

UMZIMVUBU LOCAL MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS****for the year ended 30 June 2010****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). The standards and pronouncements that form the GRAP Reporting Framework for the 2009/10 financial period is set out in Directive 4 and Directive 5 Issued by the Accounting Standards Board (ASB) on 11 March 2009.

2 KEY FINANCIAL INDICATORS

The following indicators give some insight into the financial results of the year under review. No figures are provided for the previous year because of the change in format of the Annual Financial Statements presented.

Financial Statement Ratios:

INDICATOR	2009/2010	2008/2009
Surplus / (Deficit) before Appropriations	24,647,153	31,788,762
Surplus / (Deficit) at the end of the Year	355,509,867	330,862,714
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	30.99%	25.27%
Remuneration of Councillors	11.87%	10.61%
Collection Costs	0.00%	0.00%
Depreciation and Amortisation	0.00%	0.00%
Impairment Losses	8.88%	12.56%
Repairs and Maintenance	9.85%	1.58%
Interest Paid	0.01%	0.01%
Bulk Purchases	0.00%	0.00%
Contracted Services	0.00%	0.00%
Grants and Subsidies Paid	0.00%	0.00%
General Expenses	38.41%	49.97%
Current Ratio:		
Creditors Days	77	13
Debtors Days	243	602

3 OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

The overall operating results for the year ended 30 June 2010 are as follows:

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	309,321,986	281,885,546	9.73%	-	-
Operating income for the year	103,152,178	110,937,010	(7.02)%	124,530,331	(17.17)%
Appropriations for the year	-	-		-	-
	412,474,164	392,822,556	5.00%	124,530,331	231.22%
Expenditure:					
Operating expenditure for the year	78,505,025	71,495,472	9.80%	65,765,530	19.37%
Sundry transfers	(21,540,732)	12,005,095	(279.43)%	-	-
Closing surplus / (deficit)	355,509,871	309,321,986	14.93%	58,764,801	-
	412,474,164	392,822,553	5.00%	124,530,331	231.22%

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 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	103,152,178	110,937,010	(7.02)%	124,530,331	(17.17)%
Expenditure	78,505,025	79,148,248	(0.81)%	65,765,530	19.37%
Surplus / (Deficit)	24,647,153	31,788,762	(22.47)%	58,764,801	-
Surplus / (Deficit) as % of total income	23.89%	28.65%		47.19%	

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 R31589154.71 (2008/2009: R40669593.2300001). Full details of Property, Plant and Equipment are disclosed in Note 8 and appendices B, C and E(2) to the Annual Financial Statements.

The capital expenditure of R31589154.71 was financed as follows:

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Grants and Subsidies	31,589,155	40,669,593	(22.33)%	64,032,411	(50.67)%
	31,589,155	40,669,593	(22.33)%	64,032,411	(50.67)%

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2009/2010	2008/2009
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	2009/2010	2008/2009
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	58,764,801	8,544,815
Revenue variances	(21,378,153)	44,236,654
Expenditure variances:		
Employee Related Costs	4,396,101	4,465,981
Remuneration of Councillors	3,019,655	597,883
Bad debts	37,500	-
Depreciation and Amortisation	200,000	-
Repairs and Maintenance	(5,696,989)	(604,570)
Interest Paid	(8,292)	(9,018)
Contracted Services	-	-
Grants and Subsidies Paid	-	-
General Expenses	(7,716,574)	(15,499,691)
Actual surplus before appropriations	24,647,153	31,788,762
		(0)

DETAILS	2009/2010	2008/2009
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	58,764,801	8,544,815
Executive and Council	3,025,083	(3,979,215)
Finance and Administration	(15,128,941)	17,390,180
Planning and Development	(26,665,922)	14,531,806
Community and Social Services	4,652,131	(4,698,823)
Actual surplus before appropriations	24,647,153	31,788,762
		(0)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Variance actual 2009/10 / 2008/09 R	Budgeted 2009/2010 R	Variance actual/ budgeted R
Executive and Council	-	282,235	(282,235)	1,309,346	(1,309,346)
Finance and Administration	2,814,724	1,095,306	1,719,418	5,980,698	(3,165,974)
Planning and Development	385,163	10,846	374,317	9,633,675	(9,248,512)
Community and Social Services	286,605	2,166,674	(1,880,069)	2,104,346	(1,817,741)
Sport and Recreation	192,446		192,446	-	192,446
Environmental Protection	241,174		241,174	-	241,174
Roads and Transport	27,669,044	37,114,533	(9,445,489)	45,004,346	(17,335,302)
	31,589,155	40,669,593	(9,080,439)	64,032,411	(32,443,256)
	-	-			

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (2)".

6 ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2010 amounted to R355509867 (30 June 2009: R31788762) and is made up as follows:

Capital Replacement Reserve (CRR)	-
Accumulated Surplus / (Deficit) due to the results of Operations	355,509,867
	<u>355,509,867</u>

7 NON-CURRENT PROVISIONS

Non-current Provisions amounted to R4228738 as at 30 June 2010 (30 June 2009 : R3902528.54 and is made up as follows:

Provision for Cleaning of Illegal Dumping	-
Provision for Long-term Service	437,997
Provision for Rehabilitation of Land-fill Sites	3,790,741
	<u>4,228,738</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 16 for more detail.

8 CURRENT LIABILITIES

Current Liabilities amounted R26445119 as at 30 June 2010 (30 June 2009: R2873997 and is made up as follows:

Consumer Deposits		-
Provisions	Note 11	-
Creditors	Note 12	16,534,612
Unspent Conditional Grants and Receipts	Note 13	9,910,507
Bank Overdraft	Note 6	-
		<u>26,445,119</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 R274771307 as at 30 June 2010 (30 June 2009: R243182152).

Refer to Note 8 and Appendices "B, C and E (2)" for more detail.

10 INTANGIBLE ASSETS

The net value of Intangible Assets were R377060 as at 30 June 2010 (30 June 2009: R377060).

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 9 for more detail.

11 CURRENT ASSETS

Current Assets amounted to R92940858 as at 30 June 2010 (30 June 2009: R75985527) and is made up as follows:

Inventory	Note 2	741,965
Consumer Debtors	Note 4	8,405,817
Other Debtors	Note 5	3,556,306
Bank Balances and Cash	Note 6	79,945,690
Operating Lease Assets		291,079
		<u>92,940,858</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 13 and 22, and Appendix "F" 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 47.

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 2010

	Note	2010 R	2009 R
ASSETS			
Current Assets		92,940,858	75,985,527
Inventory	2	741,965	403,500
Trade Receivables from Exchange Transactions	4	8,405,817	9,741,857
Trade Receivables from Non-Exchange Transactions	5	3,556,306	(416,208)
Cash and Cash Equivalents	6	79,945,690	66,005,944
Operating Lease Assets	7	291,079	250,434
Non-Current Assets		293,242,867	261,653,712
Property, Plant and Equipment	8	274,771,307	243,182,152
Intangible Assets	9	377,060	377,060
Investment Property	10	18,094,500	18,094,500
Total Assets		386,183,724	337,639,240
LIABILITIES			
Current Liabilities		26,445,119	2,873,997
Provisions	11	0	-
Creditors	12	16,534,612	2,741,958
Unspent Conditional Grants and Receipts	13	9,910,507	132,038
Bank Overdraft	6	0	-
Non-Current Liabilities		4,228,738	3,902,529
Non-current Provisions	16	4,228,738	3,902,529
Total Liabilities		30,673,857	6,776,525
Total Assets and Liabilities		355,509,867	330,862,714
NET ASSETS		355,509,867	330,862,714
Accumulated Surplus / (Deficit)	17	355,509,867	330,862,714
Total Net Assets		355,509,867	330,862,714

UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Note	Actual 2010 R	2009 R	Budget 2010 R
REVENUE				
Revenue from Non-exchange Transactions				
Property Rates	18	11,235,868	4,007,100	5,000,000
Fines		144,257	110,864	155,634
Licences and Permits		32,218	-	30,000
Income for Agency Services		4,547,792	856,771	4,370,000
Government Grants and Subsidies Received	22	79,372,775	93,062,546	94,757,983
Revenue from Exchange Transactions				
Service Charges	20	1,380,038	1,902,090	1,307,882
Rental of Facilities and Equipment	21	876,301	949,133	995,632
Interest Earned - External Investments	19	4,388,311	8,748,043	5,000,000
Other Income	23	1,174,618	1,300,463	9,713,200
Gains on Disposal of Property, Plant and Equipment		-	-	200,000
Profit on Sale of Land:-		-	-	3,000,000
Total Revenue		103,152,178	110,937,010	124,530,331
EXPENDITURE				
Employee Related Costs	24	24,327,977	20,000,055	28,724,078
Remuneration of Councillors	25	9,315,600	8,400,096	12,335,255
Bad Debts		-	-	37,500
Depreciation and Amortisation	26	-	-	200,000
Impairment Losses	27	6,970,897	9,943,292	-
Repairs and Maintenance		7,730,142	1,247,439	2,033,153
Finance Costs	28	8,292	9,018	-
Grants and Subsidies Paid	29	-	-	-
General Expenses	30	30,152,118	39,548,348	22,435,544
Total Expenditure		78,505,025	79,148,247	65,765,530
SURPLUS / (DEFICIT) FOR THE YEAR		24,647,153	31,788,762	58,764,801
Refer to Appendix E(1) for explanation of budget variances				

The Statement of Financial Performance presented with the financial statements for 2008/2009 did not meet the requirements of GRAP 1 and were accordingly restated. See Note 31.1 on "Correction of Errors" for details.

UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

Description	Housing Development Fund	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R	R
2009				
Balance at 30 June 2008	-	-	281,863,896	281,863,896
Correction of Error (Note 31)			(12,005,095)	(12,005,095)
Restated Balance	-	-	269,858,801	269,858,801
Surplus / (Deficit) for the year			39,463,185	39,463,185
Balance at 30 June 2009	-	-	309,321,986	309,321,986
2010				
Correction of Error (Note 31)			21,540,732	21,540,732
Restated Balance	-	-	330,862,718	330,862,718
Surplus / (Deficit) for the year			24,647,153	24,647,153
Balance at 30 June 2010	-	-	355,509,871	355,509,871
	-	-	(0.00)	-

The balance at 30 June 2008 as per The Statement of Change in Net Assets presented with the financial statements for was incorrect and was accordingly restated. See Note 31.5.5 on Correction of Errors for details.

UMZIMVUBU LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		98,934,965	97,731,688
Cash paid to Suppliers and Employees		(57,745,439)	(69,811,951)
Cash generated from / (utilised in) Operations	32	41,189,527	27,919,737
Interest received	19	4,388,311	8,748,043
Interest paid	28	(8,292)	(9,018)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		45,569,546	36,658,762
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8	(31,589,155)	(42,439,577)
(Increase) / decrease in Long-term Receivables		(40,645)	(118,226)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(31,629,800)	(42,557,802)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised/repaid		-	-
Decrease / (Increase) in Short-term Loans		-	-
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		-	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	6	13,939,746	(5,899,040)
Cash and Cash Equivalents at the beginning of the year		66,005,944	71,904,984
Cash and Cash Equivalents at the end of the year		79,945,690	66,005,944

The Cash Flow Statement for 2008/09 had to be restated. See "Correction of Error" Note 31 for details.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R **2009**
R

1 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.

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2011.

2 INVENTORY

Stationery at cost	338,465	-
Vacant properties at cost	403,500	403,500
Total Inventory	<u>741,965</u>	<u>403,500</u>

During the current financial year, the municipality has started to keep more stationery on hand due to supply problems experienced in the past. A small amount of stationery with an insignificant value have been kept before.

With the physical stock take of all assets properties were identified which the municipal Council have already identified to be sold. The properties was recorded as stock reproductively and the process of selling these are underway.

3 NON-CURRENT ASSETS HELD-FOR-SALE

3.1 Property Held-for-Sale

Property with the value of R10 495 500 was identified with the recent stock take of all assets which are in the name of the municipality but are legally and illegally occupied. The properties was reproductively, during the 2007/08 financial year, transferred to Non-Current Assets held for Sale but at the same time impaired because the possibility for the municipality to have future benefit from these properties are very limited due its current use.

4 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2010			
Service Debtors:	4,676,380	-	4,676,380
Refuse	<u>4,676,380</u>	<u>-</u>	<u>4,676,380</u>
VAT Claim	3,729,438	-	3,729,438
Other Debtors	-	-	-
Total Trade Receivables from Exchange Transactions	<u>8,405,817</u>	<u>-</u>	<u>8,405,817</u>
	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2009			
Service Debtors:	3,988,993	-	3,988,993
Refuse	<u>3,988,993</u>	<u>-</u>	<u>3,988,993</u>
VAT Claim	5,752,865	-	5,752,865
Other Debtors	-	-	-
Total Trade Receivables from Exchange Transactions	<u>9,741,857</u>	<u>-</u>	<u>9,741,857</u>

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.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
5 TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Assessment Rates	18,370,649	9,267,162
Payments made in Advance	305,454	-
Projects	120,571	(277,355)
Sundry Deposits	229,535	-
Sundry Debtors	1,444,285	537,276
	20,470,495	9,527,084
Less: Provision for Impairment	(16,914,189)	(9,943,292)
Total Trade Receivables from Non-Exchange Transactions	3,556,306	(416,208)

5.1 Reconciliation of Provision for Impairment

Balance at beginning of year	9,943,292	3,009,652
Impairment Losses recognised	6,970,897	6,933,640
Balance at end of year	16,914,189	9,943,292

5.2 Ageing of trade receivables from non-exchange transactions

Assessment Rates and Refuse: Ageing

Current:

0 - 30 days	779,914	68,990
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Past Due:

31 - 60 Days	737,610	474,069
61 - 90 Days	749,620	462,637
91 - 120 Days	742,546	254,932
+ 120 Days	20,691,705	12,553,792
Total	23,701,395	13,814,420

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

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

6 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	79,945,690	66,005,944
Bank Overdraft (Cashbook)	-	-
Total Cash and Cash Equivalents	79,945,690	66,005,944

6.1 Current Investment Deposits

Call Deposits	77,542,056	63,883,062
Total Current Investment Deposits	77,542,056	63,883,062

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 9,45 % to 11,660 % per annum.

The Municipality has the following bank accounts:

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
6.2 Bank Accounts		
Primary Bank Account		
Bank Overdraft (Cashbook)	-	-
Total Bank Accounts	<u><u>2,398,779</u></u>	<u><u>2,115,584</u></u>

The Municipality has the following bank accounts:

First National Bank - Main Street, Mount Frere - Current Account Number 62022183727

Cash book balance at beginning of year	2,115,584	(10,451,101)
Cash book balance at end of year	<u><u>2,398,779</u></u>	<u><u>2,115,584</u></u>
Bank statement balance at beginning of year	2,093,331	2,112,972
Bank statement balance at end of year	<u><u>2,253,455</u></u>	<u><u>2,093,331</u></u>

The Municipality also has the following call deposit accounts for ring fenced purposes as indicated

Planning and Survey	First National	6216 487 6842	793,674	751,278
Free Basic Electricity	First National	6203 325 4723	25,926,735	24,578,160
Operational Investment	First National	6203 945 0715	9,712,274	25,488,751
Municipal Support Program (MSP)	First National	6203 189 8903	1,837,835	1,742,733
Drought Relief	First National	6208 603 6160	372,110	352,837
Municipal Infrastructure Grant (MIG)	First National	6208 603 6714	26,567,556	3,080,485
Guarantee Investment	First National	6206 874 2157	226,255	217,931
Revolving (Operational)	First National	6206 799 8040	5,014,475	4,754,888
Testing Centre	First National	6209 341 1339	3,077,805	2,916,167
Dedea Projects	First National	6224 528 8411	4,239,592	
Operational Investment	Standard	18 475 016 4	504,396	
Operational Investment	Standard	08 211 839 6	27,417	

The municipality did not make use of an overdraft facility during the 2009/2010 financial year.

6.3 Cash and Cash equivalents

Cash Floats and Advances	4,855	7,298
Cash on hand in Cash Floats, Advances and Equivalents	<u><u>4,855</u></u>	<u><u>7,298</u></u>

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.

7 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	250,434	132,209
Operating Lease receipts recorded	40,645	118,226
Operating Lease receipts effected	-	-
Total Operating Lease Assets	<u><u>291,079</u></u>	<u><u>250,434</u></u>

Operating Lease Assets have been restated to adhere to the disclosure provisions of GRAP 13. Refer to Note 31 on Correction of Error for details of restatement

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010	2009
R	R

7.1 Leasing Arrangements

The Municipality as Lessor:

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

7.2 Amounts receivable under Operating Leases

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

Up to 1 year	978,922	986,106
2 to 5 years	1,336,044	2,217,518
More than 5 years	154,931	202,532
Total Operating Lease Arrangements	2,469,897	3,406,157

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 2010

8 PROPERTY, PLANT AND EQUIPMENT

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	28,847,318	131,985,814	74,469,708	17,719	7,861,593	243,182,152
Cost	28,847,318	131,985,814	74,469,708	17,719	7,861,593	243,182,152
Correction of error (Note 31)	-	-	-	-	-	-
Acquisitions	385,163	27,910,218	162,509	-	2,814,724	31,272,614
Capital under Construction - Addition	-	-	316,541	-	-	316,541
Carrying values at 30 June 2010	29,232,481	159,896,032	74,948,758	17,719	10,676,317	274,771,307

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2009

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 2008	28,836,472	94,871,281	72,303,034	(264,516)	6,766,286	202,512,559
Cost	43,890,763	130,286,242	57,951,967	17,719	6,224,282	238,370,973
Correction of error (Note 31)	(15,054,291)	(35,414,960)	14,351,068	(282,235)	542,004	(35,858,415)
Acquisitions	10,846	37,114,533	2,166,674	282,235	1,095,306	40,669,593
Carrying values at 30 June 2009	28,847,318	131,985,814	74,469,708	17,719	7,861,593	243,182,152
	28,847,318	131,985,814	74,469,708	17,719	7,861,593	243,182,152
	-	-	-	-	-	-

8 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 measure all the Property, Plant and Equipment in accordance with the standard, including the following:

- Land; and
- Componentised infrastructure assets.

The municipality did not measure the following, in terms of the transitional provisions:

- Review of useful life of item of PPE recognised in the Annual Financial Statements;
- Review of the depreciation method applied to PPE recognised in the Annual Financial Statements;
- Review of residual values of item of PPE recognised in the Annual Financial Statements;
- Impairment of non-cash generating assets; and
- Impairment of cash generating assets.

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2011 Financial Statements. The municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

Refer to Appendices "B, C and E (2)" 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 2010

2010 **2009**
R **R**

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

8.1 Impairment of Property, Plant and Equipment:

No impairment of "Property, Plant and Equipment" was done. The municipality took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2011.

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

No measurement of useful life of "Property, Plant and Equipment" was done. The municipality took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2011.

9 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

377,060

377,060

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying values at 01 July 2009	377,060	377,060
Cost	377,060	377,060
Carrying values at 30 June 2010	377,060	377,060
Cost	377,060	377,060
	Computer Software	Total
Carrying values at 01 July 2008	-	-
Acquisitions during the Year:	377,060	377,060
Purchased	377,060	377,060
Internally Developed	-	-
Carrying values at 30 June 2009	377,060	377,060
Cost	377,060	377,060

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

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

10 INVESTMENT PROPERTY

At Cost less Accumulated Depreciation

18,094,500

18,094,500

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	18,094,500	18,094,500
Cost	18,094,500	18,094,500
Carrying values at 30 June	18,094,500	18,094,500
Cost	18,094,500	18,094,500

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 measure all the Investment Properties.

The municipality is currently in a process of valuing all Investment Properties in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
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Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	23,481	106,665
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All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

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

11 PROVISIONS

Accrued leave (Included under Creditors as per AG request)	-	-
Current Portion of Non-Current Provisions (See Note 16 below)	-	-
Long-term Service (Included under Creditors as per AG request)	-	-
Total Provisions	-	-

12 CREDITORS

Trade Creditors	14,154,055	1,726,354
Payments received in Advance	282,706	(104,516)
Staff Bonuses (Short term)	111,227	46,426
Sundry Deposits	78,270	-
Other Creditors	343,809	1,150
Accrued leave	1,564,545	1,072,544
Total Creditors	16,534,612	2,741,958

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

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

13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

13.1 Conditional Grants from Government	9,910,507	132,038
National Government Grants	9,910,507	132,038
Total Conditional Grants and Receipts	9,910,507	132,038

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

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

14 VALUE ADDED TAX (VAT) PAYABLE

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

15 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.

16 NON-CURRENT PROVISIONS

Provision for Long Service Awards	437,997	359,909
Provision for Rehabilitation of Land-fill Sites	3,790,741	3,542,620
Total Non-current Provisions	4,228,738	3,902,529

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R **2009**
R

Non-current Provisions have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 31 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 2010		
Balance at beginning of year	359,909	3,542,620
Contributions to provision	-	241,174
Increase due to discounting	-	6,947
Expenditure incurred	189,315	-
	<u>549,224</u>	<u>3,790,741</u>
Transfer to current provisions	(111,227)	-
Balance at end of year	<u>437,997</u>	<u>3,790,741</u>
30 June 2009		
Balance at beginning of year	-	3,220,563
Contributions to provision	359,909	313,037
Increase due to discounting	-	9,019
Balance at end of year	<u>359,909</u>	<u>3,542,620</u>

16.1 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 year end, 125 employees were eligible for Long-services Awards.

The Current-service Cost for the year ending 30 June 2010 is estimated to be R95 408, whereas the interest for the current year is estimated to be R35 256.

2010
R **2009**
R

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

Discount Rate	9.08%	9.19%
Cost Inflation Rate	5.41%	
Net Effective Discount Rate	2.51%	2.45%
Expected Rate of Salary Increase	6.41%	6.58%
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	406,335	406,335
Current service costs	95,408	-
Interest cost	35,256	-
Benefits paid	(46,426)	-
Actuarial losses / (gains)	58,651	-
	<u>549,224</u>	<u>406,335</u>
Total Recognised Benefit Liability	<u>549,224</u>	<u>406,335</u>

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	549,224	406,335
Deficit	<u>549,224</u>	<u>406,335</u>
Total Benefit Liability	<u>549,224</u>	<u>406,335</u>
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	95,408	-
Interest cost	35,256	-
Benefits Paid	(46,426)	-
Actuarial losses / (gains)	58,651	-
Transitional Liability recognised	-	406,335
Total Post-retirement Benefit included in Employee Related Costs (Note 26)	<u>142,889</u>	<u>406,335</u>

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
The history of experienced adjustments is as follows:		
	2010 R	2009 R
Present Value of Defined Benefit Obligation	549,224	406,335
Fair Value of Plan Assets	-	-
Deficit	<u>549,224</u>	<u>406,335</u>

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	138,186	-
Effect on the defined benefit obligation	576,000	-

Decrease:

Effect on the aggregate of the current service cost and the interest cost	123,764	-
Effect on the defined benefit obligation	524,000	-

The transitional Defined Benefit Liabilities for Long Service Awards have been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2010.

16.2 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur rehabilitation costs of R 4,005 million to restore the sites at the end of its useful lives, estimated to be between 17 and 20 years. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

17 ACCUMULATED SURPLUS

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

Capital Replacement Reserve (CRR)	-	-
Government Grants Reserve	-	-
Accumulated Surplus / (Deficit) due to the results of Operations	355,509,867	330,862,714
Total Accumulated Surplus	<u>355,509,867</u>	<u>330,862,714</u>

Accumulated Surplus has been restated to correctly classify amounts to be included in Creditors. Refer to Note 31 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.

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.

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

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

			2010 R	2009 R
18 PROPERTY RATES				
	Property Valuations			
	July 2010	July 2009		
	R000's	R000's		
Residential	260,980,500	131,268,070	4,444,504	4,007,100
Commercial	245,779,500	93,358,500	4,708,834	-
Agricultural	-	-	-	-
State	108,698,500	20,327,220	2,082,530	-
Municipal	-	-	-	-
Exempted Properties	-	-	-	-
Total Assessment Rates	615,458,500	244,953,790	11,235,868	4,007,100

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 1.6 c/R (2008/2009: 1.7 c/R) is applied to residential and 1.8 c/R (2008/09: 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 mounts.

19 INTEREST EARNED

External Investments:

Investments	4,388,311	8,748,043
Total Interest Earned	4,388,311.09	8,748,042.84

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

Available-for-Sale Financial Assets	4,388,311	8,748,043
	4,388,311	8,748,043
Interest Earned on Non-financial Assets	-	-
	4,388,311	8,748,043

20 SERVICE CHARGES

Refuse Removal	1,380,038	1,902,090
Total Service Charges	1,380,038	1,902,090

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.

21 RENTAL OF FACILITIES AND EQUIPMENT

Operating Lease Rental Revenue:

- Investment Property	23,481	106,665
- Other Rental Revenue	17,163	11,560
Rental Revenue from Buildings	721,682	694,520
Rental Revenue from Halls	113,974	136,387
Total Rental of Facilities and Equipment	876,301	949,133

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

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
22 GOVERNMENT GRANTS AND SUBSIDIES		
Provincial Equitable Share	58,456,347	43,987,856
Operational Grants	<u>58,456,347</u>	<u>43,987,856</u>
Conditional Grants	20,916,429	49,074,690
National: Equitable Share	-	-
National: FMG	1,309,216	367,962
National: MIG	18,783,860	14,824,000
National: MSIG	632,909	735,000
Other: Municipal Support Program (MSP)	-	360
Other: Planning and Survey	-	1,259,616
Other: Other Grants and Subsidies	-	31,887,752
Provincial: DEAT Grant	68,511	-
Other Spheres of Government: Various Grants	121,933	-
Total Government Grants and Subsidies	<u><u>79,372,775</u></u>	<u><u>93,062,546</u></u>
Operational Grants:		
22.1 National: Equitable Share	<u>58,456,347</u>	<u>43,987,856</u>
Utilised	58,456,347	43,987,856
<p>In terms of the Constitution, part of this grant is used to subsidise the provision of basic services to indigent community members on application. Households where the total gross monthly income of all occupants over 18 years of age does not exceed the earning of a combined gross income equivalent to or less than two times the Government pension grant as prescribed by the National Department of Social Development, qualify for a subsidy of the essential services package</p>		
Conditional Grants:		
22.2 National: FMG Grant		
Balance unspent at beginning of year	132,038	-
Current year receipts	1,000,000	500,000
Conditions met - transferred to Revenue	(1,309,216)	(367,962)
Conditions still to be met - transferred to Current Assets (see Note13)	<u>(177,178)</u>	<u>132,038</u>
<p>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).</p>		
22.3 National: MIG Funds		
Balance unspent at beginning of year	-	555,375
Current year receipts	24,103,000	16,511,000
Conditions met - transferred to Revenue	(18,783,860)	(14,824,000)
Other Transfers	-	(2,242,375)
Conditions still to be met - transferred to Current Assets (see Note13)	<u>5,319,140</u>	<u>-</u>
<p>The Municipal Infrastructure Grant (MIG) was allocated for mainly the construction of roads. No funds have been withheld.</p>		
22.4 National: MSIG Funds		
Balance unspent at beginning of year	-	-
Current year receipts	1,300,000	735,000
Conditions met - transferred to Revenue	(632,909)	(735,000)
Conditions still to be met - transferred to Current Assets (see Note13)	<u>667,091</u>	<u>-</u>

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<p>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.</p>		
22.5 Other - Testing Ground		
Balance unspent at beginning of year	0	2,651,521
Other Transfers		(2,651,521)
Conditions still to be met - transferred to Current Assets (see Note13)	<u>0</u>	<u>0</u>
<p>This grant was restated at 30 June 2009. See "Correction of Error" note 31 for more details.</p>		
22.6 Other - Municipal Support Program (MSP)		
Balance unspent at beginning of year	0	1,587,945
Conditions met - transferred to Revenue	-	(360)
Other Transfers		(1,587,585)
Conditions still to be met - transferred to Current Assets (see Note13)	<u>0</u>	<u>0</u>
<p>This grant was restated at 30 June 2009. See "Correction of Error" note 31 for more details.</p>		
22.7 Other - Planning and Survey		
Balance unspent at beginning of year	-	1,902,565
Conditions met - transferred to Revenue	-	(1,259,616)
Other Transfers		(642,949)
Conditions still to be met - transferred to Current Assets (see Note13)	<u>-</u>	<u>-</u>
<p>This grant was restated at 30 June 2009. See "Correction of Error" note 31 for more details.</p>		
22.8 Other - Drought Relieve		
Balance unspent at beginning of year	-	321,779
Other Transfers		(321,779)
Conditions still to be met - transferred to Current Assets (see Note13)	<u>-</u>	<u>-</u>
<p>This grant was restated at 30 June 2009. See "Correction of Error" note 31 for more details.</p>		
22.9 Other - Electricity		
Balance unspent at beginning of year	-	201,719
Other Transfers		(201,719)
Conditions still to be met - transferred to Current Assets (see Note13)	<u>-</u>	<u>-</u>
<p>This grant was restated at 30 June 2009. See "Correction of Error" note 31 for more details.</p>		
22.10 Other - Free Basic Services		
Balance unspent at beginning of year	-	20,779,056
Current year receipts	-	1,727,373
Other Transfers		(22,506,429)
Conditions still to be met - transferred to Current Assets (see Note13)	<u>-</u>	<u>-</u>
<p>This grant was restated at 30 June 2009. See "Correction of Error" note 31 for more details.</p>		
22.11 Other - Other Grants and Subsidies		
Balance unspent at beginning of year	-	51,383,904
Current year receipts	-	3,952,106
Conditions met - transferred to Revenue	-	(31,887,752)
Other Transfers		(23,448,259)
Conditions still to be met - transferred to Current Assets (see Note13)	<u>-</u>	<u>-</u>
<p>This grant was restated at 30 June 2009. See "Correction of Error" note 31 for more details.</p>		

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
22.12 Provincial: Department Economic Affairs and Trade (DEAT)		
Balance unspent at beginning of year	-	-
Current year receipts	4,169,965	-
Conditions met - transferred to Revenue	(68,511)	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>4,101,454</u>	<u>-</u>

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

23 OTHER INCOME

Pound Fees	455,729	282,430
Free Basic Services	(112,964)	(60,093)
Advertising	79,359	103,361
Building Plan Fees	131,199	47,708
Funeral Plot Fees	13,695	16,300
Sales:Wood	701	23
Tender Fees	267,900	140,550
VAT Refund	(30,081)	0
Reversal of Provision	-	770,185
Other Income	1,054	-
Insurance Claims	37,982	-
Unknown Deposit	325,044	-
Inter-departmental Recoveries	5,000	-
Profit on finance-lease sale	-	-
Recovery of Unauthorised, Irregular and Fruitless & Wasteful Expenditure (See note 35)	-	-
Total Other Income	<u>1,174,618</u>	<u>1,300,463</u>

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 18 to 22, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

24 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	13,325,298	14,269,359
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	3,600,977	2,875,474
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	5,394,913	2,231,189
Housing Benefits and Allowances	1,844,874	624,034
Overtime Payments	-	-
Performance Bonuses	-	-
Long-service Awards	161,914	-
Total Employee Related Costs	<u>24,327,977</u>	<u>20,000,055</u>

Remuneration of the Municipal Manager

Annual Remuneration	568,022	522,600
Performance Bonus	-	-
Car Allowance	151,711	-
Housing Allowance	55,588	52,815
Telephone Allowance	-	144,000
Company Contributions to UIF, Medical and Pension Funds	95,251	84,595
Total	<u>870,572</u>	<u>804,010</u>

Remuneration of the Chief Financial Officer

Annual Remuneration	410,437	353,124
Performance Bonus	-	-
Car Allowance	125,138	-
Housing Allowance	75,089	71,344
Telephone Allowance	-	136,187
Company Contributions to UIF, Medical and Pension Funds	51,422	45,361
Total	<u>662,086</u>	<u>606,016</u>

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Remuneration of the Director: Corporate Services		
Annual Remuneration	380,993	247,000
Acting allowance	9,050	-
Car Allowance	99,408	-
Housing Allowance	81,859	21,200
Telephone Allowance		84,000
Company Contributions to UIF, Medical and Pension Funds	28,033	27,800
Total	<u>599,343</u>	<u>380,000</u>

The post was vacant for July 2009. An acting allowance was paid for this period to the Assistant Manager for standing in as Director.

Remuneration of the Director: Infrastructure and Planning		
Annual Remuneration	435,515	358,126
Performance Bonus	-	-
Car Allowance	126,935	-
Housing Allowance	92,599	38,334
Telephone Allowance		150,262
Company Contributions to UIF, Medical and Pension Funds	7,691	54,412
Total	<u>662,741</u>	<u>601,134</u>

Remuneration of the Director: Community Services		
Annual Remuneration	393,074	247,000
Acting allowance	15,313	-
Car Allowance	131,936	-
Housing Allowance		84,000
Company Contributions to UIF, Medical and Pension Funds	6,160	49,000
Total	<u>546,483</u>	<u>380,000</u>

The post was vacant as from 01 July 2009 to August 2009. An acting allowance was paid for this period to the Assistant Manager for standing in as Director.

Remuneration of the Director: Local Economic Development		
Annual Remuneration	455,109	360,217
Car Allowance	129,768	129,046
Company Contributions to UIF, Medical and Pension Funds	58,430	50,247
Total	<u>643,307</u>	<u>539,510</u>

Remuneration of the Director: Chief Operations Officer		
Annual Remuneration	497,915	436,729
Car Allowance	130,073	131,650
Company Contributions to UIF, Medical and Pension Funds	46,364	36,446
Total	<u>674,351</u>	<u>604,825</u>

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

25 REMUNERATION OF COUNCILLORS

Executive Mayor	519,680	476,856
Speaker	415,744	381,485
Mayoral Committee Members	2,422,725	2,223,083
Councillors	5,655,012	5,189,016
Company Contributions to UIF, Medical and Pension Funds	132,680	129,656
Reimburse travel outside the municipal area	169,759	-
Total Councillors' Remuneration	<u>9,315,600</u>	<u>8,400,096</u>

In-kind Benefits

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

The Mayor have use of Council owned vehicles for official duties.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
26 DEPRECIATION AND AMORTISATION		
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.		
27 IMPAIRMENT LOSSES		
27.1 Impairment Losses on Fixed Assets		
The municipality opted to take advantage of the transitional provisions in Directive 4 from the Accounting Standards Board under which assets will not be impaired until 30 June 2011.		
27.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	6,970,897	9,943,292
Consumer Debtors	-	-
Other Debtors	6,970,897	9,943,292
Total Impairment Losses	6,970,897	9,943,292
28 FINANCE COSTS		
The municipality did not pay interest on external borrowings during the last two financial years.		
29 GRANTS AND SUBSIDIES PAID		
Per classification the municipality did not pay any grants and subsidies. The following grant related expenditure are however included under General Expenses.		
Free Basic Services are in respect of providing basic service levels to indigent/residential households.		
HIV AIDS Programmes are directed to create public awareness of this health disaster.		
The Mayor makes grants available on application after consultation with the Municipal Manager on the merits of such an application.		
30 GENERAL EXPENSES		
Cleaning Services	741,885	1,453,067
Experientiel Training	-	58,392
Other Part Levy	-	2,665
Subsistence and Travelling	2,928,001	2,788,559
Uniforms & Protective Clothing	103,848	76,269
Accounting & Audit Fees	2,402,175	2,102,557
Advertising Fees	418,561	348,104
Ammunition	-	68,890
Bank Charges	164,904	141,261
Books & Publications	89,354	365,218
Branding & Marketing	92,802	310,921
Catering	512,610	923,100
Communication Strategy	123,638	19,244
Community Radio Support	149,631	453,057
Conference Fees	68,903	60,881
Consultant & Professional Fees	4,678,497	4,181,238
Consumeables & Beverages	33,060	54,892
Customer Care	1,351	843,950
Disaster Management Plan	57,122	266,290
EAP	242,863	153,802
Electricity and Water Purchases	377,109	1,184,977
Entertainment	30,503	58,550
Establishment of Ward Committees	-	8,000
Events & Programs	294,555	592,182
IDP Out Reach	4,440	-
Financial & Budget Reform	-	90,737

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
First Aid	-	25,239
HIV/AIDS	30,900	20,000
IGR	-	92,208
Indigent Support	207,688	7,349
Insurance: External	739,735	351,088
Internal Audit Committee	468,157	315,955
Job Evaluation	-	20,000
Legal Fees	812,548	121,799
Material & Stores	3,210	104,829
Membership fees	409,068	166,960
Office Rental	206,205	36,398
Pauper Baurials	3,400	14,962
Postage	902	194,152
Pound Fees	13,798	10,290
Printing & Stationery	337,833	887,706
Promotional Material	199,864	355,708
Public Safety	7,000	11,740
Ratepayers Incentive	-	780
Refuse Bags & Bins	488,500	531,071
Security Costs	1,536,328	1,299,043
SPU Programmes	153,682	10,346,752
Strategic Planning	523,368	409,418
Sundry Expenses	6,361	4,396
Survey and Planning	443,939	3,066,986
System Rental	142,770	1,027
Telephone	1,750,471	1,673,921
Training External	385,721	1,298,739
Fuel & Oil	80,890	453,279
Ward Committees	548,420	267,781
Equipment Rental	210,886	524,321
Hall Hire	31,303	750
SPU Programmes	320,955	29,190
IT Projects	(21,331)	264,381
Tourism	301,297	-
Policy formulation & Review	186,726	-
Performance Management	174,000	-
Data lines	343,940	11,431
Medicine for Pound	27,379	-
Mayors Discretionary Fund	535,957	500
Municipal Infrastructure Grant (MIG)	315,017	15,894
Forestry Development	286,677	5,500
Financial Management Grant	841,375	-
Municipal Systems Infrastructure Grant (MSIG)	185,383	-
Petty Cash	20,527	-
Annual Reports	147,600	-
EEP	97,240	-
Environmental Management	757,380	-
Agrarian Reform	1,398,033	-
Investment Plan	133,740	-
Massive Food Production	647,737	-
SMME Development	126,915	-
DEDEA PROJECTS	66,811	-
	-	-
Total General Expenses	30,152,118	39,548,348

The comparative figures for General Expenses have been restated to correct an error contained in the 2008/2009 Annual Financial Statements. Refer to note 31.2 on "Correction of Errors" for details on the restatement.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
	Balances previously reported	Correction	Restated balances
31 CORRECTION OF ERROR	2008/2009	2008/2009	2008/2009
<u>31.1 The Statement of Financial Performance presented with the financial statements for 2008/09 did not meet the requirements of GRAP 1 and were accordingly restated, before any other errors were affected, as follows:</u>			
Grants and subsidies	92,999,019	(92,999,019)	-
Other Income	9,143,938	(9,143,938)	-
Operating expenses	<u>-71,427,819</u>	71,427,819	-
Operating Surplus	30,715,138		
Investment Revenue	<u>8,748,044</u>	(8,748,044)	-
<u>Revenue</u>			
Property Rates		4,007,100	4,007,100
Service Charges		1,902,090	1,902,090
Rental of Facilities and Equipment		830,907	830,907
Interest Earned - External Investments		8,748,043	8,748,043
Fines		110,864	110,864
Income for Agency Services		856,771	856,771
Government Grants and Subsidies Received		93,062,547	93,062,547
Other Income		<u>1,322,110</u>	<u>1,322,110</u>
Total Revenue			110,840,432
<u>Expenditure</u>			
Employee Related Costs		-28,332,089	(28,332,089)
Bad Debts		-3,009,652	(3,009,652)
Repairs and Maintenance		-1,247,139	(1,247,139)
Grants and Subsidies Paid		-42,311	(42,311)
General Expenses		<u>-38,746,054</u>	<u>(38,746,054)</u>
Total Expenditure			<u>(71,377,246)</u>
Surplus for the year	<u>39,463,182</u>		<u>39,463,185</u>
<u>31.2 In the note to the financial statements items were included or excluded from "General Expenses". Previous figures were also summarised into unknown groups which could not be traced back to the trial balance. Accordingly "General Expenses" was restated as follows:</u>			
Auditors remuneration	<u>790,929</u>	<u>(790,929)</u>	-
	<u>790,929</u>	<u>(790,929)</u>	
Accounting fees	2,274,775	(2,274,775)	-
Accounting & Audit Fees	0	1,958,821	1,958,821
Advertising	301,468	-	301,468
Agricultural	9,711,677	(9,711,677)	-
Ammunition	0	68,890	68,890
Approval of infrastructure	0	-	-
Bank charges	137,721	-	137,721
Books and publications	351,552	-	351,552
Catering	0	919,560	919,560
Cleaning	1,754,744	-	1,754,744
Communication strategy	19,244	-	19,244
Community development and training	811,921	(811,921)	-
Community radio support	0	453,057	453,057
Conferences and seminars	980,428	(919,547)	60,881

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
Consulting and professional fees	4,314,429	-	4,314,429
Consumeables	32,012	-	32,012
Customer Care	0	843,950	843,950
Disaster Management Plan	0	266,290	266,290
EAP	0	153,802	153,802
Electricity and Water Purchases	0	1,121,117	1,121,117
Entertainment	58,550	-	58,550
Establishment of Ward Committees	0	8,000	8,000
Equipment Rental	0	524,321	524,321
Experientiel Training	0	58,392	58,392
Ex Outreach Program	0	358,864	358,864
Financial & Budget Reform	0	90,737	90,737
First Aid	0	25,239	25,239
IGR	0	92,208	92,208
Fuel and oil	449,441	-	449,441
Insurance	351,088	-	351,088
Internal Audit Committee	0	315,955	315,955
Job Evaluation	0	20,000	20,000
Legal fees	85,937	-	85,937
Levies	2,665	-	2,665
Marketing	310,921	-	310,921
Material & Stores	0	104,829	104,829
Membership fees	0	22,067	22,067
Office Rental	0	29,398	29,398
Other expenses	8,892,892	(8,892,892)	-
Packaging / Refuse bins and bags	531,071	-	531,071
Postage and courier	194,152	-	194,152
Pound Fees	0	10,290	10,290
Printing and stationery	842,819	-	842,819
Productions	233,318	-	233,318
Promotions	355,708	-	355,708
Public Safety	11,740	-	11,740
Ratepayers Incentive	0	780	780
Rental	564,719	(564,719)	-
Security	1,179,725	-	1,179,725
SPU Programmes	0	10,409,429	10,409,429
Staff welfare	51,657	(51,657)	-
Strategic Planning	0	409,418	409,418
Subsistence and Travelling	0	2,638,560	2,638,560
Sundry expenses	0	-	-
Survey and planning	3,000,809	-	3,000,809
System Rental	0	1,027	1,027
Telephone and fax	1,673,921	-	1,673,921
Training	1,400,521	(81,997)	1,318,524
Uniforms & Protective Clothing	0	49,552	49,552
Ward Committees	0	219,061	219,061
	<u>40,881,625</u>	<u>-2,135,571</u>	<u>38,746,054</u>
	<u>41,672,554</u>	<u>-2,926,500</u>	<u>38,746,054</u>

31.3 The provision for staff leave was listed as Employee benefits in note 9 to the Financial Statements for 2008/09. As per GRAP 1 this amount should be disclosed under current provisions:

Current Liability			
Employee benefits	1,072,544	-1,072,544	
Provisions		<u>1,072,544</u>	<u>1,072,544</u>

31.4 Reclassification of Net Assets - Total Reserves

The following "Reserves" were disclosed and should form part of the Accumulated Surplus:

Capital Replacement Reserve	92,061,294
Capital Reserve	<u>175,546,199</u>

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
Reserves	267,607,493	-267,607,493	
Accumulated Surplus		267,607,493	267,607,493

31.5 Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June 2008

	2009	2008
Details of the appropriations are as follows:		
<i>Unappropriated Surplus Account:</i>		
Corrections to Bank	277,355	-
Corrections to Creditors	(1,329,178)	-
Corrections to Debtors	7,591,270	-
Corrections to Unspent Conditional Grants	53,602,616	-
Corrections to Provisions - Current	-	-
Corrections to Provisions - Non-Current	(681,965)	(3,220,563)
Corrections to Investment Assets		18,094,500
Corrections to Property, Plant & Equipment	(35,858,415)	(27,414,741)
Corrections to Intangible Assets	377,060	-
Corrections to Stock	-	403,500
Corrections to Other Debtors	(2,556,236)	-
Corrections to Operating Lease Assets	118,226	132,209
Increase / (Decrease) in Accumulated Surplus Account	<u>21,540,732</u>	<u>(12,005,095)</u>

31.5.1 Reclassification of Revenue:

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	2008 Revenue	2008 Revenue	Restated Difference
Operating Lease Revenue not raised before as per GRAP 13	0	(132,209)	132,209
	<u>0</u>	<u>-132,209</u>	<u>132,209</u>
	2009	2009	
Operating Lease Revenue not raised before as per GRAP 13	0	(118,226)	118,226
Other income reversed		21,647	
	<u>0</u>	<u>-96,578</u>	<u>118,226</u>

31.5.2 Reclassification of Expenditure:

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

	2009 Expenditure	2009 Expenditure	Restated Difference
Employee Related Costs	19,394,717	20,000,055	(605,338)
Remuneration of Councillors	8,937,372	8,400,096	537,276
Interest Paid	0	9,018	(9,018)
General Expenses	38,788,366	39,548,348	(759,982)
Rapairs and Maintenance	1,247,139	1,247,439	(300)
Provision for Impairment of Debtors	3,009,652	9,943,292	(6,933,640)
	<u>71,377,246</u>	<u>79,148,248</u>	<u>-7,771,001</u>

Employee Related Costs

The following was incorrectly included in Creditors at 30 June 2009

SALGA	(230,123)
Municipal Councillors Pension Fund	(87,230)

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
(The report by the Auditor General for 2008/09 has reference)		
<i>Remuneration of Councillors</i>		
Councillors were paid on the wrong grade during 2008/09 (The report by the Auditor General for 2008/09 has reference)		537,276
<i>General Expenses</i>		(1,069,614)
Payments allocated to incorrect financial year		
Amounts due i.r.o. 2008/09 but paid in 2009/10		(319,220)
Amount i.r.o. 2009/10 but paid in 2008/09		(750,394)
<i>Repairs and Maintenance</i>		
Amount i.r.o. 2009/10 but paid in 2008/09		(300)

Provision for Impairment

The provision for impairment of debtors were re-calculated at a average recovery percentage of 26.61% based on the recovery rate for 2009/10

31.5.3 Reclassification of Statement of Financial Position:

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is as follows:

	2008 Fin Position	2008 Fin Position	Restated Difference
Property, Plant and Equipment	306,455,307	279,040,566	27,414,741
Investment Assets	-	18,094,500	(18,094,500)
Provisions for Rehabilitation of Landfill Sites (Non-Current)	-	(3,220,563)	3,220,563
Stock	-	403,500	(403,500)
	306,455,307	294,318,003	12,137,304

With the physical verification and reconciliation process which was carried out during the financial year the amounts as indicated was identified as Investment Assets and Stock. The balance of the difference was written off.

	2009 Fin Position	2009 Fin Position	Restated Difference
Unspent Conditional Grants	(53,734,654)	(132,038)	(53,602,616)
Debtors	2,150,588	9,741,857	(7,591,270)
Provisions for Rehabilitation of Landfill Sites (Current)			-
Provisions for Rehabilitation of Landfill Sites (Non-Current)	(3,220,563)	(3,542,620)	322,056
Provisions for Long Service Awards (Current) (Included in Creditors)			-
Provisions for Long Service Awards (Non-Current)		(359,909)	359,909
Creditors	(1,412,781)	(2,741,958)	1,329,178
Current Portion of Long-term Liabilities			-
Property, Plant and Equipment	279,040,566	243,182,152	35,858,415
Intangible Assets		377,060	(377,060)
Other Debtors	2,140,028	(416,208)	2,556,236
Operating Lease Assets	-	118,226	(118,226)
Bank, Cash and Cash Equivalents	65,728,589	66,005,944	(277,355)
	290,691,774	312,232,506	-21,540,732

Unspent Conditional Grants

At 30 June 2009 the unspent grants was recorded with a balance of
In accordance with the Audit Report for 2008/09 the unspent amount was determined at only
This amount was in respect of the Financial Management Grant as per management.

-53,734,654
-132,038

The following grants was accordingly written back to the accumulated surplus: -53,602,616

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
22.3 National: MIG Funds		2,242,375
These grants were fully utilised at 30 June 2009		
The origin of the following grants is unknown. It seems to have been common practice to set aside funds from Equitable Share, which is not a conditional grant, for specific purposes. Interest on investments was also allocated to these grants as was common with the IMFO accounting practice. This is not allowed with GRAP.		
22.5 Other - Testing Ground		2,651,521
22.7 Other - Planning and Survey		642,949
22.8 Other - Drought Relieve		321,779
22.9 Other - Electricity		201,719
22.10 Other - Free Basic Services		22,506,429
22.11 Other - Other Grants and Subsidies		23,448,259
The description of this grant indicates a very old assistance program from government, before the MIG grants came into practice. Conditions is most probably met long ago.		
22.6 Other - Municipal Support Program (MSP)		1,587,585

Revenue from Government Grants

The amounts disclosed in the Annual Financial Statements for 2008/09 did not correlate to the audited trial balance on 30 June 2009 and were restated as follows:

	2009	2009	Restated Difference
Equitable Share	43,984,208	43,987,856	-3,648
Provincial Government	49,014,811	49,074,690	-59,879
LGSETA	30,670		
Municipal Infrastructure Grant (MIG)	17,468,001	14,824,000	
Financial Management Grant (FMG)	500,000	367,962	
Operating Reserves	9,500,000		
Roll Over Projects	20,781,139		
Municipal Systems Infrastructure Grant (MSIG)	735,001	735,000	
Other: Municipal Support Program (MSP)		360	
Other: Planning and Survey		1,259,616	
Other: Other Grants and Subsidies		31,887,752	
			-63,527

Provisions for Long Service Awards

Provision was made to recognise the liability as per the actuarial valuation. (Current and non-current) 359,909

Creditors -1,282,752

The following adjustments to creditors as per 31.5.2 Reclassification of Expenditure: above were affected -1,387,268

Employee Related Costs	-317,353
General Expenses	-1,069,614
Repairs and Maintenance	-300

Debtors with credit balances corrected 104,516

Property, Plant and Equipment & Intangible Assets

With the physical verification and reconciliation process which was carried out during the financial year the amounts as indicated was the differences between the new assets register and the control ledger account. 35,481,354

Debtors 5,035,033

The following adjustments were made:

Debtors brought forward balances was excluded from the ledger and financial statements at 30 June 2009	9,758,882
Councillors overpaid during 2008/09 raised as debtor	537,276
Correction of VAT Debtors	3,044,012
Split Debtors between Refuse/Rates/VAT at 30 June 2009	3,988,993

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Split Debtors between Refuse/Rates/VAT at 30 June 2009		558,265
Split Debtors between Refuse/Rates/VAT at 30 June 2009		-4,547,258
Debtors Written off		
Alfred Nzo Districts Municipality (AG Report 2008/09 has reference)		-766,620
Unknown accrued debtors		-327,522
Provision for Impairment recalculated at 30 June 2009		-6,933,640
Bankreconciliation transactions in respect of 2008/09. This is also a correction to the cash balance as above.		-277,355

Operating Lease Assets

Operating lease transactions had been recorded and expensed as per GRAP 13 .	-118,226
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31.5.4 Restatement of the Cash Flow Statement

	2009	2009	Difference
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other	85,178,464	12,553,224	97,731,688
Cash paid to Suppliers and Employees	21,094,157	(90,906,108)	(69,811,951)
Cash generated from / (utilised in) Operations	<u>106,272,621</u>	<u>(78,352,884)</u>	<u>27,919,737</u>
Dividends received			
Royalties received			
Interest received	8,748,044	(1)	8,748,043
Interest paid		(9,018)	(9,018)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	<u>115,020,665</u>	<u>(78,361,903)</u>	<u>36,658,762</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	(40,669,597)	(1,769,980)	(42,439,577)
Purchase of Investment Property	(1)	1	
Proceeds on Disposal of Property, Plant and Equipment	1	(1)	
(Increase) / decrease in Long-term Receivables		(118,226)	(118,226)
Loans redeemed and capital receipts	(265,785,712)	265,785,712	
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	<u>(306,455,309)</u>	<u>263,897,507</u>	<u>(42,557,802)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in project funds	(1,587,862)	1,587,862	
Movement in Grants	(78,939,573)	78,939,573	
Statutory Funds	(1,821,781)	1,821,781	
Increase in funds and reserves	267,607,493	(267,607,493)	
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	<u>185,258,277</u>	<u>(185,258,277)</u>	
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>78,084,383</u>	<u>(83,983,423)</u>	<u>(5,899,040)</u>
Cash and Cash Equivalents at the beginning of the year	(6,179,397)	78,084,381	71,904,984
Cash and Cash Equivalents at the end of the year	71,904,986	(5,899,042)	66,005,944
Out of balance	84,260,750	-84,260,750	0

31.5.5 Restatement of Accumulated Surplus at 1 July 2008

	2008	2008	Difference
Balance as per the Statement of Changes in Net Assets	-10,671,081	281,863,896	-292,534,977

The difference is un-reconciled. The Accumulated Surplus at the beginning of the 2008/09 financial year was calculated by reducing the accumulated surplus at the end of the 2008/09 financial year (audited financial statements) of R321 327 078 by the surplus for the 2008/09 financial year of R39 463 182 which resulted in the balance of R281 863 896. Part of the difference will be related to the amount disclosed as Property Plant and Equipment from R0 (zero) at the end of the 2007/08 financial year and R306 455 309 at the end of 30 June 2009. The municipality did not obtain all its assets during the 2008/09 financial year as presented.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
32 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	24,647,153	31,788,762
Adjustment for:		
Contribution to Provisions - Current	-	(3,653,276)
Contribution to Provisions - Non-current	326,209	681,965
Contribution to Impairment Provision	6,970,897	9,943,292
Investment Income	(4,388,311)	(8,748,043)
Finance Costs	8,292	9,018
Operating surplus before working capital changes	<u>27,564,239</u>	<u>30,021,718</u>
 (Increase)/Decrease in Inventories	(338,465)	(403,500)
(Increase)/Decrease in Consumer Debtors	1,336,040	(6,697,845)
(Increase)/Decrease in Other Debtors	(10,943,411)	2,108,528
Increase/(Decrease) in Creditors	13,792,654	2,758,798
Increase/(Decrease) in Conditional Grants and Receipts	9,778,469	132,038
 Cash generated by / (utilised in) Operations	<u><u>41,189,526</u></u>	<u><u>27,919,737</u></u>

33 NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2009/2010 financial year.

34 FINANCING FACILITIES

The municipality did not make use of any financing facility.

35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

35.1 Unauthorised Expenditure

	Budget	Actual	Over/(Under)
The operational expenditure exceeded approved budgeted expenditure which constitutes unauthorised expenditure.	65,765,530	78,505,025	12,739,495

The reason for this is amongst others operational items to the value of R17 195 000 were approved as part of the capital estimates and has not been adjusted to operational 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 R6 970 897.

The unauthorised expenditure will be submitted to Council for condonement.

35.2 Fruitless and Wasteful Expenditure

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

35.3 Irregular Expenditure

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

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.1 Contributions to organised local government - SALGA

Opening Balance	73,150	-
Council Subscriptions	256,858	295,185
Amount Paid - current year	(256,858)	(222,035)
Amount Paid - previous years	(73,150)	-
 Balance Unpaid (included in Creditors)	<u><u>-</u></u>	<u><u>73,150</u></u>

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
36.2 Audit Fees		
Opening Balance	-	-
Current year Audit Fee	2,752,433	790,929
Amount Paid - current year	(2,628,112)	(790,929)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>124,320</u>	<u>-</u>

36.3 Value Added Tax (VAT)

VAT inputs receivables and VAT outputs receivables are shown in Note 14. All VAT returns have been submitted by the due date throughout the year.

36.4 PAYE and UIF

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

The balance represents PAYE and UIF deducted from the June 2010 payroll. These amounts were paid during July 2010.

36.5 Pension and Medical Aid Deductions

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

The balance represents Pension and Medical Aid contributions deducted from employees and councillors in June 2010 payroll, as well as the municipality's contributions to these funds. These amounts were paid during July 2010.

36.6 Councillor's arrear Consumer Accounts

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

30 June 2010	Total	Outstanding up to 90 days	Outstanding more than 90 days
Garane A	9,560	1,274	8,286
Mbhele 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>

30 June 2009	Total	Outstanding up to 90 days	Outstanding more than 90 days
Garane A	4,504	1,022	3,482
Mbhele N	2,676	286	2,390
Socikwa S	36,076	746	35,330
Mdzinwa M	252	-	252
Mdzinwa M N	1,282	320	961
Total Councillor Arrear Consumer Accounts	<u>44,789</u>	<u>2,375</u>	<u>42,414</u>

Finance Management Act

No known matters existed at reporting date.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010 **2009**
R **R**

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

The municipality has not complied with the Supply Chain Management regulation in the following two cases as services above a transaction value of R200 000 have been procured without a tender invitation process and without any reasons recorded by the accounting officer for the deviations.

Supplier	Start date	End date	Contract Value	Payments made
Umntho Business Company	03/06/2009	15/09/2009	R 955,000.00	R 757,555.00
Nile Commodities	06/07/2009	30/06/2010	20% of VAT Claim	R 1,319,328.76

37 COMMITMENTS FOR EXPENDITURE

37.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

Community

Heritage

Other

Housing Development Fund

Investment Properties

14,525,990	9,697,762
14,525,990	9,100,714
-	467,268
-	-
-	129,780
-	-
-	-
14,525,990	9,697,762

Total Capital Commitments

This expenditure will be financed from:

External Loans

Capital Replacement Reserve

Government Grants

District Council Grants

Public Contributions

Own Resources

-	-
-	-
14,525,990	9,697,762
-	-
-	-
-	-
14,525,990	9,697,762

38 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.

38.1 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 and vehicles.

38.2 Amounts payable under Operating Leases

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

Vehicles and Other Equipment:

Up to 1 year

2 to 5 years

More than 5 years

4,405,280	479,650
1,144,840	192,272
3,260,440	287,378
-	-
4,405,280	479,650

Total Operating Lease Arrangements

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

Minimum lease payments

Total Operating Lease Expenses

450,591	-
450,591	-

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

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

- Office Equipment
- Vehicles

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

39 FINANCIAL INSTRUMENTS

39.1 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	1,456,461	(676,130)
Refuse	Loans and receivables	4,676,380	3,988,993
Other Debtors			
Payments made in Advance	Loans and receivables	305,454	-
Sundry Debtors	Loans and receivables	1,444,285	537,276
Bank, Cash and Cash Equivalents			
Call Deposits	Held to maturity	77,542,056	63,883,062
Cash Floats and Advances	Available for sale	4,855	7,298
		91,907,814	75,331,593

SUMMARY OF FINANCIAL ASSETS

Loans and Receivables			
Consumer Debtors	Assessment Rates	1,456,461	(676,130)
Consumer Debtors	Refuse	4,676,380	3,988,993
Consumer Debtors	Other Debtors	-	-
Other Debtors	Payments made in Advance	305,454	-
Other Debtors	Sundry Deposits	229,535	-
Other Debtors	Sundry Debtors	1,444,285	537,276
		11,962,123	9,325,649
Available for Sale:			
Bank Balances and Cash	Bank Balances	2,398,779	2,115,584
Bank Balances and Cash	Cash Floats and Advances	4,855	7,298
Bank Balances and Cash	Call Deposits	77,542,056	63,883,062
		79,945,690	66,005,944
Total Financial Assets		91,907,814	75,331,593

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	14,154,055	1,726,354
Payments received in Advance	Financial liabilities at amortised cost	282,706	(104,516)
Sundry Deposits	Financial liabilities at amortised cost	78,270	-
Other Creditors	Financial liabilities at amortised cost	343,809	1,150

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
Bank Overdraft			
Bank Overdraft (Cashbook)	Financial liabilities at amortised cost	-	-
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Creditors	Trade Creditors	14,154,055	1,726,354
Creditors	Payments received in Advance	282,706	(104,516)
Creditors	Retentions	-	-
Creditors	Sundry Deposits	78,270	-
Creditors	Other Creditors	343,809	1,150
Bank Overdraft (Cashbook)	Bank Overdraft	-	-
		<u>14,970,067</u>	<u>1,669,414</u>
Total Financial Liabilities		<u>14,970,067</u>	<u>1,669,414</u>

39.2 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 from 2008.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 4, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 2 and the Statement of Changes in Net Assets.

Gearing Ratio

	2010 R	2009 R
The gearing ratio at the year-end was as follows:		
Debt	-	-
Bank, Cash and Cash Equivalents	79,945,690	66,005,944
Net Debt	<u>79,945,690</u>	<u>66,005,944</u>
Equity	<u>355,509,867</u>	<u>330,862,714</u>
Net debt to equity ratio	<u>22.49%</u>	<u>19.95%</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.

39.3 Financial Risk Management Objectives

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

39.4 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.

39.5 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.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010	2009
R	R

39.5.1 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.

Interest Rate Sensitivity Analysis

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

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

39 FINANCIAL INSTRUMENTS (Continued)

39.7 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 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	6		77,542,056	77,542,056	-	-	-	-
Bank Balances and Cash	6		2,403,634	2,403,634	-	-	-	-
Total Fixed Rate Instruments			79,945,690	79,945,690	-	-	-	-

30 June 2009

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	6		63,883,062	63,883,062	-	-	-	-
Bank Balances and Cash	6		2,122,882	2,122,882	-	-	-	-
Total Fixed Rate Instruments			66,005,944	66,005,944	-	-	-	-

39.8 Other Price Risks

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

39.9 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 2010

	2010 R	2009 R
39 FINANCIAL INSTRUMENTS (Continued)		
39.10 Credit Risk Management		
<p><i>Credit Risk</i> refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.</p>		
<p>The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:</p>		
Consumer Debtors	8,405,817	9,741,857
Other Debtors	3,556,306	(416,208)
Bank, Cash and Cash Equivalents	79,945,690	66,005,944
Maximum Credit and Interest Risk Exposure	<u>91,907,814</u>	<u>75,331,593</u>
Total Finance Lease Receivables (Note 7)	<u>2,469,897</u>	<u>3,406,157</u>

40 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Umzimvubu Local Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

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 R2404109 (2008/2009: R1581986) 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 2006.

The statutory valuation performed as at 30 June 2006 revealed that the fund had a funding ratio of 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.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010 **2009**
R **R**

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.

41 RELATED PARTY TRANSACTIONS

41.1 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
MN Sineke	Director: Community & Citizens Services	Company member of Capstan Trading 686.
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	419,900.00	Son	A Mandlana
Cllr AN Garane	Corporate Services	95,405.93	Daughter	FZ Garane
Cllr Z Ndevu	Budget & Treasury	89,001.90	Cousin	B Ndevu
Mr MN Sineke	Community & Citizens	48,894.30	Cousin	S Sineke

41.2 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.

41.3 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.

41.4 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.

41.5 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	Owner	Councillor	132,240	-
Total Purchases				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 2010

	2010 R	2009 R
42 CONTINGENT LIABILITIES		
42.1 Court Proceedings:	120,000	-
(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 that an amount of R120 000 be disclosed as a contingent liability in lue of legal fees. If the municipality win the case Mbali will have to pay all costs.		
	120,000	
43 CONTINGENT ASSETS		
The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.		
44 IN-KIND DONATIONS AND ASSISTANCE		
The municipality did not receive any In-kind Donations and Assistance during the year under review.		
45 COMPARISON WITH THE BUDGET		
The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".		
46 PRIVATE PUBLIC PARTNERSHIPS		
The municipality was not a party to any Private Public Partnerships during the financial year 2009/2010.		
47 EVENTS AFTER THE REPORTING DATE		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2010		
48 COMPARATIVE FIGURES		
The comparative figures were restated as a result of incorrect accounting practices mainly due to the conversion to General Accepted Accounting Practice (GRAP) standards during the 2008/09 financial year. Details of these restated amounts can be seen in the Correction of Error Note 31		
49 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.		

APPENDIX A
UMZIMVUBU LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

The municipality does not have any outstanding balances on external loans for the last two financial years.

APPENDIX B
UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Historical Cost				Cost / Revaluation		Accumulated Depreciation / Impairment				Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Disposals	Closing Balance	Under Construction	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings												
Land	564	-	-	564	-	564	-	-	-	-	564	
Office Buildings	28,846,754	385,163	-	29,231,917	-	29,231,917	-	-	-	-	29,231,917	450,000
	28,847,318	385,163	-	29,232,481	-	29,232,481	-	-	-	-	29,232,481	450,000
	0.00	0.00	0.00	0.00	0.00							
Infrastructure												
<i>Roads:</i>												
Bridges, Subways and Culverts	1,655,417	263,843	-	1,919,260	-	1,919,260	-	-	-	-	1,919,260	4,110,000
Roads: Gravel	110,878,743	26,062,426	-	136,941,168	-	136,941,168	-	-	-	-	136,941,168	-
Roads: Other	15,918,052	1,342,774	-	17,260,826	-	17,260,826	-	-	-	-	17,260,826	46,591,921
	-	-	-	-	-	-	-	-	-	-	-	-
<i>Sanitation:</i>												
Tip Sites	3,533,602	241,174	-	3,774,776	-	3,774,776	-	-	-	-	3,774,776	1,000,000
	131,985,814	27,910,218	-	159,896,031	-	159,896,031	-	-	-	-	159,896,031	54,501,921
	0.00	0.00	0.00	0.00	0.00							
Community Assets												
<i>Recreational Facilities:</i>												
Outdoor Sports Facilities	4,095,318	192,446	-	4,287,764	-	4,287,764	-	-	-	-	4,287,764	5,634,983
<i>Other Facilities:</i>												
Care Centres	43,719,713	-	-	43,719,713	-	43,719,713	-	-	-	-	43,719,713	-
Cemeteries	230,572	8,730	-	239,302	-	239,302	-	-	-	-	239,302	-
Community Centres	26,074,124	(38,667)	-	26,035,457	316,541	26,351,999	-	-	-	-	26,351,999	-
Public Conveniences/Bathrooms	349,981	-	-	349,981	-	349,981	-	-	-	-	349,981	-
	74,469,708	162,509	-	74,632,217	316,541	74,948,759	-	-	-	-	74,948,759	5,634,983
	0.00	0.00	0.00	0.00	0.00							
Heritage Assets												
Paintings/ Mayoral Chain	17,719	-	-	17,719	-	17,719	-	-	-	-	17,719	-
	17,719	-	-	17,719	-	17,719	-	-	-	-	17,719	-
	0.00	0.00	0.00	0.00	0.00							
Other Assets												
<i>Furniture and Fittings:</i>												
Other Furniture	2,859,704	36,039	-	2,895,743	-	2,895,743	-	-	-	-	2,895,743	-
<i>Motor Vehicles:</i>												
Motor Cars	634,110	150,200	-	784,310	-	784,310	-	-	-	-	784,310	-
Trailers	27,450	390,400	-	417,850	-	417,850	-	-	-	-	417,850	-
Trucks and Bakkies	1,726,125	-	-	1,726,125	-	1,726,125	-	-	-	-	1,726,125	500,535
<i>Office Equipment:</i>												
Air Conditioners	157,696	-	-	157,696	-	157,696	-	-	-	-	157,696	-
Computer Hardware	1,383,921	628,833	-	2,012,755	-	2,012,755	-	-	-	-	2,012,755	2,184,972
Office Machines	197,107	44,104	-	241,211	-	241,211	-	-	-	-	241,211	-

Plant and Equipment: Other Plant and Equipment	875,479	1,565,148	-	2,440,627	-	2,440,627	-	-	-	-	2,440,627	200,000
	7,861,593	2,814,724	-	10,676,317	-	10,676,317	-	-	-	-	10,676,317	3,295,507
	0.00	0.00	0.00									
Total	243,182,152	31,272,614	-	274,454,765	316,541	274,771,307	-	-	-	-	274,771,307	63,882,411
	0.00	0.00	0.00	0.00								

UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2010

Description	Historical Cost				Cost / Revaluation		Accumulated Depreciation / Impairment				Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Disposals	Closing Balance	Under Construction	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
Investment Properties	R	R	R	R	R	R	R	R	R	R	R	R
Land	18,094,500	-	-	18,094,500	-	18,094,500	-	-	-	-	18,094,500	-
	18,094,500	-	-	18,094,500	-	18,094,500	-	-	-	-	18,094,500	-
	0.00	0.00	0.00									

UMZIMVUBU LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2010

Description	Historical Cost				Cost / Revaluation		Accumulated Depreciation / Impairment				Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Disposals	Closing Balance	Under Construction	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
Intangible Assets	R	R	R	R	R	R	R	R	R	R	R	R
Computer Software	377,060	-	-	377,060	-	377,060	-	-	-	-	377,060	150,000
	377,060	-	-	377,060	-	377,060	-	-	-	-	377,060	150,000
	0.00	0.00	0.00									150,000.00
Total Fixed Asset Register	261,653,712	31,272,614	-	292,926,326	316,541	293,242,867	-	-	-	-	293,242,867	64,032,411

APPENDIX C
UMZIMVUBU LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive and Council	17,719	-	-	-	17,719	-	-	-	-	17,719
Finance and Administration	7,861,593	2,814,724	-	-	10,676,317	-	-	-	-	10,676,317
Planning and Development	29,197,299	385,163	-	-	29,582,462	-	-	-	-	29,582,462
Health	-	-	-	-	-	-	-	-	-	-
Community and Social Services	70,024,409	(29,937)	316,541	-	70,311,013	-	-	-	-	70,311,013
Housing	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-
Sport and Recreation	4,095,318	192,446	-	-	4,287,764	-	-	-	-	4,287,764
Environmental Protection	3,533,602	241,174	-	-	3,774,776	-	-	-	-	3,774,776
Waste Management	-	-	-	-	-	-	-	-	-	-
Roads and Transport	128,452,212	27,669,044	-	-	156,121,255	-	-	-	-	156,121,255
Water	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	243,182,152	31,272,614	316,541	-	274,771,307	-	-	-	-	274,771,307

APPENDIX D
UMZIMVUBU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Income	2009 Budgeted Income	2009 Actual Expenditure	2009 Budgeted Expenditure	2009 Surplus/ (Deficit)	Description	2010 Actual Income	2010 Budgeted Income	2010 Actual Expenditure	2010 Budgeted Expenditure	2010 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
-	-	13,223,921	9,244,706	(13,223,921)	Executive and Council	-	-	16,741,840	19,766,923	(16,741,840)
93,136,622	66,502,477	44,364,421	35,120,456	48,772,201	Finance and Administration	78,208,584	80,968,632	28,267,489	15,898,596	49,941,095
17,469,751	-	16,288,880	13,350,935	1,180,871	Planning and Development	19,125,708	37,409,983	25,334,288	16,952,641	(6,208,581)
-	-	-	-	-	Health	-	-	-	-	-
330,637	197,879	5,271,025	439,444	(4,940,388)	Community and Social Services	5,817,886	6,151,716	8,161,408	13,147,370	(2,343,523)
-	-	-	-	-	- Housing	-	-	-	-	-
-	-	-	-	-	- Public Safety	-	-	-	-	-
-	-	-	-	-	- Sport and Recreation	-	-	-	-	-
-	-	-	-	-	- Environmental Protection	-	-	-	-	-
-	-	-	-	-	- Waste Management	-	-	-	-	-
-	-	-	-	-	- Roads and Transport	-	-	-	-	-
-	-	-	-	-	- Water	-	-	-	-	-
-	-	-	-	-	- Electricity	-	-	-	-	-
-	-	-	-	-	- Other	-	-	-	-	-
110,937,010	66,700,356	79,148,248	58,155,541	31,788,762	Sub-Total	103,152,178	124,530,331	78,505,025	65,765,530	24,647,153
-	-	-	-	-	Less: Inter-departmental Charges	-	-	-	-	-
110,937,010	66,700,356	79,148,248	58,155,541	31,788,762	Total	103,152,178	124,530,331	78,505,025	65,765,530	24,647,153

APPENDIX E(1)
UMZIMYUBU LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

Description	2009/2010 Actual	2009/2010 Budget	2009/2010 Variance	2009/2010 Variance	Explanation of Significant Variances greater than 10% versus Budget
REVENUE	R	R	R	%	
Property Rates	11,235,868	5,000,000	6,235,868	55.50	
Fines	144,257	155,634	(11,377)	-7.89	
Licences and Permits	32,218	30,000	2,218	6.88	
Income for Agency Services	4,547,792	4,370,000	177,792	3.91	
Government Grants and Subsidies Received	79,372,775	94,757,983	(15,385,207)	-19.38	Some projects included in the estimates still committed but not yet.
Service Charges	1,380,038	1,307,882	72,156	5.23	
Rental of Facilities and Equipment	876,301	995,632		0.00	
Interest Earned - External Investments	4,388,311	5,000,000	(611,689)	-13.94	Revenue overestimated.
Other Income	1,174,618	9,713,200	(8,538,582)	0.00	
Gains on Disposal of Property, Plant and Equipment	-	200,000	(200,000)	0.00	Auction still in process
Profit on Sale of Land	-	3,000,000	(3,000,000)	0.00	Land sales still in process.
Total Revenue	103,152,178	124,530,331	(21,258,821)	(17.07)	
EXPENDITURE					
Employee Related Costs	24,327,977	28,724,078	(4,396,101)	-18.07	Vacancies not filled.
Remuneration of Councillors	9,315,600	12,335,255	(3,019,655)	-32.42	Estimates based on wrong grade.
Depreciation and Amortisation	-	200,000	(200,000)	0.00	Depreciation will only applicable on complete implimentation of GRAP 17
Impairment Losses	6,970,897	-	6,970,897	100.00	GRAP requirement not estimated for
Repairs and Maintenance	7,730,142	2,033,153	5,696,989	73.70	Urgent repairs caused over-expenditure
Finance Costs	8,292	-	8,292	100.00	
General Expenses	30,152,118	22,435,544	7,716,574	25.59	Operational projects of R9.7 million was wrongly included in the capital estimates
Bad Debts	-	37,500	(37,500)	0.00	
Total Expenditure	78,505,025	65,765,530	12,739,495	19.37	
NET SURPLUS / (DEFICIT) FOR THE YEAR	24,647,153	58,764,801	(34,117,648)	58.06	

APPENDIX E(2)
UMZIMVUBU LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

Description	2009/2010	2009/2010	2009/2010	2009/2010	2009/2010	2009/2010	Explanation of Significant Variances greater than 5% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance	Variance	
	R	R	R	R	R	%	Some operational expenditure was included in the capital estimates and accordingly the expenditure was recorded on the operational expenses and resulted in under-expenditure on the capital estimates but over expenditure on the operational account. See Appendix (E1)
Executive and Council	-	-	-	1,309,346	(1,309,346)	(100.00)	
Finance and Administration	2,814,724	-	2,814,724	5,980,698	(3,165,974)	(52.94)	
Planning and Development	385,163	-	385,163	9,633,675	(9,248,512)	(96.00)	
Community and Social Services	(29,937)	316,541	286,605	2,104,346	(1,817,741)	(86.38)	
Roads and Transport	27,669,044	-	27,669,044	45,004,346	(17,335,302)	(38.52)	
Total	31,272,614	316,541	31,589,155	64,032,411	(32,443,256)	(50.67)	

APPENDIX F
UMZIMVUBU LOCAL MUNICIPALITY

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

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Compliance to Revenue Act (*) See below	Reason for Non-compliance
		June	Sept	Dec	March	June	June	Sept	Dec	March	June		
FMG	Nat Treasury	750,000		250,000			53,806	154,348	80,037	734,207	109,640	Yes	
MIG Projects	MIG	3,036,000	8,382,000	5,479,000	7,206,000		3,193,032	3,860,957	8,129,667	2,634,560	965,684	Yes	
Equitable Share	Nat Treasury	23,441,876		20,949,256	14,065,215		6,870,016	6,848,651	13,061,923	10,947,028	20,728,728	Yes	
Dedea	Province		2,084,982		2,084,982				1,200	67,311		Yes	
MSP & MSIG	Province	1,300,000					139,220	450,253	43,436			Yes	
Total Grants and Subsidies Received		28,527,876	10,466,982	26,678,256	23,356,197	0	10,256,074	11,314,209	21,316,263	14,383,106	21,804,053		