



UMZIMVUBU
— LOCAL MUNICIPALITY —

ANNUAL FINANCIAL STATEMENTS

30 June 2011

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GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2011

Mayor	Speaker	Chief Whip
KS Pangwa	ZO Sisilana	N Mbele
Members	Portfolio	
MV Nkqayi	Infrastructure and Planning	
VA Bulana	Community Services	
LT Qasha	Corporate Services	
Z Ndevu	Budget and Treasury	
EN Ngalonkulu - Lebelo	Communications and SPU	
N Mpumlwana	Local Economic Development	
N Nkula	Exco Member	
PK Thingathinga	Exco Member	

AUDITORS

Auditor-General
East London
Eastern Cape

BANKERS

First National Bank
Mount Frere

REGISTERED OFFICE

Erf 813 Main Street
Mount Frere

Private Bag X9020
Mount Frere
5090

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

Webpage: www.umzimvubu.gov.za

MUNICIPAL MANAGER

Mr. G.P.T. Nota

CHIEF FINANCIAL OFFICER

Mr. M. Hloba

GENERAL INFORMATION (continued)

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 objects:

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

JURISDICTION

Greater Umzimvubu area which includes:

Mount Frere, Mount Ayliff

and

various rural areas

2010/11

MEMBERS OF THE UMZIMVUBU LOCAL MUNICIPALITY COUNCILLORS

WARD

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

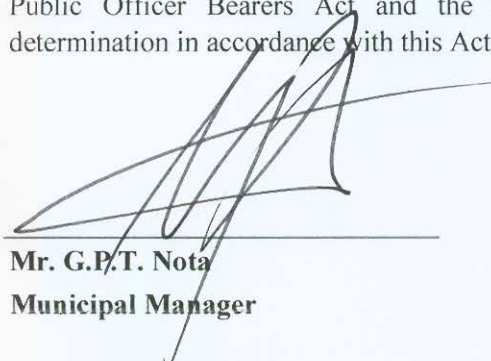
PROPORTIONAL

- | |
|----------------------|
| N Nkula |
| EL Sishuba |
| EN Ngalonkulu-Lebelo |
| N Mpumlwana |
| NE Pakkies |
| T Mabindisa |
| M Mataka |
| N Goqa |
| N Boyce |
| NO Godlo |
| LT Qasha |
| B Mngweba |
| NP Mlandu |
| UN Makanda |
| PK Thingathinga |
| TA Mambi |
| F Ntwakumba |
| ZO Sisilana |
| N Mbele |
| KS Phangwa |
| NN Gcadinja |
| VA Bulana |
| N Mpanda |
| SK Mnukwa |
| Z Ndevu |
| B Ripa |
| NA Matshongo |

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 88 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


Mr. G.P.T. Nota
Municipal Manager

30/11/2011
Date

[These Financial Statements have been audited - Awaiting Report]

UMZIMVUBU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

REPORT OF THE CHIEF FINANCIAL OFFICER

1 INTRODUCTION

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

2 KEY FINANCIAL INDICATORS

The following indicators give some insight into the financial results of the year under review.

Financial Statement Ratios:

INDICATOR	2010/11	2009/10
Surplus / (Deficit) before Appropriations	14 257 525	4 819 665
Surplus / (Deficit) at the end of the Year	233 575 360	219 317 835
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	22.67%	24.62%
Remuneration of Councillors	8.15%	9.43%
Impairment Losses	6.59%	7.80%
Repairs and Maintenance	3.74%	7.66%
Interest Paid	0.45%	1.10%
General Expenses	25.86%	28.46%
Current Ratio:		
Creditors Days	37	56
Debtors Days	342	115

The Surplus / (Deficit) before Appropriations and the Surplus / (Deficit) at the end of the Year 2009/10 was restated because of previous years adjustments. Please refer to Correction of Error notes 29.1 and 29.2 to 29.5 for details.
Because of the adjustments the Ratio's above for 2009/10 financial year was also recalculated/stated.

3 OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Note 55.

The overall operating results for the year ended 30 June 2011 are as follows:

DETAILS	Actual 2010/11 R	Actual 2009/10 R	Percentage Variance %	Budgeted 2010/11 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	219 317 835	330 862 714	(33.71)%	-	-
Operating income for the year	154 081 972	103 605 735	48.72%	202 086 295	(23.75)%
Appropriations for the year		19 827 488		-	-
	373 399 807	454 295 938	(17.81)%	202 086 295	84.77%
Expenditure:					
Operating expenditure for the year	139 824 447	98 786 070	41.54%	103 771 215	34.74%
Sundry transfers		136 192 033	(100.00)%	-	-
Closing surplus / (deficit)	233 575 359	219 317 835	6.50%	96 315 080	-
	373 399 807	454 295 938	(17.81)%	202 086 295	84.77%

The figures for the 2009/10 financial year was restated due to Correction of Errors as per note 29 to the financial statements and also to be in line with the Statement of Changes in Net Assets.

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality. The main income sources are Assessment Rates, Refuse Disposal and Sundry Fees levied.

DETAILS	Actual 2010/11 R	Actual 2009/10 R	Percentage Variance %	Budgeted 2010/11 R	Variance actual/ budgeted %
Income	154 081 972	103 605 735	48.72%	202 086 295	(23.75)%
Expenditure	139 824 447	98 786 070	41.54%	103 771 215	34.74%
Surplus / (Deficit)	14 257 525	4 819 665	195.82%	98 315 080	-
Surplus / (Deficit) as % of total income	9.25%	4.65%		48.65%	

The Income and the Expenditure was restated because of previous years adjustments. Please refer to Correction of Error notes 29.2 to 29.5 for details.

3.2 Waste Management Services:

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

The service currently falls under the Community Services cost centre which are also responsible for various other functions. This makes it not possible to report on the service as an economic unit.

4 FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R67264757 (2009/10: R31589155). Full details of Property, Plant and Equipment are disclosed in Note 7 and Notes 51 to 54 to the Annual Financial Statements.

The capital expenditure of R67264757 was financed as follows:

DETAILS	Actual 2010/11 R	Actual 2009/10 R	Percentage Variance %	Budgeted 2010/11 R	Variance actual/ budgeted %
Grants and Subsidies	67 264 757	31 589 155	112.94%	98 315 080	(31.58)%
	67 264 757	31 589 155	112.94%	98 315 080	(31.58)%

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2010/11	2009/10
Grants and Subsidies	100.00%	100.00%

Property, Plant and Equipment is funded to such a great extent from grants and subsidies because the municipality does not have the financial resources to finance capital from its own funds.

5 RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2010/11	2009/10
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	98 315 080	58 764 801
Revenue variances	(48 004 323)	(20 924 595)
Expenditure variances:		
Employee Related Costs	14 242 238	4 407 264
Remuneration of Councillors	(1 161 748)	3 019 655
Bad debts	365 000	37 500
Depreciation and Amortisation	(22 821 162)	(18 973 767)
Repairs and Maintenance	(1 874 765)	(5 535 473)
Interest Paid	(634 248)	(1 087 742)
General Expenses	(1 380 921)	(5 678 624)
Government Grants (Operational)	(13 189 071)	(1 502 338)
Loss on disposal of Property, Plant and Equipment	(382 561)	-
Actual surplus before appropriations	14 257 525	4 819 665

DETAILS	2010/11	2009/10
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	98 315 080	58 764 801
Executive and Council	4 345 881	3 144 522
Finance and Administration	(47 490 370)	(35 447 019)
Planning and Development	(39 950 257)	(26 356 760)
Community and Social Services	(962 810)	4 714 122
Actual surplus before appropriations	14 257 525	4 819 665
	(0)	

Details of the operating results per segmental classification of expenditure are included in Note 55, whilst operational results per category of expenditure, together with a short explanation of significant variances of more than 10% from budget, are included in Note 48 to the financial statements.

5.2 Capital Budget:

DETAILS	Actual 2010/11 R	Actual 2009/10 R	Variance actual 2010/11 / 2009/10 R	Budgeted 2010/11 R	Variance actual/ budgeted R
Executive and Council	-	-	-	555 000	(555 000)
Finance and Administration	458 437	2 814 724	(2 356 287)	3 474 513	(3 016 076)
Planning and Development	4 317 306	385 163	3 932 143	90 927 472	(86 610 166)
Community and Social Services	3 638 890	286 605	3 352 286	3 358 095	280 795
Sport and Recreation	-	192 446	(192 446)	-	-
Environmental Protection	-	241 174	(241 174)	-	-
Roads and Transport	58 328 435	27 669 044	30 659 391	-	58 328 435
	67 264 757	31 589 155	35 675 603	98 315 080	(31 050 323)
	-	-	-	-	-

Details of the results per segmental classification of capital expenditure are included in Note 51, together with a short explanation of significant variances of more than 10% from budget, are included in Note 49 to the financial statements.

6 ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2011 amounted to R233575360 (30 June 2010: R4819665) and is made up as follows:

Capital Replacement Reserve (CRR)	5 014 475
Government Grants Reserve	195 396 057
Accumulated Surplus / (Deficit) due to the results of Operations	33 164 828
	<u>233 575 360</u>

7 NON-CURRENT PROVISIONS

Non-current Provisions amounted to R4480969 as at 30 June 2011 (30 June 2010 : R4194511 and is made up as follows:

Provision for Long-term Service	424 880
Provision for Rehabilitation of Land-fill Sites	4 056 089
	<u>4 480 969</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 14 for more detail.

8 CURRENT LIABILITIES

Current Liabilities amounted R16330069 as at 30 June 2011 (30 June 2010: R25149938 and is made up as follows:

Creditors	Note 10	14 022 074
Unspent Conditional Grants and Receipts	Note 11	2 016 582
		<u>16 330 069</u>

Non-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.

9 PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R188512395 as at 30 June 2011 (30 June 2010: R145181074).

Refer to Note 7 and Notes 51 to 54 for more detail.

10 INTANGIBLE ASSETS

The net value of Intangible Assets were R298057 as at 30 June 2011 (30 June 2010: R218071).

These 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 8 for more detail.

11 CURRENT ASSETS

Current Assets amounted to R52545426 as at 30 June 2011 (30 June 2011: R88977139) and is made up as follows:

Inventory	Note 2	354 278
Consumer Debtors	Note 3	7 705 205
Other Debtors	Note 4	14 645 891
Bank Balances and Cash	Note 5	29 624 537
Operating Lease Assets	Note 6	215 515
		<u>52 545 426</u>

Refer to the indicated Notes for more detail.

12 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 11 and 20, and Note 56 for more detail.

13 EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 45.

14 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 Department, for without their assistance these Annual Financial Statements would not have been possible.



CHIEF FINANCIAL OFFICER

UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Note	2011 R	2010 <i>Restated</i> R
ASSETS			
Current Assets		52 545 426	88 977 139
Inventory	2	354 278	338 465
Trade Receivables from Exchange Transactions	3	7 705 205	3 533 505
Trade Receivables from Non-Exchange Transactions	4	14 645 891	4 147 168
Cash and Cash Equivalents	5	29 624 537	80 699 141
Operating Lease Assets	6	215 515	258 860
Non-Current Assets		203 096 452	159 685 145
Property, Plant and Equipment	7	188 512 395	145 181 074
Intangible Assets	8	298 057	218 071
Investment Property	9	14 286 000	14 286 000
Total Assets		255 641 878	248 662 284
LIABILITIES			
Current Liabilities		16 330 069	25 149 938
Creditors	10	14 022 074	15 239 431
Unspent Conditional Grants and Receipts	11	2 016 582	9 910 507
Current Portion of Long-term Liabilities	13	291 413	-
Non-Current Liabilities		5 736 448	4 194 511
Long-term Liabilities	13	1 255 479	-
Non-current Provisions	14	4 480 969	4 194 511
Total Liabilities		22 066 517	29 344 449
Total Assets and Liabilities		233 575 360	219 317 835
NET ASSETS		233 575 360	219 317 835
Accumulated Surplus / (Deficit)	15	233 575 360	219 317 835
Total Net Assets		233 575 360	219 317 835

UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Note	Actual 2011 R	Actual 2010 <i>Restated</i> R	Budget 2011 R
REVENUE				
Revenue from Non-exchange Transactions				
Property Rates	16	6 453 386	10 022 451	8 160 000
Fines		464 511	144 257	400 000
Licences and Permits		6 502	32 218	2 767 000
Income for Agency Services		3 502 369	4 547 792	3 044 427
Government Grants and Subsidies Received	20	135 120 145	79 372 775	133 259 130
Revenue from Exchange Transactions				
Service Charges	18	1 781 184	1 231 001	1 300 000
Rental of Facilities and Equipment	19	980 768	1 216 894	1 064 974
Interest Earned - External Investments	17	3 362 168	4 388 311	5 000 000
Interest Earned - Outstanding Debtors	17	984 073	1 362 454	-
Other Income	21	1 082 744	1 287 582	46 290 764
Gains on Disposal of Property, Plant and Equipment		-	-	500 000
Profit on Sale of Land:-		344 123	-	300 000
Total Revenue		154 081 972	103 605 735	202 086 295
EXPENDITURE				
Employee Related Costs	22	31 699 079	24 316 814	45 941 317
Remuneration of Councillors	23	11 389 093	9 315 600	10 227 345
Bad Debts		-	-	365 000
Depreciation and Amortisation	24	23 294 148	19 173 767	472 986
Impairment Losses	25	9 215 993	7 707 016	-
Repairs and Maintenance		5 234 029	7 568 626	3 359 264
Finance Costs	26	634 248	1 087 742	-
General Expenses	27	36 154 323	28 114 168	34 773 402
Government Grants (Conditional)	27.1	21 820 972	1 502 338	8 631 901
Loss on Disposal of Property, Plant and Equipment		382 561	-	-
Total Expenditure		139 824 447	98 786 070	103 771 215
SURPLUS / (DEFICIT) FOR THE YEAR		14 257 525	4 819 665	98 315 080
Refer to Note 48 for explanation of budget variances				

UMZIMVUBU LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

Description	Accumulated Surplus
	R
2010	
Balance at 30 June 2009	330 862 714
Change in Accounting Policy (Note 28)	(122 431 428)
Correction of Error (Note 29)	6 397 904
Restated Balance	214 829 190
Surplus / (Deficit) for the year	24 647 153
Balance at 30 June 2010	239 476 343
2011	
Change in Accounting Policy (Note 28)	(19 173 767)
Correction of Error (Note 29)	(984 742)
Restated Balance	219 317 834
Surplus / (Deficit) for the year	14 257 525
Balance at 30 June 2011	233 575 359

UMZIMVUBU LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		117 993 829	99 048 005
Cash paid to Suppliers and Employees		(107 626 768)	(56 786 640)
Cash generated from / (utilised in) Operations	30	10 367 061	42 261 366
Interest received	17	4 346 241	4 388 311
Interest paid	26	(634 248)	(1 087 742)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		14 079 054	45 561 934
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(67 264 757)	(31 589 155)
Purchase of Intangible Assets	8	(231 122)	
Proceeds on Disposal of Property, Plant and Equipment		751 985	
(Increase) / decrease in Long-term Receivables	6	43 345	(37 651)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(66 700 549)	(31 626 805)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised	13	1 833 729	-
Loans repaid		(286 837)	-
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		1 546 892	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	5	(51 074 604)	13 935 129
Cash and Cash Equivalents at the beginning of the year		80 699 141	66 764 012
Cash and Cash Equivalents at the end of the year		29 624 537	80 699 141

The figures for Receipts, Payments, Cash and Cash Equivalents Balance at the beginning and end for 2009/10 was restated. See Correction of Error Note 29.8 Reclassification of Cash Flow Statement:

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

GENERAL INFORMATION

Umzimvubu Local Municipality (the municipality) is a local government institution in Mount Frere, Eastern Cape. 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 and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

INVENTORY

Stationery at cost	354 278	338 465
Total Inventory	354 278	338 465

Stationery are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

Inventory in respect of Vacant properties at cost were restated due to a land claim hanging over these properties and because it is also listed in the Assets Register at a nominal value of R1 each.

TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2011			
Service Debtors:	6 356 765	6 194 318	162 447
Refuse	6 356 765	6 194 318	162 447
VAT Claim	7 271 161	-	7 271 161
Land sales	271 596	-	271 596
Total Trade Receivables from Exchange Transactions	13 899 522	6 194 318	7 705 205

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2010			
Service Debtors:	4 676 310	3 626 829	1 049 480
Refuse	4 676 310	3 626 829	1 049 480
VAT Claim	2 143 507	-	2 143 507
Other Debtors	340 518	-	340 518
Total Trade Receivables from Exchange Transactions	7 160 334	3 626 829	3 533 505

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

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

3.1 Trade Receivables from Exchange Transactions

Refuse: Ageing

<u>Current:</u>		
0 - 30 days	161 650	114 723
<u>Past Due:</u>		
31 - 60 Days	159 047	112 091
61 - 90 Days	158 086	113 830
91 - 120 Days	155 327	113 389
+ 120 Days	5 722 654	4 222 346
Total	6 356 765	4 676 380

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Other Debtors: Ageing		
<u>Current:</u>		
0 - 30 days	-	-
<u>Past Due:</u>		
31 - 60 Days	50 890	-
61 - 90 Days	37 482	-
91 - 120 Days	31 195	-
+ 120 Days	152 029	-
Total	<u>271 596</u>	<u>-</u>

All Trade Receivables from Exchange Transactions - Ageing

<u>Current:</u>		
0 - 30 days	161 650	114 723
<u>Past Due:</u>		
31 - 60 Days	209 938	112 091
61 - 90 Days	195 568	113 830
91 - 120 Days	186 522	113 389
+ 120 Days	5 874 683	4 222 346
Total	<u>6 628 361</u>	<u>4 676 380</u>

As at 30 June 2011 Trade Receivables from Exchange Transactions of R 6466711 (30 June 2010: R 4561656) were past due date but not impaired. The age analysis of these debtors are as follows:

31 - 60 Days	209 938	112 091
61 - 90 Days	195 568	113 830
+ 90 Days	186 522	113 389
+ 120 Days	5 874 683	4 222 346
Total	<u>6 466 711</u>	<u>4 561 656</u>

3.2 Summary of Trade Receivables from Exchange Transactions by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2011				
<u>Current:</u>				
0 - 30 days	102 291	35 987	11 250	12 122
<u>Past Due:</u>				
31 - 60 Days	101 277	35 198	10 731	62 733
61 - 90 Days	100 778	34 934	10 531	49 325
+ 90 Days	100 230	33 017	10 329	42 946
+ 120 Days	4 260 935	1 035 519	164 875	413 354
Sub-total	4 665 511	1 174 655	207 715	580 480
Less: Provision for Impairment	4 567 786	1 138 562	181 956	306 013
Total Debtors by Customer Classification	<u>97 725</u>	<u>36 093</u>	<u>25 759</u>	<u>274 467</u>

As at 30 June 2010

<u>Current:</u>				
0 - 30 days	92 933	10 325	4 838	6 628
<u>Past Due:</u>				
31 - 60 Days	90 449	10 258	4 756	6 628
61 - 90 Days	92 298	10 192	4 712	6 628
+ 90 Days	91 932	10 125	4 704	6 628
+ 120 Days	3 199 517	788 354	90 556	143 919
Sub-total	3 567 129	829 254	109 566	170 431
Less: Provision for Impairment	2 832 909	658 569	-	135 351
Total Debtors by Customer Classification	<u>734 220</u>	<u>170 685</u>	<u>109 566</u>	<u>35 080</u>

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
	2011 R	2010 R
3.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	3 626 829	-
Impairment Losses recognised	2 567 488	-
Balance at end of year	<u>6 194 318</u>	<u>3 626 829</u>

The Provision for Impairment were restated for the previous year due to the total Provision for Impairment being disclosed under Trade Receivables from Non-Exchange Transactions.
See Correction of Error Note for details.

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

3.4 Ageing of impaired Consumer Debtors

0 - 30 Days	148 011	87 268
Past Due:		
31 - 60 Days	147 313	85 243
61 - 90 Days	147 180	86 658
91 - 120 Days	146 905	86 314
+ 120 Days	5 604 909	3 281 347
Long-term Loan Debtors	-	-
Total	<u>6 194 318</u>	<u>3 626 829</u>

4 TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Assessment Rates	21 944 642	18 135 751
Payments made in Advance	47 401	2 586
Government Subsidy Claims	13 144 913	-
Sundry Debtors	41 158	32 310
	<u>35 178 114</u>	<u>18 170 647</u>
Less: Provision for Impairment	(20 532 224)	(14 023 479)
Total Trade Receivables from Non-Exchange Transactions	<u>14 645 891</u>	<u>4 147 168</u>

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

Assessment Rates, Projects, Sundry Deposits and Sundry Debtors for 2009/10 were restated as Council approved the writing off of certain amounts.

See Correction of Error Note : 29.7 Reclassification of Statement of Financial Position : 30 June 2010 for details.

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

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

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

UMZIMVUBU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
ation of Provision for Impairment		
beginning of year	14 023 478	9 943 292
isses recognised	6 508 745	7 707 016
isses reversed	-	(3 626 829)
nd of year	20 532 224	14 023 478

or Assessment Rates had been restated due to a difference in the billing system
r control at 30 June 2010 which was still the difference at 30 June 2011.
for Impairment were restated for the previous year due to a "Timevalue of Money"
the Auditor General and the relevant amount in respect of Trade Receivables
e Transactions being transferred to the relevant section.

n of Error Note 29.7 Reclassification of Statement of Financial Position : 30 June
ls.

Trade receivables from non-exchange transactions

Rates: Ageing

465 207	678 458
-	-
446 783	633 879
442 762	631 594
438 288	624 818
20 151 602	15 567 002
21 944 642	18 135 751

Assessment Rates Debtors by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
e 2011				
	175 842	247 683	17 212	24 471
	173 181	239 726	17 212	16 663
	170 547	238 345	17 212	16 658
	168 559	236 557	17 004	16 167
	8 144 493	7 700 716	3 195 256	1 111 137
	8 832 621	8 663 028	3 263 897	1 185 097
	8 424 072	8 441 373	2 559 779	1 107 000
ion for Impairment	408 549	221 655	704 118	78 097
by Customer Classification				

e 2010

	276 217	339 751	41 339	35 998
	250 729	335 317	25 208	35 970
	247 822	335 027	25 208	35 970
	243 828	332 054	25 208	35 970
	6 413 612	5 713 719	2 594 462	792 341
	7 432 209	7 055 868	2 711 425	936 249
	6 757 211	6 415 049	-	851 218
ion for Impairment	674 998	640 819	2 711 425	85 031
s by Customer Classification				

for bad debts has been made in respect of government debt as these amounts are
to be fully recoverable.

UMZIMVUBU LOCAL MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Ageing of impaired Rates Assessment Debtors

0 - 30 Days

Past Due

31 - 60 Days

61 - 90 Days

91 - 120 Days

Over 120 Days

Long-term Loan Debtors

In assessing the recoverability of debtors, the municipality has placed strong emphasis on the indigent status of consumers. Provision for impairment of receivables has been made on the basis of the payment ratio over 12 months. No provision is required in excess of the Provision for Impairment.

Bad debts has been made in respect of government debt as these amounts are fully recoverable.

EQUIVALENTS

Debtors with a maturity period of less than 3 months and earn interest

2011 R	2010 R
403 979	517 795
395 609	483 379
394 976	480 991
393 840	475 789
18 943 819	12 065 524
<u>20 532 224</u>	<u>14 023 478</u>

29 624 537	80 699 141
<u>29 624 537</u>	<u>80 699 141</u>

26 356 205	78 300 124
<u>26 356 205</u>	<u>78 300 124</u>

3 268 333	2 398 779
<u>3 268 333</u>	<u>2 398 779</u>

2 398 779	2 115 584
3 268 333	2 398 779
<u>2 253 455</u>	<u>2 093 331</u>
<u>2 253 455</u>	<u>2 253 455</u>
<u>26 356 205</u>	<u>78 300 124</u>

560 739	793 674
431 817	25 926 735
10 671 702	9 712 274
1 916 473	1 837 835
388 016	372 110
472 077	26 567 556
232 289	226 255

Number 62022183727

Purposes as

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

			2011 R	2010 R
Capital Replacement Reserve	First National	6206 799 8040	5 228 681	5 014 475
Testing Centre	First National	6209 341 1339	3 211 823	3 077 805
Dedea Projects	First National	6224 528 8411	2 909 383	4 239 592
Operational Investment	Standard	18 475 016 4	-	504 396
Operational Investment	Standard	08 211 839 6	-	27 417
Financial Management Grant (FMG)	First National	6227 618 7294	45 101	
Munisipal System Improvement Grant	First National	6227 618 9018	31 067	
Operational Investment	First National	6228 856 0925	257 035	

The municipality did not make use of an overdraft facility during the 2010/11 financial year.

5.3 Cash and Cash equivalents

Cash Floats and Advances	-	238
Cash on hand in Cash Floats, Advances and Equivalents	-	238

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

OPERATING LEASE ASSETS / 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	258 860	221 209
Operating Lease receipts recorded	13 796	37 651
Operating Lease receipts effected	(57 141)	-
Total Operating Lease Assets	<u>215 515</u>	<u>258 860</u>

Operating Lease Assets have been restated to adhere to the disclosure provisions of GRAP 13. Refer to Note 29 on Correction of Error for details of restatement

6.1 Leasing Arrangements

The Municipality as Lessor:

6.2 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	868 360	865 988
2 to 5 years	379 421	1 200 050
More than 5 years	107 200	154 931
Total Operating Lease Arrangements	<u>1 354 982</u>	<u>2 220 969</u>

The following restrictions (if any) have been imposed by the municipality in terms of the (specify) 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 2011

7 PROPERTY, PLANT AND EQUIPMENT

30 June 2011

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 01 July 2010	38 272 515	43 203 266	55 482 331	17 719	8 205 243	145 181 074
Cost	39 430 775	163 241 633	73 417 850	17 719	10 519 303	286 627 280
- Completed Assets	39 430 775	163 241 633	73 101 309	17 719	10 519 303	286 310 738
- Under Construction	-	-	316 541	-	-	316 541
Accumulated Depreciation:	(1 158 260)	(120 038 367)	(17 935 519)	-	(2 314 060)	(141 446 205)
- Cost	(1 158 260)	(120 038 367)	(17 935 519)	-	(2 314 060)	(141 446 205)
Acquisitions	-	28 299 613	769 041	-	3 098 175	32 166 830
Capital under Construction - Addition	4 205 592	30 892 336	-	-	-	35 097 928
- Cost	4 205 592	30 892 336	-	-	-	35 097 928
Increases in Revaluation	-	-	-	-	-	-
Depreciation:	(1 190 321)	(16 439 028)	(2 972 820)	-	(2 540 842)	(23 143 012)
- Based on Cost	(1 190 321)	(16 439 028)	(2 972 820)	-	(2 540 842)	(23 143 012)
Carrying value of Disposals:	(63 000)	-	-	-	(727 424)	(790 424)
- Cost	(63 000)	-	-	-	(1 421 748)	(1 484 748)
- Accumulated Depreciation	-	-	-	-	694 324	694 324
- Based on Cost	-	-	-	-	694 324	694 324
Capital under Construction - Completed	-	-	(316 541)	-	-	(316 541)
Carrying values at 30 June 2011	41 224 786	85 956 186	53 278 552	17 719	8 035 152	188 512 395
Cost	43 573 367	222 433 582	74 186 892	17 719	12 195 731	352 407 290
- Completed Assets	39 367 775	191 541 246	74 186 892	17 719	12 195 731	317 309 362
- Under Construction	4 205 592	30 892 336	-	-	-	35 097 928
Revaluation	-	-	-	-	-	-
Accumulated Depreciation:	(2 348 581)	(136 477 395)	(20 908 340)	-	(4 160 578)	(163 894 894)
- Cost	(2 348 581)	(136 477 395)	(20 908 340)	-	(4 160 578)	(163 894 894)

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2010

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 01 July 2009	51 234 264	(81 789 104)	44 468 459	17 719	6 841 679	20 773 017
Cost	28 847 318	131 985 814	74 469 708	17 719	7 861 593	243 182 152
- Completed Assets	28 847 318	131 985 814	74 469 708	17 719	7 861 593	243 182 152
Correction of error (Note 29)	11 193 473	(106 887 459)	(15 000 624)	-	(509 957)	(111 204 567)
Revaluation	11 193 473	-	-	-	-	11 193 473
Accumulated Depreciation:	-	(106 887 459)	(15 000 624)	-	(509 957)	(122 398 040)
- Cost	-	(106 887 459)	(15 000 624)	-	(509 957)	(122 398 040)
Acquisitions	385 163	27 910 218	162 509	-	2 814 724	31 272 614
Capital under Construction - Addition	-	-	316 541	-	-	316 541
- Cost	-	-	316 541	-	-	316 541
Depreciation:	(1 158 260)	(13 150 908)	(2 934 895)	-	(1 804 103)	(19 048 165)
- Based on Cost	(1 158 260)	(13 150 908)	(2 934 895)	-	(1 804 103)	(19 048 165)
Transfers/Reclassification	(995 179)	3 345 601	(1 530 908)	-	(157 014)	662 500
- Cost	(995 179)	3 345 601	(1 530 908)	-	(157 014)	662 500
Carrying values at 30 June 2010	38 272 515	43 203 266	55 482 331	17 719	8 205 243	145 181 074
Cost	39 430 775	163 241 633	73 417 850	17 719	10 519 303	286 627 280
- Completed Assets	39 430 775	163 241 633	73 101 309	17 719	10 519 303	286 310 738
- Under Construction	-	-	316 541	-	-	316 541
Revaluation	-	-	-	-	-	-
Accumulated Depreciation:	(1 158 260)	(120 038 367)	(17 935 519)	-	(2 314 060)	(141 446 205)
- Cost	(1 158 260)	(120 038 367)	(17 935 519)	-	(2 314 060)	(141 446 205)

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the Property, plant and equipment in accordance with GRAP 17 for the financial years up to 30 June 2010.

The municipality has identified and measured all Property, plant and equipment in terms of GRAP 17 for the financial year ended 30 June 2011. The balances of the Property, plant and equipment have been retrospectively restated accordingly.

All infrastructure assets were valued as at 30 June 2011 using the depreciated replacement cost approach.

Refer to Notes 51 to 54 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 2011

2011
R

2010
R

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

7.1 Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use:

The municipality does not currently have any PPE in use which are fully depreciated.

7.2 Impairment of Property, Plant and Equipment:

During the period, the municipality carried out a review of the recoverable amount of its infrastructure property, plant and equipment, having regard to its ongoing programme of modernisation and the extension of its services. It was not necessary to impair any assets.

7.3 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality therefore considered the useful life of all assets during the 2010/11 financial year. The useful life of the landfill sites were reduced in accordance with the actuarial assessment for the rehabilitation of the sites at 30 June 2011.

8 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

298 057

218 071

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Servitudes Registered	Website Development	Total
Carrying values at 01 July 2010	218 071	-	-	218 071
Cost	377 060	-	-	377 060
Accumulated Amortisation	(158 989)	-	-	(158 989)
Acquisitions during the Year:	144 722	-	86 400	231 122
Purchased	144 722	-	86 400	231 122
Amortisation during the Year:	(151 136)	-	-	(151 136)
Affected	(151 136)	-	-	(151 136)
Carrying values at 30 June 2011	211 657	-	86 400	298 057
Cost	521 782	-	86 400	608 182
Accumulated Amortisation	(310 126)	-	-	(310 126)
	Computer Software	Servitudes Registered	Website Development	Total
Carrying values at 01 July 2009	343 673	-	-	343 673
Cost	377 060	-	-	377 060
Accumulated Amortisation	(33 388)	-	-	(33 388)
Acquisitions during the Year:	-	-	-	-
Amortisation during the Year:	(125 602)	-	-	(125 602)
Affected	(125 602)	-	-	(125 602)
Carrying values at 30 June 2010	218 071	-	-	218 071
Cost	377 060	-	-	377 060
Accumulated Amortisation	(158 989)	-	-	(158 989)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance.

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.

UMZIMVUBU LOCAL MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR

2010
R

to Note 51 for more detail on Intangible Assets:

8.1 Intangible Assets with Indefinite Useful Lives:

The municipality amortises all its Intangible Assets with indefinite useful lives.

MENT PROPERTY

9 INVESTMENT PROPERTY
At Cost

There was no movement in carrying values at 1 July

Carrying values at 1 July

	Carrying values at 1 Jan	Carrying values at 30 June	Cost	Estimated Fair Value
Goodwill	100	100	100	100
Identifiable Intangible Assets	100	100	100	100
Property, Plant and Equipment	100	100	100	100
Financial Assets	100	100	100	100
Other Assets	100	100	100	100
Liabilities	100	100	100	100
Equity	100	100	100	100

Estimated Fair Value of Investment Property at 30 June

30 June

Estimated Fair Value of Investment

All of the municipality's investment property during the financial year.

Property had been

There are

and

There are no restrictions on the realisation of Investment Property or the remittance of proceeds of disposal.

There are no contractual obligations on Investment Property.

For more detail on Investment Property, see Note 51.

Investment Property:

Investment property equity management tools that consist of:

There are no contractual obligations on Investment Property. There are no restrictions on the realisability of Investment Property proceeds of disposal.

at 30 June

Property is held under freehold interests and no Investment Property is held under any liabilities of the municipality.

There are no contractual obligations on Investment Property.

Refer to Note 51 for more detail on Investment Property.

1 Impairment of Investment Property:

Value of investment property equals the last municipal management fees that the fair value of investment property consists out of land only.

9.1 Impairment of Investment Property:

Impairment of Investment Property:
The value of investment property equals the last municipal valuation which was based on a market related valuation. Accordingly management feels that the fair value equals the properties recorded cost.
The investment property consists out of land only, it does not depreciate and there was no reason why it should have been impaired.

...hold interests and no Investment Property or the remittance of revenue to the municipality.

...detail on Investment Property.

Investment Property:

The value of investment property equals the last municipal valuation which was based on a market related valuation. Accordingly management feels that the fair value equals the properties recorded cost.

The Investment Property consists out of land only, it does not depreciate and there was no reason why it should have been impaired.

DEBTORS

Creditors

Debtors received in Advance (Debtors Billing)

Awards (Short term)

10 CREDITORS

DEBTORS

- Trade Creditors
- Payments received in Advance (Debtors Billing)
- Retentions**
- Long Services Awards (Short term)
- Sundry Deposits
- Rental Deposits
- Other Creditors
- Unpaid leave

creditors

ve been restated to correctly classify amounts to be included in Trade Creditors.
erroneous accruals were written back. Refer to Correction of Error Note 29.7
of Statement of Financial Position : 30 June 2010 for details.

period on purchases is 30 days from the receipt of the invoice.
Interest is charged for the first 30 days from the date of invoice
charged in accordance with the credit policy.
municipality deals with. The municipality has 5
e paid within the credit timeframe.

municipality is of the

period on purchases is 30 days from the receipt of the invoice, as determined by the Municipality. The Municipality has financial risk policies in place which require that all invoices are paid within the credit timeframe. The Municipality is of the opinion that the carrying amounts were written back. Refer to Correction of Error Note 29.7 for details.

The municipality has found the credit timeframe.

14 286 000

$$\begin{array}{r} 14\,286\,000 \\ 14\,286 \end{array}$$

14 286 00

14 286 000

14 286 00

14 286 0

14 286 0

13 213 653
282

282

102 52
69 00

69

1564

15 230

15

10

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011	2010
R	R

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

Staff Bonuses refers to the actuarial valuation of long services awards to staff members in accordance with a remuneration policy. The accrual is an estimate of the amount due within 12 months after the reporting date.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

11 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

11.1 Conditional Grants from Government

National Government Grants

Total Conditional Grants and Receipts

2 016 582	9 910 507
2 016 582	9 910 507
2 016 582	9 910 507

The amount for Unspent Conditional Grants and Receipts are deposited in ring-fenced investment accounts until utilised.

See Note 20 for the reconciliation of all conditional grants.

The Unspent Grants are cashbacked by call deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Note 56 for more detail on Conditional Grants.

12 OPERATING LEASE LIABILITIES / PAYABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at 30 June as none of the contracts has any escalation clauses.

12.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Equipment with lease terms not longer than 5 years, with no option to extend for a further period. Non of the operating lease contracts contain escalation clauses. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Photocopiers which fall due as follows:

Vehicles and Other Equipment:

Up to 1 year

2 to 5 years

More than 5 years

1 052 308	1 566 253
513 945	513 945
538 363	1 052 308
1 052 308	1 566 253

Total Operating Lease Arrangements

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
13 LONG TERM LIABILITIES		
Finance Lease Liabilities	1 546 892	-
Sub-total	1 546 892	-
Less: Current Portion transferred to Current Liabilities:- Finance Lease Liabilities	291 413 291 413	- -
Total Long-term Liabilities (Neither past due, nor impaired)	1 255 479	-

13.1 Summary of Arrangements

Finance Lease Liabilities relates to Vehicles with lease terms starting during the year for a period of 5 years. The effective interest rate is prime rate which was 9% since the inception of the agreements. Capitalised Lease Liabilities are secured over the items of vehicles leased.

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

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.

Refer to Note 50 for more detail on Long-term Liabilities.

13.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years. The effective interest rate on Finance Leases is linked to the prime bank rate which was 9% since inception of the agreements.

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

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2011 R	2010 R	2011 R	2010 R
Amounts payable under finance leases:				
Within one year	418 807	-	291 413	-
In the second to fifth years, inclusive	1 468 678	-	1 255 479	-
Over five years	-	-	-	-
	1 887 485	-	1 546 892	-
Less: Future Finance Obligations	340 593	-		
Present Value of Minimum Lease Obligations	1 546 892	-	1 546 892	-
Less: Amounts due for settlement within 12 months (Current Portion)			291 413	-
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			1 255 479	-

The municipality has finance lease agreements for the following significant classes of assets:

- Vehicles

Included in these classes are the

(i) Vehicles	10
- Instalments are payable monthly in arrears	
- Average period outstanding	60 months
- Average effective interest rate, based on prime	9.00%
- Average monthly instalment	R 41 880.70

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
14 NON-CURRENT PROVISIONS		
Provision for Long Service Awards	424 880	403 770
Provision for Rehabilitation of Land-fill Sites	4 056 089	3 790 741
Total Non-current Provisions	<u><u>4 480 969</u></u>	<u><u>4 194 511</u></u>

Provision for Long Service Awards have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 29 on "Correction of Error" for details on the restatement.

The movement in Non-current Provisions are reconciled as follows:

	Long Service Awards R	Land-fill Sites R
30 June 2011		
Balance at beginning of year	403 770	3 790 741
Contributions to provision	175 024	265 349
Increase due to discounting	-	-
Expenditure incurred	-	-
	<u>578 794</u>	<u>4 056 089</u>
Transfer to current provisions	(153 914)	-
Balance at end of year	<u><u>424 880</u></u>	<u><u>4 056 089</u></u>
30 June 2010		
Balance at beginning of year	331 775	3 542 620
Contributions to provision	174 522	241 174
Increase due to discounting	-	6 947
Expenditure incurred	-	-
Balance at end of year	<u><u>403 770</u></u>	<u><u>3 790 741</u></u>

In terms of the licencing of the landfill refuse sites, the municipality will incur rehabilitation costs of R 4,056 million to restore the sites at the end of its useful lives, estimated to be between 16 and 19 years. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

The figures for the Long Services Awards for 200910 were restated due to the valuation done at 30 June 2010 being done on inaccurate criteria.

14.1 Long Service Awards

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 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 30 June 2010, 125 employees were eligible for Long-services Awards.

The Current-service Cost for the year ending 30 June 2011 is estimated to be R133 628, whereas the interest for the current year is estimated to be R41 396.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011	2010
R	R
2011	2010
R	R

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	9.08%	9.08%
Cost Inflation Rate	5.41%	5.41%
Net Effective Discount Rate	2.51%	2.51%
Expected Return on Plan Assets	6.41%	6.41%
Expected Rate of Salary Increase	6.41%	6.41%
Expected Return on Reimbursement Rights	0.00%	0.00%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	506 297	374 571
Current service costs	133 628	87 945
Interest cost	41 396	32 500
Benefits paid	(102 527)	(42 796)
Actuarial losses / (gains)	-	54 077
Total Recognised Benefit Liability	<u>578 794</u>	<u>506 297</u>

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

Current service cost	133 628	87 945
Interest cost	41 396	32 500
Actuarial losses / (gains)	-	54 077
Total Post-retirement Benefit included in Employee Related Costs	<u>175 024</u>	<u>174 522</u>

The history of experienced adjustments is as follows:

	2011	2010	2009	2008	2007
	R	R	R	R	R
Present Value of Defined Benefit Obligation	578 794	506 297	374 571	-	-
Deficit	<u>578 794</u>	<u>506 297</u>	<u>374 571</u>	<u>-</u>	<u>-</u>

14.2 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur rehabilitation costs of R 4,056 million to restore the sites at the end of its useful lives, estimated to be between 16 and 19 years. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

ACCUMULATED SURPLUS

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

Capital Replacement Reserve (CRR)	5 014 475	5 014 475
Government Grants Reserve	195 396 057	152 083 309
Accumulated Surplus / (Deficit) due to the results of Operations	33 164 828	62 220 051
Total Accumulated Surplus	<u>233 575 360</u>	<u>219 317 835</u>

Accumulated Surplus has been restated to correctly disclose previous years balances. Refer to Note 29 on "Correction of Error" for details of the restatement.

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

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash. Due to the exemption of depreciation of assets until 30 June 2011 the carrying value of assets are only known after the depreciation was done retrospectively and the reserve was restated accordingly.

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

16 PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2011 R000's	July 2010 R000's		
Residential	260 980 500	260 980 500	2 552 727	3 231 087
Commercial	245 779 500	245 779 500	2 704 546	4 708 834
State	108 698 500	108 698 500	1 196 113	2 082 530
Total Assessment Rates	615 458 500	615 458 500	6 453 386	10 022 451
Attributable to:				
Continuing Operations			6 453 386	10 022 451
Discontinued Operations			-	-
			6 453 386	10 022 451

The municipality does not raise interest on overdue accounts and therefore Property Rates Revenue have been restated to disclose the fair value of Interest Revenue. (IAS 39) whereby part of the Property Rates Revenue was discounted and transferred to Interest on Outstanding Debtors Revenue.

See Correction of Error Note 29.3 Reclassification of Revenue - 2009/10 for details.

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The last valuation came into effect on 1 July 2009.

An average general rate of 1.1 c/R (2009/2010: 1.6 c/R) is applied to residential and 1.3 c/R (2009/10: 1.8 c/R) on business property valuations to determine assessment rates.

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 not levied on overdue amounts.

17 INTEREST EARNED

External Investments:

Investments	3 362 168	4 388 311
	3 362 168	4 388 311

Outstanding Debtors:

Outstanding Billing Debtors	984 073	1 362 454
	984 073	1 362 454
Total Interest Earned	4 346 241	5 750 765

Interest on Outstanding Debtors have been restated to disclose the fair value of interest on outstanding accounts in accordance with International Accounting Standard (IAS) 39.

See Correction of Error Note 29.3 Reclassification of Revenue - 2009/10 for details.

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	3 362 168	4 388 311
Loans and Receivables	984 073	1 362 454
	4 346 241	5 750 765

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
SERVICE CHARGES		
Refuse Removal	1 781 184	1 231 001
Total Service Charges	<u><u>1 781 184</u></u>	<u><u>1 231 001</u></u>

The municipality does not raise interest on overdue accounts and therefore Service Charges Revenue have been restated to disclose the fair value of Interest Revenue. (IAS 39) whereby part of the Service Charges Revenue was discounted and transferred to Interest on Outstanding Debtors Revenue.

See Correction of Error Note 29.3 Reclassification of Revenue - 2009/10 for details.

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.

RENTAL OF FACILITIES AND EQUIPMENT

Operating Lease Rental Revenue:		
- Other Rental Revenue	846 618	881 935
Rental Revenue from Buildings	(0)	220 986
Rental Revenue from Halls	132 834	113 974
Rental Revenue from Land	1 316	-
Total Rental of Facilities and Equipment	<u><u>980 768</u></u>	<u><u>1 216 894</u></u>

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

GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	71 442 307	58 456 347
Other Subsidies	3 500 000	-
Operational Grants	<u>74 942 307</u>	<u>58 456 347</u>
Conditional Grants	60 177 838	20 916 429
National: FMG	1 016 304	1 309 216
National: MIG	35 403 053	18 783 860
National: MSIG	1 665 001	632 909
Other: Electricity	20 000 000	-
Provincial: DEAT Grant	2 093 481	68 511
Other Spheres of Government: Various Grants	-	121 933
Total Government Grants and Subsidies	<u><u>135 120 145</u></u>	<u><u>79 372 775</u></u>

Operational Grants:

20.1 National: Equitable Share	<u>71 442 307</u>	<u>58 456 347</u>
Utilised	71 442 307	58 456 347

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

20.2 Municipal Election Support

Utilised	3 500 000	-
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The Municipality received an amount of R3 500 000 from the Department of Local Government, Housing and Traditional Affairs for the funding of operations and preparations necessary with the Municipal Election held in May 2011

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Conditional Grants:		
20.2 National: FMG Grant		
Balance unspent at beginning of year	(177 178)	132 038
Current year receipts	1 200 000	1 000 000
Conditions met - transferred to Revenue	(1 016 304)	(1 309 216)
Other Transfers		
Conditions still to be met - transferred to Current Assets (see Note11)	<u>6 518</u>	<u>(177 178)</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

20.3 National: MIG Funds

Balance unspent at beginning of year	5 319 140	-
Current year receipts	16 939 000	24 103 000
Conditions met - transferred to Revenue	(35 403 053)	(18 783 860)
Other Transfers	13 144 913	-
Conditions still to be met - transferred to Current Assets (see Note11)	<u>-</u>	<u>5 319 140</u>

The Municipal Infrastructure Grant (MIG) was allocated for mainly the construction of roads. No funds have been withheld.

The MIG Grant was overspend due to National Treasury changed the time of payment from the National Government Financial Year to the Municipal Financial Year. I.e. from March 2011 to June 2011. The R13 144 913 is shown as a debtor "Government Grants and Subsidies"

20.4 National: MSIG Funds

Balance unspent at beginning of year	667 091	-
Current year receipts	1 000 000	1 300 000
Conditions met - transferred to Revenue	(1 665 001)	(632 909)
Conditions still to be met - transferred to Current Assets (see Note11)	<u>2 090</u>	<u>667 091</u>

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. No funds have been withheld.

20.5 National - Electricity

Balance unspent at beginning of year	-	-
Current year receipts	20 000 000	-
Conditions met - transferred to Revenue	(20 000 000)	-
Conditions still to be met - transferred to Current Assets (see Note11)	<u>-</u>	<u>-</u>

The grant was received from the Department of Mineral and Energy to be paid to Eskom for the upgrading of electrical installations within the greater municipal area. Eskom is the Electricity Service Provider in the area.

20.6 National - Department Economic Affairs and Trade (DEAT)

Balance unspent at beginning of year	4 101 454	-
Current year receipts	-	4 169 965
Conditions met - transferred to Revenue	(2 093 481)	(68 511)
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>2 007 973</u>	<u>4 101 454</u>

This grant was allocated for Economic Development Program. No funds have been withheld.

20.13 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2008), government grant funding is expected to increase over the forthcoming three financial years.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
OTHER INCOME		
Ground Fees	331 755	455 729
Free Basic Services	-	0
Advertising	60 695	79 359
Building Plan Fees	72 717	131 199
Funeral Plot Fees	8 029	13 695
Parking Meters	2 162	-
MG Seta	51 669	
Sales: Wood	146	701
Tender Fees	249 817	267 900
/AT Refund	-	(30 081)
Other Income	291 887	1 054
Insurance Claims	13 866	37 982
Unknown Deposit	-	325 044
Inter-departmental Recoveries	-	5 000
Total Other Income	1 082 744	1 287 582
Attributable to:		
Continuing Operations	1 082 744	1 287 582
	1 082 744	1 287 582

Other Revenue was restated as payments to Eskom for Free Basic Services was debited to a revenue vote. See Correction of Error Note 29.3 Reclassification of Revenue - 2009/10 for details.

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 16 to 20, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	22 700 662	13 325 298
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	3 740 299	3 600 977
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3 979 509	5 394 913
Housing Benefits and Allowances	1 206 112	1 844 874
Long-service Awards	72 497	150 751
Total Employee Related Costs	31 699 079	24 316 814

No advances were made to employees.

Remuneration of the Municipal Manager

Annual Remuneration	617 939	568 022
Car Allowance	169 672	151 711
Housing Allowance	62 044	55 588
Company Contributions to UIF, Medical and Pension Funds	10 084	95 251
Total	859 739	870 572

Remuneration of the Chief Financial Officer

Annual Remuneration	465 775	410 437
Car Allowance	112 904	125 138
Housing Allowance	83 810	75 089
Company Contributions to UIF, Medical and Pension Funds	8 440	51 422
Total	670 929	662 086

Remuneration of the Manager: Corporate Services

Annual Remuneration	465 773	380 993
Performance Bonus	50 034	
Acting allowance		9 050
Car Allowance	121 080	99 408
Housing Allowance	99 506	81 859
Company Contributions to UIF, Medical and Pension Funds	8 924	28 033
Total	745 316	599 343

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<i>Remuneration of the Manager: Infrastructure and Planning</i>		
Annual Remuneration	465 772	435 515
Performance Bonus	30 300	-
Car Allowance	171 122	126 935
Housing Allowance	75 050	92 599
Company Contributions to UIF, Medical and Pension Funds	8 627	7 691
Total	750 871	662 741
<i>Remuneration of the Manager: Community Services</i>		
Annual Remuneration	465 772	393 074
Acting allowance		15 313
Car Allowance	246 172	131 936
Company Contributions to UIF, Medical and Pension Funds	8 174	6 160
Total	720 118	546 483
<i>Remuneration of the Manager: Local Economic Development</i>		
Annual Remuneration	465 772	455 109
Acting allowance	64 196	
Car Allowance	137 221	129 768
Housing Allowance	52 069	
Company Contributions to UIF, Medical and Pension Funds	8 392	58 430
Total	727 649	643 307

The Manager was on leave from November to January and from March to June, Assistant Manager LED was the acting LED Manager for these periods and was paid an acting allowance

<i>Remuneration of the Manager: Chief Operations Officer</i>		
Annual Remuneration	465 775	497 915
Acting allowance	8 559	
Car Allowance	112 904	130 073
Housing Allowance	83 810	
Company Contributions to UIF, Medical and Pension Funds	8 046	46 364
Total	679 095	674 351

The Manager was on leave from 12-31 May 2011. Assistant Manager: SPU was an acting Manager and was paid an acting allowance for the period he was acting.

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

23 REMUNERATION OF COUNCILLORS

Executive Mayor	564 011	519 680
Speaker	443 056	415 744
Mayoral Committee Members	2 599 432	2 422 725
Councillors	7 509 467	5 655 012
Company Contributions to UIF, Medical and Pension Funds	-	132 680
Reimburse travel outside the municipal area	273 127	169 759
Total Councillors' Remuneration	11 389 093	9 315 600

In-kind Benefits

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

The Mayor had the use of a residence of which Council paid the monthly rental.

The Mayor had an official office and car.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
24 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	23 143 012	19 048 165
Amortisation: Intangible Assets	151 136	125 602
	-	-
Total Depreciation and Amortisation	<u>23 294 148</u>	<u>19 173 767</u>
The municipality opted to take advantage of the transitional provisions in Directive 4 from the Accounting Standards Board under which assets will not be depreciated until 30 June 2011.		
25 IMPAIRMENT LOSSES		
<i>25.1 Impairment Losses on Fixed Assets</i>		
All assets were tested for impairment and it was found necessary to impair a car which was in an accident.		
<i>25.2 Impairment Losses on Financial Assets</i>		
Impairment Losses Recognised:	9 215 993	7 707 016
Assets	139 760	-
Consumer Debtors	2 567 488	-
Other Debtors (Rates)	6 508 745	7 707 016
Total Impairment Losses	<u>9 215 993</u>	<u>7 707 016</u>
26 FINANCE COSTS		
Finance Leases	77 727	-
Other	556 521	1 087 742
Total Interest Paid on External Borrowings	<u>634 248</u>	<u>1 087 742</u>
27 GENERAL EXPENSES		
Cleaning Services	744 667	726 384
Performance Management System	207 525	-
Subsistence and Travelling	3 005 235	2 866 823
Uniforms & Protective Clothing	514 871	101 652
Accounting & Audit Fees	2 571 769	2 348 287
Advertising Fees	452 629	409 815
Ammunition	155 767	-
Bank Charges	169 871	161 385
Books & Publications	70 137	87 487
Branding & Marketing	402 533	90 863
Bursaries (Scarce Skills)	162 202	-
Catering	534 069	501 899
Communication Strategy	-	121 055
Community Radio Support	234 811	146 505
Conference Fees	203 858	67 463
Consultant & Professional Fees	3 228 926	4 580 743
Consumeables & Beverages	40 590	32 370
Customer Care	2 933	1 323
Disaster Management Plan	185 360	55 929
EAP	27 400	237 789
Electricity and Water Purchases	361 558	369 230
Entertainment	1 005 844	29 866
Events & Programs	288 073	283 898
Gazetting Bylaws Project	29 675	-
Health and Safety	46 031	-
ICT Licensing	51 338	-
HIV/AIDS	174 056	30 254
IGR	13 651	-
Indigent Support	622 913	203 349
Insurance: External	769 548	724 279

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Internal Audit Committee	951 175	457 738
Legal Fees	633 366	795 57
Material & Stores	19 138	3 143
Membership fees	308 506	400 521
Payday Licencing and Support	28 901	-
Policy Roll out Programme	24 128	-
Office Rental	114 948	201 896
Pauper Baurials	841	3 329
Postage	1 424	883
Pound Fees	36 305	13 407
Printing & Stationery	936 371	328 832
Promotional Material	654 291	195 688
Induction Programme	1 439	-
Speed Enforcement	60 149	-
Integrated Development Plan (IDP)	186 954	-
Agrarian Reform	306 831	-
Recruitment Activities	225 160	-
Environmental Management	412 105	-
Investment Promotion	181 974	-
SMME Development	642 857	-
Forestry Development	242 498	-
Public Safety	101 630	6 854
Human Resources	14 561	-
Ratepayers Incentive	900	-
Refuse Bags & Bins	727 155	478 293
Security Costs	1 848 566	1 504 228
SPU Programmes	460 902	150 471
Strategic Planning	167 932	512 432
Sundry Expenses	1 422	7 464
Survey and Planning	(6 508)	434 663
System Rental	11 075	139 787
Telephone	2 405 398	1 713 897
Training External	843 200	377 661
Fuel & Oil	852 104	75 364
Fleet Rental Services	796 035	-
Ward Committees	341 762	536 846
Equipment Rental	305 380	206 480
Medicine for Pound	12 859	-
Hall Hire	-	30 649
Drivers Licence Cards	71 295	-
SPU Programmes	-	314 249
Translation of Policies	69 193	-
Year End Function	131 448	-
Financial Systems	552 392	-
Policy formulation & Review	10 249	-
Free Basic Services	1 551 073	112 964
Tourism	565 494	-
Policy formulation & Review	-	182 824
Garnishee	-	(1 300)
Admin Systems	-	336 754
Petty Cash	-	20 098
EEP	-	95 208
Annual Reports	240 927	-
Performance Management System	-	170 364
ICT Infrastructure	422 424	26 807
Mayors Discretionary Fund	-	524 758
Community Facilities	342 096	741 555
Waste Management	1 066 156	1 365 696
Forestry Development	-	280 687
Investment Plan	-	130 946
Massive Food Production	-	634 203
SMME Development	-	124 264
Tourism	-	295 002
IDP Out Reach	-	4 347

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Total General Expenses	36 154 323	28 114 168

General expenses was restated as payments for the amount of R112 964 to Eskom for Free Basic Services was debited to a revenue vote. See Correction of Error Note 29.5 Reclassification of Expenditure - 2009/10 for details.

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

27.1 Government Grants (Conditional)

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

Municipal Systems Improvement Grant (MSIG)	1 606 586	181 510
Financial Management Grant (FMG)	978 046	802 464
Municipal Infrastructure Grant (MIG/PMU)	19 186	308 435
Electrification (DME)	17 354 028	144 516
Department Education and Training (DEAT)	1 863 126	65 415
	21 820 972	1 502 338

The MSIG is used for capacity building of Councillors, Ward Committee seating allowance and Implementation of the MPRA.

The FMG is used for salaries of the financial interns, staff capacitation and the improvement of systems.

The MIG amount is operational cost re the Project Management Unit.

The DME grant was paid over to Eskom who is responsible for the electrification and connections in the area.

The DEAT grant is used for environmental impact assessments and project management.

28 CHANGE IN ACCOUNTING POLICY

28.1 Adjustments were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June 2009 and 30 June 2010

Appropriations are summarised as follows:

	2010	2009
Property, Plant and Equipment	-19 048 165	-122 398 040
Intangible Assets	-125 602	-33 388
	-19 173 767	-122 431 428

28.2 Reclassification of Expenditure - 2009/10

	AFS	RESTATED	ADJUSTMENT
Depreciation and Amortisation	-	19 173 767	-19 173 767
	-	19 173 767.2	-19 173 767.2

Detail :

Depreciation and Amortisation

Depreciation was previously exempted in accordance with Accounting Standard Directive 4. Directive 4 is no longer applicable and the municipality need to apply depreciation for the 2010/11 financial year retrospectively for the last two years. Accordingly the depreciation for the 2009/10 year was disclosed as indicated. See Note 52 for details.

-19 173 767

28.3 Reclassification of Statement of Financial Position : 30 June 2009

	AFS	RESTATED	ADJUSTMENT
Property, Plant and Equipment	243 182 152	120 784 112	122 398 040
Intangible Assets	377 060	343 673	33 388
	243 559 212	121 127 784	122 431 428

Detail :

Property, Plant and Equipment

Depreciation was previously exempted in accordance with Accounting Standard Directive 4. Directive 4 is no longer applicable and the municipality need to apply depreciation for the 2010/11 financial year retrospectively for the last two years. Accordingly the "backlog" depreciation was calculated at 30 June 2009 as indicated. See Note 52 for details.

-122 398 040

UMZIMVUBU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Property, Plant and Equipment above.		-33 388

Statement of Financial Position : 30 June 2010

	AFS	RESTATED	ADJUSTMENT
Equipment	274 771 307	255 723 141	19 048 165
	377 060	251 458	125 602
	275 148 367	255 974 600	19 173 767

Equipment

Previously exempted in accordance with Accounting Standard Directive 4. Directive 4 is no longer applicable. Municipality need to apply depreciation for the 2010/11 financial year retrospectively for the last year of the carrying value of assets were reduced with the depreciation for the 2009/10 financial year details.

-19 048 165

Property Plant and Equipment above.

-125 602

ERROR

Revenue made and appropriated to the Accumulated Surplus Account during the year ended 30 June 2009 and 30 June 2010

Summarised as follows:

	2010	2009
Income from Exchange Transactions	-3 286 812	-1 585 501
Income from Non-Exchange Transactions	590 862	-
Grants	753 451	-
Depreciation	-2 994	-29 225
Equipment	403 416	11 452 557
	-	-3 808 500
	954 742	340 439
	6 093	28 134
	-984 742	6 397 904
Income in Accumulated Surplus Account		

Revenue of Revenue - 2008/09

None.

Revenue of Revenue - 2009/10

	AFS	RESTATED	ADJUSTMENT
	11 235 868	10 022 451	1 213 417
	144 257	144 257	-
	32 218	32 218	-
Services	4 547 792	4 547 792	-
Grants and Subsidies Received	79 372 775	79 372 775	-
	1 380 038	1 231 001	149 037
Equipment	876 301	1 216 894	-340 594
Capital Investments	4 388 311	4 388 311	-
Outstanding Debtors	-	1 362 454	-1 362 454
	1 174 618	1 287 582	-112 964
	103 152 178	103 605 735	-453 557

Municipality not raising interest on outstanding debtors a "y" calculation revealed that part of the revenue from interest on outstanding need to be disclosed as "Interest on outstanding

11 235 868	10 022 451	1 213 417
		1 213 417

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<u>Service Charges</u>		
As a result of the municipality not raising interest on outstanding debtors a "Time Value of Money" calculation revealed that part of the revenue from Service Charges (Refuse Disposal) disclosed need to be disclosed as "Interest on outstanding debtors".	1 380 038	1 231 001
		149 037
		149 037
<u>Rental of Facilities and Equipment</u>		
The straightlining of rental from operating leases previously incorrectly included VAT	24 381	21 387
Rental only received in the next financial year from the Departments of Transport and the Department of Sports, Art And Culture in respect of offices in Mount Ayliff		-340 518
Unknown deposit was identified and allocated to Rental Revenue from Operating Leases		-3 070
		-340 594
<u>Interest Earned - Outstanding Debtors</u>		
As a result of the municipality not raising interest on outstanding debtors a "Time Value of Money" calculation revealed that part of the revenue from Property Rates and Service Charges (Refuse Disposal) disclosed need to be disclosed as "Interest on outstanding debtors".	-	1 362 454
		-1 362 454
		-1 362 454
<u>Other Income</u>		
Free Basic Services paid to Eskom was recorded as revenue for the 2009/10 Financial Year	1 174 618	1 287 582
Refer Payments EF005151 dated 15/01/2010 for R74 173,47 and EF005403 dated 03/03/2010 for R38 790.35		-112 964
		-112 964
29.4 Reclassification of Expenditure - 2008/09	AFS	RESTATED
Detail : None		ADJUSTMENT
29.5 Reclassification of Expenditure - 2009/10	AFS	RESTATED
Employee Related Costs	24 327 977	24 316 814
Remuneration of Councillors	9 315 600	9 315 600
Depreciation and Amortisation	-	19 173 767
Impairment Losses	6 970 897	7 707 016
Repairs and Maintenance	7 730 142	7 568 626
Finance Costs	8 292	1 087 742
General Expenses	28 617 265	28 114 168
	78 505 025	98 786 070
		-20 281 045
<u>Employee Related Costs</u>		
The valuation of the Long Service Awards liability last year was calculated on incorrect criteria submitted and had to be restated as follows:	AFS	RESTATED
Employee costs : Current Service Cost	95 408	87 945
Employee costs : Interest Cost	35 256	32 500
Employee costs : Actuarial Loss	58 651	54 077
Employee costs : Contributions	-46 426	-42 796
		-3 630
		11 163
<u>Depreciation and Amortisation</u>		
Depreciation was previously exempted in accordance with Accounting Standard Directive 4. Directive 4 is no longer applicable and the municipality need to apply depreciation for the 2010/11 financial year retrospectively for the last two years. Accordingly the depreciation for the 2009/10 year was disclosed as indicated. See Note 52 for details.		-19 173 767
		-19 173 767
<u>Impairment Losses</u>		
With the "Time Value of Money" calculation the Auditor General determined that the provision for impairment are to low.	6 970 897	7 707 016
		-736 119
		-736 119

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<u>Repairs and Maintenance</u>		
<i>Time value of Money calculation Repairs & Maintenance restated as Interest Paid/ Finance Cost</i>		161 516
		<u>161 516</u>
<u>Finance Costs</u>		
<i>Time value of Money calculation Repairs & Maintenance restated as Interest Paid/ Finance Cost</i>		-161 516
<i>Time value of Money calculation General Expenses restated as Interest Paid/ Finance Cost</i>		-648 576
<i>Measurement of Financial Instrument (Creditors) at year end</i>		<u>-269 358</u>
		<u>-1 079 450</u>

General Expenses

Free Basic Services paid to Eskom was recorded as revenue for the 2009/10 Financial Year

30 152 118 28 114 168 -112 964

Refer Payments EF005151 dated 15/01/2010 for R74 173,47 and EF005403 dated 03/03/2010 for R38 790.35

Time value of Money calculation General Expenses restated as Interest Paid/ Finance Cost

648 576

535 612

29.6 Reclassification of Statement of Financial Position : 30 June 2009

	AFS	RESTATED	ADJUSTMENT
Inventory	403 500	403 500	-
Trade Receivables from Exchange Transactions	9 741 857	8 156 356	1 585 501
Trade Receivables from Non-Exchange Transactions	-416 208	-416 208	-
Cash and Cash Equivalents	66 005 944	66 005 944	-
Operating Lease Assets	250 434	221 209	29 225
Property, Plant and Equipment	243 182 152	254 634 709	-11 452 557
Intangible Assets	377 060	377 060	-
Investment Property	18 094 500	14 286 000	3 808 500
Creditors	2 741 958	2 401 519	340 439
Unspent Conditional Grants and Receipts	132 038	132 038	-
Non-current Provisions	3 902 529	3 874 395	28 134
	<u>344 415 764</u>	<u>350 076 522</u>	<u>-5 660 758</u>

Details :

Trade Receivables from Exchange Transactions

VAT was reconciled during 2009/10 and as a result an amount of R3 044 011.95 was transferred to the Accumulated Surplus account. Just before the final AFS for 2009/10 was submitted an error, Output VAT of R1 585 501.11 declared on an Equitable Share Receipt of R12 910 509 was discovered. The receipt was corrected and the declared amount was adjusted to an Output VAT control vote. This adjustment should have been part of the reconciliation process for 2009/10 and the amount of R3 044 011.95 mentioned before should have been reduced by this amount.

1 585 501

1 585 501

Operating Lease Assets

The straight-lining of rental from operating leases previously incorrectly included VAT causing the asset to be overstated.

237 974 208 749 -29 225

-29 225

Property, Plant and Equipment

Land previously incorrectly disclosed as "Investment Property" was transferred to Property Plant and Equipment. Refer to Erf No 453 Mount Frere

662 500

Land previously disclosed as held for sale and impaired to R1 because of a "land claim" registered re-instated to fair value. A contingent liability will be disclosed in respect of the land claim. due to reconsideration given

10 790 057

11 452 557

Investment Property

Land previously incorrectly disclosed as "Investment Property" was transferred to Property Plant and Equipment. Refer to Erf No 453 Mount Frere and written off Refer Erf 209 Remainder Mount Frere

-3 808 500

-3 808 500

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
Creditors			
<i>The valuation of the Long Services Awards liability last year was calculated on incorrect criteria submitted and had to be restated. The report by the actuaries will have to be studied for details.</i>			
Provision for Long Service Bonuses (Current)		-46 426	-3 630
Pre-2009/10 unknown balances written off			
Bank Debtor	949 600450	-1 150	-1 150
Consumer reallocation	949 777777	-150 841	-150 841
Net salaries control Acc	949 601220	-53 211	-53 211
Strike Fund control account	949 601230	-1 473	-1 473
Days Absent control account	949 601240	-125 344	-125 344
Insurance cars control account	949 060200	-5 698	-5 698
Municipal Services control Account	949 601280	908	908
			<u>-340 439</u>

Non-current Provisions

The valuation of the Long Services Awards liability last year was calculated on incorrect criteria submitted and had to be restated. The report by the actuaries will have to be studied for details.

Non- Current provision for Long Service Bonuses	-359 909.00	-331 775.00	<u>-28 134</u>
			<u>-28 134</u>

29.7 Reclassification of Statement of Financial Position : 30 June 2010

	AFS	RESTATED	ADJUSTMENT
Inventory	741 965	338 465	403 500
Trade Receivables from Exchange Transactions	8 405 817	5 119 006	3 286 812
Trade Receivables from Non-Exchange Transactions	3 556 306	4 147 168	-590 862
Cash and Cash Equivalents	79 945 690	80 699 141	-753 451
Operating Lease Assets	291 079	288 085	2 994
Property, Plant and Equipment	274 771 307	275 174 723	-403 416
Intangible Assets	377 060	377 060	-
Investment Property	18 094 500	18 094 500	-
Creditors	16 534 612	15 579 870	954 742
Unspent Conditional Grants and Receipts	9 910 507	9 910 507	-
Non-current Provisions	4 228 738	4 222 645	6 093
	<u>416 857 582</u>	<u>413 951 170</u>	<u>2 906 412</u>

Details:

Inventory

Even previously held as inventory are also included in the Assets Register as Property Plant and Equipment at a nominal value of R1 each due to a land claim hanging over these properties. The duplication need to be reversed.

403 500

403 500

Trade Receivables from Exchange Transactions

The total Provision for Impairment was disclosed under Trade Receivables from Non-Exchange Transactions and need to be separated to show the provision on Refuse Disposal Charges

3 626 829

Rental only received in the next financial year from the Departments of Transport and the Department of Sports, Art And Culture in respect of offices in Mount Ayliff

-340 518

Unknown deposit was identified and allocated to Refuse debtors account

500

3 286 811

Trade Receivables from Non-Exchange Transactions

Guarantee Investment was disclosed as Non Exchange Transactions and should have been Cash and Cash Equivalents (Short term investment) due to a coding error.

-226 255

Consumer Debtors control account balance more than the Debtors account system 30 June 2010 to date

-229 198

With the "Time Value of Money" calculation the Auditor General determined that the provision for impairment are to low.

-736 119

The total Provision for Impairment was disclosed under Trade Receivables from Non-Exchange Transactions and need to be separated to show the provision on Trade Receivables from Exchange Transactions.

3 626 829

Write off of old balances as per Council Resolution. Accruals R1 444 285.24, Prior year corrections R120 571.07 and Deposit reversals R3 280.46

-1 568 137

Old balances on salary control accounts approved to be written off by Council (949 600790 = -R400, 949 601170 = R20 167, 949 600830 = -R150, 949 601140 = -R158 531, 949 601150 = -R114 752, 949 601270 = -R8 875, 949 601260 =R9 and 949 600800 R32 310

-270 558

Various unknown deposits was identified and allocated to Assessment Rates debtors accounts

-5 700

590 862

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Cash and Cash Equivalents		
<i>Guarantee Investment was disclosed as Non Exchange Transactions and should have been Cash and Cash Equivalents (Short term investment) due to a coding error.</i>		226 25
<i>Standard Bank Investment account number 18 475 016 4 not recorded in accounting records at 30 June 2010</i>		504 39
<i>Standard Bank Investment account number 08 211 839 6 not recorded in accounting records at 30 June 2010</i>		27 41
<i>Old balances written off with Council approval : Petty Cash (949 600600)</i>		-4 61
		<u>753 451</u>
Operating Lease Assets		
<i>The straight-lining of rental from operating leases previously incorrectly included VAT causing the asset to be overstated.</i>	24 381	21 387
		<u>-2 994</u>
		<u>-2 994</u>
Property, Plant and Equipment		
<i>Properties previously held as stock transferred back to Property, Plant & Equipment (R403 500 - R84)</i>		403 416
		<u>403 416</u>
Creditors		
<i>The valuation of the Long Services Awards liability last year was calculated on incorrect criteria submitted and had to be restated. The report by the actuaries will have to be studied for details.</i>		
	AFS	RESTATED
<i>Long Service Award Liability (Current)</i>	46 426	42 796
<i>Long Service Award Liability (Current)</i>	-111 227	-102 527
<i>Erroneous accruals Creditors Control at 30 June 2010 949 600801</i>	-14 820 815	-13 781 919
<i>Measurement of Financial Instrument (Creditors) IAS 39</i>		-1 038 897
<i>Old balances on salary control accounts approved to be written off by Council (949 06110 = -R139 723, 949 600750 = -R36, 600880 = -R82 730, 949 600810 = -R17 579, 949 601180 = -R2 192, 949 601190 = -R1 433, 949 601130 = -R2 527, 949 600601 = R27 438, 949 601160 = R74.20, 949 600400 = R740, 949 600840 = R69 463, 949 60120 = R135, 949 600410 = -R3140, 949 600420 = -R32 717, 949 600920 = -R4 448 and 949 600920 = -R278 931</i>		269 358
<i>Various Unknown deposits previously disclosed as creditors was identified and reallocated to the correct activity</i>		-170 863
		<u>-9 270</u>
		<u>-954 742</u>
Non-current Provisions		
<i>The valuation of the Long Services Awards liability last year was calculated on incorrect criteria submitted and had to be restated. The report by the actuaries will have to be studied for details.</i>		
<i>Long Service Award Liability (Non-Current)</i>	-189 315	-174 522
<i>Long Service Award Liability (Non-Current)</i>	111 227	102 527
		<u>-14 793</u>
		<u>8 700</u>
		<u>-6 093</u>
29.8 Reclassification of Cash Flow Statement:	AFS	RESTATED
	98 934 965	99 048 005
Cash receipts from Ratepayers, Government and Other	-57 745 439	-56 786 640
Cash paid to Suppliers and Employees	4 388 311	4 388 311
Interest received	-8 292	-1 087 742
Interest paid	-31 589 155	-31 589 155
Purchase of Property, Plant and Equipment	-40 645	-37 651
(Increase) / decrease in Long-term Receivables	66 005 944	66 764 012
Cash and Cash Equivalents at the beginning of the year	79 945 690	80 699 141
Cash and Cash Equivalents at the end of the year		-753 451
Details :	AFS	RESTATED
<i>Cash receipts from Ratepayers, Government and Other</i>		
<i>Free Basic Services paid to Eskom was recorded as revenue for the 2009/10 Financial Year</i>		74 173
<i>Refer Payments EF005151 dated 15/01/2010 for R74 173,47 and EF005403 dated 03/03/2010 for R38 790.35</i>		38 790
<i>Refer Payments EF005151 dated 15/01/2010 for R74 173,47 and EF005403 dated 03/03/2010 for R38 790.35</i>		
<i>Rental on operating lease previously overstated with VAT</i>	24 381	21 387
<i>Rental on operating lease previously under creditors</i>		-2 994
		<u>3 070</u>
		<u>113 040</u>
Cash paid to Suppliers and Employees		
<i>Free Basic Services paid to Eskom was recorded as revenue for the 2009/10 Financial Year. See details at Cash Receipts above.</i>		112 964

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Amount removed from payments to "Interest Paid" due to Time Value of Money / Measurement of Financial Instruments IAS 39		-1 079 450
		-958 799
<u>Interest paid</u>		
Amount removed from payments to "Interest Paid" due to Time Value of Money / Measurement of Financial Instruments IAS 39		1 079 450
		1 079 450
<u>(Increase) / decrease in Long-term Receivables</u>		
Rental on operating lease previously overstated with VAT	24 381	21 387
		-2 994
		-2 994
<u>Cash and Cash Equivalents at the beginning of the year</u>		
See the notes under 29.7 Reclassification of Statement of Financial Position : 30 June 2010 for details of the restated "Cash and Cash Equivalents".		758 068
		758 068
<u>Cash and Cash Equivalents at the end of the year</u>		
See the notes under 29.7 Reclassification of Statement of Financial Position : 30 June 2010 for details of the restated "Cash and Cash Equivalents".		758 068
Amount stated as "Petty Cash" written off		-4 617
		753 451

30 CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	14 257 525	5 555 784
Adjustment for:		
Correction of prior year Error		(736 119)
Depreciation and Amortisation	23 294 149	19 173 767
Loss on Disposal of Property, Plant and Equipment	382 561	-
Gains on Disposal of Property	(344 123)	-
Contribution to Provisions - Non-current	286 459	320 116
Contribution to Impairment Provision	9 076 234	7 707 016
Investment Income	(4 346 241)	(4 388 311)
Finance Costs	634 248	1 087 742
Operating surplus before working capital changes	43 240 812	28 719 995
(Increase)/Decrease in Inventories	(15 812)	(338 465)
(Increase)/Decrease in Consumer Debtors	(6 739 189)	995 523
(Increase)/Decrease in Other Debtors	(17 007 468)	(10 943 411)
Increase/(Decrease) in Creditors	(1 217 357)	14 049 254
Increase/(Decrease) in Conditional Grants and Receipts	(7 893 925)	9 778 469
Cash generated by / (utilised in) Operations	10 367 061	42 261 365

31 NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2010/11 financial year.

32 FINANCING FACILITIES

The municipality has vehicles on finance leases.

32 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities	1 546 892	-
Used to finance Property, Plant and Equipment - at cost	(1 546 892)	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Cash has not been set aside to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates but expenditure will be provided for on the annual budget..

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
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33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

33.1 Unauthorised Expenditure

	Budget	Actual	Over/(Under)
The operational expenditure exceeded approved budgeted expenditure which constitutes unauthorised expenditure.	103 771 215	139 824 447	36 053 232

Depreciation was affected the first time and accordingly R23,4 million was expensed. A government grant of R20 million towards the upgrading of the electricity network in the area was received during the year. An un-budgeted grant for the amount of R3,5 million was received in respect of preparations for the municipal election which was held in May 2011 was received and spend during the year.

No provision for impairment of debtors was made on the budget. With the compellation of the Annual Financial Statements, to comply with GRAP accounting, the provision had been calculated based on the payment percentage which resulted expenditure to the amount of R9 215 993.

If the above amounts are taken into account it calculates to less than 1% overexpenditure on budgeted expenditure. The expenditure will however be presented to Council for condonement.

Reconciliation of Unauthorised Expenditure:

Opening balance	12 739 495	-
Unauthorised Expenditure current year	36 053 232	12 739 495
Approved by Council or condoned	(12 739 495)	-
Unauthorised Expenditure awaiting authorisation	<u>36 053 232</u>	<u>12 739 495</u>

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted amounts exceeded:-	The unauthorised expenditure will be submitted to Council for condonement.

33.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	-	-
Fruitless and Wasteful Expenditure current year	48 772	-
Condoned or written off by Council	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>48 772</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings
Interest on late payment - Various Creditors	None

33.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	1 600 000	-
Irregular Expenditure current year	24 385 204	1 600 000
Irregular Expenditure awaiting condonement	<u>25 985 204</u>	<u>1 600 000</u>

Incident	Disciplinary Steps / Criminal Proceedings
Security Contract expired but still being used/paid	Legal advise awaited. 1 600 000
Non-compliance with Supply Chain Management Regulations:	
Surfacing of Roads in Mount Frere and Mount Ayliff - Period of competitive bidding of 30 days for contracts over R10 million not adhered to. Financial Statements of successful bidder not obtained as required.	None 22 821 414
Various awards to persons in service of the state	None 759 047
30 Days competitive bidding requirement for Fleet Africa lease rental agreement not adhered to	None 804 743

34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

34.1 Contributions to organised local government - SALGA

Opening Balance	-	73 150
Council Subscriptions	310 555	256 858
Amount Paid - current year	(8 509)	(256 858)
Amount Paid - previous years		(73 150)
Balance Unpaid (included in Creditors)	<u>302 046</u>	<u>-</u>

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
34.2 Audit Fees		
Opening Balance	124 320	-
Current year Audit Fee	2 607 198	2 752 433
Amount Paid - current year	(2 343 333)	(2 628 112)
Amount Paid - previous years	(124 320)	-
Balance Unpaid (included in Creditors)	<u>263 865</u>	<u>124 320</u>

The balance unpaid represents the audit fee for an interim audit conducted during April and May 2011.

34.3 Value Added Tax (VAT)

VAT inputs receivables and VAT outputs receivables are shown in Note 12. All VAT returns have been submitted by the due date throughout the year.

34.4 PAYE and UIF

Opening Balance	458 934	-
Current year Payroll Deductions	6 530 069	4 989 626
Amount Paid - current year	(6 530 069)	(4 530 693)
Amount Paid - previous years	(458 934)	-
Balance Unpaid (included in Creditors)	<u>(0)</u>	<u>458 934</u>

34.5 Pension and Medical Aid Deductions

Opening Balance	436 409	-
Current year Payroll Deductions and Council Contributions	5 861 919	4 634 569
Amount Paid - current year	(5 861 919)	(4 198 160)
Amount Paid - previous years	(436 409)	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>436 409</u>

34.6 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
30 June 2011			
Mbele N	4 059	423	3 636
Nozigqwaba J	6 528	1 163	5 365
Total Councillor Arrear Consumer Accounts	<u>10 587</u>	<u>1 586</u>	<u>9 001</u>
30 June 2010			
Garane A	9 560	1 274	8 286
Mbele N	3 644	252	3 392
Socikwa S	39 124	772	38 352
Mdzinwa M	5 948	1 434	4 514
Mdzinwa M N	7 026	1 436	5 590
Total Councillor Arrear Consumer Accounts	<u>65 301</u>	<u>5 168</u>	<u>60 133</u>

34.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

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

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

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 during the financial year.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

			2011 R	2010 R
Department	Date	Successful Tenderer	Reason	Amount
Budget & Treasury	14/03/2011	Ducharme Consulting Pty Ltd	SCM Regulation 36	1 298 597.00
	27/05/2011	Bell Equipment Sales Ltd	Organ of State, only	116 950.15
	20/07/2011	Caseware Training	Bell Dealer, Caseware	49 150.00
	17/05/2011	Arch Actuarial	approved Trainer, Arch	14 421.00
	12/04/2011	Alternative Energy	Actuarial continuity,	1 990 604.16
	31/03/2011	Munsoft	Munsoft (Fin.system in use) supplier	2 852.28
6 Occasions during the financial year for various reasons.				3 472 574.59
Corporate Services	09/02/2011	Waltons Stationery	Order not signed by SCM	52 369.50
1 Occasion during the financial year for the reason as indicated.				52 369.50
Community Services	20/09/2010	FG Uniforms	SABS approved	12 306.00
	20/09/2010	Sparks & Ellis	uniforms, SABS	12 306.00
	03/11/2010	Calibration of Speed test machine	approved sole supplier (calibration)	4 552.33
3 Occasions during the financial year for various reasons.				29 164.33

35 COMMITMENTS FOR EXPENDITURE

35.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

Total Capital Commitments

This expenditure will be financed from:

Government Grants

39 232 021	14 525 990
39 232 021	14 525 990
39 232 021	14 525 990
39 232 021	14 525 990
39 232 021	14 525 990
39 232 021	14 525 990

35.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Note 13

36 OPERATING LEASE LIABILITIES / PAYABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at financial year end as none of the contracts has any escalation clauses.

36.1 Leasing Arrangements

The Municipality as Lessee:

The municipality entered into various operating leases over 3 to 5 years during the 2009/10 financial year for the provision of office machines/equipment.

36.2 Amounts payable under Operating Leases

Vehicles and Other Equipment:

Up to 1 year

2 to 5 years

More than 5 years

Total Operating Lease Arrangements

1 052 308	1 566 253
513 945	513 945
538 363	1 052 308
-	-
1 052 308	1 566 253

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

Minimum lease payments

Total Operating Lease Expenses

305 380	210 886
305 380	210 886

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

- Office Equipment

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
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No restrictions have been imposed on the municipality in terms of the operating lease agreements.

Standard conditions relevant to the hiring of photocopy machines are applicable.

The Municipality as Lessor:

The Municipality leases out its investment property held under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

Buildings:	971 385	1 778 056
Up to 1 year	808 882	806 671
2 to 5 years	162 503	971 385
More than 5 years	-	-
Total Operating Lease Arrangements	971 385	1 778 056

The following payments have been recognised for rental income and repairs and maintenance expense in the statement of financial performance, as follows:

37 FINANCIAL INSTRUMENTS

37.1 Classification

FINANCIAL ASSETS:

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

<u>Financial Assets</u>	<u>Classification</u>		
Consumer Debtors			
Assessment Rates	Loans and receivables	1 412 419	4 112 272
Refuse	Loans and receivables	162 447	1 049 480
Other Debtors	Loans and receivables	7 542 758	2 484 024
Other Debtors			
Payments made in Advance	Loans and receivables	47 401	2 586
Government Subsidy Claims	Loans and receivables	13 144 913	-
Sundry Debtors	Loans and receivables	41 158	32 310
Bank, Cash and Cash Equivalents			
Call Deposits	Held to maturity	26 356 205	78 300 124
Bank Balances	Available for sale	3 268 333	2 398 779
Cash Floats and Advances	Available for sale	-	238
		51 975 633	88 379 814

SUMMARY OF FINANCIAL ASSETS

Loans and Receivables

Consumer Debtors	Assessment Rates	1 412 419	4 112 272
Consumer Debtors	Refuse	162 447	1 049 480
Consumer Debtors	Loan Instalments	-	-
Consumer Debtors	Other Debtors	7 542 758	2 484 024
Other Debtors	Payments made in Advance	47 401	2 586
Other Debtors	Government Subsidy Claims	13 144 913	-
Other Debtors	Sundry Debtors	41 158	32 310
		22 351 096	7 680 673

Available for Sale:

Bank Balances and Cash	Bank Balances	3 268 333	2 398 779
Bank Balances and Cash	Cash Floats and Advances	-	238
Bank Balances and Cash	Call Deposits	26 356 205	78 300 124
		29 624 537	80 699 141
Total Financial Assets		51 975 633	88 379 814

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
FINANCIAL LIABILITIES:		
In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):		
<u>Financial Liabilities</u>	<u>Classification</u>	
Creditors		
Trade Creditors	Financial liabilities at amortised cost	11 299 097 13 213 653
Payments received in Advance	Financial liabilities at amortised cost	481 528 282 706
Retentions	Financial liabilities at amortised cost	114 725 -
Staff Bonuses	Financial liabilities at amortised cost	153 914 102 527
Sundry Deposits	Financial liabilities at amortised cost	34 087 69 000
Other Creditors	Financial liabilities at amortised cost	0 7 000

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Creditors	Trade Creditors	11 299 097	13 213 653
Creditors	Payments received in Advance	481 528	282 706
Creditors	Retentions	114 725	-
Creditors	Staff Bonuses	153 914	102 527
Creditors	Sundry Deposits	34 087	69 000
Creditors	Other Creditors	0	7 000
		<u>12 083 351</u>	<u>13 674 886</u>
Total Financial Liabilities		<u>12 083 351</u>	<u>13 674 886</u>

	30 June 2011		30 June 2010	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Loans and Receivables	22 351 096	22 351 096	7 680 673	7 680 673
Long-term Receivables	-	-	-	-
Consumer Debtors	9 117 623	9 117 623	7 645 777	7 645 777
Other Debtors	13 233 472	13 233 472	34 896	34 896
Current Portion of Long-term Receivables	-	-	-	-
Available for Sale	29 624 537	29 624 537	80 699 141	80 699 141
Bank Balances and Cash	29 624 537	29 624 537	80 699 141	80 699 141
Total Financial Assets	<u>51 975 633</u>	<u>51 975 633</u>	<u>88 379 814</u>	<u>88 379 814</u>

	30 June 2011		30 June 2010	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL LIABILITIES				
Designated as FVTPL:	12 083 351	12 083 351	13 674 886	13 674 886
Trade and Other Payables:	12 083 351	12 083 351	13 674 886	13 674 886
- Creditors	<u>12 083 351</u>	<u>12 083 351</u>	<u>13 674 886</u>	<u>13 674 886</u>
Total Financial Liabilities	<u>12 083 351</u>	<u>12 083 351</u>	<u>13 674 886</u>	<u>13 674 886</u>
Total Financial Instruments	<u>39 892 282</u>	<u>39 892 282</u>	<u>74 704 928</u>	<u>74 704 928</u>
Unrecognised Gain / (Loss)		-		-

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011	2010
R	R

Loans and Receivables designated as at FVTPL

At the reporting date there are no significant concentrations of credit risk for Loans and Receivables designated at FVTPL. The carrying amount reflected above represents the municipality's maximum exposure to credit risk for such loans and receivables.

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

The Fair Value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

37.2 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.

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

Gearing Ratio

	2011 R	2010 R
The gearing ratio at the year-end was as follows:		
Debt	-	-
Bank, Cash and Cash Equivalents	29 624 537	80 699 141
Net Debt	<u>29 624 537</u>	<u>80 699 141</u>
Equity	<u>233 575 360</u>	<u>219 317 835</u>
Net debt to equity ratio	<u>12.68%</u>	<u>36.80%</u>

Debt is defined as Long- and Short-term Liabilities.

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

37.3 Financial Risk Management Objectives

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.

37.4 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

37.5 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

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

37.5.1 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.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011	2010
R	R

37.5.1 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 well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

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'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's sensitivity to interest rates has increased during the current period due to the taking up finance leases at prime rate.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

37 FINANCIAL INSTRUMENTS (Continued)

37.7 Effective Interest Rates and Repricing Analysis

In accordance with IFRS 7, 40 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 2011

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
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	5		26 356 205	26 356 205	-	-	-	-
Bank Balances and Cash	5		3 268 333	3 268 333	-	-	-	-
Total Fixed Rate Instruments			29 624 537	29 624 537	-	-	-	-

30 June 2010

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
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	5		78 300 124	78 300 124	-	-	-	-
Bank Balances and Cash	5		2 399 017	2 399 017	-	-	-	-
Total Fixed Rate Instruments			80 699 141	80 699 141	-	-	-	-

37.8 Other Price Risks

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

37.9 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.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
37 FINANCIAL INSTRUMENTS (Continued)		
37.10 Credit Risk Management		
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Consumer Debtors	7 705 205	3 533 505
Other Debtors	14 645 891	4 147 168
Bank, Cash and Cash Equivalents	29 624 537	80 699 141
Maximum Credit and Interest Risk Exposure	51 975 633	88 379 814

38 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Councillors belong to the Pension Fund for Municipal Councillors.

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

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

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

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

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

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

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

Contributions made by the municipality amounted to R2164044 (2009/10: R2404109) to the defined benefit and defined contribution structures and were expensed as incurred during the year under review.

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

DEFINED BENEFIT SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the fund had a funding ratio of 102.56%. (30 June 2006 106.5%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

South African Municipal Workers Union National Provident Fund:

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2005.

The statutory valuation performed as at 30 June 2005 revealed that the fund had a funding ratio of 100.0% (30 June 2002: 100,0%). The contribution rate paid by the members (not less than 5,00%) and Council (not less than 12,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Employees Pension Fund

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

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

39 RELATED PARTY TRANSACTIONS

39.1 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
NT Xezu	Councillor	Sizo Projects - Owner
NG Mdzinwa	Councillor	Owner of 2nd World B&B - Spouse of Councillor

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

Family member	Department	Remuneration	Relationship	Related Party
Cllr SG Mandlana	Community & Citizens Services	459 790	Son	A Mandlana
Cllr AN Garane	Corporate Services	125 673	Daughter	FZ Garane
Cllr Z Ndevu	Budget & Treasury	136 776	Cousin	B Ndevu
Cllr MM Mpepanduku	Council	10 788	Daughter	S Mpepanduku
Cllr MM Mpepanduku	Community & Citizens Services	68 719	Cousin	ZR Mpepanduku
Cllr NM Mlenzana	Special Programmes	459 790	Cousin	LL Mlenzana
Cllr NN Boyce	Community & Citizens Services	68 553	Cousin	GN Boyce
Cllr NN Boyce	Community & Citizens Services	68 719	Cousin	T Boyce
Mr MN Sineke	Community & Citizens Services	64 721	Cousin	S Sineke

39.2 Services rendered to Related Parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

39.3 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 have been granted to anyone that can be considered as a related party.

39.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 22 and 23 respectively, to the Annual Financial Statements.

39.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be 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 the Year
2ND World B&B	NG Mdzinwa	Spouse	Councillor	19 150	132 240
Sizo Projects	NT Xezu	Owner	Councillor	5 010	
Total Purchases				24 160	132 240

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

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
40 CONTINGENT LIABILITIES		
40.1 Court Proceedings:	27 790 500	11 030 500
(i) An application was brought by Mbali Rural Developers in the High Court to prevent Umzimvubu Municipality from awarding the food programme contract to any other entity person. Mbali's application is academic as the municipality decided not to award the contract. Mbali are persisting with their application to recover their cost which are opposed by the municipality. Legal council proposed at 30 June 2010 that an amount of R120 000 be disclosed as a contingent liability in lue of legal fees. Mbali Developers actions however have now resulted in a claim against the municipality for R16 000 000 plus legal fees of R200 000. It was resolved that the matter will be resolved through private arbitration.	16 200 000	120 000
(ii) The municipality has been sued for R500 000 by an individual for a wrongfull arrest and detention by a traffic officer. The attorneys representing the municipality estimates the legal cost for the case at R300 000	800 000	120 000
(iii) A land claim was registered which includes properties of which the title deeds are held by the municipality. The fair value of these properties totals R10 790 500. The properties was previously incorrecly impaired but was now re-instated at fair value and forms part of the Property Plant and Equipment included in these statements.	10 790 500	10 790 500
41 CONTINGENT ASSETS		
The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.		
42 IN-KIND DONATIONS AND ASSISTANCE		
The municipality did not receive any In-kind Donations and Assistance during the year under review.		
43 COMPARISON WITH THE BUDGET		
The comparison of the municipality's actual financial performance with that budgeted, is set out in Note 48 and 49 to the financial statements		
44 PRIVATE PUBLIC PARTNERSHIPS		
The municipality was not a party to any Private Public Partnerships during the financial year 2010/11.		
45 EVENTS AFTER THE REPORTING DATE		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2011		
46 COMPARATIVE FIGURES		
The comparative figures were restated where adjustments for prior years was necessary. Details of these restated amounts can be seen in the Correction of Error Note 29		
47 STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED		
At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:		
- GRAP 18 Segment Reporting - issued March 2005		
- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009		
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers) - issued February 2008		
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007		
- GRAP 25 Employee Benefits - issued December 2009		
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009		
- GRAP 103 Heritage Assets - issued July 2008		
- GRAP 104 Financial Instruments - issued October 2009		
Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.		
Management has considered all the 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.		

UMZIMVUBU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

48 : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/11 Actual	2010/11 Budget	2010/11 Variance	2010/11 Variance	Explanation of Significant Variances greater than 10% versus Budget
REVENUE	R	R	R	%	
Property Rates	6 453 386	8 160 000	(1 706 614)	-26.45	We overbudgeted for rates hoping to get results from the data cleansing project.
Fines	464 511	400 000	64 511	13.89	The implementation of speed cameras resulted in an increase in revenue.
Licences and Permits	6 502	2 767 000	(2 760 498)	0.00	
Income for Agency Services	3 502 369	3 044 427	457 942	13.08	There was more awareness on people from the municipal jurisdiction and outside hence the increase in revenue.
Government Grants and Subsidies Received	135 120 145	133 259 130	1 861 015	1.38	
Service Charges	1 781 184	1 300 000	481 184	27.01	Our expenditure increased significantly due to service delivery projects.
Rental of Facilities and Equipment	980 768	1 064 974		0.00	
Interest Earned - External Investments	3 362 168	5 000 000	(1 637 832)	-48.71	Our investments decreased a lot due to implementation of Capital Projects.
Other Income	1 082 744	46 290 764	(45 208 020)	0.00	
Gains on Disposal of Property, Plant and Equipment	-	500 000	(500 000)	0.00	
Profit on Sale of Land	344 123	300 000	44 123	12.82	The bidding processes yielded better results and increase the purchase prices of land.
Total Revenue	154 081 972	202 086 295	(47 920 117)	(23.71)	
EXPENDITURE					
Employee Related Costs	31 699 079	45 941 317	(14 242 238)	-44.93	Some vacant positions were not filled.
Remuneration of Councillors	11 389 093	10 227 345	1 161 748	10.20	Arrival of new councillors after elections and implementation of grade 3 salary scales.
Depreciation and Amortisation	23 294 148	472 986	22 821 162	97.97	Implementation of GRAP 17 and the valuation of fixed assets in terms of the standard.
Impairment Losses	9 215 993	-	9 215 993	100.00	To recalculate the recoverability of debtors in terms of GRAP and make the necessary impairment calculations and adjustments.
Repairs and Maintenance	5 234 029	3 359 264	1 874 765	35.82	IEC grant that was not budgeted for increased repairs and maintenance of streets.
Finance Costs	634 248	-	634 248	100.00	Finance leases taken up for vehicles.
General Expenses	36 154 323	34 773 402	1 380 921	3.82	Electrification programme that was initially budgeted for as capital but was expensed due to the nature of grant. The electrification does not become a Municipal asset so we could not capitalise the money transferred to Eskom.
Bad Debts	-	365 000	(365 000)	0.00	The Municipality conducted a data cleansing project and the results are yet to be implemented, hence no write off was made.
Total Expenditure	118 003 475	95 139 314	22 864 161	24.03	
	(21 820 972)				
NET SURPLUS / (DEFICIT) FOR THE YEAR	36 078 497	106 946 981	(70 868 484)	66.27	
	21 820 972	3 631 901			

UMZIMVUBU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

49 : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/11 Actual	2010/11 Under Construction	2010/11 Total Additions	2010/11 Budget	2010/11 Variance	2010/11 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive and Council	-		-	555 000	(555 000)	(100.00)	Change of Council due to municipal elections. Change of plans accordingly.
Finance and Administration	458 437		458 437	3 474 513	(3 016 076)	(86.81)	Delays in procurement process on systems to be introduced.
Planning and Development	111 714	4 205 592	4 317 306	90 927 472	(86 610 166)	(95.25)	Budget reflects Infrastructure, LED, Special Programmes whereas different GFS functions are applicable.
Health	-	-	-	-	-	0.00	
Community and Social Services	3 638 890	-	3 638 890	3 358 095	280 795	8.36	
Waste Management	521 689	-	521 689	-	521 689	0.00	No sepperate cost centre for Waste Management hence no budget. Created a cost centre for Waste Management for 2011/12.
Waste Water Management				-	-	0.00	
Roads and Transport	27 436 099	30 892 336	58 328 435	-	58 328 435	0.00	Budget included in Planning and Development.
Total	32 166 830	35 097 927	67 264 757	98 315 080	(31 050 323)	(31.58)	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

50 : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2010	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2011
	R				R	R	R	R
OTHER LOANS								
Vehicle Leased								
Isuzu KB50D LWB S/Cab FMX 914 EC	187 807	Prime	1	21-Jan-16	-	187 807	15 223	172 584
Isuzu KB250D TEQ S/Cab FMX 923 EC	265 351	Prime	2	22-Dec-15	-	265 351	21 508	243 842
Isuzu KB250D TEQ D/Cab FMX 972 EC	328 421	Prime	3	21-Jan-16	-	328 421	26 621	301 800
Chevrolet Aveo 1.6 L FNH 218 EC	137 450	Prime	4	31-Jan-16	-	137 450	9 250	128 200
Chevrolet Aveo 1.6 L FMX 935 EC	152 450	Prime	5	21-Jan-16	-	152 450	12 357	140 093
Chevrolet Aveo 1.6 L FMX 936 EC	152 450	Prime	6	21-Jan-16	-	152 450	12 357	140 093
Chevrolet Aveo 1.6 L FMX 937 EC	152 450	Prime	7	21-Jan-16	-	152 450	12 357	140 093
Chevrolet Aveo 1.6 L FMX 938 EC	152 450	Prime	8	21-Jan-16	-	152 450	12 357	140 093
Chevrolet Aveo 1.6 L FMX 929 EC	152 450	Prime	9	21-Jan-16	-	152 450	152 450	-
Chevrolet Aveo 1.6 L FMX 940 EC	152 450	Prime	10	21-Jan-16	-	152 450	12 357	140 093
Total Other Loans	1 833 729				-	1 833 729	266 837	1 546 892
TOTAL EXTERNAL LOANS	1 833 729				-	1 833 729	266 837	1 546 892

OTHER LOANS:

Vehicle Leases:

Vehicles are leased from Fleetafrica for a period of 5 years with the interest rate linked to the prime overdraft rate.

At the expiry of the leases, the municipality do not have the option to (a) extend or assign the lease for a further period, or (b) repurchase the assets with the sales proceeds refunded to the municipality as a rebate of rentals.

UMZIMVUBU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

55 : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2011

2010 Actual Income	2010 Budgeted Income	2010 Actual Expenditure	2010 Budgeted Expenditure	2010 Surplus/ (Deficit)	Description	2011 Actual Income	2011 Budgeted Income	2011 Actual Expenditure	2011 Budgeted Expenditure	2011 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
-	-	16 622 401	19 766 923	(16 622 401)	Executive and Council	-	2 800 000	21 252 073	28 397 954	(21 252 073)
78 662 142	80 968 632	49 039 125	15 898 596	29 623 017	Finance and Administration	85 959 557	104 741 226	57 741 265	29 032 554	28 218 302
19 125 708	37 409 983	25 025 126	16 952 641	(5 899 418)	Planning and Development	61 819 389	87 880 848	40 039 733	26 150 935	21 779 656
5 817 886	6 151 716	8 099 418	13 147 370	(2 281 532)	Community and Social Services	6 303 017	6 664 221	20 791 377	20 189 772	(14 488 360)
103 605 735	124 530 331	98 786 070	65 765 530	4 819 665	Sub-Total	154 081 972	202 086 295	139 824 447	103 771 215	14 257 525
-	-	-	-	-	Less: Inter-departmental Charges	-	-	-	-	-
103 605 735	124 530 331	98 786 070	65 765 530	4 819 665	Total	154 081 972	202 086 295	139 824 447	103 771 215	14 257 525

UMZIMVUBU LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Compliance to Revenue Act (*) See below	Reason for Non-compliance
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	Yes / No	
FMG	Nat Treasury	1 200 000					229 660	124 411	423 406	238 837		Yes	
MIG Projects	MIG	9 000 000	5 000 000		2 939 000		903 565	8 532 601	8 316 336	17 650 531		Yes	
Equitable Share	Nat Treasury	29 767 628	23 814 102		17 860 577							Yes	
Dedea	Province						239 805	806 415	303 221	744 040		Yes	
Electrification Project	DME				20 000 000				20 000 000			Yes	
MSP & MSIG	Province		1 000 000				266 200	430 288	457 562	510 951		Yes	
									55				
Total Grants and Subsidies Received		39 967 628	29 814 102	0	40 799 577	0	1 639 240	9 893 715	29 500 525	19 144 359	0		