



UMZIMVUBU

— LOCAL MUNICIPALITY —

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2019**

AUDITOR - GENERAL
SOUTH AFRICA
30 NOV 2019

UMZIMVUBU LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

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The reports and statements set out below comprise the Annual financial statements presented to the council:

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UMZIMVUBU LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of Entity	Chapter 7 of the Constitution of South Africa	
Mayoral Committee Councilors	Ward	Proportional
	1. F.J. Hem	F.N. Ngonyolo (Speaker)
	2. M. Ntsevu	S.K. Mrukwa (Mayor)
	3. A.P. Mkonto	N.G. Mdzinwa
	4. N.V. Nomaqaga	H.M. Ngqasa
	5. S. Sifolo	M. Mataka
	6. N.C. Tshayisa	A.N. Garane
	7. S.S. Dangisa (Deceased 20/6/19)	U.G. Makanda
	8. T. Sokhanyile	N. Sonyabeshe
	9. M. Mqulwane	T.A. Nambi
	10. P. Makhinzi	P.K. Thingathinga
	11. N. Gogela	L.S. Maqhaehatle
	12. G.V. Lugongolo	N. Ntshayisa
	13. C.L. Noqhakala	L.L. Ngatsha
	14. T.V. Hlazo	N.N. Gcadinje
	15. C.N. Mnyalza	H.N. Dandala
	16. B. Majalamba	S.A.N. Cekeshe
	17. S. Mankanku	S.P. Myingwa
	18. A. Mgangatho	X. Jona
	19. E.N. Ngakonkulu-Lebalo	N.A. Mantshongo
	20. T. Nomkuca	F.P. Sontsi
	21. V.A. Bulana	M. Ramabina
	22. S.O. Madlana (Deceased 18/08/19)	S. Sqiza
	23. N.H. Kolweni	T. Ntshafaze
	24. M. Jojobe	M. Malfwa
	25. A.N. Zongwana	M. Hlankela
	26. M. Tuku	T. Ndara
	27. N.S. Soldat	
Grading of local authority	Grade 3	
Accounting Officer	G.P.T. Nota	
Auditors	Auditor-General of South Africa (Registered Auditors)	
Registration Number	EC 442	
Jurisdiction	Greater Umzimvubu area which includes: Kwa-Bhaca, Ema-Xesibeni and various rural areas	
Chief Finance Officer (CFO)	F.T. Fundina	
Registered Office	Erf 813 Main Street Kwa-Bhaca 5090	
Bankers	First National Bank	
Attorneys	Various	

UMZIMVUBU LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2019

Approval of Annual Financial Statements

I am responsible for the preparation of these Annual financial statements for the year ended 30 June 2019 which are set out on pages 1 to 71 in terms of section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. The Annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2020 and am satisfied that the municipality can continue in operational existence for the foreseeable future.

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

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

Management has concluded that the financial statements present fairly the municipality's financial position, financial performance and cash flows for the year ended 30 June 2019.

The Annual financial statements set out on pages 1 to 71, which have been prepared on the going concern basis, were approved by the accounting officer and were signed on her behalf by:



G.P.T. Nofa
Municipal Manager

Date

**UMZIMVUBU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019**

REPORT BY THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Umzimvubu Local Municipality at 30 June 2019.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), Issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2018/19 financial period is set out in Directive 5 Issued by the ASB on 11 March 2009, as amended.

The Statement of Financial Position at 30 June 2019 indicates a decrease in Net Assets, an increase in Non-current Liabilities and an increase in Current Liabilities.

2. KEY FINANCIAL INDICATORS

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

2.1 Financial Statement Ratios:

INDICATOR	2019	2018
Surplus / (Deficit) before Appropriations	(25,673,552)	(166,084,429)
Surplus / (Deficit) at the end of the Year	1,052,972,312	1,078,645,852
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	18.01%	13.48%
Remuneration of Councillors	4.66%	3.64%
Depreciation and Amortisation	39.22%	29.68%
Impairment Losses	10.21%	2.09%
Interest, Dividends and Rent on Land	0.07%	0.09%
Contracted Services	11.90%	9.15%
Inventory Consumed	1.19%	0.80%
Transfers and Subsidies Paid	0.34%	0.18%
Operational Costs	14.14%	10.24%
Loss on Disposal of Property, Plant and Equipment	0.05%	30.51%

3. RECONCILIATION OF BUDGET TO ACTUAL

3.1 Operating Budget:

DETAILS	2019	2018
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	135,115,338	384,924,081
Revenue variances	(98,578,759)	(458,918,532)
Expenditure variances:		
Employee Related Costs	7,540,494	85,279,854
Remuneration of Councillors	360,300	17,871,734
Depreciation and Amortisation	(76,572,276)	(144,034,892)
Impairment Losses	(18,072,529)	(10,128,740)
Interest, Dividends and Rent on Land	(245,643)	(427,034)
Contracted Services	8,177,299	42,592,015
Inventory Consumed	4,586,352	11,631,096
Transfers and Subsidies Paid	526,119	995,378
Operating Leases	727,387	1,953,420
Operational Costs	10,701,765	50,264,724
Loss on Disposal of Property, Plant and Equipment	60,603	(148,087,533)
Actual surplus before appropriations	(25,673,552)	(166,084,429)

4. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2019 amounted to R1 052 972 312 (30 June 2018: R1 078 645 852) and is made up as follows:

Capital Replacement Reserve	26,016,917
Accumulated Surplus	1,052,972,312
	<u>1,078,989,229</u>

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

5. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R1 805 247 as at 30 June 2019 (30 June 2018: R1 141 663) and is made up as follows:

Long Service Awards Liability	2,016,037
	<u>2,016,037</u>

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

Refer to Note 17 for more detail.

6. NON-CURRENT PROVISIONS

Non-current Provisions amounted R3 922 739 as at 30 June 2019 (30 June 2018: R3 677 096) and is made up as follows:

Decommissioning, Restoration and Similar Liabilities: Landfill Sites 3,922,739

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

Refer to Note 18 for more detail.

7. CURRENT LIABILITIES

Current Liabilities amounted R52 363 646 as at 30 June 2019 (30 June 2018: R27 567 383) and is made up as follows:

Consumer Deposits	Note 12	91,505
Provisions	Note 13	210,790
Payables from Exchange Transactions	Note 14	44,818,498
Unspent Conditional Grants and Receipts	Note 16	2,515,332
		<u>52,363,646</u>

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

Refer to the Indicated Notes for more detail.

8. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R995 408 353 as at 30 June 2019 (30 June 2018: R1 041 893 720).

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

9. INTANGIBLE ASSETS

The net value of Intangible Assets were R2 079 604 as at 30 June 2019 (30 June 2018: R1 932 748).

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

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

10. INVESTMENT PROPERTY

The net value of Investment Properties were R13 640 257 as at 30 June 2019 (30 June 2018: R13 572 222).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

11. HERITAGE ASSETS

The net value of Heritage Assets were R17 719 as at 30 June 2019 (30 June 2018: R17 719).

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

12. CURRENT ASSETS

Current Assets amounted R125 934 928 as at 30 June 2019 (30 June 2018: R79 532 511) and is made up as follows:

		713,260
Inventories	Note 2	2,380,956
Receivables from Exchange Transactions	Note 3	18,265,579
Receivables from Non-exchange Transactions	Note 4	5,451,696
VAT Receivable	Note 5	69,584,167
Cash and Cash Equivalents	Note 6	9,539,270
Operating Lease Receivables	Note 7	<u>125,934,928</u>

Refer to the indicated Notes for more detail.

13. 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.

14. EXPRESSION OF APPRECIATION

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



F.T. FUNDIRA
CHIEF FINANCIAL OFFICER

UMZIMVUBU LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2019

Report of the Auditor General

UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Note	Actual	
		2019	2018
		R	R
ASSETS			
Current Assets		125,934,928	79,532,511
Inventories	2	713,260	222,165
Receivables from Exchange Transactions	3	2,380,956	2,425,415
Receivables from Non-exchange Transactions	4	18,265,579	17,091,649
VAT Receivable	5	5,451,696	6,147,779
Cash and Cash Equivalents	6	89,584,167	47,673,724
Operating Lease Receivables	7	9,539,270	5,971,779
Non-Current Assets		1,011,145,933	1,057,516,410
Property, Plant and Equipment	8	995,408,353	1,041,993,720
Intangible Assets	9	2,079,604	1,932,748
Investment Property	10	13,640,257	13,572,222
Heritage Assets	11	17,719	17,719
Total Assets		1,137,080,860	1,137,048,921
LIABILITIES			
Current Liabilities		52,363,645	27,567,383
Consumer Deposits	12	91,505	76,795
Employee Benefit Liabilities	13	210,790	435,171
Payables from Exchange Transactions	14	44,618,498	22,306,843
Payables from Non-exchange Transactions	15	4,927,520	4,535,292
Unspent Conditional Grants and Receipts	16	2,515,332	213,282
Non-Current Liabilities		5,727,986	4,818,759
Employee Benefit Liabilities	17	1,805,247	1,141,663
Non-current Provisions	18	3,922,739	3,677,096
Total Liabilities		58,091,631	32,386,142
Total Assets and Liabilities		1,078,989,230	1,104,662,780
NET ASSETS		1,078,989,229	1,104,662,770
Reserves	19	26,016,917	26,016,917
Accumulated Surplus / (Deficit)	20	1,052,972,312	1,078,645,852
Total Net Assets		1,078,989,229	1,104,662,770

UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Note	Actual	
		2019	2018
		R	R
REVENUE			
Revenue from Non-exchange Transactions		326,369,830	296,357,184
Property Rates	21	15,687,279	15,071,651
Fines, Penalties and Forfeits	22	32,981,620	2,257,449
Licences and Permits	23	186,281	115,929
Transfers and Subsidies	24	277,514,849	278,912,154
Revenue from Exchange Transactions		21,657,505	22,862,232
Licences and Permits	23	2,146,696	2,526,864
Service Charges	25	1,160,555	1,159,426
Sales of Goods and Rendering of Services	26	1,119,668	1,071,018
Income from Agency Services	27	1,967,447	2,051,565
Rental from Fixed Assets	28	5,172,349	6,427,326
Interest, Dividends and Rent on Land Earned	29	9,996,947	9,224,677
Operational Revenue	30	93,844	401,356
Total Revenue		348,027,335	319,219,416
EXPENDITURE			
		373,700,886	485,303,845
Employee Related Costs	31	67,308,245	65,417,625
Remuneration of Councillors	32	17,397,687	17,644,238
Depreciation and Amortisation	33	146,572,276	144,034,892
Impairment Losses	34	38,146,905	10,128,740
Interest	35	245,643	427,034
Contracted Services	36	44,481,533	44,395,328
Inventory Consumed	37	4,457,070	3,890,560
Transfers and Subsidies Paid	38	1,266,949	864,622
Operating Leases	39	783,717	705,288
Operational Costs	40	52,851,463	49,707,985
Loss on Disposal of Property, Plant and Equipment	41	189,397	148,087,533
Total Expenditure		373,700,886	485,303,845
SURPLUS / (DEFICIT) FOR THE YEAR		(25,673,552)	(166,084,429)
Refer to Budget Statement for explanation of budget variances			

**UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019**

	Total Funds & Reserves	Accumulated Surplus/(Deficit)	Total Net Assets
	R	R	R
2017			
Balance at 30 June 2017	24,186,495	1,007,297,370	1,031,483,865
Correction of Error	-	239,263,335	239,263,335
Restated Balance	24,186,495	1,246,560,705	1,270,747,200
2018			
Surplus / (Deficit) for the year	-	(166,084,429)	(166,084,429)
Transfers to/from Reserves	1,830,423	(1,830,423)	-
Balance at 30 June 2018	26,016,918	1,078,645,853	1,104,662,771
2019			
Surplus / (Deficit) for the year	-	(25,673,552)	(25,673,552)
Balance at 30 June 2019	26,016,918	1,052,972,302	1,078,989,220

Details on the movement of the Funds and Reserves are set out in Note 19 and Note 20.

UMZIMVUBU LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Note	Actual	
		2019	2018
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		6,393,504	5,817,276
Transfers and Subsidies		279,816,698	271,961,036
External Interest and Dividends Received		9,996,947	6,039,544
Other Receipts		19,220,988	12,965,191
VAT Receivable / Payable		696,083	-
Payments			
Employee Related Costs		(67,433,828)	(65,131,619)
Remuneration of Councillors		(17,397,687)	(17,644,238)
External Interest and Dividends Paid		-	(427,034)
Suppliers Paid		(81,059,509)	(74,759,430)
Other Payments			
NET CASH FLOWS FROM OPERATING ACTIVITIES		150,233,197	138,820,726
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8	(106,328,653)	(138,752,828)
Purchase of Intangible Assets	9	(690,728)	(290,500)
Purchase of Investment Property	10	(1,299,786)	1,957,689
Proceeds on Disposal of Property, Plant and Equipment	41	(3,590)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(108,322,756)	(137,084,170)
CASH FLOWS FROM FINANCING ACTIVITIES			
There were no Financing Activities during the two years			
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		41,910,441	1,736,556
Cash and Cash Equivalents at Beginning of Period		47,673,724	45,937,158
Cash and Cash Equivalents at End of Period	6	89,584,167	47,673,724

UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

30 June 2019

Description	Original Budget		Subject Adjustments		Adjustment Budget		Special Budget Adjustments		Special Adjustment Budget		Virement		Final Budget		Actual Outcomes		Unallocated Expenditures		Variance		Actual Outcomes as % of Final Budget		Actual Outcomes as % of Original Budget		
	R		R		R		R		R		R		R		R		R		R		R		R		
FINANCIAL POSITION																									
Current Assets																									
Inventories																									
Receivables from Exchange Transactions	10,574,413		6,546,037		17,120,450		17,120,450		17,120,450		713,300		713,300		713,280		713,280		(40)		99,89		0,00		
Receivables from Non-exchange Transactions	2,500,000		2,000,000		4,500,000		4,500,000		4,500,000		2,390,896		2,390,896		2,390,896		2,390,896		(64)		100,00		22,52		
VAT Receivable											18,285,609		18,285,609		18,285,609		18,285,609		(4)		100,00		730,82		
Cash and Cash Equivalents	37,425,987		20,453,593		57,879,580		57,879,580		57,879,580		5,451,700		5,451,700		5,451,700		5,451,700		(53)		100,00		238,37		
Operating Lease Receivables											86,584,187		86,584,187		86,584,187		86,584,187		(50)		100,00		0,00		
Non-Current Assets											9,539,300		9,539,300		9,539,270		9,539,270								
Property, Plant and Equipment	82,323,881		(21,390,987)		80,932,714		80,932,714		80,932,714		894,473,536		894,473,533		894,473,533		894,473,533		(47)		100,00		1,209,14		
Intangible Assets	1,000,000				1,000,000		1,000,000		1,000,000		2,079,600		2,079,600		2,079,600		2,079,600		4		100,00		207,86		
Investment Property											13,640,300		13,640,300		13,640,297		13,640,297		(43)		100,00		0,00		
Heritage Assets											17,700		17,700		17,718		17,718		19		100,11		0,00		
Total Assets	133,823,881		7,609,033		141,432,714		141,432,714		141,432,714		985,846,396		1,137,090,890		1,137,090,890		1,137,090,890		(249)		100,00		848,82		
Current Liabilities																									
Consumer Deposits											91,500		91,500		91,500		91,500		5		100,00		0,00		
Provisions											210,800		210,800		210,790		210,790		(10)		100,00		0,00		
Payables from Exchange Transactions											44,618,500		44,618,500		44,618,488		44,618,488		(2)		100,00		0,00		
Payables from Non-exchange Transactions											4,327,500		4,327,500		4,327,500		4,327,500		20		100,00		0,00		
Unsettled Conditional Grants and Receipts											2,515,300		2,515,300		2,515,300		2,515,300		32		100,00		0,00		
Current Portion of Long-term Liabilities																									
Non-Current Liabilities																									
Employee Benefit Liabilities											1,805,200		1,805,200		1,805,200		1,805,200		47		100,00		0,00		
Non-current Provisions											3,922,700		3,922,700		3,922,700		3,922,700		39		100,00		0,00		
Total Liabilities											56,081,000		56,081,000		56,081,000		56,081,000		131		100,00		0,00		
Total Assets and Liabilities	133,823,881		7,609,033		141,432,714		141,432,714		141,432,714		1,079,865,396		1,173,283,238		1,173,283,238		1,173,283,238		(379)		100,00		898,39		
Net Assets (Equity)											26,016,800		26,016,800		26,016,817		26,016,817		17		100,00		0,00		
Reserves											1,052,972,700		1,052,972,700		1,052,972,312		1,052,972,312		(286)		100,00		786,84		
Accumulated Surplus / (Deficit)											1,079,865,396		1,079,865,396		1,079,865,396		1,079,865,396		(271)		100,00		800,28		
Total Net Assets	133,823,881		7,609,033		141,432,714		141,432,714		141,432,714		987,099,896		1,173,283,238		1,173,283,238		1,173,283,238		(271)		100,00		800,28		

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

Inventories:

It has been overbudgeted for Inventories.

Receivables from Exchange Transactions:

The budget is underment on the adjustment budget includes the VAT receivable.

Receivables from Non-exchange Transactions:

Increase in the budget outcome for Non-Exchange transactions is due to increase in traffic time recognition as a result of implementation of automated speed monitoring system.

VAT Receivable:

The budget is overment as the adjustment budget includes the VAT receivable as part of Receivables from Exchange Transactions.

Cash and Cash Equivalents:

The variance is due to an improvement in cash flow which result from increased investments and lower spending as a result of cost containment measures implemented.

Operating Lease Receivables:

NT Budget Template not aligned to GRAP and does not provide for Operating Lease Receivables.

Current Portion of Finance Lease Receivables:

The Long-term Portion of Finance Lease Receivables was budgeted for under the Current Portion of Finance Lease Receivables. Therefore over budgeted for.

Current Portion of Long-term Receivables:

Budgeted for under Long-term Receivables.

Property, Plant and Equipment:

Capital expenditures budgeted for, not realised.

Intangible Assets:

The variance is due to savings on capital spending and procurement on other capital items did not materialise.

Investment Property:

Did not budget for Investment Property.

Heritage Assets:

NT Budget Template not aligned to GRAP and does not provide for Heritage Assets. Budget was captured under other assets.

Finance Lease Receivables:

The Long-term Portion of Finance Lease Receivables was budgeted for under the Current Portion of Finance Lease Receivables.

Long-term Receivables:

The variance is due to the outcome from the actuarial valuation which is based on the fair value method of calculation.

Consumer Deposits:

the consumer's profit was budgeted for under the Receivables from exchange transactions.

Provisions:

The variance is due to the budget amount being included under trade payables.

Payables from Exchange Transactions:

The variance is due to the expenditure amount which excludes provisions.

Payables from Non-exchange Transactions:

NT Budget Template not aligned to GRAP and does not provide for Payables from Non-exchange Transactions - included in budget for Payables from Exchange Transactions.

Unspent Conditional Grants and Receipts:

The variance is due to the budget amount being included under trade payables.

Operating Lease Liabilities:

Not budgeted for straight lining of Operating Leases.

Current Portion of Long-term Liabilities:

The variance is due to the budget amount being included under trade payables.

Long-term Liabilities:

Loan is due to be settled 12/15 that is why there is no movement to date.

Retirement Benefit Liabilities:

Under budgeted for Employee Benefit Liabilities due to a cap amount incorrectly applied to retired employees that influence the valuation.

Non-current Provisions:

It was under-budgeted for Provision for Rehabilitation of Landfill Sites, which were realised during the current financial year.

Reserves:

The variance is due to the decrease in the reserve being lower than anticipated.

Accumulated surplus / (Deficit):

Combination of reasons stated above

30 June 2019

Description	Original Budget		Budget Adjustments		Adjusted Budget		Special Adjustments		Virement		Final Budget		Actual Outcome		Unallocated Expenditure		Variance		Annual Encumbrance as % of Final Budget		Actual Outcome as % of Original Budget		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
FINANCIAL PERFORMANCE																							
Revenue from Non-exchange Transactions																							
Property Rate	15,509,500	216,037	15,724,537	-	15,724,537	-	15,724,537	-	100,000	-	16,724,537	16,387,279	(337,259)	99.76	101.16								
Fines, Penalties and Forfeits	2,500,000	2,000,000	4,500,000	-	4,500,000	-	4,500,000	-	-	-	4,500,000	33,981,820	28,381,820	718.99	1,318.26								
Licenses and Permits	120,000	-	120,000	-	120,000	-	120,000	-	-	-	120,000	186,281	66,281	147.14	81.35								
Transfers and Subsidies	341,180,448	28,343,822	369,494,271	-	369,494,271	-	369,494,271	-	1,290,064	-	370,784,338	277,514,648	(93,269,690)	74.85	0.00								
Interest, Dividends and Rent on Land Earned																							
Revenue from Exchange Transactions	2,700,000	-	2,700,000	-	2,700,000	-	2,700,000	-	-	-	2,700,000	2,146,696	(553,304)	79.51	79.51								
Loans and Permits	(1,965,000)	6,330,000	4,365,000	-	4,365,000	-	4,365,000	-	-	-	4,365,000	1,180,565	(3,184,435)	24.86	0.00								
Service Charges	1,436,002	-	1,436,002	-	1,436,002	-	1,436,002	-	-	-	1,436,002	1,119,888	(316,114)	77.92	77.92								
Sales of Goods and Rendering of Services	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	-	-	2,000,000	1,967,447	(32,553)	98.37	98.37								
Income from Agency Services	3,089,460	264,245	3,353,705	-	3,353,705	-	3,353,705	-	-	-	3,353,705	5,172,348	1,818,643	155.15	164.51								
Rental from Fixed Assets	35,174,454	4,000,000	39,174,454	-	39,174,454	-	39,174,454	-	-	-	39,174,454	9,986,847	(29,187,607)	25.52	28.42								
Interest, Dividends and Rent on Land Earned	1,690,557	500,000	2,190,557	-	2,190,557	-	2,190,557	-	-	-	2,190,557	83,844	(1,106,713)	4.56	8.01								
Operational Revenue	1,000,000	(1,000,000)	-	-	-	-	-	-	-	-	-	-	-	0.00	0.00								
Gain on Other Operations																							
Total Revenue	484,581,522	48,854,104	445,216,026	-	445,216,026	-	445,216,026	-	1,390,864	-	446,606,894	348,027,333	(98,579,561)	77.83	88.03								
Expenditure																							
Employee Related Costs	75,373,581	(524,842)	74,848,739	-	74,848,739	-	74,848,739	-	-	-	74,848,739	67,308,245	(7,540,494)	89.30	89.30								
Remuneration of Councilors	17,797,866	1	17,797,867	-	17,797,867	-	17,797,867	-	-	-	17,797,867	17,397,637	(400,230)	97.97	97.97								
Depreciation and Amortisation	42,000,000	26,000,000	68,000,000	-	68,000,000	-	68,000,000	-	-	-	68,000,000	146,572,276	78,572,276	100.00	348.96								
Impairment Losses	14,000,000	-	14,000,000	-	14,000,000	-	14,000,000	-	-	-	14,000,000	38,146,506	24,146,506	177.50	272.48								
Interest, Dividends and Rent on Land	49,945,745	889,014	50,834,759	-	50,834,759	-	50,834,759	-	1,824,000	-	52,658,759	44,481,833	(8,177,299)	84.47	86.06								
Contracted Services	10,498,178	(1,498,877)	8,999,301	-	8,999,301	-	8,999,301	-	184,141	-	9,183,442	4,457,070	(4,726,272)	49.29	42.71								
Inventory Consumed	1,390,000	200,000	1,590,000	-	1,590,000	-	1,590,000	-	213,088	-	1,803,088	1,798,948	(4,140)	70.88	91.81								
Transfers and Subsidies Paid	1,171,104	340,000	1,511,104	-	1,511,104	-	1,511,104	-	(258,141)	-	63,853,288	783,717	(1,727,267)	51.88	66.92								
Operational Costs	58,173,844	8,637,225	66,811,069	-	66,811,069	-	66,811,069	-	290,000	-	67,101,069	188,367	(66,912,702)	63.46	96.86								
Loss on Disposal of Property, Plant and Equipment	250,000	-	250,000	-	250,000	-	250,000	-	-	-	250,000	188,367	(61,633)	75.78	75.78								
Total Expenditure	270,488,241	33,045,071	303,533,312	-	303,533,312	-	303,533,312	-	1,063,008	-	304,596,320	373,700,895	(69,114,575)	96.95	133.15								
Surplus/(Deficit) for the Year	154,093,281	7,409,033	161,502,314	-	161,502,314	-	161,502,314	-	(483,000)	-	161,019,314	(23,673,487)	(162,794,099)	-	-								

Financial Performance: Explanation of Variances between Approved Budget and Actual

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

Property Taxes:

The variance Implementation of New valuation roll, billing of annual government properties and new limits

Fines, Penalties and Forfeits:

A contract was entered into with TMT that resulted in an increase in the billing in tickets issued, which were previously not budgeted for.

Licenses and Permits:

There was a reduction in the Revenue collected at surrounding municipalities such as Natabanuku and Bizama now offer the same services as such that resulted in the municipality being the Revenue customers have more options to finance their vehicles wherever they want.

Trainers and Subsidies:

Capital Trainers below are included in the budget for Government Grants and Subsidies Received.

Interest, Dividends and Rent on Land Earned:

The decrease is as a result of budgeting while taking into consideration the VAT cash refund but it is not Revenue in nature and as such was allocated to the Statement of financial position.

Licenses and Permits:

The Revenue collected was adversely affected by the opening up of new trading centres by neighbouring municipalities such as Natabanuku now offering more options for customers.

Sales of Goods and Rendering of Services:

The sale of goods and rendering of services was less than expected due to the low demand for the goods & services

Income for Agency Services:

Mabankulu and Bizama now offer the services as such that made the municipality to as customers have choice to finance their vehicles wherever they want.

Rental from Fixed Assets:

There was an increase in the rental income on account of MSCOA alignment that was previously not budgeted for.

Interest, Dividends and Rent on Land Earned:

The income from external investments was more than anticipated as more money was invested in call accounts during the financial year.

Operational Revenue:

We budgeted for disposal of assets in the financial year which were not disposed.

Gain on Other Operations:

No gains were made on disposal of fixed assets sold during the year.

Gain on Disposal of Property, Plant and Equipment:

No gains were made on disposal of fixed assets sold during the year.

Profit on Sale of Land:

Design in disposal of land but planned in the next quarter due to land claims by Ejijindi Community

Employee Related Costs:

The annual variance is due to non-implementation of increment for the members and there were vacancies in posts through out the year on account of a high staff turn-over

Remuneration of Councilors:

The variances are due to the change in the remuneration as gazetted and the change in the portfolio of Councilors.

Depreciation and Amortisation:

The depreciation & amortisation on assets was higher than expected due to asset register overhaul and adjustments that were implemented because of asset findings on assets.

Implement Leases:

There were increases in traffic tickets that were deemed to be irrecoverable, as well as debtors that are to be impaired.

Contracted Services:

Savings realised through strict adherence to both tightening measures resulting in reduction in expenditure and adherence cost containment regulations. Repairs and Maintenance Budget is included under Contracted Services.

Transfers and Subsidies Paid:

The budgeted amount is more than the actual as cost containment played a role in the under expenditure and the requests received from local municipalities was lower than expected.

Operational Costs:

Operational cost was less than the budgeted amount due to cost containment measures implemented during the financial year.

Loss on Disposal of Property, Plant and Equipment:

The loss on disposal of PPE was higher than anticipated, due to assets that were initially anticipated for disposal being kept within the municipal register as a result of MOCUS with neighbouring municipalities.

30 June 2019

Description	Original Budget		Budget Adjustments		Adjustment Budget		Second Budget Adjustments		Second Adjustments Budget		Virement		Final Budget		Actual Outcomes		Unauthorised Expenditure		Variances		Actual Outcomes as % of Final Budget		Actual Outcomes as % of Original Budget		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
CASH FLOW																									
Cash Flows from/used in Operating Activities																									
Property Rates			1,519																						
Transfers and Subsidies	341,150,449		(83,461,982)		277,688,467				1,519																
External Interest and Dividends Received	35,174,434				35,174,434				277,689,986																
Other Receipts	11,899,338		8,872,821		18,772,159																				
VAT Receivable / Payable	(75,379,581)		526,842		(74,852,739)																				
Employee Related Costs	(17,757,896)		(1)		(17,757,897)																				
Remuneration of Councilors	(128,808,674)		863,081		(127,945,593)																				
Suppliers Paid																									
Other Payments																									
Cash Flows from/used in Investing Activities																									
Purchases of Property, Plant and Equipment	(333,823,681)		(7,508,033)		(141,432,714)																				
Purchase of Intangible Assets																									
Proceeds on Disposal of Property, Plant and Equipment	(500,000)		499,999		(10,001)																				
Cash Flows from/used in Financing Activities																									
Proceeds from Borrowings																									
Repayment of Borrowings																									
Increase / (Decrease) in Short-term Loans																									
Cash and Cash Equivalents at End of the Year	24,155,900		(24,322,058)		(24,166,158)				(24,166,158)					(13,179,932)						(95,047,073)				122,716	

Cash Flow: Explanation of Variances Between Approved Budget and Actual

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

Proper procedures to budget for Cash Flow have been developed and implemented. Furthermore, there were no material variances that can led to explanations.

Property Rates:

Property Rates variance is due to poor collection rate.

External Interest and Dividends Received:

The interest received from investments was lower than anticipated due to decrease in investments made during the year.

Other Receipts:

Income from other receipts was lower than anticipated.

Suppliers Paid:

Reduction on suppliers paid is due to implementation of cost containment measures.

Purchase of Property, Plant and Equipment:

Capital expenditure budgeted for, not realized.

Proceeds on Disposal of Property, Plant and Equipment:

The auctions and SCM processes did not deliver the desired returns as anticipated with the disposal of assets.

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

1. BASIS OF PRESENTATION

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

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

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the period ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

1.1 Presentation Currency

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

1.2 Changes in Accounting Policy and Comparability

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

For the years ended 30 June 2018 and 28 June 2019 the municipality has adopted the accounting framework set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

With the adoption of mSCOA the municipality reclassified certain balances in order to comply with the instruction notes issued. The result of the reclassification is set out below and in the relevant Notes to the Financial Statements.

1.3 Critical Judgements, Estimations and Assumptions

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

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

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

1.3.1 Revenue Recognition

Accounting Policy 10.2 on Revenue from Exchange Transactions and Accounting Policy 10.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

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

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

1.3.2 Impairment of Financial Assets

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

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

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

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

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

1.3.4 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, and Inventories

Accounting Policy 7 on Impairment of Assets, Accounting Policy 5.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment and Impairment testing of Intangible Assets.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realizable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Plant and Equipment, and Intangible Assets are disclosed in Notes 8 and 9 to the Annual Financial Statements, if applicable.

1.3.5 Defined Benefit Plan Liabilities

As described in Accounting Policy 12.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.3.6 Provisions and Contingent Liabilities

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

1.3.7 Budget Information

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

1.4 Going Concern Assumption

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

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

1.5 Offsetting

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

1.6 Standards of General Recognised Accounting Practice (GRAP) and Interpretations (IGRAP) issued and effective.

- GRAP 1 Presentation of Financial Statements (as revised in 2010)
- GRAP 2 Cash Flow Statements (as revised in 2010)
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
- GRAP 4 The Effects of Changes in Foreign Exchange Rates (as revised in 2010)
- GRAP 5 Borrowing Costs (as revised in 2013)
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 7 Investments in Associates
- GRAP 8 Interests in Joint Ventures
- GRAP 9 Revenue from Exchange Transactions (as revised in 2010)
- GRAP 10 Financial Reporting in Hyperinflationary Economies (as revised in 2010)
- GRAP 11 Construction Contracts (as revised in 2010)
- GRAP 12 Inventories (as revised in 2010)
- GRAP 13 Leases (as revised in 2010)
- GRAP 14 Events After the Reporting Date (as revised in 2010)
- GRAP 16 Investment Property (as revised in 2010)
- GRAP 17 Property, Plant and Equipment (as revised in 2010)
- GRAP 18 Segment Reporting (issued in 2011)
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
- GRAP 21 Impairment of Non-cash-generating Assets.
- GRAP 23 Revenue from Non-exchange Transactions
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 26 Impairment of Cash
- GRAP 27 Agriculture
- GRAP 31 Intangible Assets
- GRAP 100 Discontinued Operations (as revised in 2013)
- GRAP 103 Heritage Assets
- GRAP 104 Financial Instruments
- GRAP 105 Transfer of Functions Between Entities Under Common Control
- GRAP 106 Transfer of Functions Between Entities Not Under Common Control
- GRAP 107 Mergers
- IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue (As revised in 2012)
- IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IGRAP 3 Determining whether an Arrangement Contains a Lease
- IGRAP 4 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP 5 Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflation
- IGRAP 6 Loyalty Programmes
- IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9 Distributions of Non
- IGRAP 10 Assets Received from Customers
- IGRAP 11 Consolidation
- IGRAP 12 Jointly Controlled Entities
- IGRAP 13 Operating Leases – Incentives
- IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15 Revenue – Barter Transactions Involving Advertising Services
- IGRAP 16 Intangible Assets – Website Costs

1.7 Standards, Amendments to Standards and Interpretations issued but not yet Effective.

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

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

- GRAP 20 Related Party Disclosures (effective 1 April 2019)
- GRAP 32 Service Concession Arrangement Grantor (effective 1 April 2019)
- GRAP 34 Separate Financial Statements
- GRAP 35 Consolidated Financial Statements
- GRAP 38 Investments in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interests in Other Entities
- GRAP 108 Statutory Receivables (effective 1 April 2019)
- GRAP 109 Accounting by Principals and Agents (effective 1 April 2019)
- GRAP 110 Living and Non-living Resources
- IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest In an Asset (effective 1 April 2019)

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate disclosure:

- GRAP 20 Related Party Disclosures

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

- GRAP 108 Statutory Receivables:-
It is expected that the Standard will affect the valuation of Receivables from Non-Exchange Transactions, but the extent cannot be determined at this stage.
- GRAP 109 Accounting by Principals and Agents:-
The effect of this Standard on accounting for transactions between the municipality, another function of government or private sector and third parties, can only be determined once it becomes effective.

2. NET ASSETS

2.1 Accumulated Surplus

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

2.1.1 Capital Replacement Reserve (CRR)

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, Plant and Equipment are tangible nonproduction or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one.

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

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a nondeemed to be equal to the fair value of that asset on the date acquired).

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

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

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

3.2 Subsequent Measurement

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

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

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

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Buildings	5 - 100	Other	
Mobile Offices	5 - 10	Transport Assets	6 - 20
Infrastructure		Computer Equipment	3 - 7
Electrification	15 - 50	Furniture, Fittings & Office Equipment	3 - 10
Roads and Paving	8 - 50	Watercraft	15
Gravel Roads	3 - 10	Bins and Containers	5
Landfill Sites	15 - 90	Specialised Plant and Equipment	2 - 15
		Other Items of Plant and Machinery	2 - 5
		Library Books	5 - 20

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Community	5 - 80	Leased Equipment	Lease period
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3.4 Land

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

3.5 Infrastructure Assets

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

3.6 Incomplete Construction Work

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

3.7 Finance Leases

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

3.8 Derecognition

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

4. HERITAGE ASSETS

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

4.1 Initial Recognition

Heritage Assets are initially recognised at cost.

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

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

4.2 Subsequent Measurement

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

4.3 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

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

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5. INTANGIBLE ASSETS

5.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

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

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

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

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

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

5.2 Subsequent Measurement, Amortisation and Impairment

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

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

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

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The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software	4		Website	Infinite

5.3 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

6. INVESTMENT PROPERTY

6.1 Initial Recognition

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

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

The cost of selfconstructed Investment Property is the cost at date of completion.

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

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

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

Equipment or Inventory as appropriate:

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

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are

- (c) Owneroccupied property, including (among other things) property held for future use as owneroccupied property, property held for future development and subsequent use as owneroccupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owneroccupied property

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6.2 Subsequent Measurement

Fair value

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market value.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

6.3 Derecognition

The gain or loss arising from the derecognition of an item of Investment Property is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

7. IMPAIRMENT OF ASSETS

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

7.1 Impairment of Cash Generating Assets

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

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

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

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

An impairment of assets measured per the revaluation method reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

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

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

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

Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

7.2 Impairment of Non-cash Generating Assets

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

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

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.

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

8.1 Financial Assets – Classification

The municipality has the following types of Financial Assets:

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

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

8.2 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-Exchange Transactions	Financial Liabilities at Amortised Cost

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

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

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

Financial Assets measured at Cost

Financial Assets at Cost are initially measured at the transaction amount and transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at cost less any impairment.

Financial Assets measured at Fair Value

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

8.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in Surplus or Deficit.

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Financial Liabilities held at Amortised Cost

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

Prepayments are carried at cost less any accumulated impairment losses.

8.4 Impairment of Financial Assets

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

8.4.1 Financial Assets at Amortised Cost

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

Government accounts are not provided for as such accounts are regarded as receivable for the following reasons:

- It is management's judgement that the accounts are not "lost events" in terms of GRAP 104.58.
- State Departments and Entities have to pay their creditors within 30 days in terms of the PFMA.
- Interest is charged on all outstanding balances at a rate of the banker's prime rate plus 1%.
- There is an urge from National Treasury that State Departments and Entities should start paying their outstanding debt.

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

8.4.2 Financial Assets at Cost

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

8.5 Derecognition of Financial Assets

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

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

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8.6 Derecognition of Financial Liabilities

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

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

9. INVENTORIES

9.1 Initial Recognition

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

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

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

9.2 Subsequent Measurement

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

Consumable stores are for stationery only which are distributed at no charge are valued at the lower of cost and current replacement cost. The cost is determined using the *weighted average Method*.

10. REVENUE RECOGNITION

10.1 General

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

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

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

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

10.2.2 Rentals Received

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

10.2.3 Finance Income

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Interest earned on investments is recognised in Surplus or Deficit on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

10.2.4 Tariff Charges

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

10.2.5 Revenue from Agency Services

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

10.3 Revenue from Non-exchange Transactions

10.3.1 Rates and Taxes

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

10.3.2 Fines

Fines constitute both spot fines and summonses

Revenue for fines is recognised when the fine is issued at the full amount of the receivable. The municipality uses estimates to determine the amount of revenue that the municipality is entitled to collect that is subject to further legal proceedings.

10.3.3 Public Contributions

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

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

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

10.3.4 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

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

Unspent conditional grants are financial liabilities that are separately reflected on the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs.

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This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the statement of financial position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

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

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

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

11. PROVISIONS

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

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

11.1 Provision for Environmental Rehabilitation

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

12. EMPLOYEE BENEFIT LIABILITIES

12.1 Short-term Employee Benefits

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

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

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

12.2 Post-employment Benefits

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

12.2.1 Defined Contribution Plans

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

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

12.2.2 Defined Benefit Plans

Long-service Allowance

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

13. LEASES

13.1 The Municipality as Lessee

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

13.1.1 Finance Leases

Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are recognised at equal amounts. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments to the fair value of the asset, plus any direct costs incurred.

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

13.1.2 Operating Leases

The municipality recognises operating lease rentals as an expense in Surplus or Deficit on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

13.2 The Municipality as Lessor

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

13.3 Determining whether an Arrangement contains a lease

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

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

14. BORROWING COSTS

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

15. GRANTS-IN-AID

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

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

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

16. VALUE ADDED TAX

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

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

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

17. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

18. IRREGULAR EXPENDITURE

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

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

20. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

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

21. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

22. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes.

23. RELATED PARTIES

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

24. COMPARATIVE FIGURES

24.1 Current Year

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

24.2 Prior Year

UMZIMVUBU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2019

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

25. EVENTS AFTER THE REPORTING DATE

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

26. BUDGET INFORMATION

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

The approved budget covers the period from 1 July 2018 to 30 June 2019.

27. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

There were no changes in accounting policies during the period under review.

There were no changes in accounting estimates during the period under review.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Refer to Note 42 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2019
R

2018
R

1. GENERAL INFORMATION

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

2. INVENTORIES

Consumables - Stationery	713,260	217,565
Materials and Supplies		4,600
Total Inventories	713,260	222,165

Stationery are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

Materials and Stores at the end of the previous financial year consist out of the remainder of traffic signs which were temporary kept in storage.

Stores issues amounted to R4467,070 for the current year (2018: R3890,660). Note 37 refers.

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

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2019			
Service Debtors:	12,366,482	10,208,945	2,157,537
Refuse	6,588,422	5,053,468	1,534,954
Merchandising, Jobbing and Contracts	5,778,060	5,155,477	622,583
Other Receivables	290,763	290,763	-
Land Sale Debtors	290,763	290,763	-
Prepayments and Advances	676,280	548,687	127,593
Rent	676,280	548,687	127,593
VAT Input Accrual	512,068	417,142	95,826
Total Receivables from Exchange Transactions	13,846,494	11,465,537	2,380,956

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2018			
Service Debtors:	5,619,847	3,477,194	2,142,653
Refuse	5,267,497	3,207,548	2,079,948
Merchandising, Jobbing and Contracts	332,350	269,645	62,705
Other Receivables	290,763	232,596	58,167
Land Sale Debtors	290,763	232,596	58,167
Sundry Rentals	676,280	548,687	127,593
Rent	676,280	548,687	127,593
VAT Input Accrual	514,145	417,142	97,003
Total Receivables from Exchange Transactions	7,101,035	4,675,619	2,425,416

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to annual payment rates and incorporates this information into its credit risk credit control. No external credit rating is performed.

Consumer receivables from rates are billed monthly. Interest is charged on overdue receivables from exchange transactions at a rate of 10% per annum.

The municipality enforces its approved credit control policy to ensure the recovery of receivables. None of the financial assets that are fully performing have been renegotiated in the last year.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2019
R

2018
R

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

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

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2019

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Refuse:					
Gross Balances	136,654	125,857	121,297	6,204,615	6,588,422
Less: Provision for Impairment	87,393	86,824	86,119	4,793,132	5,053,468
Net Balances	49,260	39,033	35,177	1,411,484	1,534,954
Merchandising, Jobbing and Contracts:					
Gross Balances	5,994	5,911	5,829	5,760,327	5,778,060
Less: Provision for Impairment	5,207	5,147	5,091	5,140,033	5,155,477
Net Balances	787	764	738	620,294	622,583
Sundry Rentals:					
Gross Balances	-	-	-	676,280	676,280
Less: Provision for Impairment	-	-	-	548,687	548,687
Net Balances	-	-	-	127,593	127,593
Land Sales					
Gross Balances	-	-	-	290,763	290,763
Less: Provision for Impairment	-	-	-	290,763	290,763
Net Balances	-	-	-	-	-
Input VAT Accrued					
Gross Balances	-	-	-	512,988	512,988
Less: Provision for Impairment	-	-	-	417,142	417,142
Net Balances	-	-	-	95,826	95,826
Net Balances	50,048	39,796	35,916	2,255,197	2,380,957
Total Debtors					
Gross balances	142,648	131,767	127,126	13,444,953	13,846,494
Less: Provision for Impairment	82,600	81,971	91,210	11,189,756	11,485,537
Net Balances	50,048	39,796	35,916	2,255,197	2,380,957

As at 30 June Receivables of R2 330 909 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total Past Due
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	131,767	127,126	13,444,953	13,703,846
Less: Provision for Impairment	91,971	91,210	11,189,756	11,372,937
Net Balances	39,796	35,916	2,255,197	2,330,909

As at 30 June 2018

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Refuse:					
Gross Balances	157,169	103,856	100,717	4,926,755	5,287,497
Less: Provision for Impairment	47,411	58,898	58,665	3,042,575	3,207,549
Net Balances	109,758	44,958	42,052	1,883,180	2,079,948
Merchandising, Jobbing and Contracts:					
Gross Balances	6,021	6,533	5,537	314,280	332,350
Less: Provision for Impairment	5,950	5,950	5,393	252,353	269,645
Net Balances	71	584	143	61,907	62,705

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

				2019 R	2018 R
Land Sales					
Gross Balances	-	-	-	290,763	290,763
Less: Provision for Impairment	-	-	-	232,596	232,596
Net Balances	-	-	-	58,167	58,167
Input VAT Accrued					
Gross Balances	-	-	-	514,145	514,145
Less: Provision for Impairment	-	-	-	417,142	417,142
Net Balances	-	-	-	97,003	97,003
Sundry Rentals:					
Gross Balances	-	-	-	676,280	676,280
Less: Provision for Impairment	-	-	-	548,687	548,687
Net Balances	-	-	-	127,593	127,593
Total Debtors					
Gross Balances	163,189	110,389	106,254	6,721,203	7,101,035
Less: Provision for Impairment	53,361	64,848	64,058	4,493,353	4,675,619
Net Balances	109,829	45,542	42,195	2,227,850	2,425,416

As at 30 June Receivables of R2,315,587 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total Past Due
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	110,389	106,254	6,721,203	6,937,846
Less: Provision for Impairment	64,848	64,058	4,493,353	4,622,258
Net Balances	45,542	42,195	2,227,850	2,315,587

	2019 R	2018 R
3.2 Reconciliation of the Provision for Impairment		
Balance at beginning of year		3,811,655
<i>Service Debtors and Other Debtors</i>	4,675,619	3,811,655
<i>Sundry Rentals & VAT</i>	3,477,194	2,613,230
<i>Land Sales</i>	965,829	965,829
Impairment Losses recognised	232,596	232,596
<i>Service Debtors and Other Debtors</i>	6,789,918	1,367,279
Impairment Losses reversed	6,789,918	1,367,279
<i>Service Debtors and Other Debtors</i>	-	(503,315)
-	-	(503,315)
Balance at end of year	11,465,537	4,675,619

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2019			
Property Rates	42,347,775	25,868,435	16,479,341
Fines	27,309,342	25,723,104	1,586,238
Other Taxes to Interest/penalties	9,055	9,055	0
Total Receivables from Non-exchange Transactions	69,666,173	51,400,594	18,265,579
As at 30 June 2018			
Property Rates	40,128,376	27,107,868	13,020,488
Fines	12,000,111	7,938,006	4,062,105
Sundry Debtors	9,055	-	9,055
Total Receivables from Non-exchange Transactions	52,137,543	35,045,874	17,091,649

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018
R

2018
R

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to annual payment rates and incorporates this information in to its credit risk control. No external credit rating is performed.

Traffic fines are recognised in accordance with IGrap 1. The National Prosecuting Authority (NPA) has issued a Countrywide instruction that all outstanding traffic fines issued in terms of the Criminal Procedure Act should be cancelled after 18 months as such the above Traffic fines receivable is legally enforceable as it is within the said period of Eighteen months.

Consumer receivables from rates are billed monthly. Interest is charged on overdue consumer receivables at a rate of 10% per annum.

No interest is charged on overdue traffic fines debtors.

The municipality enforces its approved credit control policy to ensure the recovery of receivables. None of the financial assets that are fully performing have been renegotiated in the last year.

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

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

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

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

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2019

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	749,781	673,658	628,894	40,295,645	42,347,775
Less: Provision for Impairment	481,399	479,101	476,398	24,231,537	25,668,435
Net Balances	268,382	194,455	152,496	15,064,008	16,679,341
Fines:					
Gross Balances	613,850	1,086,950	87,500	25,521,042	27,309,342
Less: Provision for Impairment	3,113	22,899	-	25,697,092	25,723,104
Net Balances	610,737	1,064,051	87,500	(176,050)	1,586,238
Other Taxes to interest/penalties					
Gross Balances				9,055	9,055
Less: Provision for Impairment				9,055	9,055
Net Balances	-	-	-	0	0
All receivables					
Gross Balances	1,363,631	1,760,606	716,394	65,825,642	69,666,173
Less: Provision for Impairment	484,512	502,000	476,398	49,937,684	51,400,594
Net Balances	879,119	1,258,606	239,996	15,887,958	18,265,579

As at 30 June Receivables of R17 386 460 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
Gross Balances	1,760,606	716,394	65,825,642	68,302,642
Less: Provision for Impairment	502,000	476,398	49,937,684	50,916,082
Net Balances	1,258,606	239,996	15,887,958	17,386,460

As at 30 June 2018

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

				2019 R	2018 R
Gross Balances	1,286,151	1,107,548	1,078,923	36,655,754	40,128,376
Less: Provision for Impairment	858,347	833,998	826,236	24,599,309	27,107,888
Net Balances	<u>427,804</u>	<u>273,552</u>	<u>252,687</u>	<u>12,056,445</u>	<u>13,020,488</u>
Fines:					
Gross Balances	13,712	16,605	11,283	11,859,511	12,000,111
Less: Provision for Impairment	5,805	6,607	4,777	7,920,817	7,938,006
Net Balances	<u>7,907</u>	<u>8,998</u>	<u>6,506</u>	<u>4,038,694</u>	<u>4,062,105</u>
Other debtors					
Gross Balances	-	-	-	9,055	9,055
Less: Provision for Impairment	-	-	-	-	-
Net Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,055</u>	<u>9,055</u>

As at 30 June Receivables of R17 091 649 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
Gross Balances	1,123,153	1,090,206	49,624,321	52,137,543
Less: Provision for Impairment	840,603	831,013	32,610,128	35,045,894
Net Balances	<u>282,550</u>	<u>259,193</u>	<u>16,114,195</u>	<u>17,091,649</u>

4.2 Reconciliation of Provision for Impairment

	2019 R	2018 R
Balance at beginning of year	35,045,894	28,330,626
Impairment Losses recognised	23,428,076	6,715,268
Amounts written off as uncollectable	(7,074,376)	-
Balance at end of year	<u>51,400,594</u>	<u>35,045,894</u>

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

5. VAT RECEIVABLE

VAT Receivable	<u>5,451,696</u>	<u>6,147,779</u>
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VAT is payable / refundable on the receipts / payment basis. Only once payment is received from debtors, payment made to creditors, VAT is paid over / received from to SARS.

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

6. CASH AND CASH EQUIVALENTS

Current Investments	84,046,585	45,790,224
Bank Accounts	5,537,582	1,883,500
Net Bank, Cash and Cash Equivalents	<u>89,584,167</u>	<u>47,673,724</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

Call Deposits	84,046,585	45,790,224
Total Current Investment Deposits	<u>84,046,585</u>	<u>45,790,224</u>

The Municipality has the following investment accounts:

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019		2018	
	R		R	
	Bank Statement Balances		Cash Book Balances	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
FNB - Service Delivery Reserve- 620-3325-4723	16,066,414	15,278,886	16,066,414	15,278,886
FNB - Operational Investment - 620-2946-0716	25,985,161	3,815,340	25,985,161	3,815,340
FNB - Municipal Infrastructure Grant (MIG) - 620-8603-6714	10,834,116	287,365	10,834,116	267,365
FNB - Guarantee Investment - 620-8674-2157	292,781	282,599	292,781	282,699
FNB - Financial Management Grant (FMG) - 622-7618-7294	822,367	55,688	622,367	55,688
FNB - Electrification Programme - 622-8856-0925	2,310,170	73,449	2,310,170	73,449
Nedbank - Capital Replacement Reserve Account - 788-111-786	27,925,595	26,016,917	27,925,595	26,016,917
	<u>84,046,585</u>	<u>45,790,224</u>	<u>84,046,585</u>	<u>45,790,224</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.90 % to 7.00 % (2018: 3.90 % to 7.00 %) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5.08 % to 5.68 % (2018: 5.08 % to 5.68 %) per annum.

6.2 Bank Accounts

Cash In Bank	5,537,582	1,883,500
Total Bank Accounts	<u>5,537,582</u>	<u>1,883,500</u>

The Municipality has the following operational bank accounts:

	Bank Statement Balances		Cash Book Balances	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Primary Account FNB a/c No: 620 2218 3727	2,050,483	1,623,631	2,080,029	1,658,339
Traffic fine bank account	3,457,553	220,473	3,457,553	225,161
	<u>5,508,037</u>	<u>1,844,104</u>	<u>5,537,582</u>	<u>1,883,500</u>

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

6.3 Cash and Cash Equivalents

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

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

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

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

7. OPERATING LEASE RECEIVABLES

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

Balance at beginning of year	5,971,779	2,427,165
Operating Lease - Straightlining	3,567,491	3,544,614
Total Operating Lease Receivables	<u>9,539,270</u>	<u>5,971,779</u>

7.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of 2 to 50 years (2018/19: 2 to 50 years), with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2019	2018
	R:	R
7.2 Amounts receivable under Operating Leases		
At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:		
Up to 1 year	3,557,481	3,602,333
2 to 5 years	12,908,914	13,048,282
More than 5 years	105,385,356	107,814,890
Total Operating Lease Arrangements	121,841,761	124,465,305

UMZINWUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

8 PROPERTY, PLANT AND EQUIPMENT

30 June 2019

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Machinery and Equipment	Furniture and Office Equipment	Computer Equipment	Transport Assets	Total
	R	R	R				R	R
Carrying values at 01 July 2016	36,425,970	137,046,009	853,214,770	1,508,395	3,841,414	3,024,199	6,832,963	1,041,993,720
Cost	36,425,970	231,707,523	2,022,894,508	7,706,906	10,212,287	9,084,447	11,111,286	2,329,142,927
- Completed Assets	36,425,970	231,707,523	1,958,419,435	7,706,906	10,212,287	9,084,447	11,111,286	2,264,667,853
- Under Construction	-	-	64,475,073	-	-	-	-	64,475,073
Accumulated Impairment Losses	-	-	(448,700)	-	-	-	-	(448,700)
Accumulated Depreciation:	-	(94,661,513)	(1,169,231,038)	(6,098,511)	(6,370,873)	(6,060,248)	(4,278,323)	(1,286,700,506)
- Cost	-	(94,661,513)	(1,169,231,038)	(6,098,511)	(6,370,873)	(6,060,248)	(4,278,323)	(1,286,700,506)
Acquisition of Assets	-	496,750	576,576	2,405,942	816,258	962,863	2,032,211	7,292,600
Cost	-	36,567,322	62,468,731	-	-	-	-	99,036,053
Capital Under Construction	-	(4,744,013)	(137,318,015)	(724,683)	(761,968)	(1,047,143)	(1,423,646)	(148,019,468)
Depreciation:	-	(4,744,013)	(137,318,015)	(724,683)	(761,968)	(1,047,143)	(1,423,646)	(148,019,468)
- Based on Cost	-	(4,744,013)	(137,318,015)	(724,683)	(761,968)	(1,047,143)	(1,423,646)	(148,019,468)
Carrying value of Disposals:	-	-	-	(6,609)	(16,625)	(142,020)	(35)	(165,289)
Cost	-	-	-	(2,106,204)	(323,592)	(1,408,553)	(3,947)	(3,842,295)
Accumulated Impairment Losses	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	2,089,595	306,967	1,268,533	3,912	3,677,007
- Based on Cost	-	-	-	2,089,595	306,967	1,268,533	3,912	3,677,007
Impairment Losses	-	(145,206)	(6,580,408)	(2,700)	(572)	-	(379)	(6,729,265)
Transfers Received from Under Construction	-	-	(38,274,028)	-	-	-	-	(38,274,028)
Transfers Received from Under Construction	-	-	38,274,028	-	-	-	-	38,274,028
Carrying values at 30 June 2019	36,425,970	169,220,862	772,361,655	3,280,345	3,880,508	2,797,899	7,441,114	995,408,353
Cost	36,425,970	268,771,594	2,085,939,816	8,006,644	10,705,953	8,638,758	13,139,549	2,431,629,284
- Completed Assets	36,425,970	232,204,273	1,997,270,038	8,006,644	10,705,953	8,638,758	13,139,549	2,306,392,184
- Under Construction	-	36,567,322	88,669,778	-	-	-	-	125,237,100
Accumulated Impairment Losses	-	(145,206)	(7,029,108)	(2,700)	(572)	-	(379)	(7,177,965)
Accumulated Depreciation:	-	(99,405,527)	(1,306,549,053)	(4,723,596)	(6,825,873)	(5,840,859)	(5,698,056)	(1,429,042,967)
- Cost	-	(99,405,527)	(1,306,549,053)	(4,723,596)	(6,825,873)	(5,840,859)	(5,698,056)	(1,429,042,967)

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2018

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Machinery and Equipment	Furniture and Office Equipment	Computer Equipment	Transport Assets	Total
	R	R	R				R	R
Carrying values at 01 July 2017	36,425,970	136,302,113	1,023,127,671	2,419,559	4,295,200	4,134,477	5,914,467	978,748,038
Cost	36,425,970	224,892,771	2,059,573,903	8,745,252	9,973,247	9,099,043	8,777,284	2,123,915,052
- Completed Assets Under Construction	36,425,970	224,892,771	1,907,631,303	8,746,252	9,973,247	9,099,043	8,777,284	2,205,545,870
Accumulated Depreciation:	-	-	151,942,601	-	-	-	-	151,942,601
- Cost	-	(88,590,658)	(1,036,446,232)	(6,326,693)	(5,678,046)	(4,964,566)	(3,162,818)	(1,145,169,014)
-	-	(98,590,658)	(1,036,446,232)	(6,326,693)	(5,678,046)	(4,964,566)	(3,162,818)	(1,145,169,014)
Acquisition of Assets	-	-	-	-	-	-	-	-
- Cost	-	6,814,752	1,547,350	167,389	459,486	576,570	2,712,001	12,277,548
- Capital Under Construction	-	-	113,818,943	-	-	-	-	113,818,943
Depreciation:	-	(6,070,856)	(132,784,806)	(747,756)	(866,107)	(1,647,514)	(1,244,002)	(143,381,041)
- Based on Cost	-	(6,070,856)	(132,784,806)	(747,756)	(866,107)	(1,647,514)	(1,244,002)	(143,381,041)
Carrying value of Disposals:	-	-	-	103,585	36,318	(39,394)	(249,503)	(148,935)
- Cost	-	-	-	(1,206,735)	(220,446)	(691,169)	(378,000)	(2,396,347)
- Accumulated Impairment Losses	-	-	-	334,381	69,483	-	-	397,864
- Accumulated Depreciation	-	-	-	975,939	193,281	551,832	128,497	1,849,548
- Based on Cost	-	-	-	975,939	193,281	551,832	128,497	1,849,548
Impairment Losses	-	-	(448,700)	-	-	-	-	(846,564)
Capital under Construction - Completed	-	-	(201,286,470)	-	-	-	-	(201,286,470)
Other Movements	-	-	49,240,782	-	-	-	-	49,240,782
- Cost	-	-	49,240,782	-	-	-	-	49,240,782
Carrying values at 30 June 2018	36,425,970	137,046,009	853,214,770	1,609,365	3,541,414	3,034,199	6,832,963	1,041,993,720
Cost	36,425,970	231,707,523	2,022,894,508	7,706,906	10,212,287	9,094,447	11,111,286	2,329,142,927
- Completed Assets Under Construction	36,425,970	231,707,523	1,958,419,435	7,706,906	10,212,287	9,094,447	11,111,286	2,264,657,853
Accumulated Depreciation:	-	-	64,475,073	-	-	-	-	64,475,073
- Cost	-	(94,661,513)	(448,700)	-	-	-	-	(448,700)
-	-	(94,661,513)	(1,169,231,038)	(6,098,511)	(6,370,873)	(6,060,248)	(4,276,323)	(1,286,700,506)
-	-	(94,661,513)	(1,169,231,038)	(6,098,511)	(6,370,873)	(6,060,248)	(4,276,323)	(1,286,700,506)

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

8.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

8.2 Carrying Amount of Property, Plant and Equipment retired from active use and not classified as a Discontinued Operation

No Property, Plant and Equipment were retired from active use and not classified as a Discontinued Operation during the financial year.

8.3 Assets pledged as security

The municipality did not pledge any of its assets as security.

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

There was no change (2017/18: R0) in the estimated useful life of various assets of the municipality for the financial year.

8.5 Work-in-Progress

The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

Buildings	36,567,322	44,003,290
Infrastructure: Roads	88,669,778	32,881,142
Total Carrying Amounts of Work-in-Progress	125,237,100	76,884,432

8.6 Delayed Projects

The municipality has projects that are currently experiencing delays or were halted. For each project, the reason for the delay or halting of the project are noted. The carrying amount of those assets included in the balance of Property, Plant and Equipment are listed below:

Both the additional office building and the water tanker have experienced some delays in completing the project by the projected due date. These delays are beyond the controls of the municipality, however the projects will be completed within the cost limits of the original contract amounts.

Project Details	Delayed or Halted
<i>Infrastructure Unit:</i>	
Project 1: Additional Offices	Delayed 36,567,322
Reason: Project experienced some delays in completing the project by the projected due date. These delays are beyond the controls of the municipality, however the projects will be completed within the cost limits of the original contract amounts.	

8.7 Expenditure Incurred to repair and maintain

	2019	2018
	R	R
The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:		
Maintenance of Buildings and Facilities	1,075,843	1,800,438
Maintenance of Equipment	1,321,587	425,915
Maintenance of Computer Software	4,661,637	3,151,998
Total Expenditure related to Repairs and Maintenance Projects	7,059,067	5,378,350

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

9 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses 2,079,904 1,932,748

The movement in Intangible Assets is reconciled as follows:

	Website	Software Purchased	Total
Carrying values at 01 July 2018	594,816	1,337,932	1,932,748
Cost	594,816	4,239,337	4,834,154
Accumulated Amortisation	-	(2,901,406)	(2,901,406)
Acquisitions:	501,327	189,398	690,725
Purchased	501,327	189,398	690,725
Amortisation:	-	(523,353)	(523,353)
Purchased	-	(523,353)	(523,353)
Disposals:	-	(20,519)	(20,519)
At Cost	-	(737,780)	(737,780)
At Accumulated Amortisation	-	717,261	717,261
Carrying values at 30 June 2019	<u>1,096,143</u>	<u>983,456</u>	<u>2,079,601</u>
Cost	1,096,143	3,690,955	4,787,098
Accumulated Amortisation	-	(2,707,498)	(2,707,498)
	Website	Software Purchased	Total
Carrying values at 01 July 2017	477,416	1,811,144	2,288,560
Cost	477,416	4,138,391	4,615,808
Accumulated Amortisation	-	(2,328,247)	(2,328,247)
Acquisitions:	117,400	173,100	290,500
Purchased	117,400	173,100	290,500
Amortisation:	-	(644,845)	(644,845)
Purchased	-	(644,845)	(644,845)
Disposals:	-	(1,488)	(1,488)
At Cost	-	(73,154)	(73,154)
At Accumulated Amortisation	-	71,666	71,666
Carrying values at 30 June 2018	<u>594,816</u>	<u>1,337,932</u>	<u>1,932,748</u>
Cost	594,816	4,239,337	4,834,154
Accumulated Amortisation	-	(2,901,406)	(2,901,406)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 33).

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

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

9.1 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets, but not the Website as it is considered to be constantly maintained and therefore have an indefinite economic useful life and such assets are regarded as having indefinite useful lives.

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

9.2 Impairment of Intangible Assets

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

9.3 Work-In-Progress

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

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

9.4 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

10 INVESTMENT PROPERTY

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July 2018	13,572,222	11,294,953
Fair Value	13,572,222	11,294,953
Transfers during the Year	1,299,786	2,428,760
Fair Value	1,299,786	2,428,760
Fair Value Adjustments	(1,231,751)	(151,491)
Carrying values at 30 June 2019	13,640,257	13,572,222
Fair Value	13,640,257	13,572,222

Investment Property includes transfers (storm water drainage; carwash) done in the current financial year has been restated to correctly disclose the properties held as Investment Property in terms of GRAP 16.

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

Rental Revenue earned from Investment Property	4,684,777	5,587,864
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Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

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

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

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

10.1 Impairment of Investment Property

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

10.2 Work-in-Progress

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

10.3 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

11 HERITAGE ASSETS

30 June 2019

Reconciliation of Carrying Value

Description	Significant Land and Buildings	National Parks	Works of Art, Antiques and Collections	Mayoral Chain	Archives	Total
	R	R	R	R	R	R
Carrying values at 01 July 2018	-	-	-	17,719	-	17,719
Cost	-	-	-	17,719	-	17,719
Acquisitions	-	-	-	-	-	-
Carrying values at 30 June 2019	-	-	-	17,719	-	17,719
Cost	-	-	-	17,719	-	17,719

30 June 2018

Reconciliation of Carrying Value

Description	Significant Land and Buildings	National Parks	Works of Art, Antiques and Collections	Mayoral Chain	Archives	Total
	R	R	R	R	R	R
Carrying values at 01 July 2017	-	-	-	17,719	-	17,719
Cost	-	-	-	17,719	-	17,719
Acquisitions	-	-	-	-	-	-
Carrying values at 30 June 2018	-	-	-	17,719	-	17,719
Cost	-	-	-	17,719	-	17,719

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

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

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

11.1 Depreciation and Impairment

In accordance with GRAP 103 a Heritage Asset have an indefinite life and their value appreciates over time due to their cultural, environmental, educational, natural scientific, technological, artistic or historical significance; and shall not be depreciated but an entity shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

11.2 Impairment of Heritage Assets

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

11.3 Heritage Assets measured after recognition using the Cost Model

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

11.4 Work-in-Progress

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

11.5 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2018 R	2018 R
12 CONSUMER DEPOSITS		
Rental Deposits	91,505	78,795
Total Consumer Deposits	91,505	78,795

CONSUMER DEPOSITS - RENTAL DEPOSITS

Consumer deposits comprise deposits for properties rented out by the municipality.

No interest is paid on Consumer Deposits held.

13 CURRENT PORTION OF EMPLOYEE BENEFIT LIABILITIES

Current Portion of Employee Liabilities	210,790	435,171
Long-term Service Liability	210,790	435,171
Total Provisions	210,790	435,171

The movement in provisions is reconciled as follows:

		Long-term Service R
30 June 2018		
Opening Balance		435,171
Actual employer benefit payments		(224,381)
Balance at end of year		210,790

		Long-term Service R
30 June 2018		
Opening Balance		130,984
Actual employer benefit payments		(205,155)
Actuarial loss/ (gain) recognised in the year		509,342
Balance at end of year		435,171

Current Portion of Non-Current Provisions:

Long Service Award Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

14 PAYABLES FROM EXCHANGE TRANSACTIONS

Bonus	1,934,774	3,042,269
Leave Accrual	6,782,992	6,220,283
Other Payables	24,018,853	3,540,663
Retentions	1,551,478	1,698,755
Trade Creditors	10,350,403	7,804,873
Total Payables	44,618,438	22,306,843

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

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

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

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

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

15 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Property Rates Received in Advance	4,927,520	4,535,292
Total Payables	4,927,520	4,535,292

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

16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government	2,515,332	213,282
National Government	1,892,541	104
Provincial Government	622,791	213,178
Total Conditional Grants and Receipts	2,515,332	213,282

The Unspent Conditional Grants and Receipts are invested in Investment accounts until utilised.

See Note 24 for the reconciliation of Grants from Government and Note N/A for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

17 EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities	2,016,037	1,576,834
Long Service Awards Liability	2,016,037	1,576,834
Less: Current Portion of Employee Benefit Liabilities	(210,790)	(435,171)
Long Service Awards Liability	(210,790)	(435,171)
Long Service Awards Liability	1,805,247	1,141,663
Non-Current Portion of Employee Benefit Liabilities	1,805,247	1,141,663

17.1 Long Service Awards Liability

Opening Balance	1,576,834	1,352,536
Current Service Cost	230,823	226,620
Interest Cost	113,725	107,480
Expected Benefits Vesting	(435,171)	(202,428)
Actuarial Loss / (Gain)	529,826	92,726
Balance at end of Year	2,016,037	1,576,834
Transfer to Current Provisions	210,790	435,171
Total Non-Current Long Service Awards Liability	1,805,247	1,141,663

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 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, 150 (2018: 145) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2019 is estimated to be R230 823, whereas the cost for the ensuing year is estimated to be R321 697 (30 June 2018: R226 620 and R230 623 respectively).

	2019 R	2018 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8.07%	6.34%
Cost Inflation Rate	6.48%	6.00%
Net Effective Discount Rate	2.45%	2.21%
Expected Return on Plan Assets	8.00%	8.00%
Expected Rate of Salary Increase	6.50%	7.00%
Expected Retirement Age	63	58

The history of experienced adjustments is as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Present Value of Defined Benefit Obligation	2,016,037	1,576,534	1,403,464	1,352,536	1,171,810
Experienced adjustments on Plan Liabilities	129,970	53,712	(6,482)	57,619	64,365

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

18 NON-CURRENT PROVISIONS

Decommissioning, Restoration and Similar Liabilities: Landfill Sites	3,922,739	3,677,096
Total Non-current Provisions	3,922,739	3,677,096

Other Operational Provisions:

	Decommissioning of Landfill Sites R
30 June 2019	
Opening Balance	3,677,096
Increase	245,843
Balance at end of year	3,922,739
30 June 2018	
Opening Balance	10,477,991
Other Reductions	(6,800,895)
Balance at end of year	3,677,096

Decommissioning, Restoration and Similar Liabilities: Landfill sites decommissioning is estimated by means of a valuation performed by a professional valuator to determine the future cost of dismantling the landfill site. The cost is then reduced to take into account the time value of money at the weighted average investing rate of the municipality.

19 RESERVES

Capital Replacement Reserve	26,016,917	26,016,917
Total Reserves	26,016,917	26,016,917

19.1 Capital Replacement Reserve

The Capital Replacement Reserve arises from cash backed accumulated surplus for the replacement of capital infrastructure/equipment.

20 ACCUMULATED SURPLUS

Accumulated Surplus / (Deficit) due to the results of Operations	1,062,972,312	1,078,645,862
Total Accumulated Surplus	1,062,972,312	1,078,645,862

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

21 PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2019 R000's	July 2018 R000's (Restated)	July 2019 R000's	July 2018 R000's
Property Rates:				
Business and Commercial Properties	353,021,500	299,499,975	4,859,237	8,561,273
Residential Properties	501,259,000	398,639,447	2,507,250	3,651,532
State-owned Properties	508,550,860	476,627,254	8,520,792	1,858,848
Total Property Rates	1,362,831,360	1,174,766,676	15,887,279	15,071,651

Annual valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions. Rates tariffs were increased as follows:- State-owned Properties 0.0039 to 0.0185 and Residential decreased from 0.0157 to 0.006.

A decrease in actual levies for business and Commercial properties has been as a result of decrease in tariff from 0.0315 to 0.0132, Residential tariff decrease from 0.0148 to 0.0066 and an increase in State-owned from 0.0160 to 0.0185.

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

Welfare Organisations are exempted from the payment of rates, whilst the first R15 000,00 of the valuation on Improved residential properties is exempted from the payment of rates.

22 FINES, PENALTIES AND FORFEITS

Other Fines	32,981,820	2,267,449
Law Enforcement	32,000,950	1,456,324
Pound Fees	980,670	801,126
Total Fines, Penalties and Forfeits	32,981,820	2,267,449

23 LICENCES AND PERMITS

	Exchange Transactions 2019 R	Exchange Transactions 2018 R	Non-Exchange Transactions 2019 R	Non-Exchange Transactions 2018 R
Road and Transport	2,136,696	2,408,897	-	-
Drivers Licence Certificate	1,895,802	2,179,995	-	-
Motor Vehicle Licence	240,894	228,700	-	-
Trading	10,000	118,167	186,281	115,929
Total Licences and Permits	2,146,696	2,526,664	186,281	115,929

24 TRANSFERS AND SUBSIDIES RECEIVED

Capital Grants	79,392,799	99,202,915
Allocations in-kind	-	1,547,350
Monetary Allocations	79,392,799	97,655,565
Operational Grants	198,121,850	179,709,239
Monetary Allocations	198,121,850	179,709,239
Total Government Grants and Subsidies	277,514,649	278,912,154

24.1 Capital Grants

	Monetary Allocations	
	2019	2018
Municipal Infrastructure Grant (MIG)	45,484,225	52,655,575
Integrated National Electrification Program (INEP)	29,330,830	44,899,990
Department of Cooperative Government and Traditional Affairs (COGTA)	4,577,745	-
Total Capital Grants Received	79,392,800	97,655,565

24.2 Operational Grants

	Monetary Allocations	
	2019	2018
Departmental Agencies and Accounts	135,563	115,850
Financial Management Grant (FMG)	1,770,046	1,700,434
Expanded Public Works Program (EPWP)	2,476,000	2,537,000
National Revenue Fund (Equitable Share)	193,075,000	175,184,000
Library Development (COGTA)	800,804	258,152
Public Corporations	-	5,263
Total Operational Grants Received	198,121,850	179,884,649

24.3 Reconciliation per Grant Source

24.3.1 National Governments

Balance unspent at beginning of year	104	5,485,878
Current year receipts	1,892,049	(8,837,575)
Conditions met - transferred to Revenue	-	1,072,000
Conditions still to be met - transferred to Current Liabilities (see Note 16)	1,892,153	104

24.3.2 National Revenue Fund - Fuel Levy & Equitable Share

Current year receipts	193,075,000	175,184,000
Conditions met - transferred to Revenue	(193,075,000)	(175,184,000)
	-	-

This grant has been used to fund operational expenses within the municipality.

24.3.3 Departmental Agencies and Accounts

Balance unspent at beginning of year	-	-
Current year receipts	135,563	115,850
Conditions met - transferred to Revenue	(135,563)	(115,850)
Conditions met - transferred to Revenue	-	-

24.3.4 National Revenue Fund - Financial Management Grant

Balance unspent at beginning of year	48	434
Current year receipts	1,770,000	1,700,000
Conditions met - transferred to Revenue	(1,770,046)	(1,700,434)
Conditions met - transferred to Revenue	-	-

24.3.5 National Revenue Fund - Municipal Infrastructure Grant

Balance unspent at beginning of year	104	5,485,879
Current year receipts	45,507,000	47,190,000
Conditions met - transferred to Revenue	(45,484,225)	(52,855,575)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities	22,879	104

24.3.6 National Revenue Fund - Integrated National Electrification Programme

Balance unspent at beginning of year	-	-
Current year receipts	31,200,000	44,999,990
Conditions met - transferred to Revenue	(29,330,830)	(44,999,990)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities	1,869,170	-

24.3.7 National Revenue Fund - Expanded Public Works Programme

Balance unspent at beginning of year	-	-
Current year receipts	2,476,000	2,537,000
Conditions met - transferred to Revenue	(2,476,000)	(2,537,000)
Other Adjustments/Refunds	-	-
Conditions met - transferred to Revenue	-	-

24.3.8 Provincial COGTA Grants

Balance unspent at beginning of year	213,178	121,330
Current year receipts	5,788,182	350,000
Conditions met - transferred to Revenue	(5,378,549)	(258,152)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities	622,781	213,178

25 SERVICE CHARGES

Refuse Removal	1,180,555	1,159,426
Total Service Charges	1,180,555	1,159,426

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.

26 SALES OF GOODS AND RENDERING OF SERVICES

Advertisements	334,809	389,782
Application Fees for Land Usage	1,862	1,881
Building Plan Approval	315,573	129,383
Cemetery and Burial	15,444	29,064
Clearance Certificates	5,170	8,999
Entrance Fees	44,708	1,825
Removal of Restrictions	1,493	-
Sale of Goods	337,810	512,255
Streets/Street Markets (Informal Traders)	63,000	29
Total Sales of Goods and Rendering of Services	1,119,668	1,071,018

27 INCOME FROM AGENCY SERVICES

Commission on Vehicle Registration	1,967,447	2,051,565
Total Income from Agency Services	1,967,447	2,051,565

28 RENTAL FROM FIXED ASSETS

Straight-lined Operating Lease Revenue		
Investment Property	4,684,777	5,597,864
Other Fixed Assets	330,663	499,154
Property Plant and Equipment	330,663	499,154
Other Rental Income		
Ad-hoc Rental Income from Other Fixed Assets	159,910	330,308
Total Rental of Facilities and Equipment	5,172,349	6,427,326

Rental income generated are at market related premiums. All rental income recognised is therefore market related.

29 INTEREST, DIVIDENDS AND RENT ON LAND EARNED

External Investments:		
Bank Account	267,647	621,791
Investments	6,471,298	5,678,390
	6,738,945	6,298,181
Total Interest Received	6,738,945	6,298,181
Interest - Variable Rate Instruments	6,738,945	6,298,181
Outstanding Exchange Receivables:		
Outstanding Billing Debtors	3,258,001	2,926,497
Service Charges	3,258,001	2,926,497
	3,258,001	2,926,497
Total Exchange Interest Earned	9,996,947	9,224,677
Total Interest, Dividends And Rent On Land Earned	9,996,947	9,224,677

30 OPERATIONAL REVENUE

Arbor City Awards Competition	-	250,000
Insurance Refund	41,844	91,323
Merchandising, Jobbing and Contracts	32,000	33
Sale of Property	20,000	60,000
Total Operational Revenue	93,844	401,356

31 EMPLOYEE RELATED COSTS

Salaries and Wages		
Basic	43,174,332	41,056,394
Long Service Awards	524,145	397,672
Bonusses	1,014,772	177,600
Leave Payments	1,665,811	2,007,481
Overtime	624,007	138,647

Allowances		
Accommodation, Travel and Incidental	14,828	-
Bonus Allowance	1,811,355	3,042,268
Housing Benefits	2,543,945	2,687,303
Standby Allowance	1,030,906	916,398
Travel or Motor Vehicle	3,902,270	4,220,547
Social Contributions		
Bargaining Council	16,636	17,374
Medical	3,560,550	3,241,928
Pension	6,158,289	5,611,402
Unemployment Insurance	325,178	303,721
Skills Development Fund Levy	719,958	677,685
Workmen's Compensation Fund	316,261	711,226
Total Employee Related Costs	67,308,245	65,417,625

No advances were made to employees.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager - GPT Nola

Annual Remuneration	1,091,395	783,416
Bonus	166,285	65,285
Car and Other Allowances	485,088	466,993
Company Contributions to UIF, Medical and Pension Funds	17,458	11,798
Termination Benefits	-	72,648
Total	1,743,230	1,396,140

The Municipal Manager was engaged as of 01 July 2017. The previous term ended on 30th April 2017. A month to month contract was agreed upon between the Municipality and the outgoing Municipal Manager for the period in-between.

Remuneration of the Chief Financial Officer - X Venn

Annual Remuneration	-	863,415
Bonus	-	55,285
Car and Other Allowances	-	386,992
Company Contributions to UIF, Medical and Pension Funds	-	12,049
Total	-	1,117,741

Mrs Venn's employment contract expired at 31 July 2018.

Remuneration of the Chief Financial Officer - FT Fundira

Annual Remuneration	521,529	-
Bonus	13,344	-
Backpay	111,430	-
Car and Other Allowances	237,758	-
Company Contributions to UIF, Medical and Pension Funds	8,835	-
Total	892,997	-

Mr Fundira was appointed on 1 October 2018.

Remuneration of the Manager Community Services - M Sinake

Annual Remuneration	621,065	663,415
Bonus	166,654	55,285
Car and Other Allowances	387,069	386,992
Company Contributions to UIF, Medical and Pension Funds	16,203	12,008
Total	1,389,191	1,117,700

Remuneration of the Manager Corporate Services - N Kubona

Annual Remuneration	802,666	663,415
Bonus	110,669	55,285
Car and Other Allowances	387,069	386,992
Company Contributions to UIF, Medical and Pension Funds	14,609	12,047
Total	1,315,014	1,117,739

Remuneration of the Manager Local Economic Development - S Batyi

Annual Remuneration	-	663,415
Bonus	-	55,285
Car and Other Allowances	-	386,992
Company Contributions to UIF, Medical and Pension Funds	-	12,049
Total	-	1,117,741

M. Batyi's employment contract expired on 31 August 2018.

Remuneration of the Manager Local Economic Development - SC Ntinzl

Annual Remuneration	460,818	
Bonus	6,872	
Backpay	93,262	
Car and Other Allowances	214,406	
Company Contributions to UIF, Medical and Pension Funds	8,015	
Total	783,172	-

Mr Ntinzl was appointed on 1 October 2018.

Remuneration of the Manager Infrastructure and Planning - SP Ntonga

Annual Remuneration	-	863,415
Bonus	-	55,285
Car and Other Allowances	-	386,992
Company Contributions to UIF, Medical and Pension Funds	-	12,104
Total	-	1,117,796

Mr Ntonga's employment contract expired on 31 July 2018.

Remuneration of the Manager Infrastructure and Planning - L.J Moleko

Annual Remuneration	512,960	
Bonus	10,008	
Backpay	106,374	
Car and Other Allowances	237,768	
Company Contributions to UIF, Medical and Pension Funds	8,816	
Total	874,916	-

Mr Moleko was appointed on 1 September 2018.

Remuneration of the Chief Operations Officer - N Zembe

Annual Remuneration	956,266	643,225
Bonus	115,191	53,802
Car and Other Allowances	381,283	376,215
Company Contributions to UIF, Medical and Pension Funds	16,036	10,698
Total	1,470,786	1,082,740

Summary of Remuneration of Section 57 Employees:

All Managers	8,489,315	8,061,597
Total Remuneration of Section 57 Employees	8,489,315	8,061,597

32 REMUNERATION OF COUNCILLORS

Executive Mayor	413,875	409,011
Speaker	598,082	327,209
Chief Whip	532,864	306,759
Mayoral committee members	4,033,434	1,985,228
Total for All Other Councillors	11,819,433	14,616,031
Total Councillors' Remuneration	17,397,687	17,644,238

Remuneration of Councillors:

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

In-kind Benefits

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

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

Councillor Ngonyolo was appointed as the acting Mayor from December 2018 up until 27 March 2019. The Councillor Mrukwa was appointed as Mayor and Councillor Ngonyolo was appointed as a Speaker on the 27 March 2019.

33 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	148,048,923	143,381,041
Amortisation: Intangible Assets	523,363	844,845
Total Depreciation and Amortisation	148,572,278	144,034,892

34 IMPAIRMENT LOSSES

Impairment Losses on Fixed Assets	6,696,159	1,139,560
Impairment Losses on Financial Assets	30,218,994	8,837,589
Fair Value Adjustments	1,231,751	161,491
Total Impairment Losses	38,146,905	10,128,740

34.1 Impairment Losses on Fixed Assets		
Impairment Losses		
Property, Plant and Equipment	6,696,159	1,139,560
	<u>6,696,159</u>	<u>1,139,560</u>
34.2 Impairment Losses on Financial Assets		
Impairment Losses		
Other Receivables from Non-exchange Revenue	23,429,076	
Trade and Other Receivables from Exchange Transactions	6,789,918	95,437
Bad Debts Written Off (Directly to Statement of Financial Performance)	-	8,742,251
Refer to Note 3 and 4.	<u>30,218,994</u>	<u>8,837,689</u>
35 INTEREST, DIVIDENDS AND RENT ON LAND PAID		
Interest Paid	245,643	427,034
Interest costs Employee Benefits (Refer to Note 18)	245,643	427,034
Total Interest, Dividends and Rent on Land	<u>245,643</u>	<u>427,034</u>
36 CONTRACTED SERVICES		
Outsourced Services	21,116,079	15,878,612
Consultants and Professional Services	9,844,967	16,066,871
Contractors	13,520,487	12,449,845
Total Contracted Services	<u>44,481,533</u>	<u>44,395,328</u>
36.1 Outsourced Services		
Business and Advisory	3,428,929	260,653
Catering Services	275,341	302,442
Internal Auditors	924,689	493,486
Personnel and Labour	8,107,688	7,087,220
Professional Staff	501,800	
Security Services	6,928,107	7,424,432
Traffic Fines Management	949,426	330,380
	<u>21,116,079</u>	<u>15,878,612</u>
36.2 Consultants and Professional Services		
Business and Advisory	6,022,891	9,852,316
Infrastructure and Planning	2,578,779	2,893,633
Legal Cost	1,243,287	3,321,023
	<u>9,844,967</u>	<u>16,066,871</u>
36.3 Contractors		
Artists and Performers	802,921	661,250
Building	839,315	1,130,472
Catering Services	2,629,251	2,580,850
Employee Wellness	310,710	35,461
Event Promoters	964,413	1,739,612
Graphic Designers		140,160
Maintenance of Buildings and Facilities	1,075,643	1,800,438
Maintenance of Equipment	1,321,587	425,915
Maintenance of Computer Software	4,661,637	3,151,996
Plants, Flowers and Other Decorations	2,000	
Safeguard and Security	303,000	73,600
Stage and Sound Crew	413,000	445,814
Tracing Agents and Debt Collectors	386,811	254,286
	<u>13,520,487</u>	<u>12,449,845</u>
37 INVENTORY CONSUMED		
Materials and Supplies	4,457,070	3,890,560
	<u>4,457,070</u>	<u>3,890,560</u>
38 TRANSFERS AND SUBSIDIES PAID		
Operational Grants	1,266,949	864,622
Bursaries for scarce skills	419,661	655,918
Monetary Allocations	647,288	208,704
Total Transfers and Subsidies Paid	<u>1,266,949</u>	<u>864,622</u>

39 OPERATING LEASES

Furniture and Office Equipment	662,660	543,367
Other Assets		139,066
Transport Assets	121,037	22,665
Total for Operating Leases	783,717	705,298

40 OPERATIONAL COSTS

Included in General Expenses are the following:

Achievements and Awards	662,330	514,798
Advertising, Publicity and Marketing	2,793,319	1,577,302
Bank Charges, Facility and Card Fees	426,688	343,764
Bursaries (Employees)	223,630	324,018
Communication	4,719,085	4,272,871
Drivers Licences and Permits	232,418	217,645
Entertainment	1,993	668
External Audit Fees	4,522,673	4,283,728
External Computer Service	673,928	849,581
Fines and Penalties	2,230,332	
Hire Charges	8,927,468	8,573,676
Indigent Relief	5,241,345	4,760,325
Insurance Underwriting	251,491	1,657,319
Leaderships and Internships	332,664	572,340
Licences	79,681	41,827
Municipal Services	1,234,737	1,448,996
Printing, Publications and Books	447,131	458,380
Professional Bodies, Membership and Subscription	291,403	1,068,088
Registration Fees	2,106,898	3,255,766
Remuneration to Ward Committees	3,814,783	3,162,495
Resettlement Cost	35,238	
Samples and Specimens		15,600
Seating Allowance for Traditional Leaders	166,600	34,400
Signage	161,904	198,580
Transport Provided as Part of Departmental Activities	1,914,248	1,841,983
Travel Agency and Visa's	294,183	431,275
Travel and Subsistence	6,738,109	6,549,912
Uniform and Protective Clothing	1,145,233	998,546
Wet Fuel	2,962,958	2,280,061
Total Operational Costs	62,851,463	49,707,965

40.1 Travel and Subsistence

Domestic	6,725,899	6,541,035
Accommodation	3,844,170	4,209,333
Transport without Operator	2,620,280	1,996,985
Transport with Operator	261,239	334,717
National	12,420	8,677
Transport without Operator	12,420	8,677
	6,738,109	6,549,912

No other extra-ordinary expenses were incurred.

41 GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Property, Plant and Equipment	(189,397)	(148,087,533)
Total Gains / (Losses) on Disposal of Capital Assets	(189,397)	(148,087,533)
Total Gains on Disposal of Capital Assets		
Total Losses on Disposal of Capital Assets	189,397	148,087,533

42 CORRECTION OF ERROR

The municipality implemented the Municipal Standard Chart of Accounts (MSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 166 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

The implementation of MSCOA as stated above resulted in certain reclassification of descriptions and figures. Other corrections were also made during the previous financial years. Details of the corrections are described below:

42.1 Reclassification of Revenue

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the Correction of Error is as follows:

	Prior Year 2017/18 Audited	MSCOA Reclassification	MSCOA Restated Amount	Correction of Error	Restated Amount 2017/18
Property Rates	15,071,851	-	15,071,851	-	15,071,851
Fines, Penalties and Forfeits	1,456,324	801,126	2,257,449	-	2,257,449
Licences and Permits - Non-exchange	-	116,929	116,929	-	116,929
Transfers and Subsidies	277,385,161	121,114	277,456,265	1,455,889	278,912,154
Public Contributions and Donations	5,283	(5,283)	-	-	-
Licences and Permits - Exchange	2,642,793	(116,929)	2,526,864	-	2,526,864
Service Charges	1,159,426	-	1,159,426	-	1,159,426
Sales of Goods and Rendering of Services	1,071,018	-	1,071,018	-	1,071,018
Income from Agency Services	2,051,566	-	2,051,566	-	2,051,566
Rental from Fixed Assets	6,427,326	-	6,427,326	-	6,427,326
Interest, Dividends & Rent on Land	-	9,224,677	9,224,677	-	9,224,677
Interest Earned - External Investments	6,298,181	(6,298,181)	-	-	-
Interest Earned - Outstanding Debtors	2,926,497	(2,926,497)	-	-	-
Operational Revenue	1,316,532	(918,976)	401,356	-	401,356
	317,763,526	-	317,763,526	1,455,889	319,219,416

Fines:

The revenue for Pound Fees were previously classified under Operational Revenue but with the Municipal Standard Chart of Accounts (MSCOA) it needs to be classified with Fines, Penalties and Forfeits.

Grants and Subsidies Received:

The revenue for the Sector Education Training Authority (SETA) was previously disclosed under Operational Revenue but with MSCOA it needs to be classified with Transfers and Subsidies. Public Contributions and Donations were a revenue stream on its own but with MSCOA it is classified under Grants & Subsidies Received.

Licences and Permits - Exchange & Non-Exchange

Licences and Permits Revenue were previously classified under Exchange Transactions with MSCOA it needs to be disclosed under Non-Exchange Transactions. Example Trading Licences. The municipality does not get anything in exchange.

Interest Earned - External Investments and on Debtors

The interest received on Investments as well as Debtors were previously disclosed separately but with MSCOA it was classified under Interest, Dividends and Rent on Land.

Operational Revenue:

As can be seen with the above paragraph items like the Pound Fees and the SETA Training Grant, which previously were classified under Operational Revenue, are now classified under Fines, Penalties and Forfeits and Transfers and Subsidies etc.

42.2 Reclassification of Expenditure

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

The effect of the Correction of Error is as follows:

	Prior Year 2017/18 Audited	MSCOA Reclassification	MSCOA Restated Amount	Correction of Error	Restated Amount 2017/18
Employee Related Costs	65,283,191	164,434	65,417,626	-	65,417,626
Remuneration of Councillors	17,644,238	-	17,644,238	-	17,644,238
Depreciation and Amortisation	97,495,845	-	97,495,845	48,639,047	144,034,892
Impairment Losses	11,640,133	95,438	11,735,571	(1,606,831)	10,128,740
Actuarial Losses	41,798	(41,798)	-	-	-
Interest, Dividends and Rent on Land	427,034	-	427,034	-	427,034
Contracted Services	44,399,303	(331,161)	44,068,142	327,186	44,395,328
Inventory Consumed	2,210,348	1,880,212	3,890,560	-	3,890,560
Transfers and Subsidies Paid	-	864,622	864,622	-	864,622
Operating Leases	706,288	(4,698)	705,288	-	705,288
Operational Costs	51,403,236	(2,417,049)	48,986,187	721,796	49,707,985
Loss on Disposal of PPE	142,802,174	-	142,802,174	5,285,359	148,087,533
	434,037,287	-	434,037,286	51,286,559	485,303,845

Employee Related Costs

Skills Development Levies and Workmans Compensation Assurance (WCA) were classified under Operational Expenses as per MSCOA but in accordance with Municipal Finance Management (MFMA) Act No 56 of 2003 it needs to be disclosed under Employee Related Cost.

Inventory Consumed

Inventory Consumed is a new expenditure classification as per MSCOA and refers to items from the stores being utilised. This cost previously falls under Operational Costs.

Transfers and Subsidies Paid

Bursaries and scores skills assistance were previously classified under Operational Cost but was with MSCOA reclassified as Transfers and Subsidies Paid.

Actuarial Losses

Actuarial Losses was disclosed as a separate expenditure line item during the last financial year. As per MSCOA this cost should be disclosed under Operational Costs

Operational Costs/ Contracted Services

Some items previously classified under Operational Expenditure and Contracted Services were re-classified under MSCOA to Inventory Consumed and Transfers and Subsidies Paid.

Depreciation and Amortisation

The municipality embarked on a total revamp of the Assets Register and accordingly depreciation was restated. Overhaul entailed the addition of assets that were previously not accounted for, restatement of segments to actual road lengths and widths as per GIS and Roadlinks resulting in increase in the depreciation calculation in the prior year.

Impairment loss

There was reduction in impairment losses in the prior as there were assets that could not be verified and as such were written off. The impairment that had been raised for those assets therefore had to be reversed resulting in a net decrease.

Operating leases

The expenditure that had previously been recognised under operating leases has now moved to Inventory consumed as a MSCOA alignment reclassification.

Loss on disposal of Property, plant and equipment

There has been an increase in the loss on disposal of PPE as there were more assets that had to be written off after verification.

4.2.3 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2017/18 Audited	MSCOA Reclassification	MSCOA Restated Amount	Correction of Error	Restated Amount 2017/18
Current Assets					
Inventories	222,165	-	222,165	-	222,165
Receivables from Exchange Transactions	2,425,415	-	2,425,415	-	2,425,415
Receivables from Non-exchange Transactions	17,096,648	(4,998)	17,091,648	-	17,091,648
VAT Receivable	6,147,778	-	6,147,778	-	6,147,778
Cash and Cash Equivalents	47,665,725	4,899	47,673,724	-	47,673,724
Operating Lease Receivables	5,971,778	-	5,971,778	-	5,971,778
Non-Current Assets					
Property, Plant and Equipment	799,008,570	-	799,008,570	242,987,150	1,041,993,720
Intangible Assets	1,932,640	-	1,932,640	108	1,932,748
Investment Property	65,024,878	-	65,024,878	(51,452,656)	13,572,222
Heritage Assets	17,719	-	17,719	-	17,719
Current Liabilities					
Consumer Deposits	-	76,795	76,795	-	76,795
Provisions	435,171	-	435,171	-	435,171
Payables from Exchange Transactions	20,224,925	-	20,224,925	2,081,918	22,306,843
Payables from Non-exchange Transactions	4,612,087	(76,795)	4,535,292	-	4,535,292
Unspent Conditional Grants and Receipts	213,282	-	213,282	-	213,282
Non-Current Liabilities					
Retirement Benefit Liabilities	1,141,663	-	1,141,663	-	1,141,663
Non-current Provisions	3,677,096	-	3,677,096	-	3,677,096
Net Assets					
Reserves	28,016,917	-	28,016,917	-	28,016,917
Accumulated Surplus / (Deficit)	889,193,177	-	889,193,177	189,452,686	1,078,645,842

Property, Plant and Equipment:

During the current financial year the municipality performed a complete verification and reconciliation of all municipal assets. To ensure completeness of Property Plant and Equipment a full property reconciliation was performed. This resulted in a number of misstatement being identified that was subsequently corrected.

The opening balances for Property, Plant & Equipment have been restated to correctly include newly found Road and Stormwater components.

Furthermore, the opening balances for Property, Plant & Equipment have been restated to include Road and Stormwater assets that was previously excluded due to demarcation boundaries.

The opening balances for *Property, Plant & Equipment* has also been restated due to certain Roads lengths and sizes that was corrected.

The opening balances for *Property, Plant & Equipment* has also been restated due to certain Land parcels that was previously incorrectly classified as Investment Properties.

Lastly, the opening balances for *Property, Plant & Equipment* were restated for properties belonging to the municipality housing structures on them that do not belong to the municipality.

The prior year amounts for *Property, Plant & Equipment* and Depreciation have been restated to correctly disclose the impact of the revised opening balances on the Depreciation expense for the year.

Investment Property:

The opening balances for *Investment Property* has been restated due to certain Land parcels that was previously incorrectly classified as Investment Properties.

Furthermore, the opening balances for *Property, Plant & Equipment* were restated for properties belonging to the municipality housing structures on them that do not belong to the municipality.

Lastly, the opening balances for *Investment Property* were restated for properties previously incorrectly included in the Asset Register.

Consumer Deposits / Payables from Non-Exchange Transactions

Hall Deposits previously classified under Payables from Non-Exchange revenue needs to be classified under Consumer Deposits as per MSCOA.

Cash and Cash Equivalents / Receivables from Non-exchange Transactions

An amount of R4 999 previously disclosed under Cash and Cash Equivalents was a deposit paid in advance which need to be Receivables from Non-Exchange Transactions.

Intangible Assets

The prior year amounts for Intangible Assets and Amortisation have been restated to correctly disclose the impact of the revised opening balances on the Depreciation expense for the year.

Accumulated Surplus / (Deficit)

The accumulated surplus had to be adjusted due to the changes in Property, Plant and Equipment, Intangible Assets and Investment Property.

43 CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	-25,673,552	-166,084,429
Adjustment for:		
Appropriations to/from Internal Reserves		129,909,988
Depreciation and Amortisation	146,642,621	144,034,882
Impairment Losses on Property, Plant and Equipment	6,729,285	2,207,022
Losses / (Gains) on Disposal of Property, Plant and Equipment	189,397	12,592,186
Other Movement on Property, Plant and Equipment		152,045,658
Contribution to Post-retirement Employee Benefits		173,370
Contribution to Long Service Awards Liability	663,584	228,620
Expenditure Incurred from Long Service Awards Liability	-224,381	107,480
Contribution to Provisions - Current	-564,785	319,554
Expenditure Incurred from Provisions - Non-current	245,643	-
Fair value adjustment IP	1,231,751	-
Contribution to Impairment Provision	30,218,994	-
Bad Debts Written-off		9,109,084
Operating surplus before working capital changes	<u>159,358,737</u>	<u>284,641,355</u>
Decrease/(Increase) in Inventories	-491,095	101,369
Decrease/(Increase) in Receivables from Exchange Transactions	-6,745,459	-1,256,539
Decrease/(Increase) in Receivables from Non-exchange Transactions	-24,803,008	-12,522,199
Decrease/(Increase) in VAT Receivable	698,083	-1,571,073
Decrease/(Increase) in Operating Lease Receivables	-3,867,491	-3,544,614
Increase/(Decrease) in Consumer Deposits	14,710	-
Increase/(Decrease) in Payables from Exchange Transactions	22,876,441	6,119,944
Increase/(Decrease) in Payables from Non-exchange Transactions	392,228	2,327,603
Increase/(Decrease) in Conditional Grants and Receipts	2,302,050	-5,374,115
Cash generated by / (utilised in) Operations	<u>160,239,197</u>	<u>133,323,248</u>

44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

44.1 Unauthorised Expenditure

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

Reconciliation of Unauthorised Expenditure:

Opening balance	98,399,127	98,399,127
Unauthorised Expenditure current year	16,901,217	
Approved by Council or condoned	(113,500,344)	
Unauthorised Expenditure awaiting authorisation		98,399,127

44.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance		
Fruitless and Wasteful Expenditure current year	2,160,825	
Expenditure recovered	(1,348,458)	
Fruitless and Wasteful Expenditure awaiting condonement	812,367	

Incident	Disciplinary Steps / Criminal Proceedings
An amount incurred by Umzimvubu Local Municipality owing to fraud perpetrated through a scam by individuals whose identity is yet to be determined. The amount has resulted in fruitless and wasteful expenditure as envisaged in Section 32 (d) of the Municipal Finance Management Act 56 of 2003. The amount paid to service provider was totalling to R2 160 825.18 and an amount of R1 348 458.30 was transferred back to the municipal bank account. The balance of R812 367 is still under investigation.	The matter is still under investigation by South African Police Services (SAPS), case number CAS 69/11/2018, in line with Section 32 (b) (b). Investigations are still ongoing in efforts to recover the expenditure in terms of Section 32 (2) of the MFMA to recover this expenditure.

44.3 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.

Reconciliation of Irregular Expenditure:

Opening balance	15,093,688	59,642,555
Irregular Expenditure current year	24,905,403	139,497,412
Irregular Expenditure prior year, but identified in current year	1,017,104	
Condoned or written off by Council	(39,782,079)	(184,046,270)
Irregular Expenditure awaiting condonement	1,234,116	15,093,688

Incident	Disciplinary Steps / Criminal Proceedings
Two senior managers are being remunerated above the gazetted upper limits to the value of R1 234 116. The packages were paid based on the advice that was received from the Department of Local Government and Traditional Affairs, emanating from the application for waiver that was done by the municipality.	Refer to Council for investigation.

45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

45.1 Contributions to organised local government - SALGA

Opening Balance		
Council Subscriptions	771,722	704,826
Amount Paid - current year	(771,722)	(704,826)
Balance Unpaid (Included in Creditors)		

45.2 Audit Fees

Opening Balance	672,902	25,609
Current year Audit Fee	5,201,304	3,610,626
Amount Paid - current year	(5,874,206)	(3,636,435)
Amount Paid - previous years		672,902
Balance Unpaid (included in Creditors)		672,902

45.3 VAT

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

45.4 PAYE, Skills Development Levy and UIF

Opening Balance	135,201	
Current year Payroll Deductions	16,048,092	14,972,082
Amount Paid - current year	(16,163,293)	(14,836,881)
Balance Unpaid (Included in Creditors)		135,201

45.5 Pension and Medical Aid Deductions

Opening Balance		
Current year Payroll Deductions and Council Contributions	14,695,120	13,252,201
Amount Paid - current year	(14,695,120)	(13,252,201)
Balance Unpaid (included in Creditors)		

Interest charged on outstanding debtors - MFMA §4 (2)(g)

In terms of section 84 (2)(g) of the MFMA the municipality must charge interest on arrears, except where the council has granted exemptions in accordance with its budget related policies and within a prescribed framework. The municipality does not charge interest on long outstanding debtors, as the municipality does not deliver basic services. Amendment was made to the policy for the 2017/18 financial year.

Revenue not disclosed per source in the SDBIP - MFMA 11

In terms of section 1 of the MFMA the municipality must project for each month revenue to be collected, by source. The SDBIP of the municipality discloses the revenue to be collected by vote and not by source. Amendment was made to the 2017/18 SDBIP to disclose revenue by source.

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

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

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

	<u>845,358</u>	<u>611,566</u>
Supplier name and Reason for Deviation		
Mascor Mount Currie - Repairs and maintenance	15,757	
Repairs for John Deere Tractors cannot be done anywhere else other than Mascor Mount Currie Tractors as the municipal does not know what needs to be repaired as such a diagnoses needs to be done prior, hence it will be possible to source for quotations from different.		
Mzintava Development Trading Project - Repairs and maintenance		
Pipe was damaged during Freedom Day Event when a tent was erected, The infrastructure department was called for repairs and they could not repair the damages. Alfred Nzo Municipality was also requested to come and do repairs but they could not repair it too. The municipality did not have any other option but to call a service provider repair the damages.	3,523	
Visual Advertising - Repairs and maintenance	9,472	
Request for deviation of repairs for repairs of the electronic billboard situated at EMaxaxibeni. The screen is offline and it has to be diagnosed as the municipality does not know what the problem is. It is with reason that the services of Visual Advertising are required are as the company is the one that installed the billboard. Therefore it will not be possible to follow SCM processes in terms of requested quotation due to the diagnosis that will be done prior to repairing the screen.		
Mercedes-Benz South Africa - Repairs and maintenance	183,680	
Repairs GLE 250d Mercedes Benz cannot be done anywhere else other than Mercedes-Benz as the municipal does not know what needs to be repaired as such a diagnoses needs to be prior repairs, hence it will be possible to source for quotations from different suppliers.		
Travel Manufacturers - Repairs and maintenance		27,304
The machine needs repairs and it was not known as to what needs to be repaired a diagnoses had to be done prior making repairs. The municipality will incur cost of diagnoses of the machine as well as the risk of different service providers losing certain parts on that process of diagnoses. With the above mentioned reasons it makes it impractical to follow normal SCM processes.		
Alfred Nzo Community Radio - Promotion, adverts, broadcasts:		302,800
Alfred Community Radio is the only community radio that has high listenership and good coverage under the community of Alfred Nzo. The target market for the advert is the community of Alfred Nzo district.		
Neficon Road Testing Station - Machinery & Equipment:		19,141
The machine needs repairs and it was not known as to what needs to be repaired a diagnoses had to be done prior making repairs. The municipality will incur cost of diagnoses of the machine as well as the risk of different service providers losing certain parts on that process of diagnoses. With the above mentioned reasons it makes it impractical to follow normal SCM processes.		
Babcock Africa - Repairs and maintenance and Plant Hire:	357,285	79,294
Volvo Machinery & Plant (TLB) had a breakdown the municipality could not be able to request quotations as it was not known what needs to be repaired different service providers could not be called to come and diagnose the TLB as it would be too costly for the municipality to do so hence Babcock Africa has been chosen to come and repair the TLB. Four occurrences tot the total value of R357 285.		
Barloworld Equipment - Transport Asset :Vehicle Maintenance:		108,050
Volvo Machinery & Plant (TLB) had a breakdown the municipality could not be able to request quotations as it was not known what needs to be repaired different service providers could not be called to come and diagnose the TLB as it would be too costly for the municipality to do so hence Babcock Africa has been chosen to come and repair the TLB.		

Randdata PTY LTD - Stationery:

An Authorization for deviation of Sec 68 notice books, Rand Data is the service provider that specializes with this type of service and is authorized service provider by Department of Transport to supply the traffic notice books.

31,977

Government Printing Works - Printing

Gazette of Municipal by-Laws is the only service provider done this type of service by Government Printing works.

75,660

45,000

46 COMMITMENTS FOR EXPENDITURE

46.1 Capital Commitments

Commitments in respect of Capital Expenditure:

Approved and Contracted for:-

Land and Buildings
Infrastructure
Community
Heritage

Value Added Tax (To be Claimed)

	117,320,397	52,338,211
	80,425,617	-
	21,582,119	51,344,921
	-	616,284
	-	375,006
	15,302,660	-

This expenditure will be financed from:

Government Grants
Own Resources

25,649,655	52,338,211
91,470,740	-

117,320,397	52,338,211
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47 FINANCIAL INSTRUMENTS

47.1 Classification

FINANCIAL ASSETS:

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

<u>Financial Assets</u>	<u>Classification</u>		
Receivables from Exchange Transactions			
Refuse	Amortised cost		
Merchandising, Jobbing and Contracts	Amortised cost	1,534,954	2,079,948
VAI Input Accrual	Amortised cost	622,683	62,705
Other Debtors	Amortised cost	95,826	97,003
Sundry Rental	Amortised cost	-	58,167
Control, Clearing and Interface Accounts	Amortised cost	127,593	127,593
		-	-
Receivables from Non-exchange Transactions			
Property Rates	Amortised cost		
Fines	Amortised cost	16,679,341	13,020,488
Over Payment of Contractors	Amortised cost	1,586,236	4,062,105
	Amortised cost	0	9,055
Cash and Cash Equivalents			
Call Deposits	Amortised cost		
Bank Balances	Amortised cost	84,046,685	45,790,224
	Amortised cost	5,537,582	1,883,500
		110,230,702	67,190,789
Total Financial Assets		110,230,702	67,190,789

FINANCIAL LIABILITIES:

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

<u>Financial Liabilities</u>	<u>Classification</u>		
Payables from Exchange Transactions			
Bonus	Amortised cost		
Leave Accrual	Amortised cost	1,934,774	3,042,269
Other Payables	Amortised cost	6,762,992	6,220,283
Retentions	Amortised cost	24,016,853	3,540,663
Trade Creditors	Amortised cost	1,551,476	1,698,755
	Amortised cost	10,350,408	7,804,873
Payables from Non-exchange Transactions			
Property Rates Received in Advance		4,927,520	4,535,282
Total Financial Liabilities		49,548,018	26,842,135

47.2 Fair Value

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

Cash

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

Trade and Other Receivables/Payables

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

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

Other Financial Assets and Liabilities

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

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2019, as a result of the short-term maturity of these assets and liabilities.

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

47.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2018.

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

47.4 Financial Risk Management Objectives

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

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

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

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

Further quantitative disclosures are included throughout these Annual Financial Statements.

47.5 Significant Risks

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

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

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

Risks and exposures are disclosed as follows:

Market Risk

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

Credit Risk

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

Liquidity Risk

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

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

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 49.8 to the Annual Financial Statements.

47.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 49.7 below). No formal policy exists to hedge volatilities in the interest rate market.

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

47.6.1 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 Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

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

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

Interest Rate Sensitivity Analysis

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

47.7 Credit Risk Management

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

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

Investments/Bank, Cash and Cash Equivalents

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

Trade and Other Receivables

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

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

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

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

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

Receivables from Exchange Transactions	13,846,494	7,101,035
Receivables from Non-exchange Transactions	69,666,173	52,137,643
Bank, Cash and Cash Equivalents	69,584,167	47,673,724
Maximum Credit and Interest Risk Exposure	173,096,833	106,912,302

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

2010	2010
R	R

48 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

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

All councillors belong to the Pension Fund for Municipal Councillors.

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

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

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

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

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

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

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

The total expense recognised in the Statement of Financial Performance of R0 (2010: R0) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

DEFINED CONTRIBUTION SCHEMES

Council contribute to the Municipal Council Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Municipal Employees Pension Fund:

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

Total members to the fund during the year were 86.

Councillors Cape Joint Pension Fund:

Councillors contribute 12% of their allowance to the fund and the Council 15%. Total contributions for the year : R548 743.

Total members to the fund during the year were 33.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R10 775 589 and R548 059 (30 June 2011: R9 930,637 in total) million, with funding levels of 99.9% and 108% (2011: 100,3% and 116,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

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

Total members to the fund during the year were 35.

Municipal Councillors Pension Fund:

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

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2005 and reported a funding ratio of 147,3%.

The statutory valuation performed as at 30 June 2012 revealed that the net assets of the fund were R1 183,5 (30 June 2009: R1 123,7) million, with a funding level of 99,6% (30 June 2009: 102,0%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

The deficit of R6,4 (2009: surplus R22,5) million is regarded as relatively insignificant in the context of the fund. There is a strong possibility that SARS may reverse penalties and interest in the order of R10,3 million which will result in a fully funded position.

The next statutory valuation was due at 30 June 2009, but an extension has been granted until 31 December 2010.

As reported by the Actuaries, the Fund was following an appropriate investment strategy during the valuation period.

No further information could be obtained.

Councillors contribute 13,75% of their allowance to the fund and the Council 15%. Total contributions for the year : R768 764.

Total members to the fund during the year were 12.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2019 **2018**
R **R**

National Fund for Municipal Workers - Provident Fund:

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

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

The statutory valuation performed as at 1 July 2010 revealed that the fund had a deficit of R9,6 (1 July 2008: R6,3) million, with a funding level of 59,77% (1 July 2008: 59,83%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

Employees contribute 7,5% of their salary to the fund and the Council 18%. Total contributions for the year : R1 326 266.

Total members to the fund during the year were 86.

None of the above mentioned plans are State Plans.

49. RELATED PARTY TRANSACTIONS

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

49.1 Interest of Related Parties

Councillors and/or Management of the Municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Carca Nokwazi	Official	Owner (Husband) of Litto Trading Enterprise
Dikweyo Siphokazi	Official	Owner (Husband) of DNMP Trading CC
Nshanguana Mygiri	Official	Owner (Husband) of Mizestozz Trading Enterprise
Medianga Lindlewa	Official	Owner (Brother) of Mpl Attorneys
Mr Mdzinwa	Chief Whip	Owner (Wife) of 2nd World BnB
Medianga Lindlewa	Demand Officer	Owner (Brother) of SOC Clearing

49.1 Councillors and Key Management Personnel - Family of the Municipality

Name of Related Person	Family Member	Department	Relationship	2019	2018
				Remuneration	
Assistant Manager - Z Ndevu	Mbiko B	Budget & Treasury	Cousin	262,151	217,209
Manager - MN Sineke	Sineke S	Citizens & Community	Cousin	107,014	92,894
Councillor - S Medianga	Medianga L	Budget & Treasury	Brother	228,188	187,412
				595,353	497,515

49.2 Services rendered to Related Parties

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

30 June 2019	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the year ended 30 June 2019				
Councillors				
Councillor Mdzinwa	643	110		753
Councillor Garane	1,380	926		2,306
Councillor Danglea	680	37		717
Total Services	2,704	1,072		3,776

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

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

49.3 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 were granted to Councillors, Management, Staff and Public by the municipality.

49.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Note 31.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2019
R

2018
R

49.5 Purchases from Related Parties

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

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for 2019	Purchases for 2018
Sips and Zozo Trading	Dikwayo Siphokazi	Owner (brother)	Personal Assistant	15,052	-
Misekazi Trading	Myglin Ntshangulana	Owner (husband)	Official	28,750	-
Glenhope Trading	Qaba Zembe	Owner (wife)	SPU & Comm	87,240	185,000
Litlo Trading	Cence Nokwazi	Owner (husband)	Disaster Officer	1,126,485	586,063
MPI Attorney	Madlanga Lindiswa	Owner (brother)	Demand Officer	417,554	540,920
2nd World	Mr Mdzirwa	Owner (husband)	Councillor	28,221	9,100
Brotherly Love Trading & Projects	Qaba Zembe	Owner (wife)	SPU & Comm	142,410	-
Total Purchases				1,845,682	1,331,073

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.

50 CONTINGENT LIABILITIES

50.1 Court Proceedings:

	2019	2018
	6,992,766	6,555,055
(1) Umzimvubu Local Municipality vs Norman Liliza Nqetho and Others (Case No. 2144/13): The matter has since been finalised but there are people who broke into the RDP houses and took occupation. The Municipality is in the process of evicting those illegal occupants from RDP houses and hand the houses over to owners. The sheriff is awaiting instructions from the municipality. The estimated costs including sheriff's costs are R 400,000.	400,000	400,000
(2) Prince Madikizela - General (Case No. 4258/2016): In this matter the plaintiff is suing the Municipality, claiming a sum of R 600,000 arising out of malicious and unlawful arrest contumelia. The matter was before the High Court on 27 June 2018. The plaintiff asked for postponement and tendered the wasted costs. We shall apply for a trial date immediately after we receive the Plaintiff's response. The estimated legal fees are in the sum of R 200,000.	800,000	800,000
(3) Lindiswa Nyokana vs Umzimvubu Local Municipality (Case No. 40/18): In this matter the Plaintiff suing the Municipality for negligence. She is claiming a sum of R 37,484.55. The estimated legal fees are in the sum of R 20,000.00. The matter is still new, legal processes are still exchanged between parties.	100,000	57,484
(4) Mr Mamela and all other unlawful occupiers. (Case No. 34/2017): The matter has been finalised but still awaiting court judgement.	40,000	40,000
(5) Veronica Jizane vs Umzimvubu Local Municipality: The plaintiff is claiming the value of beast which was sold on public auction by the municipality after the criminal court case has been finalised	69,000	-
(6) Madodane Mayekiso vs Umzimvubu Local Municipality: The plaintiff is claiming the value of his goats which were sold on Auction by the Municipality after they impounded. The estimated value of the goats is R 15,000 as per the letter sent to us by the Plaintiff's attorneys. There no summons issued as yet, hence there is no court case number.	15,000	15,000
(7) Chrisborne Moodley and Other vs Umzimvubu Local Municipality (Case No. EC/MTHA/RC611/2015): The municipality is being sued by MH Thobejane for termination of contract and defamation. Mr Thobejane's contract has been terminated after being found guilty to 26 cases of fraud. In terms of the Systems Act the Municipal Manager instituted action against Mr Thobejane in terms of which he cannot enter into employment at Local Government for 10 years because of misconduct. This is a counterclaim by Mr Thobejane on the municipality's claim against him to recover losses incurred because of the misconduct. The case has been referred to the municipality's Attorney to defend. Plaintiff's plea against counterclaim has been filed. The outcome of the matter is still uncertain.	400,000	400,000
(8) Ngangelizwe Jama vs Umzimvubu Local Municipality (Case No. 1034/2011): High Court claim a sum of R 500,000 plus interest, being damages allegedly suffered by the the Plaintiff due to his wrongful arrest and detention by the traffic officer acting within the lawful course and scope of his employ by the Municipality. Defendant (ULM) have applied for the Minister of Police to be joined. The matter is still pending.	590,000	590,000
(9) Sunset Beach Trading 299CC JV Nyamezela Consulting Engineers (Pty) LTD (Case No. 2308/2013): Re-cancellation of contract by ULM, challenged by Sunset Beach Trading in the High Court: claim for damages allegedly suffered by the Plaintiff for loss of profit in the amount of R 1,875,126 plus interest. The matter was set down for hearing on the 30th of May 2018. The matter was postponed for the Defendant to amend its plea. The matter must proceed until it reaches its final logical conclusion. ULM has prospects of success.	2,000,000	2,000,000

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
(10) Imbumba Mzameni the Immediate Contractors vs Umzimvubu Local Municipality (Case No. Ec/Mjha/Rc569/2013): The claim is based on non payment of a sum of R 166,097.52 plus interest for services rendered by the Plaintiff to the Municipality. ULM have prospects of success and the Plaintiff has up to date not discharged their obligation as required in terms of the Magistrate Court Rules.	212,000	212,000
(11) Umzimvubu Local Municipality vs Millennium Development Trust (Case No. GOM/ULM0069/ad): Millennium Development Trust (Litigation) Extension 6 Development/ Assisting LLM and providing legal opinion on merits of success with regard to cancellation/ termination of agreement between ULM and MDT and instructions to institute High Court legal proceedings with the assistance of Junior and Senior Counsel.	1,500,000	1,500,000
(12) Siyabulela Ndzomo (Case No. 84/2015): Magistrate Court's claim for R 200,000 in damages suffered by the Plaintiff due to allegedly unlawful demolition of his house including furniture and a kraal by the Municipality. The Plaintiff's case was dismissed but subject to appeal, and no Court dates have been given.	40,000	40,000
(13) Ndzameko Kane (Case No. 87/2015): Magistrate Court's claim for R 200,000 in damages suffered by the Plaintiff due to allegedly unlawful demolition of his house including furniture and a kraal by the Municipality. The Plaintiff's case was dismissed but subject to appeal, and no Court dates have been given.	40,000	40,000
(14) Tameanga Tuswa (Case No. 83/2015): Magistrate Court's claim for R 200,000 in damages suffered by the Plaintiff due to allegedly unlawful demolition of his house including furniture and a kraal by the Municipality. The Plaintiff's case was dismissed but subject to appeal, and no Court dates have been given.	40,000	40,000
(15) Yeieia Ntsho (Case No. 83/2015): Magistrate Court's claim for R 200,000 in damages suffered by the Plaintiff due to allegedly unlawful demolition of his house including furniture and a kraal by the Municipality. The Plaintiff's case was dismissed but subject to appeal, and no Court dates have been given.	40,000	40,000
(16) Ross Jakuja (Case No. 82/2015): Magistrate Court's claim for R 200,000 in damages suffered by the Plaintiff due to allegedly unlawful demolition of his house including furniture and a kraal by the Municipality. The Plaintiff's case was dismissed but subject to appeal, and no Court dates have been given.	40,000	40,000
(17) Gideon Kondlo (Case No. 85/2015): Magistrate Court's claim for R 200,000 in damages suffered by the Plaintiff due allegedly unlawful demolition of his house including furniture and a kraal by the Municipality. The Plaintiff's case was dismissed but subject to appeal, and no Court dates have been given. There was a High Court application for interdict to declare the Municipality's decision to prioritise electrification of Mxheqini village over Sivunela village unlawful and for the decision to be set aside. The matter is subject to appeal at the Supreme Court of Appeal.	40,000	40,000
(18) Mzola Gqunu (Case No. 133/2015): This matter came before Court on the 27th of August 2015 for an interdict application that was brought on urgent basis by applicants who were interdicting the Municipality from stopping applicant's in their building Badibanise location, Lubhoseni Administrative Area, Kwa-Bhaca.	80,000	80,000
(19) Ex-Part Application (Case No. 26/2016): Seek an order to sell the impounded animals for both the towns of Mount Frere and Mount Ayliff (Names from attorneys correspondence).	11,000	-
(20) Umzimvubu Local Municipality vs Mtali Rural Developers CC (Arbitration): Enforcing an arbitration award and have been endeavouring to attach moveables to satisfy the claim. However, the Writ has been misplaced by the office's Sheriff of Kokstad and we are taking the necessary steps to re-issue the Writ.	220,801	220,801
(21) Umzimvubu Local Municipality vs Rawulini Yicokise Gewulana & Others	180,000	
(22) Umzimvubu Local Municipality vs Zola Manqumekazi	135,185	

51 CONTINGENT ASSETS

The municipality has a case of fraud, in which funds were lost to the Municipality. In the year under review a contingent asset of R812 307 has been recognised and further detail is outlined in Note 44.2.

52 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations and assistance during the 2018/19 financial year.

53 PRIVATE PUBLIC PARTNERSHIPS

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

54 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2019.

UMZIMVUBU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2019
R

2018
R

55 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes In Accounting Policies (Note 17A) and Prior Period Errors (Note 42).

56 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern position of Umzimvubu Local Municipality:

(i) The Council adopted the 2019 to 2020 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

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