Bank Balances	846,200	2,936,175
		<b>45,932,159</b>	<b>46,219,874</b>

**Total Financial Assets**

	<b>61,446,447</b>	<b>56,714,451</b>
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**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>		
<b>Payables from Exchange Transactions</b>			
Trade Creditors	Amortised cost	4,490,280	8,907,266
Staff Leave Accrued	Amortised cost	5,001,128	5,193,748
Retentions	Amortised cost	1,408,305	887,774
Payments Received In Advance	Amortised cost	53,635	305,738
Other Creditors	Amortised cost	460,388	145,041
<b>Payables from Non-exchange Transactions</b>			
Payments Received In Advance	Amortised cost	2,235,827	1,054,872
Sundry Deposits	Amortised cost	48,757	28,365

**SUMMARY OF FINANCIAL LIABILITIES**

**Financial Liabilities at Amortised Cost:**

Payables from Exchange Transactions	Trade Creditors	4,490,280	8,907,266
Payables from Exchange Transactions	Projects	5,001,128	5,193,748
Payables from Exchange Transactions	Retentions	1,408,305	887,774
Payables from Exchange Transactions	Other Creditors	460,388	145,041
Payables from Non-exchange Transactions	Staff Leave Accrued		
Payables from Non-exchange Transactions	Staff Salaries	2,289,462	1,360,611

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

		2017 R	2016 R
Payables from Non-exchange Transactions	Sundry Deposits	48,757	28,365
Current Portion of Long-term Liabilities	Annuity Loans		
<b>Total Financial Liabilities</b>		<b>13,698,320</b>	<b>16,522,805</b>

**47.2 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:

**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 2017		30 June 2016	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
<b>FINANCIAL ASSETS</b>				
<b>Measured at Amortised Cost:</b>	15,514,288	15,514,288	10,494,577	10,494,577
Trade Receivables from Exchange Transactions	3,137,625	3,137,625	1,771,128	1,771,128
Trade Receivables from Non-exchange Transactions	12,376,664	12,376,664	8,723,450	8,723,450
<b>Measured at Fair Value</b>	45,932,159	45,932,159	46,219,874	46,219,874
Cash and Cash Equivalents	45,932,159	45,932,159	46,219,874	46,219,874
<b>Total Financial Assets</b>	61,446,447	61,446,447	56,714,451	56,714,451
<b>Measured at Amortised Cost:</b>	13,698,320	13,698,320	16,522,805	16,522,805
Trade and Other Payables:				
- Payables from Exchange Transactions	11,360,101	11,360,101	15,133,829	15,133,829
- Payables from Non-exchange Transactions	2,338,219	2,338,219	1,388,975	1,388,975
<b>Total Financial Liabilities</b>	13,698,320	13,698,320	16,522,805	16,522,805
<b>Total Financial Instruments</b>	47,748,127	47,748,127	40,191,647	40,191,647

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.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>30 June 2017</b>		<b>Total R</b>
<b>FINANCIAL ASSETS</b>		
<b>Financial Instruments at Fair Value:</b>		
Call Deposits		45,085,958
Bank Balances and Cash		846,200
<b>Total Financial Instruments</b>		<b>45,932,159</b>
<b>30 June 2016</b>		<b>Total R</b>
<b>FINANCIAL ASSETS</b>		
<b>Financial Instruments at Fair Value:</b>		
Call Deposits		43,198,421
Notice Deposits		85,277
Bank Balances and Cash		2,936,175
<b>Total Financial Instruments</b>		<b>46,219,874</b>

**47.3 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 2016.

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 19 and the Statement of Changes in Net Assets.

**47.4 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

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.

**47.5 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.



**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**                      **2016**  
**R**                              **R**

**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.

**47.6 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.

**47.6.1 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.

**47.6.2 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.

**Interest Rate Sensitivity Analysis**

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

**47.7 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 risk management 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.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**2017**                      **2016**  
**R**                                      **R**

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	7,063,872	6,034,136
Receivables from Non-exchange Transactions	39,620,343	32,193,143
Bank, Cash and Cash Equivalents	45,932,159	46,219,874
<b>Maximum Credit and Interest Risk Exposure</b>	<b><u>92,616,373</u></b>	<b><u>84,447,152</u></b>

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

Consumer Debtors	37.37%	37.80%
<b>Total Credit Risk</b>	<b><u>37.37%</u></b>	<b><u>37.80%</u></b>

**Bank and Cash Balances**

Short Term Investments - First National Bank	20,899,463	20,603,289
Short Term Investment - Nedbank	24,186,495	22,680,410
Current Account - First National Bank	846,200	2,936,175
<b>Total Bank and Cash Balances</b>	<b><u>45,932,159</u></b>	<b><u>46,219,874</u></b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**47 FINANCIAL INSTRUMENTS (Continued)**

**47.8 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	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
<b>30 June 2017</b>								
Non-interest Bearing		0.00%	13,698,320	13,698,320	-	-	-	-
- Payables from Exchange transactions	13		11,413,736	11,413,736	-	-	-	-
- Payables from Non-exchange transactions	14		2,284,584	2,284,584	-	-	-	-
			<b>13,698,320</b>	<b>13,698,320</b>	-	-	-	-
<b>30 June 2016</b>								
Non-interest Bearing		0.00%	16,522,805	16,522,805	-	-	-	-
- Payables from Exchange transactions	13		15,439,567	15,439,567	-	-	-	-
- Payables from Exchange transactions	14		1,083,237	1,083,237	-	-	-	-
			-					
			<b>16,522,805</b>	<b>16,522,805</b>	-	-	-	-

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 2017**

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
<b>30 June 2017</b>								
Non-interest Bearing			15,514,288	15,514,288	-	-	-	-
- Trade Receivables from Exchange Transactions	3.		3,137,625	3,137,625	-	-	-	-
- Trade Receivables from Non-exchange Transactions	4.		12,376,664	12,376,664	-	-	-	-
Variable Interest Rate Instruments			45,932,159	45,932,159	-	-	-	-
- Call Deposits	6.		45,085,958	45,085,958	-	-	-	-
- Bank Account	6.		846,200	846,200	-	-	-	-
Fixed Interest Rate Instruments			(0)	(0)	-	-	-	-
- Notice Deposits	6.		(0)	(0)	-	-	-	-
			<b>61,446,447</b>	<b>61,446,447</b>	-	-	-	-
<b>30 June 2016</b>								
Non-interest Bearing		0.00%	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		13.62%	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		0.00%	85,277	85,277	-	-	-	-
- Notice Deposits	6.		85,277	85,277	-	-	-	-
			<b>56,714,451</b>	<b>56,714,451</b>	-	-	-	-

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**47.9 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 2017**

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
<b>FIXED RATE INSTRUMENTS</b>								
<b>VARIABLE RATE INSTRUMENTS</b>								
Short-term Investment Deposits	6.		45,085,958	45,085,958	-	-	-	-
Bank Balances and Cash	6.		846,200	846,200	-	-	-	-
<b>Total Fixed Rate Instruments</b>			<b>45,932,159</b>	<b>45,932,159</b>	-	-	-	-

**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
<b>FIXED RATE INSTRUMENTS</b>								
<b>VARIABLE RATE INSTRUMENTS</b>								
Short-term Investment Deposits	6.		43,283,699	43,283,699	-	-	-	-
Bank Balances and Cash	6.		2,936,175	2,936,175	-	-	-	-
<b>Total Fixed Rate Instruments</b>			<b>46,219,874</b>	<b>46,219,874</b>	-	-	-	-

**47.10 Other Price Risks**

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

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R                      2016  
R

**48 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 are defined contribution schemes.

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 R6,112,171 (2016: R5,538,439) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

**DEFINED CONTRIBUTION SCHEMES**

**Municipal Employees Pension Fund:**

Total members to the fund during the year were 86.

Employees contribute 1.5% of their salary to the fund and the Council 18%. Total contributions for the year : R3 210 277.

**Councillors Cape Joint Pension Fund:**

Total members to the fund during the year were 33.

Councillors contributes 12% of their allowance to the fund and the Council 15%. Total contributions for the year : R848 743.

**Cape Joint Retirement Fund:**

Total members to the fund during the year were 35.

Employees contribute 7.5% & 9% of their salary to the fund and the Council 18%. Total contributions for the year : R1 073 037.

**Municipal Councillors Pension Fund:**

Total members to the fund during the year were 12.

Councillors contributes 13.75% of their allowance to the fund and the Council 15%. Total contributions for the year : R768 764.

**National Fund for Municipal Workers - Provident Fund:**

Total members to the fund during the year were 86.

Employees contribute 7.5% of their salary to the fund and the Council 18%. Total contributions for the year : R1 326 266.

**None of the above mentioned plans are State Plans.**

**49 RELATED PARTY TRANSACTIONS**

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

**49.1 Interest of Related Parties**

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Canca Nokwazi	Official	Owner(Husband) of Litto Trading Enterprise
Dikwayo Siphokazi	Official	Owner(Husband) of DMMP TRADING CC
Ntshengulana Mygirl	Official	Owner (husband) of MIZESTOZZ TRADING ENTERPRISE
Madlanga Lindiswa	Official	Owner (brother) of MPI ATTORNEYS
Mr Mdzinwa	Chief Whip	Owner (WIFE) of 2ND World B AND B
Mbedu Bongiswa	Intern - Audit	Owner (brother) of Soul Evolution Management CC
Mbedu Bongiswa	Intern - Audit	Owner (husband) of Myoza-yoza Trading
Madlanga Lindiswa	Demand Officer	Owner (brother) of SOC Cleaning

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

2017  
R

2016  
R

**49.2 Councillors and Key Management Personnel - Family in service of the municipality.**

Position and Name	Family Member	Deptment	Relationship	Remuneration
Assistant Manager - Z Ndevu	Mbiko B	Budget & Treasury	Cousin	217,209
Manager - M N Sineke	S Sineke	Citizens & Community	Cousin	92,694
Councillor - S Madlanga	Madlanga L	Budget & Treasury	Brother	187,412

**49.3 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
<b>For the Year ended 30 June 2017</b>				
<u>Councillors</u>				
Councillor Mdzinwa	5,047	1,461	1,182	7,689
Councillor Garane	4,663		1,509	6,172
Councillor Dangisa	2,880		750	3,630
<b>Total Services</b>	<b>12,590</b>	<b>1,461</b>	<b>3,441</b>	<b>17,491</b>
<b>For the Year ended 30 June 2016</b>				
<u>Councillors</u>				
Councillor N. Mbele	599	2,405		
<b>Total Services</b>	<b>599</b>	<b>2,405</b>	<b>-</b>	<b>-</b>

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.

**49.4 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.

**49.5 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Note 30 and Note 31 to the Financial Statements.

**49.6 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	203,283	269,500
Mizestozz Trading Enterprise	Ntshengulana Mygirl	Owner(Husband)	Clerk - eNatis		77,869
Myoza-yoza Trading	Mbedu Bongiswa	Owner (husband)	Intern - Audit	3,479,586	209,160
DMMP Trading CC	Dikwayo Siphokazi	Owner(Husband)	Personal Assistant	193,000	194,882
SOC Cleaning	Madlanga Lindiswa	Owner (brother)	Demand Officer		28,350
Litto Trading	Canca Nokwazi	Owner (husband)	Disaster Officer	229,628	338,808
MPI Attorneys	Madlanga Lindiswa	Owner(Brother)	Demand officer	199,614	164,034
2nd World	Mr Mdzinwa	Owner(Husband)	Councillor	50,900	
<b>Total Purchases</b>				<b>4,356,011</b>	<b>1,282,603</b>

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

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>50 CONTINGENT LIABILITIES</b>		
<b>50.1 Guarantees:</b>		
The municipality did not issue any guarantee during the financial years under review.		
<b>50.2 Court Proceedings:</b>	<b>10,207,601</b>	<b>7,518,332</b>
(a) Non-payment for work done: Maximum Profit Recovery (Case 2083/2012) High court claim based on non-payment of an amount of R526 868.24 plus interest being fees for services rendered by the plaintiff to the Municipality. Matter has been set down for hearing on the 12th of September 2016 for determination of both merits and quantum. A default judgement granted on 12 September 2016 against ULM for R940 000.00 and rescission application filled and granted.No.prospects of success, ULM is advised to settle the matter.	1,140,000	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 was dismissed in court.	-	164,000
(c) Sunset Beach Trading 299CC JV Nyamezela Consulting Engineers (PTY) LTD (Case 2308/2013) Re-cancellation of contract by ULM, challenged by Sunset Beach Trading in the High Court: claim for damages allegedly suffered by the plaintiff for loss of profit when in the amount of R 1875 126, 00 plus interest. Matter was set down for hearing on the 30th of May 2016 for trial, matter postponed for defedent to amend its plea, matter must proceed until it reaches its final logical conclusion.ULM has prospects of success.	2,000,000	800,000
(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	400,000
(e) Mr Jackson Mandyoli - Vehicle impound by Traffic Officers (Case 217/2013) 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. The matter was settled.	-	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. The matter was settled.	-	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. No longer a continued liability.		200,000
(h) L. Ngqwala (Case 454/2013) Dispute over property that the Municipality is in occupation of.	100,000	
(i) Mxhamli Thobile - Interdict against municipality (Case 2439/2015) The Municipality won this application against Mxhamli Thobile and applicant lodged an application for leave to appeal to the full bench of Mthatha high court and the matter is still pending. Negotiations to settle the matter out of court were tried but we could not reach any agreement, applicant's attorneys suggested that the matter be determined by court.	500,000	800,000
(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 Ema-Xesibeni Police Station. The matter is on Opposed Court at Ema-Xesibeni Magistrate Court. The has been set down on contested Opposed roll for trial on the 23rd day of July 2014 at Ema-Xesibeni Magistrate's Court. Matter resolved.	-	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	15,000



**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
(l) Ngangelizwe Jama//Umzimvubu Local Municipality (Case 1034/2011) High court claim a sum of R500 000.00 plus interest, being damages allegedly suffered by the plaintiff due to his wrongful arrest and detention by a traffic officer acting within the lawful course and scope of his employ by the Municipality. Defendant (ULM) have applied for the Minister of Police to be joined. Matter still pending.	490,000	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. ULM have prospects of success and the plaintiff have up to date not discharged their obligation as required in terms of the Magistrate's Court Rules.	212,000	212,000
(n) Millennium Development Trust (Ligitation) Extension 6 Development/Assisting LLM and proving legal opinion on merits of success with regard to cancellation/termination of the agreement between ULM and MDT and instructions to institute High Court legal proceedings with the assistance of Junior and Senior Counsel.	1,500,000	350,000
(o) Mgeyi Fundiswa (Case 2299/15) This matter came before court on 20th August 2015 for an interdict application that was brought on urgent basis by applicants who were interdicting the Municipality from stopping applicants in their conduct of building houses at Santombe Location, Ema-Xesibeni. 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 has been finalized.	500,000	800,000
(p) 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.	40,000	80,000
(q) 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.	40,000	80,000
(r) Tamsanqa Tuswa (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.	40,000	80,000
(s) 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.	40,000	80,000
(t) Gideon Kondlo (Case 85/2015) Magistrate's court claim for R200 000.00 in damage 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. High court application for interdict to declare the Municipality's decision to prioritize 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.	40,000	80,000
(u) 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.	40,000	80,000
(v) Sivumela Village Community (Case 1161/2015) 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.	900,000	900,000
(w) Mzolisi Gqunu (Case 133/2015) This matter came before court on 27th August 2015 for an interdict application that was brought on urgent basis by applicant's who were interdicting the Municipality from stopping applicant's in their building Badibanise location, Lubhacweni Administrative Area, Kwa-Bacha.	80,000	50,000
(x) The Phonebook Company (Pty) Ltd Final letter of demand regarding unpaid subscription fee for advertising services rendered by the Phonebook Company to the Municipality. Matter is settled.	-	68,332

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
(y) Prince Madikizela - General (Case 4258/2016) In this matter the plaintiff is suing the Municipality, claiming a sum of R600 000 00 arising out of a malicious and unlawful arrest contumelia .We expected to the the plaintiff's claim because it does not disclose a cause of action against the Municipality. The plaintiff has been given 15 days to cure his defect, failing which we shall set down the exception with a view to dismissing the plaintiff's claim against the Municipality.The legal fees and Counsel's fees are estimated to be in the sum of R200 000-00.	600,000	
(z) Mr B Memela and all other unlawfull occupiers. (Case 34/2017) ERF NO. 247 in Kwa-Bacha Kwa-Bhaca. The matter is still at court we are still waiting for the judgement from court.	40,000	
(aa) Adelaide Moodly 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 Ema-Xesibeni. the matter is still pending the next court date is 22 &23 August 2016. Matter resolved.	-	200,000
(ab) Mbali Rural Developers CC - Civil Claim (Case UMZV5 Arbitration) Civil claim enforcing an arbitration award and have been endeavoring to attach movable to satisfy the claim. However, the Writ has been misplaced by the offices of the Sheriff of Kokstad and we are taking the necessary steps to re-issue the Writ.	220,601	
(ac) Andile Menyo (Case 2016/2011) In this case the defendant, Mr.Menyo is in possession of a portion of erf 188 which is the plaintiff's property (The Municipality) Without the plaintiff's authority or consent. We have been instructed by the Municipality to seek an order directing the defendant to vacate its property. The matter was before court on 09 May 2017. It was postponed because the defendant wanted to amend his plea.The defendant has a counter-claim, claiming a sum of R420 000-00 from the Municipality. We have defended that claim. Other than sum of R420 000-00 mentioned above, the legal costs including Counsel's fees are estimated to be in the sum of R140 000.00.We have applied for a trial date from the registrar of the High Court.	420,000	150,000
(ad) Phumza Vitshima The matter goes to court at Port Elizabeth labour court an our estimated legal costs will be +_R160	400,000	160,000
(ae) 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 stopping applicants in their conduct of building houses at Santombe Location Ema-Xesibeni.The Municipality won this application against Mbulawa Nothobile and applicants lodged an application for Mthatha high court and matter is still pending. Negotiations to settle the matter out of court were tried but could not reach any agreement, applicants attorneys suggested that the matter be determined by court.	450,000	850,000

**51 CONTINGENT ASSETS**

**51.1 Court Proceedings:**

	1,243,807	150,000
(i) Recovery of Legal Costs: The case of <b>Mbali Rural Developers</b> 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.	150,000	150,000
(ii) Recovery of Expenditure: Subsequent to the disciplinary hearing instigated and resulting eventual resignation in respect of the perceived fraud perpetrated with regards to expenditure, civil proceedings have commenced against the employee, <b>Sibabalwe Mgangatho</b> , concerned to recover an amount of R622 039.38. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.	622,039	
(ii) Recovery of Loss: Following to the assessment of embezzlement of funds committed by <b>Mr. V. Cita</b> who resigned immediately after the matter was discovered, a fraud case was reported to South African Police Services with case number 127/01/2017. The municipality further appointed a service provider to conduct fraud detection and investigation to investigate the matter. The investigation showed an amount of R 471 768.00 that has been embezzled in two financial years (2015-2016 : R119 520 & 2016-2017 : R352 248). Civil proceedings have commenced and as such Mr. V. Cita has appeared in Court on the 10th of August 2017.	471,768	

**52 IN-KIND DONATIONS AND ASSISTANCE**

	2017	2016
The municipality did not receive any in-kind donations and assistance during the 2016/17 financial year.		
16 Days of activism campaign                      SEBL		
Investor Conference                                      Nedbank	-	8,772
Investor Conference                                      Group Five	-	43,860

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
Gift of Happiness	-	500
Gift of Happiness	-	2,000
Gift of Happiness	-	1,000
Gift of Happiness	-	1,000
Gift of Happiness	-	1,000
Gift of Happiness	-	1,000
Fashion Show	-	100,000
	-	159,132
	-	159,132

**53 PRIVATE PUBLIC PARTNERSHIPS**

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

**54 EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2017.

**55 COMPARATIVE FIGURES**

No comparative figures were restated during the years under review.

**56 GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

- (i) The Council adopted the 2017/18 to 2019/20 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 2017**

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

**APPENDIX B**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2017
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Land</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Land: Developed						-					-		-
Land: Undeveloped	7,006,756					7,006,756					-		7,006,756
<b>Total Land</b>	<b>7,006,756</b>	-	-	-	-	<b>7,006,756</b>	-	-	-	-	-	-	<b>7,006,756</b>
<b>Buildings</b>													
Office Buildings	29,152,504		4,205,592	145,365		33,503,461	13,839,774	1,167,601			15,007,375		18,496,086
Residences	3,155,582					3,155,582	204,067	105,099			309,166		2,846,416
Mobile Offices	427,663					427,663	270,176	42,500			312,676		114,987
<b>Total Buildings</b>	<b>32,735,749</b>	-	<b>4,205,592</b>	<b>145,365</b>	-	<b>37,086,705</b>	<b>14,314,017</b>	<b>1,315,200</b>	-	-	<b>15,629,216</b>		<b>21,457,489</b>
<b>Infrastructure</b>													
<i>Electricity:</i>													
Electricity Supply and Reticulation			96,400,714			96,400,714					-		96,400,714
<i>Roads and Transport:</i>													
Bridges - Vehicle: Concrete	5,766,292		6,901,555	10,842,492		23,510,339	381,156	268,477			649,633		22,860,706
Bus / Taxi Terminals	152,952					152,952	112,194	10,176			122,370		30,583
Parking Meters	185,000					185,000	37,885	12,321			50,206		134,794
Roads - Asphalt	96,877,154			24,031,963		120,909,117	7,995,714	2,201,657			10,197,371		110,711,746
Roads - Other	672,323				(286,716)	385,607	592,277	49,725		(286,716)	355,286		30,321
Roads - Gravel Surface	232,440,760	21,486	6,142,637	54,924,773		293,529,655	127,459,229	21,591,193	(723,576)		148,326,846		145,202,809
Roads - Retaining Walls	3,581					3,581	1,700	179			1,879		1,702
Street Lighting	2,254,941			256,387		2,511,328	288,826	112,652			401,478		2,109,850
Streetname Signs	426,007					426,007	138,452	42,548			181,000		245,007
Traffic Signs	104,467					104,467	57,389	6,783			64,172		40,295
<i>Sanitation:</i>													
Landfill Site - Structure	3,901,276		523,250			4,424,526	1,485,099	182,130			1,667,229		2,757,297
Landfill Site - Weighbridge	294,926					294,926	55,352	14,734			70,085		224,841
Transfer Station				1,133,737		1,133,737					-		1,133,737
Sanitation - Concrete Bins	72,720					72,720	21,899	11,527			33,427		39,293
<i>Security Measures:</i>													
Fencing / Perimeter Protection	2,663,342	26,000		1,602,756		4,292,098	1,708,834	265,681			1,974,515		2,317,583
<i>Sewerage:</i>													
Sewer Purification Works	178,080					178,080	1,430	11,861			13,291		164,789
<i>Water:</i>													
Water Boreholes - Mechanical	57,014					57,014	22,819	3,796			26,615		30,399
Water Boreholes - Structure	270,000					270,000	32,962	8,992			41,954		228,046
Water Tanks	7,805					7,805	5,096	1,112			6,208		1,597
<b>Total Infrastructure</b>	<b>347,369,803</b>	<b>139,886</b>	<b>109,968,155</b>	<b>92,792,107</b>	<b>(286,716)</b>	<b>549,983,236</b>	<b>140,404,727</b>	<b>24,847,561</b>	<b>(723,576)</b>	<b>(286,716)</b>	<b>164,241,996</b>		<b>385,741,240</b>
<b>Community Assets</b>													
<i>Recreational Facilities:</i>													
Concrete Furniture	502,774		62,790			565,564	66,767	50,220			116,987		448,577
Museums and Art Galleries				78,000		78,000		3,887			3,887		74,113
Parks	4,123,941		1,409,766	3,391,348		8,925,054	318,618	356,529			675,147		8,249,907
Recreation Centers	2,167,158					2,167,158	216,568	108,267			324,835		1,842,324

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2017
	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	R
<i>Sports Facilities:</i>													
Indoor Sports Facilities	73,368			103,290		176,658	33,995	7,038			41,033	135,625	
Outdoor Sports Facilities	4,744,773		1,947,292	7,551,317		14,243,383	1,585,785	236,597			1,822,382	12,421,001	
Stadiums	180,000			5,895,282		6,075,282	9,635	285,800			295,435	5,779,847	
Basketball Courts	264,478					264,478	122,547	10,568			133,115	131,363	
Fencing / Perimeter Protection	198,528			879,358		1,077,885	181,920	63,948			245,868	832,017	
Floodlighting	328,977					328,977	32,875	16,435			49,310	279,667	
<i>Other Facilities:</i>													
Cemeteries	1,766,901					1,766,901	130,378	70,620			200,998	1,565,902	
Community Centers	37,105,638		27,566,121	2,696,614		67,368,374	14,318,605	1,424,738			15,743,343	51,625,030	
Fencing / Perimeter Protection	58,015					58,015	47,130	2,103			49,233	8,782	
Libraries	6,035,200	9,132,688				15,167,888	603,933	756,579			1,360,512	13,807,376	
Markets	6,591,759			2,711,040		9,302,800	664,151	355,804			1,019,955	8,282,844	
Nurseries	530,500					530,500	81,238	20,465			101,704	428,796	
Public Conveniences and Bathroom Pound	1,331,245		93,800			1,425,045	264,412	53,205			317,617	1,107,428	
	518,593		1,179,067			1,697,659	63,364	20,718			84,082	1,613,577	229,000
<b>Total Community Assets</b>	<b>66,521,847</b>	<b>9,132,688</b>	<b>32,258,835</b>	<b>23,306,249</b>	<b>-</b>	<b>131,219,620</b>	<b>18,741,922</b>	<b>3,843,522</b>	<b>-</b>	<b>-</b>	<b>22,585,443</b>	<b>108,634,176</b>	<b>4,717,000</b>
<b>Other Assets</b>													
<i>Computer Equipment:</i>													
Computer Hardware	6,068,450	2,245,818		7,500	(307,211)	8,014,558	3,378,762	1,308,662	7,500	(282,670)	4,412,254	3,602,303	2,410,000
Computer Networks	577,036	187,607			(8,870)	755,773	249,380	125,039		(8,870)	365,548	390,225	
<i>Emergency Equipment:</i>													
Emergency / Rescue Equipment	23,396					23,396	16,533	5,133			21,666	1,730	
Fire Equipment	56,571					56,571	50,423	3,754			54,177	2,394	
Medical and Allied Equipment	5,475					5,475	4,995	429			5,424	51	
<i>Furniture and Fittings:</i>													
Advertising Boards	773,447					773,447	39,484	38,640			78,124	695,323	
Cabinets and Cupboards	132,534	105,968				238,502	66,785	15,116			81,901	156,601	
Chairs	194,149	64,626				258,775	68,179	38,950			107,129	151,646	
Desks and Tables	97,132	7,007			(771)	103,368	19,052	9,688		(690)	28,050	75,318	
Domestic / Hostel Furniture	163,090				(24,640)	138,450	106,701	14,232		(20,455)	100,478	37,972	
Other Furniture and Fittings	3,305,164	46,833		(7,500)	(46,432)	3,298,065	2,497,381	328,891	(7,500)	(42,518)	2,776,254	521,811	612,000
Air Conditioners (Individual)	366,750				(47,309)	319,441	354,108	8,210		(47,309)	315,009	4,432	
Audiovisual Equipment	1,252,563	461,073				1,713,636	479,801	336,729			816,530	897,107	
Domestic Equipment	93,226				(99)	93,127	64,830	14,167		(99)	78,898	14,228	
Kitchen Appliances	38,304	5,782				44,086	27,489	5,270			32,758	11,328	
Learning / Training Materials	166,550				(48,300)	118,250	45,126	32,844		(22,900)	55,071	63,179	
Decorative Sinage	350,600					350,600	228,650	49,957			278,607	71,993	
Music Instruments	21,922				(21,922)	-	12,714	2,092		(14,807)	-	-	
<i>Motor Vehicles:</i>													
Bakkies (LDV's)	1,356,181					1,356,181	412,532	243,836			656,367	699,814	
Busses	316,216				(316,216)	-	284,616			(284,616)	-	-	
Motor Cars	2,959,826	2,341,004			(583,890)	4,716,940	633,181	701,200		(494,859)	839,521	3,877,418	3,500,000
Tractors	179,386	619,443				798,829	118,490	33,455			151,945	646,884	
Trailers and Accessories	150,200					150,200	132,309	2,883			135,192	15,008	
Trucks	1,069,848					1,069,848	631,769	101,181			732,950	336,898	
<i>Office Equipment:</i>													
Office Machines	253,420	330,399			(49,724)	534,095	168,633	51,301		(48,376)	171,558	362,537	
Photographic Equipment	210,727	44,800			(186,229)	69,298	168,163	46,711		(184,752)	30,121	39,176	
Library Books	979,252					979,252	228,387	97,813			326,200	653,052	

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2017
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<i>Plant and Equipment:</i>	R	R	R	R	R	R	R	R	R	R	R	R	R
Cycles	7,570				(6,175)	1,395	507	365		(708)	163	1,232	
Compressors, Generators and Allied	581,636				(27,340)	554,296	73,636	110,302		(16,166)	167,773	386,523	
Container - Storage	634,535					634,535	589,399	21,036			610,435	24,100	
Fire Arms	135,447					135,447	11,397	32,039			43,436	92,011	
Gardening Equipment	458,395	299,777			(148,967)	609,205	357,880	120,276		(138,102)	340,054	269,151	
Irrigation Equipment / Systems	97,153					97,153	9,709	4,854			14,562	82,591	
Radio Equipment	387,187					387,187	33,113	90,596			123,709	263,479	
Road Construction and Maintenance	247,901					247,901	30,145	49,522			79,667	168,233	
Security Equipment / Systems / Material	168,262					168,262	114,909	33,576			148,485	19,778	
Sport and Recreational Equipment	233,650	187,080				420,730	545	13,363			13,908	406,822	
Workshop Equipment	319,506				(268,706)	50,800	199,720	10,287		(169,375)	40,632	10,168	
Workshop Tools	661,389				(260,708)	400,681	534,451	83,577		(250,803)	367,226	33,455	16,300
Other Plant and Equipment	5,769,414	431,914			(526,006)	5,675,322	3,686,393	1,157,726		(353,206)	4,490,913	1,184,409	2,398,700
<i>Specialised Vehicles:</i>													
Waste Disposal Trucks	1,809,699					1,809,699	687,561	162,143			849,703	959,996	
Total Other Assets	32,673,157	7,379,132	-	-	(2,879,514)	37,172,775	16,817,836	5,505,844	-	(2,381,281)	19,942,399	17,230,377	8,937,000
<b>Total PPE</b>	<b>486,307,313</b>	<b>16,651,705</b>	<b>146,432,582</b>	<b>116,243,721</b>	<b>(3,166,230)</b>	<b>762,469,092</b>	<b>190,278,502</b>	<b>35,512,126</b>	<b>(723,576)</b>	<b>(2,667,998)</b>	<b>222,399,054</b>	<b>540,070,037</b>	<b>133,200,000</b>

**UMZIMVUBU LOCAL MUNICIPALITY  
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2017**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2017
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Investment Properties</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
IP Land	19,961,575					19,961,575					-	19,961,575	
<b>Total Investment Property</b>	<b>19,961,575</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,961,575</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,961,575</b>	<b>-</b>

**UMZIMVUBU LOCAL MUNICIPALITY  
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2017**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2017
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Intangible Assets</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Website	339,682	137,734				477,416					-	477,416	300,000
Computer Software	3,398,367	1,079,165			(338,140)	4,139,391	2,014,154	624,620		(310,526)	2,328,247	1,811,144	1,200,000
<b>Total Intangible Assets</b>	<b>3,738,049</b>	<b>1,216,899</b>	<b>-</b>	<b>-</b>	<b>(338,140)</b>	<b>4,616,808</b>	<b>2,014,154</b>	<b>624,620</b>	<b>-</b>	<b>(310,526)</b>	<b>2,328,247</b>	<b>2,288,560</b>	<b>1,500,000</b>

**UMZIMVUBU LOCAL MUNICIPALITY  
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2017**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 42186
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Heritage Assets</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Jewellery	17,719					17,719					-	17,719	
<b>Total Heritage Assets</b>	<b>17,719</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,719</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,719</b>	<b>-</b>
<b>Total Asset Register</b>	<b>510,024,656</b>	<b>17,868,604</b>	<b>146,432,582</b>	<b>116,243,721</b>	<b>(3,504,370)</b>	<b>787,065,194</b>	<b>192,292,655</b>	<b>36,136,746</b>	<b>(723,576)</b>	<b>(2,978,524)</b>	<b>224,727,302</b>	<b>562,337,892</b>	<b>134,700,000</b>

**APPENDIX C**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2017**

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	2,236,659	1,710,054			(626,695)	3,320,018	1,578,742	471,539		(536,591)	1,513,690	1,806,328
Finance and Administration	16,631,105	4,405,149			(995,746)	20,040,507	8,375,378	2,737,042		(910,034)	10,202,386	9,838,121
Planning and Development	9,523,827	122,841		450,701	(36,576)	10,060,793	1,730,308	537,327		(36,015)	2,231,620	7,829,173
Community and Social Services	47,898,951	9,404,793	3,696,204	6,904,102	(454,807)	67,449,242	17,912,892	2,686,531		(405,447)	20,193,976	47,255,266
Public Safety	4,732,851	884,671	1,179,067	145,365	(152,337)	6,789,616	1,355,361	692,039		(148,128)	1,899,272	4,890,344
Waste Management	11,807,078	1,158,156	523,250	1,237,027	(900,676)	13,824,836	4,972,139	1,335,385		(616,424)	5,691,100	8,133,736
Roads and Transport	417,194,186	182,940	141,034,062	107,506,526	(337,531)	665,580,182	156,367,836	27,676,883	(723,576)	(325,885)	182,995,258	482,584,925
<b>Total</b>	<b>510,024,656</b>	<b>17,868,604</b>	<b>146,432,582</b>	<b>116,243,721</b>	<b>(3,504,370)</b>	<b>787,065,194</b>	<b>192,292,655</b>	<b>36,136,746</b>	<b>(723,576)</b>	<b>(2,978,524)</b>	<b>224,727,302</b>	<b>562,337,892</b>



**APPENDIX D**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

2016 Actual Income	2016 Actual Expenditure	2016 Surplus/ (Deficit)	Description	2017 Actual Income	2017 Actual Expenditure	2017 Surplus/ (Deficit)
R	R	R		R	R	R
200,000	34,952,894	(34,752,894)	Executive and Council	-	34,377,487	(34,377,487)
193,903,550	82,096,384	111,807,166	Finance and Administration	189,784,520	85,132,834	104,651,686
83,925,983	40,531,202	43,394,781	Planning and Development	65,988,762	37,595,498	28,393,264
238,425	3,705,650	(3,467,225)	Community and Social Services	230,623	3,125,893	(2,895,270)
6,441,830	15,921,466	(9,479,637)	Public Safety	6,600,958	20,012,002	(13,411,044)
1,724,538	13,742,004	(12,017,465)	Waste Management	11,796,266	19,504,611	(7,708,345)
<b>286,434,325</b>	<b>190,949,599</b>	<b>95,484,726</b>	<b>Total</b>	<b>274,401,130</b>	<b>199,748,326</b>	<b>74,652,803</b>

**APPENDIX E(1)**  
**UMZIMVUBU LOCAL MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2017**

Description	2016/17									2015/16
	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
<b>REVENUE - STANDARD</b>										
<b>Governance and Administration:</b>										
Executive and Council	331,674		331,674		331,674		(331,674)			200,000
Budget and Treasury Office	226,512,620	(2,530,074)	223,982,545		223,982,545	189,638,261	(34,344,285)	84.67	83.72	193,759,727
Corporate Services	120,900		120,900		120,900	146,260	25,360	120.98	120.98	143,823
<b>Community and Public Safety:</b>										
Community and Social Services	446,519	(193,305)	253,213		253,213	230,623	(22,590)	91.08	51.65	238,425
Public Safety	9,828,501	(4,139,036)	5,689,465		5,689,465	6,600,958	911,493	116.02	67.16	6,441,830
<b>Economic and Environmental Services:</b>										
Planning and Development	289,683	(128,135)	161,548		161,548	1,353,067	1,191,519	837.56	467.09	1,326,432
Road Transport	62,633,210	10,578,348	73,211,558		73,211,558	64,635,695	(8,575,862)	88.29	103.20	82,599,550
<b>Trading Services:</b>										
Waste Management	4,011,000	(295,892)	3,715,108		3,715,108	11,796,266	8,081,158	317.52	294.10	1,724,538
<b>Total Revenue - Standard</b>	<b>304,174,106</b>	<b>3,291,906</b>	<b>307,466,012</b>	<b>-</b>	<b>307,466,012</b>	<b>274,401,130</b>	<b>(33,064,882)</b>	<b>89.25</b>	<b>90.21</b>	<b>286,434,325</b>
<b>EXPENDITURE - STANDARD</b>										
<b>Governance and Administration:</b>										
Executive and Council	39,278,002	381,544	39,659,546	(1,545,500)	38,114,046	34,377,487	(3,736,559)	90.20	87.52	34,952,894
Budget and Treasury Office	89,305,974	(1,051,820)	88,254,154	(1,758,400)	86,495,754	64,991,902	(21,503,852)	75.14	72.77	64,485,343
Corporate Services	20,126,072	(517,714)	19,608,358	1,756,000	21,364,358	20,140,933	(1,223,425)	94.27	100.07	17,611,041
<b>Community and Public Safety:</b>										
Community and Social Services	14,608,349	(15,959)	14,592,390	(1,663,000)	12,929,390	11,922,453	(1,006,936)	92.21	81.61	12,824,735
Public Safety	18,675,805	849,998	19,525,803	815,900	20,341,703	20,012,002	(329,701)	98.38	107.15	15,921,466
<b>Economic and Environmental Services:</b>										
Planning and Development	14,451,901	(1,165,000)	13,286,901	(1,435,200)	11,851,701	11,284,120	(567,581)	95.21	78.08	13,749,155
Road Transport	22,470,677	1,340,000	23,810,677	(5,052,000)	18,758,677	17,514,818	(1,243,859)	93.37	77.95	17,662,962
<b>Trading Services:</b>										
Waste Management	13,018,607	(833,646)	12,184,961	8,476,200	20,661,161	19,504,611	(1,156,550)	94.40	149.82	13,742,004
<b>Total Expenditure - Standard</b>	<b>231,935,386</b>	<b>(1,012,596)</b>	<b>230,922,789</b>	<b>(406,000)</b>	<b>230,516,789</b>	<b>199,748,326</b>	<b>(30,768,463)</b>	<b>86.65</b>	<b>86.12</b>	<b>190,949,599</b>
<b>Surplus/(Deficit) for the year</b>	<b>72,238,720</b>	<b>4,304,502</b>	<b>76,543,222</b>	<b>406,000</b>	<b>76,949,222</b>	<b>74,652,803</b>	<b>(2,296,419)</b>	<b>97.02</b>	<b>103.34</b>	<b>95,484,726</b>

**APPENDIX E (2)**  
**UMZIMVUBU LOCAL MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2017**

Description	2016/17									2015/16
	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
<b>REVENUE BY VOTE</b>										
Vote 1 - Executive and Council	437,674		437,674		437,674		(437,674)			200,000
Vote 2 - Budget and Treasury	226,512,620	(2,530,074)	223,982,545		223,982,545	189,638,261	(34,344,285)	84.67	83.72	193,759,727
Vote 3 - Corporate Services	120,900		120,900		120,900	146,260	25,360	120.98	120.98	143,823
Vote 4 - Community and Social Services	14,180,020	(4,628,233)	9,551,787		9,551,787	18,627,848	9,076,061	195.02	131.37	8,404,793
Vote 5 - Local Economic Development	289,683	(128,135)	161,548		161,548	1,353,067	1,191,519	837.56	467.09	1,326,432
Vote 6 - Infrastructure and Planning	62,633,210	10,578,348	73,211,558		73,211,558	64,635,695	(8,575,862)	88.29	103.20	82,599,550
<b>Total Revenue by Vote</b>	<b>304,174,106</b>	<b>3,291,906</b>	<b>307,466,012</b>	<b>-</b>	<b>307,466,012</b>	<b>274,401,130</b>	<b>(33,064,882)</b>	<b>89.25</b>	<b>90.21</b>	<b>286,434,325</b>
<b>EXPENDITURE BY VOTE</b>										
Vote 1 - Executive and Council	49,847,019	17,234	49,864,252	(2,334,000)	47,530,252	43,174,047	(4,356,205)	90.83	86.61	44,071,979
Vote 2 - Budget and Treasury	89,305,974	(1,051,820)	88,254,154	(1,758,400)	86,495,754	64,991,902	(21,503,852)	75.14	72.77	64,485,343
Vote 3 - Corporate Services	20,126,072	(517,714)	19,608,358	1,756,000	21,364,358	20,140,933	(1,223,425)	94.27	100.07	17,611,041
Vote 4 - Community and Social Services	35,733,744	364,703	36,098,448	8,417,600	44,516,048	42,642,507	(1,873,541)	95.79	119.33	33,369,120
Vote 5 - Local Economic Development	14,451,901	(1,165,000)	13,286,901	(1,435,200)	11,851,701	11,284,120	(567,581)	95.21	78.08	13,749,155
Vote 6 - Infrastructure and Planning	22,470,677	1,340,000	23,810,677	(5,052,000)	18,758,677	17,514,818	(1,243,859)	93.37	77.95	17,662,962
<b>Total Expenditure by Vote</b>	<b>231,935,386</b>	<b>(1,012,596)</b>	<b>230,922,789</b>	<b>(406,000)</b>	<b>230,516,789</b>	<b>199,748,326</b>	<b>(30,768,463)</b>	<b>86.65</b>	<b>86.12</b>	<b>190,949,599</b>
<b>Surplus/(Deficit) for the year</b>	<b>72,238,720</b>	<b>4,304,502</b>	<b>76,543,222</b>	<b>406,000</b>	<b>76,949,222</b>	<b>74,652,803</b>	<b>(2,296,419)</b>	<b>97.02</b>	<b>103.34</b>	<b>95,484,726</b>

**APPENDIX E (3)**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

Description	2016/17									2015/16
	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
<b>Revenue by Source</b>										
Property Rates	15,900,000	(1,900,000)	14,000,000		14,000,000	14,339,340	339,340	102.42	90.18	12,035,254
Service Charges - Refuse	2,120,000	(356,872)	1,763,128		1,763,128	700,628	(1,062,500)	39.74	33.05	1,477,615
Rental of Facilities and Equipment	737,340	(243,085)	494,255		494,255	3,270,215	2,775,960	661.65	443.52	1,508,102
Interest Earned - External Investments	3,884,464	615,536	4,500,000		4,500,000	5,387,136	887,136	119.71	138.68	4,855,359
Interest Earned - Outstanding Debtors	1,547,812		1,547,812		1,547,812	2,308,724	760,912	149.16	149.16	2,143,226
Fines	4,497,026	(3,997,026)	500,000		500,000	2,262,968	1,762,968	452.59	50.32	2,321,133
Licences and Permits	3,328,976	(676,216)	2,652,760		2,652,760	2,241,112	(411,648)	84.48	67.32	2,432,297
Agency Services	1,817,762	232,238	2,050,000		2,050,000	1,847,180	(202,820)	90.11	101.62	1,634,115
Transfers Recognised - Operational	251,627,281	10,047,260	261,674,541		261,674,541	175,824,328	(85,850,213)	67.19	69.87	255,205,165
Other Revenue	17,374,267	(429,930)	16,944,337		16,944,337	2,159,963	(14,784,374)	12.75	12.43	2,822,060
Gains on Disposal of PPE	1,339,179		1,339,179		1,339,179		(1,339,179)			
<b>Total Revenue (excluding Capital Transfers &amp; Contributions)</b>	<b>304,174,106</b>	<b>3,291,906</b>	<b>307,466,012</b>	<b>-</b>	<b>307,466,012</b>	<b>210,341,593</b>	<b>(97,124,419)</b>	<b>68.41</b>	<b>69.15</b>	<b>286,434,325</b>
<b>Expenditure</b>										
Employee Related Costs	61,681,619	248,348	61,929,967	(6,000)	61,923,967	56,409,344	(5,514,624)	91.09	91.45	55,311,425
Remuneration of Councillors	18,563,199		18,563,199		18,563,199	15,563,284	(2,999,914)	83.84	83.84	15,437,397
Debt Impairment	5,300,000	1,200,000	6,500,000	171,000	6,671,000	3,603,779	(3,067,222)	54.02	68.00	6,084,815
Depreciation and Asset Impairment	53,000,000	(1,600,000)	51,400,000	(171,000)	51,229,000	35,413,170	(15,815,830)	69.13	66.82	33,197,058
Finance Charges	50,000	150,000	200,000	636,000	836,000	783,353	(52,647)	93.70	1,566.71	1,094,231
Other Materials	4,171,748	(748,726)	3,423,022	1,569,000	4,992,022	4,405,637	(586,385)	88.25	105.61	2,074,087
Contracted Services	7,659,072	1,050,000	8,709,072	(1,406,000)	7,303,072	7,231,781	(71,291)	99.02	94.42	6,795,712
Transfers and Grants	5,000,000		5,000,000	(100,000)	4,900,000	4,288,588	(611,412)	87.52	85.77	3,930,273
Other Expenditure	76,403,748	(1,656,219)	74,747,529	(1,041,000)	73,706,529	71,659,140	(2,047,389)	97.22	93.79	67,024,600
Loss on Disposal of PPE	106,000	344,000	450,000	(58,000)	392,000	390,251	(1,749)	99.55	368.16	
<b>Total Expenditure</b>	<b>231,935,386</b>	<b>(1,012,596)</b>	<b>230,922,789</b>	<b>(406,000)</b>	<b>230,516,789</b>	<b>199,748,326</b>	<b>(30,768,463)</b>	<b>86.65</b>	<b>86.12</b>	<b>190,949,599</b>
<b>Surplus/(Deficit)</b>	<b>72,238,720</b>	<b>4,304,502</b>	<b>76,543,222</b>	<b>406,000</b>	<b>76,949,222</b>	<b>10,593,267</b>	<b>(66,355,956)</b>	<b>13.77</b>	<b>14.66</b>	<b>95,484,726</b>
Transfers Recognised - Capital						64,059,537	64,059,537			
<b>Surplus/(Deficit) for the Year</b>	<b>72,238,720</b>	<b>4,304,502</b>	<b>76,543,222</b>	<b>406,000</b>	<b>76,949,222</b>	<b>74,652,803</b>	<b>(2,296,419)</b>	<b>97.02</b>	<b>103.34</b>	<b>95,484,726</b>

**APPENDIX E(4)**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2017**

Description	2016/17									2015/16
	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
<b>CAPITAL EXPENDITURE - VOTE</b>										
<b>Multi-year Expenditure</b>										
Executive and Council				2,400,000	2,400,000	1,710,054	(689,946)	71.25		
Budget and Treasury	3,700,000	500,000	4,200,000	(2,200,000)	2,000,000	1,746,145	(253,855)	87.31	47.19	
Corporate Services	2,650,000	766,000	3,416,000	84,000	3,500,000	2,659,004	(840,996)	75.97	100.34	
Local Economic Development	3,050,000	(1,550,000)	1,500,000	(1,000,000)	500,000	194,700	(305,300)	38.94	6.38	
Infrastructure and Planning	115,953,000	6,135,000	122,088,000	(16,088,000)	106,000,000	82,981,871	(23,018,129)	78.28	71.57	
Community and Social Services				17,300,000	17,300,000	16,434,728	(865,272)	95.00		
Waste Management	3,127,000	(500,000)	2,627,000	(627,000)	2,000,000	1,681,406	(318,594)	84.07	53.77	
Public Safety	2,036,600	(1,154,240)	882,360	117,640	1,000,000	950,071	(49,929)	95.01	46.65	
<b>Total Capital Expenditure - Multi-year</b>	<b>130,516,600</b>	<b>4,196,760</b>	<b>134,713,360</b>	<b>(13,360)</b>	<b>134,700,000</b>	<b>108,357,980</b>	<b>(26,342,020)</b>	<b>80.44</b>	<b>83.02</b>	<b>-</b>
<b>Total Capital Expenditure - Vote</b>	<b>130,516,600</b>	<b>4,196,760</b>	<b>134,713,360</b>	<b>(13,360)</b>	<b>134,700,000</b>	<b>108,357,980</b>	<b>(26,342,020)</b>	<b>80.44</b>	<b>83.02</b>	<b>-</b>
<b>CAPITAL EXPENDITURE - STANDARD</b>										
<b>Governance and Administration:</b>										
Executive and Council				2,400,000	2,400,000	1,710,054	(689,946)	71.25		129,003
Budget and Treasury Office	3,700,000	500,000	4,200,000	(2,200,000)	2,000,000	1,746,145	(253,855)	87.31	47.19	917,068
Corporate Services	2,650,000	766,000	3,416,000	84,000	3,500,000	2,659,004	(840,996)	75.97	100.34	
<b>Community and Public Safety:</b>										
Community and Social Services				17,300,000	17,300,000	16,434,728	(865,272)	95.00		108,872,443
Public Safety	2,036,600	(1,154,240)	882,360	117,640	1,000,000	950,071	(49,929)	95.01	46.65	3,907,790
<b>Economic and Environmental Services:</b>										
Planning and Development	3,050,000	(1,550,000)	1,500,000	(1,000,000)	500,000	194,700	(305,300)	38.94	6.38	877,622
Road Transport	115,953,000	6,135,000	122,088,000	(16,088,000)	106,000,000	82,981,871	(23,018,129)	78.28	71.57	
<b>Trading Services:</b>										
Waste Management	3,127,000	(500,000)	2,627,000	(627,000)	2,000,000	1,681,406	(318,594)	84.07	53.77	
<b>Total Capital Expenditure - Standard</b>	<b>130,516,600</b>	<b>4,196,760</b>	<b>134,713,360</b>	<b>(13,360)</b>	<b>134,700,000</b>	<b>108,357,980</b>	<b>(26,342,020)</b>	<b>80.44</b>	<b>83.02</b>	<b>134,029,239</b>
<b>FUNDED BY:</b>										
National Government	69,261,000	235,000	69,496,000	1,504,000	71,000,000	64,059,537	(6,940,463)	90.22	92.49	
Provincial Government	-	-	-	-	-	-	-	0.00	0.00	-
District Municipality	-	-	-	-	-	-	-	0.00	0.00	-
Other Transfers and Grants	-	-	-	-	-	-	-	0.00	0.00	-
<b>Transfers Recognised - Capital</b>	<b>69,261,000</b>	<b>235,000</b>	<b>69,496,000</b>	<b>1,504,000</b>	<b>71,000,000</b>	<b>64,059,537</b>	<b>(6,940,463)</b>	<b>90.22</b>	<b>92.49</b>	<b>-</b>
Public Contributions & Donations	-	-	-	-	-	-	-	0.00	0.00	-
Borrowing	-	-	-	-	-	-	-	0.00	0.00	-
Internally Generated Funds	61,255,600	3,961,760	65,217,360	(1,517,360)	63,700,000	44,298,443	(19,401,557)	69.54	72.32	-
<b>Total Capital Funding</b>	<b>130,516,600</b>	<b>4,196,760</b>	<b>134,713,360</b>	<b>(13,360)</b>	<b>134,700,000</b>	<b>108,357,980</b>	<b>(26,342,020)</b>	<b>80.44</b>	<b>83.02</b>	<b>-</b>

**APPENDIX E(5)**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017**

Description	2016/17								2015/16
	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
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and Other	62,255,294		62,255,294	62,255,294	17,124,812	(45,130,483)	27.51	27.51	16,759,315
Government - Operating	227,238,720	9,955,000	237,193,720	237,193,720	171,749,463				176,563,216
Government - Capital					64,059,537	64,059,537			77,584,419
Interest	6,572,787		6,572,787	6,572,787	6,594,079	21,293	100.32	100.32	5,412,091
<b>Payments</b>									
Suppliers and Employees	(168,949,964)		(168,949,964)	(177,678,155)	(156,437,321)	21,240,834			(139,255,870)
Finance Charges	(50,000)		(50,000)	(800,000)		800,000			(1,094,231)
Transfers and Grants	(5,000,000)		(5,000,000)	(4,900,000)	(4,288,588)	611,412			(3,930,273)
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	<b>122,066,837</b>	<b>9,955,000</b>	<b>132,021,837</b>	<b>122,643,646</b>	<b>98,801,981</b>	<b>41,602,592</b>	<b>80.56</b>	<b>80.94</b>	<b>132,038,666</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on Disposal of PPE	1,339,179		1,339,179	1,339,179	135,596	(1,203,583)	10.13	10.13	-
<b>Payments</b>									
Capital Assets	(130,516,578)		(130,516,578)	(130,516,578)	(99,225,292)	31,291,286			(84,354,203)
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	<b>(129,177,400)</b>	<b>-</b>	<b>(129,177,400)</b>	<b>(129,177,400)</b>	<b>(99,089,696)</b>	<b>-</b>	<b>0.00</b>	<b>0.00</b>	<b>(84,354,203)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
New Loans raised									-
<b>Payments</b>									
Loans repaid									(26,715,764)
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00</b>	<b>0.00</b>	<b>(26,715,764)</b>
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	<b>7,110,563</b>	<b>(9,955,000)</b>	<b>(2,844,437)</b>	<b>6,533,754</b>	<b>287,715</b>	<b>(6,246,039)</b>	<b>4.40</b>	<b>4.05</b>	<b>(20,968,699)</b>
Cash / Cash Equivalents at the Year begin:	25,251,175		25,251,175	25,251,175	46,219,874	20,968,699	183.04	183.04	25,251,175
Cash / Cash Equivalents at the Year end:	18,140,612	9,955,000	28,095,612	18,717,421	45,932,159	27,214,737	245.40	253.20	46,219,874

**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				Subsidies Del:	Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below
		June	Sept	Dec	March	Sept	Dec	March	June			
Equitable Share	Nat Treasury	0	67,913,000	54,050,000	40,749,000	39,528,933	48,534,044	42,892,000	31,757,022	280,000	MIG Overspent	Yes
FMG	Nat Treasury	73	1,625,000	0	0	663,866	604,648	108,333	247,984			Yes
MIG Projects	MIG	29,216	12,016,000	17,095,000	22,885,000	8,258,580	10,771,504	9,196,387	18,333,066			Yes
DME Projects	DME	0	15,000,000	0	2,500,000	15,600,000	0	1,900,000	0			Yes
EPWP Incentive Grant	Province	0	407,000	731,000	488,000	1,487,354	0	138,646	0			Yes
Health - Clinics	Province	108,279	0	0	350,000	90,335	60,161	18,800	40,200			Yes
<b>Total Grants and Subsidies Received</b>		<b>137,568</b>	<b>96,961,000</b>	<b>71,876,000</b>	<b>66,972,000</b>	<b>65,629,068</b>	<b>59,970,357</b>	<b>54,254,166</b>	<b>50,378,272</b>	<b>280,000</b>		

(\*) 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 2017

Incumbent	Personal Reference Number	Period		Basic	Bonuses	Allowances	Contributions to Funds	Termination Benefits	Total
		From	To	Salaries					Remuneration
				R	R	R	R	R	R
<b>Mayor</b>									
PB Mabhengu	3161	2016-08-11	2017-06-30	321,903	-	246,502	74,873		643,278
KS Pangwa	3078	2016-07-01	2016-08-10	58,877	-	47,699	12,115		118,690
<b>Speaker: Full Time</b>									
SK Mnukwa	3153	2016-08-11	2017-06-30	276,031	-	201,655	73,175		550,861
ZO Sisilana	3159	2016-07-01	2016-08-10	47,101	-	41,857	6,035		94,993
<b>Chief WIP: Full Time</b>									
NG Mdzinwa	3162	2016-08-11	2017-06-30	241,428	-	204,900	36,168		482,497
N Mbele	3117	2016-07-01	2016-08-10	44,158	-	37,534	7,326		89,018
<b>Executive Committee</b>									
GU Makanda	3088	2016-07-01	2017-06-30	259,936	-	216,432	42,349		518,717
TA Mambi	3146	2016-07-01	2017-06-30	151,925	-	130,978	20,188		303,091
N Sonyabashi	3135	2016-07-01	2017-06-30	151,925	-	123,966	27,579		303,470
FN Ngonyolo	3115	2016-07-01	2017-06-30	151,925	-	123,966	27,579		303,470
M. Mataka	3163	2016-08-11	2017-06-30	241,428	-	189,456	51,612		482,497
AN Garane	3164	2016-08-11	2017-06-30	241,428	-	192,969	47,863		482,260
MV Nkqayi	3116	2016-07-01	2016-10-31	67,311	-	42,370	21,878		131,559
VA Bulana	3085	2016-07-01	2016-08-10	24,402	-	16,188	8,602		49,192
LT Qasha	3150	2016-07-01	2016-08-10	44,158	-	36,670	8,294		89,121
HM Ngqasa	3160	2016-07-01	2017-06-30	285,586	-	281,037	5,174		571,797
EN Ngalonkulu - Lebelo	3047	2016-07-01	2017-06-30	128,665	-	81,222	42,310		252,197
N Mpumlwana	3136	2016-07-01	2016-08-10	44,158	-	35,188	9,673		89,018
N Nkula	3118	2016-07-01	2016-08-10	24,402	-	24,402	445		49,249
PK Thingathinga	3102	2016-07-01	2017-06-30	157,819	-	155,305	2,632		315,756
<b>Other Councillors</b>									
LL Nqatsha	3165	2016-08-11	2017-06-30	103,502	-	86,823	12,081		202,406
N Ntshayisa	3166	2016-08-11	2017-06-30	103,502	-	89,266	9,713		202,482
HN Dandala	3167	2016-08-11	2017-06-30	103,502	-	83,967	14,900		202,369
LS Maqashalala	3168	2016-08-11	2017-06-30	103,502	-	83,967	14,807		202,276
FP Sontsi	3169	2016-08-11	2017-06-30	103,502	-	85,395	13,394		202,290
M Ramabina	3170	2016-08-11	2017-06-30	103,502	-	83,967	14,900		202,369
S Gqiza	3171	2016-08-11	2017-06-30	103,502	-	97,104	1,933		202,540
T Ntsalaze	3172	2016-08-11	2017-06-30	103,502	-	83,967	14,900		202,369
M Maliwa	3173	2016-08-11	2017-06-30	103,502	-	83,967	14,900		202,369
M Hlanekelela	3174	2016-08-11	2017-06-30	103,502	-	72,833	26,034		202,369
T Ndara	3175	2016-08-11	2017-06-30	103,502	-	97,104	1,933		202,540
M Ntsevu	3176	2016-08-11	2017-06-30	103,502	-	85,395	13,471		202,368
NV Nomqaqa	3177	2016-08-11	2017-06-30	103,502	-	83,967	14,900		202,369
S Sifolo	3178	2016-08-11	2017-06-30	103,502	-	97,104	1,933		202,540



Incumbent	Personal Reference Number	Period		Basic Salaries	Bonuses	Allowances	Contributions to Funds	Termination Benefits	Total Remuneration
		From	To						
NC Tshayisa	3179	2016-08-11	2017-06-30	103,502	-	97,104	1,933		202,540
SS Dangisa	3180	2016-08-11	2017-06-30	103,502	-	83,967	14,803		202,272
T Sokhanyile	3181	2016-08-11	2017-06-30	103,502	-	80,448	18,399		202,349
M Mqulwane	3182	2016-08-11	2017-06-30	103,502	-	50,607	48,260		202,369
P Makhinzi	3183	2016-08-11	2017-06-30	103,502	-	83,967	14,900		202,369
GV Lugongolo	3184	2016-08-11	2017-06-30	103,502	-	83,967	14,900		202,369
CL Noqhakala	3185	2016-08-11	2017-06-30	103,502	-	83,967	14,803		202,272
TV Hlazo	3186	2016-08-11	2017-06-30	103,502	-	73,729	25,137		202,369
CN Mnyayiza	3187	2016-08-11	2017-06-30	103,502	-	83,967	14,832		202,300
B Majalamba	3188	2016-08-11	2017-06-30	103,502	-	83,967	14,900		202,369
A Mgangatho	3189	2016-08-11	2017-06-30	103,502	-	83,967	14,803		202,272
T Nomkuca	3190	2016-08-11	2017-06-30	103,502	-	74,653	24,214		202,369
SO Madlanga	3191	2016-08-11	2017-06-30	103,502	-	83,967	14,803		202,272
NH Kolweni	3192	2016-08-11	2017-06-30	103,502	-	83,967	14,900		202,369
M Joloba	3193	2016-08-11	2017-06-30	103,502	-	83,967	14,900		202,369
AN Zongwana	3194	2016-08-11	2017-06-30	103,502	-	83,967	14,900		202,369
M Tuku	3195	2016-08-11	2017-06-30	103,502	-	83,967	14,803		202,272
NS Soldat	3196	2016-08-11	2017-06-30	103,502	-	73,125	25,742		202,369
AP Mkonto	3197	2017-02-01	2017-06-30	44,832	-	40,376	5,272		90,480
FJ Hem	3156	2016-07-01	2017-06-30	122,010	-	97,623	19,148	-	238,781
AL Mwezula	3140	2016-07-01	2016-12-31	18,545	-	15,085	2,952	-	36,582
MM Mpepanduku	3091	2016-07-01	2016-12-31	18,545	-	11,222	6,815	-	36,582
X Jona	3158	2016-07-01	2017-06-30	122,010	-	82,086	34,782	-	238,878
M Mpakumpaku	3154	2016-07-01	2016-12-31	18,545	-	15,085	2,952	-	36,582
NM Mlenzana	3147	2016-07-01	2016-12-31	18,545	-	15,085	2,952	-	36,582
M Jojo	3122	2016-07-01	2016-12-31	18,545	-	17,747	332	-	36,623
ZJ Mendu	3128	2016-07-01	2016-12-31	18,545	-	15,085	2,952	-	36,582
V Nyangane	3131	2016-07-01	2016-12-31	18,545	-	12,738	5,299	-	36,582
N Gogela	3145	2016-07-01	2017-06-30	122,010	-	97,623	19,245	-	238,878
ZB Mtebele	3138	2016-07-01	2016-12-31	27,418	-	1,843	7,311	-	36,572
CT Ndawo	3137	2016-07-01	2016-12-31	18,545	-	15,085	2,952	-	36,582
BMA Zililo	3129	2016-07-01	2016-12-31	18,545	-	15,085	2,952	-	36,582
SAN Cekeshe	3113	2016-07-01	2017-06-30	122,010	-	96,276	20,572	-	238,858
S Mankanku	3132	2016-07-01	2017-06-30	122,010	-	83,207	33,564	-	238,781
NT Xezu	3112	2016-07-01	2016-12-31	18,545	-	15,085	2,952	-	36,582
N Jijana	3142	2016-07-01	2016-12-31	18,545	-	15,085	2,952	-	36,582
V Ngabaza	3123	2016-07-01	2016-12-31	18,545	-	11,750	6,287	-	36,582
CM Ngalonkulu	3114	2016-07-01	2016-12-31	18,545	-	15,085	2,952	-	36,582
BT Ngqasa	3149	2016-07-01	2016-12-31	18,545	-	15,085	2,952	-	36,582
MH Kwekwile	3133	2016-07-01	2016-12-31	18,545	-	12,267	5,788	-	36,600
NA Sobahle	3139	2016-07-01	2016-12-31	24,756	-	11,535	294	-	36,585
NP Ndabeni	3126	2016-07-01	2016-12-31	18,545	-	12,948	5,089	-	36,582
S Nogcantsi	3130	2016-07-01	2016-12-31	18,545	-	15,085	2,952	-	36,582
SP Myingwa	3157	2016-07-01	2017-06-30	151,336	-	121,009	23,736	-	296,082
NE Pakkies	3121	2016-07-01	2016-12-31	18,545	-	15,085	2,952	-	36,582
T Mabindisa	3141	2016-07-01	2016-12-31	18,545	-	15,085	2,952	-	36,582
MM Gwanya	3155	2016-07-01	2016-12-31	18,545	-	15,085	2,952	-	36,582
AZ Gwebani	3006	2016-07-01	2016-12-31	18,545	-	15,085	2,952	-	36,582
N Boyce	3125	2016-07-01	2016-12-31	18,545	-	15,515	2,564	-	36,623
B Mngweba	3127	2016-07-01	2016-12-31	27,452	-	4,842	4,278	-	36,572
NO Godlo	3124	2016-07-01	2016-12-31	18,545	-	15,085	2,952	-	36,582

Incumbent	Personal Reference Number	Period		Basic Salaries	Bonuses	Allowances	Contributions to Funds	Termination Benefits	Total Remuneration
		From	To						
NP Mlandu	3120	2016-07-01	2016-12-31	27,452	-	1,804	7,316	-	36,572
F Ntwakumba	3143	2016-07-01	2016-12-31	18,545	-	11,356	6,681	-	36,582
NN Gcadinja	3084	2016-07-01	2017-06-30	122,010	-	85,805	31,081	-	238,896
N Mpanda	3094	2016-07-01	2016-12-31	23,799	-	19,359	3,789	-	46,947
B Ripa	3148	2016-07-01	2016-12-31	18,545	-	15,084	2,952	-	36,582
NA Matshongo	3144	2016-07-01	2017-06-30	122,010	-	114,851	2,265	-	239,126
<b>Total for Councillors</b>				<b>7,921,373</b>		<b>6,322,611</b>	<b>1,319,300</b>	<b>-</b>	<b>15,563,284</b>

30 June 2017

Incumbent	Personal Reference Number	Period		Basic Salaries	Bonuses	Allowances	Contributions to Funds	Termination Benefits	Total Remuneration
		From	To						
				R	R	R	R	R	R
<b>Municipal Manager</b>									
GPT Nota	4274	2016-07-01	2017-06-30	858,998	231,702	310,888	159,116		1,560,704
<b>Chief Financial Officer</b>									
X. Venn	4314	2016-07-01	2017-06-30	647,470	122,192	300,957	53,745		1,124,365
<b>Manager: Community Services</b>									
M Sineke	4281	2016-07-01	2017-06-30	647,470	118,219	352,917	1,785		1,120,391
<b>Manager: Corporate Services</b>									
N Kubone	4280	2016-07-01	2017-06-30	647,470	122,192	316,678	38,024		1,124,365
<b>Manager: Local Economic Development</b>									
SL Batyi	4267	2016-07-01	2017-06-30	647,470	118,219	427,471	53,726		1,246,886
<b>Manager: Infrastructure and Planning</b>									
SP Ntonga	1517	2016-07-01	2017-06-30	647,470	112,258	352,917	1,785		1,114,430
<b>Manager: Special Programs and Communication</b>									
S Kulu	4158	2016-07-01	2017-06-30	108,781	95,866	49,688	8,833	111,265	374,433
<b>Total for Senior Managers</b>				<b>4,205,130</b>	<b>920,649</b>	<b>2,111,516</b>	<b>317,013</b>	<b>111,265</b>	<b>7,665,573</b>
<b>Total for Management</b>				<b>12,126,503</b>	<b>920,649</b>	<b>8,434,127</b>	<b>1,636,313</b>	<b>111,265</b>	<b>23,228,857</b>

30 June 2016

Incumbent	Personal Reference Number	Period		Basic Salaries	Bonuses	Allowances	Contributions to Funds	Termination Benefits	Total Remuneration
		From	To						
				R	R	R	R	R	R
<b>Mayor</b>									
KS Pangwa	3078	2015-07-01	2016-06-30	390,532	-	297,650	69,830		764,337
<b>Speaker: Full Time</b>									

Incumbent	Personal Reference Number	Period		Basic Salaries	Bonuses	Allowances	Contributions to Funds	Termination Benefits	Total Remuneration
		From	To						
ZO Sisilana	3159	2015-07-01	2016-06-30	312,426	-	217,019	76,966		611,674
<b>Chief WIP: Part Time</b>									-
<b>Chief WIP: Full Time</b>									
N Mbele	3117	2015-07-01	2016-06-30	292,899	-	234,269	41,342		573,238
<b>Executive Committee</b>									
MV Nkqayi	3116	2015-07-01	2016-06-30	292,899	-	199,953	75,658		573,239
VA Bulana	3085	2015-07-01	2016-06-30	162,268	-	104,861	47,033		316,776
LT Qasha	3150	2015-07-01	2016-06-30	292,899	-	187,325	88,286		573,713
Z Ndevu	3045	2015-07-01	2016-04-30	245,524	-	164,388	63,847		477,843
EN Ngalonkulu - Lebelo	3160	2016-06-01	2016-06-30	23,688	-	20,135	3,553		47,808
N Mpumlwana	3047	2015-07-01	2016-06-30	162,268	-	101,418	50,476		316,784
N Nkula	3136	2015-07-01	2016-06-30	292,899	-	219,561	56,050		573,253
PK Thingathinga	3118	2015-07-01	2016-06-30	162,268	-	129,110	22,784		317,038
PK Thingathinga	3102	2015-07-01	2016-06-30	162,268	-	135,701	16,193		316,907
<b>Other Councillors</b>									
FJ Hem	3156	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
AL Mwezula	3140	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
MM Mpepanduku	3091	2015-07-01	2016-06-30	118,013	-	73,977	36,492		230,388
X Jona	3158	2015-07-01	2016-06-30	118,013	-	79,190	31,278		230,388
M Mpakumpaku	3154	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
NM Mlenzana	3147	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
M Jojo	3122	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,572
ZJ Mendu	3128	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
V Nyangane	3131	2015-07-01	2016-06-30	118,013	-	79,190	31,278		230,388
N Gogela	3145	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
ZB Mtebele	3138	2015-07-01	2016-06-30	173,247	-	11,343	43,891		230,388
CT Ndawo	3137	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
BMA Zililo	3129	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
N Sonyabashi	3135	2015-07-01	2016-06-30	118,013	-	70,534	39,934		230,695
SAN Cekeshe	3113	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,572
S Mankanku	3132	2015-07-01	2016-06-30	118,013	-	80,822	29,646		230,388
NT Xezu	3112	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
N Jijana	3142	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
V Ngabaza	3123	2015-07-01	2016-06-30	118,013	-	73,542	36,926		230,388
FN Ngonyolo	3115	2015-07-01	2016-06-30	118,013	-	70,534	39,934		230,695
CM Ngalonkulu	3114	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
BT Ngqasa	3149	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
MH Kwekwile	3133	2015-07-01	2016-06-30	118,013	-	76,654	33,814		230,573
NA Sobahle	3139	2015-07-01	2016-06-30	156,677	-	52,735	19,069		230,573
NP Ndabeni	3126	2015-07-01	2016-06-30	118,013	-	80,822	29,646		230,388
S Nogcantsi	3130	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
SP Myingwa	3157	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
NE Pakkies	3121	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
T Mabindisa	3141	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
MM Gwanya	3155	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,573
AZ Gwebani	3006	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
N Boyce	3125	2015-07-01	2016-06-30	118,013	-	79,906	30,562		230,572

Incumbent	Personal Reference Number	Period		Basic Salaries	Bonuses	Allowances	Contributions to Funds	Termination Benefits	Total Remuneration
		From	To						
B Mngweba	3127	2015-07-01	2016-06-30	173,337	-	30,275	24,865		230,384
NO Godlo	3124	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
NP Mlandu	3120	2015-07-01	2016-06-30	173,337	-	11,239	43,905		230,573
GU Makanda	3088	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,388
TA Mambi	3146	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,572
F Ntwakumba	3143	2015-07-01	2016-06-30	122,503	-	66,681	39,296		230,389
NN Gcadinja	3084	2015-07-01	2016-06-30	118,013	-	83,462	27,006		230,573
N Mpanda	3094	2015-07-01	2016-06-30	151,449	-	120,503	21,265		295,665
SK Mnu kwa	3153	2015-07-01	2016-06-30	118,013	-	68,318	42,150		230,573
B Ripa	3148	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,564
NA Matshongo	3144	2015-07-01	2016-06-30	118,013	-	93,898	16,570		230,572
<b>Total for Councillors</b>				<b>8,109,851</b>		<b>5,568,570</b>	<b>1,627,237</b>	<b>-</b>	<b>15,437,397</b>

30 June 2016

Incumbent	Personal Reference Number	Period		Basic Salaries	Bonuses	Allowances	Contributions to Funds	Termination Benefits	Total Remuneration
		From	To						
				R	R	R	R	R	R
<b>Municipal Manager</b>									
GPT Nota	4274	2015-07-01	2016-06-30	812,911	169,874	257,896	267,026		1,507,708
<b>Chief Financial Officer</b>									
X. Venn	4314	2015-07-01	2016-06-30	612,732	123,689	282,292	80,843		1,099,556
<b>Manager: Community Services</b>									
M Sineke	4281	2015-07-01	2016-06-30	612,732	119,335	331,029	20,355		1,083,452
<b>Manager: Corporate Services</b>									
N Kubone	4280	2015-07-01	2016-06-30	612,732	128,043	297,038	85,766		1,123,579
<b>Manager: Local Economic Development</b>									
SL Batyi	4267	2015-07-01	2016-06-30	612,732	107,144	282,264	109,662		1,111,803
<b>Manager: Infrastructure and Planning</b>									
SP Ntonga	1517	2015-07-01	2016-06-30	612,732	114,981	331,029	58,972		1,117,715
<b>Manager: Special Programs and Communication</b>									
S Kulu	4158	2015-07-01	2016-06-30	612,732	98,436	265,322	105,178		1,081,668
<b>Total for Senior Managers</b>				<b>4,489,306</b>	<b>861,503</b>	<b>2,046,870</b>	<b>727,801</b>	<b>-</b>	<b>8,125,480</b>
<b>Total for Management</b>				<b>12,599,157</b>	<b>861,503</b>	<b>7,615,440</b>	<b>2,355,038</b>	<b>-</b>	<b>23,562,877</b>

**APPENDIX H**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2017**

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
					2017	2016		
<b>1. FINANCIAL POSITION</b>								
<b>A. Asset Management / Utilisation</b>								
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%		35.17%	41.24%	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, Audit Fees and Legal Fees due . Preliminary expenditure was also incurred for the imminent implementation of MSCOA as of the 1st of July 2017 through increased subsistence and travel for workshops attended by staff and consulting costs.
				Total Operating Expenditure	199,748,326	190,949,599		
				Taxation Expense	-	-		
				Total Capital Expenditure	108,357,980	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%		-0.13%	0.38%	Refer to Page 3 of MFMA Circular No 71	This is within the norm, there is no major impairment. There was a disposal carried out during the course of the financial year, thus the propable write-offs or impairments reduced on account of obsolete assets being disposed.
				PPE, Investment Property & Intangible Impairment	(723,576)	1,850,822		
				PPE at Carrying Value	540,070,037	468,215,739		
				IP at Carrying Value	19,961,575	19,961,575		
				Intangible Assets at Carrying Value	2,288,560	1,723,895		
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%		0.79%	0.42%	Refer to Page 4 of MFMA Circular No 71	The major part of repairs and maintenance is done on gravel roads which require maintenance after heavy rains recorded in the region, other increases are attributed to motor vehicles which had previously been on an operating lease but now are owned and maintained by the Municipality. Community assets account for a marked increase in expenditure due to largely maintenance of Community halls.
				Total Repairs and Maintenance Expenditure	4,405,637	2,074,087		
				PPE at Carrying Value	540,070,037	468,215,739		
				Investment Property at Carrying Value	19,961,575	19,961,575		
<b>B. Debtors Management</b>								
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%		68.04%	47.34%	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. The Municipality also has a debt collector that assists with collection of outstanding debtors.
				Gross Debtors Closing Balance	31,716,821	26,172,451		
				Gross Debtors Opening Balance	26,172,451	17,927,428		
				Bad Debts Written-off	-	-		
				Billed Revenue	17,348,692	15,656,095		
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%	0.00%	Refer to Page 5 of MFMA Circular No 71	The Municipality did not write off any debt in the current financial year.
				Consumer Debtors Bad Debts Written-off	-	-		
				Consumer Debtors Current Bad Debt Provision	30,379,833	19,480,296		
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		200 Days	156 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.
				Gross Debtors	31,716,821	26,172,451		
				Bad Debts Provision	22,208,852	19,480,296		
				Billed Revenue	17,348,692	15,656,095		

**APPENDIX H**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2017**

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
					2017	2016		
<b>C. Liquidity Management</b>								
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		3 Months	4 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	45,932,159	46,219,874		
				Unspent Conditional Grants	5,587,397	529,574		
				Overdraft	-	-		
				Short-term Investments	-	-		
Total Annual Operational Expenditure	160,341,127	151,667,725						
2. Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		3.55	3.72	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	69,184,205	63,998,438		
				Current Liabilities	19,488,145	17,193,851		
<b>C. Liability Management</b>								
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%		0.00%	-13.86%	Refer to Page 8 of MFMA Circular No 71	This is within the norm.
				Interest Paid	-	247,945		
				Redemption	-	(26,715,764)		
				Total Operating Expenditure	199,748,326	190,949,599		
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%		0.00%	0.01%	Refer to Page 9 of MFMA Circular No 71	Municipality paid off its debt from major creditors.
				Total Debt	-	10,488		
				Total Operating Revenue	274,401,130	286,434,325		
Operational Conditional Grants	171,844,688	171,967,000						
<b>C. Sustainability</b>								
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	45,932,159	46,219,874		
				Unspent Grants	5,587,397	529,574		
				Net Assets	600,354,925	525,702,122		
Accumulated Surplus	600,354,925	525,702,122						
<b>2. FINANCIAL PERFORMANCE</b>								
<b>A. Efficiency</b>								
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%		27.35%	33.34%	Refer to Page 10 of MFMA Circular No 71	The Municipality is within the required norm.
				Total Operating Revenue	274,401,130	286,434,325		
				Depreciation - Revalued Portion	-	-		
				Total Operating Expenditure	199,358,076	190,949,599		
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%		-65.35%	-696.85%	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	11,796,266	1,724,538		
				Total Refuse Expenditure	19,504,611	13,742,004		

**APPENDIX H**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2017**

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
					2017	2016		
<b>B. Distribution Losses N/A</b>								
<b>C. Revenue Management</b>								
1. Revenue Growth (%)	((Period under Review's Total Revenue - Previous Period's Total Revenue) / Previous Period's Total Revenue) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	= CPI	CPI Total Revenue (Previous) Total Revenue (Current)	-4.20% 7.00% 286,434,325	21.06% 7.00% 236,600,276	Refer to Page 15 of MFMA Circular No 71	Increase in the number of properties was caused by adding rural schools and properties there we were not allowed to bill as they are unsurveyed.
2. Revenue Growth (%) - Excluding Capital Grants	((Period under Review's Total Revenue, excluding Capital Grants - Previous Period's Total Revenue, excluding Capital Grants) / Previous Period's Total Revenue, excluding Capital Grants) x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= CPI	CPI Total Revenue, excluding Capital Grants (Previous) Total Revenue, excluding Capital Grants (Current)	-5.79% 7.00% 241,849,906	23.72% 7.00% 195,487,835	Refer to Page 15 of MFMA Circular No 71	Revenue increased due to increases in tariffs and implementation of supplementary valuation roll.
<b>D. Expenditure Management</b>								
1. Creditors Payment Period (Trade Creditors)	(Trade Creditors Outstanding / Credit Purchases (Operating and Capital)) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days	Trade Creditors Contracted Services Repairs and Maintenance General Expenses Bulk Purchases Capital Credit Purchases	9 Days 4,490,280 7,231,781 4,405,637 68,103,253 -	21 Days 8,907,266 6,795,712 2,074,087 61,806,058 -	Refer to Page 16 of MFMA Circular No 71	The municipality pays creditors weekly.
2. Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	((Irregular, Fruitless & Wasteful and Unauthorised Expenditure) / Total Operating Expenditure) x 100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%	Irregular, Fruitless & Wasteful and Unauthorised Expenditure Total Operating Expenditure Taxation Expense	28.35% 56,635,749 199,748,326	0.12% 226,466 190,949,599	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.
3. Remuneration as % of Total Operating Expenditure	(Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	25% - 40%	Employee / Personnel Related Cost Councillors Remuneration Total Operating Expenditure Taxation Expense	36.03% 56,409,344 15,563,284 199,748,326	37.05% 55,311,425 15,437,397 190,949,599	Refer to Page 17 of MFMA Circular No 71	The Municipality is within the required norm.
4. Contracted Services % of Total Operating Expenditure	(Contracted Services / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	2% - 5%	Contracted Services Total Operating Expenditure Taxation Expense	3.62% 7,231,781 199,748,326	3.56% 6,795,712 190,949,599	Refer to Page 17 of MFMA Circular No 71	The Municipality is within the required norm.
<b>E. Grant Dependency</b>								
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	Internally Generated Funds Borrowings Total Capital Expenditure	0.00% - 108,357,980	62.54% 83,817,760 -	Refer to Page 18 of MFMA Circular No 71	No borrowed funds during the financial year.
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	Internally Generated Funds Total Capital Expenditure	0.00% 108,357,980	62.54% 83,817,760	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.
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	Total Revenue Government Grant and Subsidies Public Contributions and Donations Capital Grants	16.73% 274,401,130 239,883,865 68,039,177	15.36% 286,434,325 255,038,665 83,071,665	Refer to Page 18 of MFMA Circular No 71	The Municipal revenue base is very small and therefore own revenue is only 15.08% of the total revenue.

**APPENDIX H**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2017**

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)	
					2017	2016			
<b>3. BUDGET IMPLEMENTATION</b>									
<b>A. Efficiency</b>									
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%		80.44%	81.23%	Refer to Page 19 of MFMA Circular No 71	
					Actual Capital Expenditure	108,357,980	134,029,239		
					Budgeted Capital Expenditure	134,700,000	164,993,540		
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%		86.65%	78.41%	Refer to Page 20 of MFMA Circular No 71	The Municipality applied cost containment measures approach to reduce operational expenditure.
					Actual Operating Expenditure	199,748,326	190,949,599		
					Budgeted Operating Expenditure	230,516,789	243,520,000		
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%		89.25%	87.19%	Refer to Page 20 of MFMA Circular No 71	Revenue collection is still a big challenge for the Municipality however continuous strategies are implemented to address this challenge but they yield very small results.
					Actual Operating Revenue	274,401,130	286,434,325		
					Budgeted Operating Revenue	307,466,012	328,522,304		
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%		95.41%	79.49%	Refer to Page 21 of MFMA Circular No 71	The Municipality is within the required norm.
					Actual Service Charges and Property Rates Revenue	15,039,968	13,512,869		
					Budgeted Service Charges and Property Rates Revenue	15,763,128	17,000,000		
<b>Interpretation of Results:</b>									
<div style="display: flex; align-items: flex-start;"> <div style="width: 15px; height: 10px; background-color: #90EE90; margin-right: 5px;"></div> <div style="font-size: 0.8em;">The green colour indicates that the result is within the norm and is acceptable.</div> </div> <div style="display: flex; align-items: flex-start; margin-top: 5px;"> <div style="width: 15px; height: 10px; background-color: #FF0000; margin-right: 5px;"></div> <div style="font-size: 0.8em;">The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.</div> </div> <div style="display: flex; align-items: flex-start; margin-top: 5px;"> <div style="width: 15px; height: 10px; background-color: #ADD8E6; margin-right: 5px;"></div> <div style="font-size: 0.8em;">Data should be captured in the blue coloured cell to calculate a ratio.</div> </div> <div style="display: flex; align-items: flex-start; margin-top: 5px;"> <div style="width: 15px; height: 10px; border: 1px solid black; margin-right: 5px;"></div> <div style="font-size: 0.8em;"># In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.</div> </div>									