

UMSOBOMVU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2018

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 9 to 94, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in Note 27 of these annual financial statements 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.



Municipal Manager:

31 August 2018

UMSOBOMVU LOCAL MUNICIPALITY
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for the year ended 30 June 2018

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UMSOBOMVU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2018

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Umsobomvu Local Municipality at 30 June 2018.

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 2011/12 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2018 indicates a decrease in Net Assets, and an increase in Non-current Liabilities and a decrease in Current Liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increase of finance leases. The decrease in Current Liabilities is primarily as a result of a decrease in accounts payables at yearend

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	2018	2017
Surplus / (Deficit) before Appropriations	(13 819 451)	(4 597 834)
Accumulated Surplus/(Deficit)	464 589 975	483 898 759
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	28.34%	29.12%
Remuneration of Councilors	2.54%	2.56%
Collection Costs	0.00%	0.00%
Depreciation and Amortisation	20.29%	21.74%
Impairment Losses	15.31%	8.51%
Repairs and Maintenance	1.95%	2.32%
Interest Paid	2.89%	2.95%
Bulk Purchases	14.83%	17.12%
Contracted Services	1.89%	1.59%
Grants and Subsidies Paid	2.54%	2.04%
General Expenses	9.38%	11.23%
Current Ratio:		
Trade Creditors Days	118	50
Debtors from Exchange Transactions Days	130	118

2. KEY FINANCIAL INDICATORS (Continued)

2.2 Performance Indicators:

INDICATOR	2018	2017
Borrowing Management:		
Capital Charges to Operating Expenditure	3.58%	3.52%
Capital Charges to Own Revenue	8.22%	8.08%
Borrowed Funding to Own Capital Expenditure	0.00%	54.98%
Borrowing to Total Capital Assets	0.48%	0.32%
Safety of Capital:		
Gearing	0.54%	0.35%
Liquidity:		
Current Ratio	0.64	0.84
Liquidity Ratio	0.11	0.38
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	0.00%	0.00%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	5.84%	6.97%
Revenue Management:		
Current Debtors Collection Rate	49.83%	62.88%
Outstanding Debtors to Revenue	23.34%	21.72%
Creditors Management:		
Creditors to Cash and Investments	411.40%	93.01%
Financial Viability:		
Debt Coverage	15.45	15.62
Outstanding Service Debtors to Revenue	38.88%	38.28%
Cost Coverage	0.04	0.16

For detailed ratio analysis and explanation regarding these refer to appendix H attached.

3. OPERATING RESULTS

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

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

The overall operating results for the year ended 30 June 2018 are as follows:

DETAILS	Actual 2017/18 R	Actual 2016/17 R	Percentage Variance %	Budgeted 2017/18 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	483 705 414	483 009 681	0.14	576 700 398	(16.13)
Operating income for the year	137 611 735	129 293 295	6.43	-	100.00
Appropriations for the year	-	-	-	-	-
	621 317 149	612 302 976	1.47	576 700 398	7.74
Expenditure:					
Operating expenditure for the year	151 431 185	133 891 129	13.10	-	100.00
Sundry transfers	-	(5 293 567)	(100.00)	-	-
Closing surplus / (deficit)	464 396 630	483 705 414	(3.99)	700 377 390	(33.69)
	615 827 816	612 302 976	0.58	700 377 390	(12.07)

3. OPERATING RESULTS (Continued)

3.1 Rates and General Services:

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

DETAILS	Actual 2017/18 R	Actual 2016/17 R	Percentage Variance %	Budgeted 2017/18 R	Variance actual/ budgeted %
Income	67 263 746	55 426 765	21.36	-	100.00
Expenditure	61 578 144	64 227 470	(4.12)	-	100.00
Surplus / (Deficit)	5 685 602	(8 800 705)	(164.60)	-	100.00
Surplus / (Deficit) as % of total income	8.45%	(15.88)%		-	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2017/18 R	Actual 2016/17 R	Percentage Variance %	Budgeted 2017/18 R	Variance actual/ budgeted %
Income	2 900	1 559	85.99	-	100.00
Expenditure	763 493	790 820	(3.46)	-	100.00
Surplus / (Deficit)	(760 593)	(789 261)	(3.63)	-	100.00
Surplus / (Deficit) as % of total income	(26227.35)%	(50619.94)%		-	

3.3 Waste Management Services:

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

DETAILS	Actual 2017/18 R	Actual 2016/17 R	Percentage Variance %	Budgeted 2017/18 R	Variance actual/ budgeted %
Income	18 481 816	23 191 045	(20.31)	-	100.00
Expenditure	5 051 414	15 748 947	(67.93)	-	100.00
Surplus / (Deficit)	13 430 403	7 442 098	80.47	-	100.00
Surplus / (Deficit) as % of total income	72.67%	32.09%		-	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R21 842 053 (2017: R22 353 189). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2017/18 R	Actual 2016/17 R	Percentage Variance %	Budgeted 2017/18 R	Variance actual/ budgeted %
Income	36 844 646	34 967 629	5.37	-	100.00
Expenditure	25 366 291	27 674 021	(8.34)	-	100.00
Surplus / (Deficit)	11 478 355	7 293 608	57.38	-	100.00
Surplus / (Deficit) as % of total income	31.15%	20.86%		-	

3. OPERATING RESULTS (Continued)

3.5 Water Services:

Water is bought in bulk from Lepelle Northern Water and "Uitloop Water Beleggings" and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R612 985 (2017: R563 812). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2017/18 R	Actual 2016/17 R	Percentage Variance %	Budgeted 2017/18 R	Variance actual/ budgeted %
Income	15 018 626	15 706 297	(4.38)	-	100.00
Expenditure	58 671 843	25 449 871	130.54	-	100.00
Surplus / (Deficit)	(43 653 217)	(9 743 574)	348.02	-	100.00
Surplus / (Deficit) as % of total income	(290.66)%	(62.04)%		-	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R2 419 332 (2016/17: R2 966 509). Full details of Assets are disclosed in Notes 7, 8, 9 and Appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R2 419 332 was financed as follows:

DETAILS	Actual 2017/18 R	Actual 2016/17 R	Percentage Variance %	Budgeted 2017/18 R	Variance actual/ budgeted %
External Loans	-	-	-	-	-
Finance Leases	1 631 000	1 631 000	-	-	100.00
Grants and Subsidies	27 938 941	23 412 958	19.33	17 031 400	64.04
Public Contributions	-	-	-	-	-
Own Funds (Accumulated Surplus)	1 879 000	1 335 509	40.70	3 750 000	(49.89)
	31 448 941	26 379 467	19.22	20 781 400	51.33

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2018	2017
External Loans	-	-
Finance Leases	5.19%	6.18%
Grants and Subsidies	88.84%	88.75%
Public Contributions	-	-
Own Funds (Accumulated Surplus)	5.97%	5.06%
	100.00%	100.00%

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2018	2017
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	-	2 360 051
Revenue variances	137 611 735	(21 787 813)
Expenditure variances:		
Employee Related Costs	(42 917 511)	6 325 682
Remuneration of Councilors	(3 845 166)	31 876
Collection Costs	-	-
Depreciation and Amortisation	(30 729 394)	337 634
Impairment Losses	(23 190 660)	(260)
Repairs and Maintenance	(2 959 785)	418 464
Interest Paid	(4 371 582)	(1 849 340)
Bulk Purchases	(22 455 038)	45 420
General Expenses	(14 210 128)	15 468 990
Loss on disposal of Property, Plant and Equipment	(36 925)	(1 087 186)
Actual surplus before appropriations	(13 819 451)	(4 597 834)

DETAILS	2018	2017
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	-	2 360 051
Executive and Council	(857 172)	977 976
Finance and Administration	2 611 132	3 981 576
Community and Social Services	4 329 702	11 678 023
Technical Services	(29 073 398)	(58 416 221)
Actual surplus before appropriations	(22 989 737)	(39 418 596)
	(9 170 286)	(34 820 761.00)

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

5.2 Capital Budget:

DETAILS	Actual 2017/18 R	Actual 2016/17 R	Variance actual 2017/18 / 2016/17 R	Budgeted 2017/18 R	Variance actual/ budgeted R
Executive & Council	-	-	-	-	-
Finance & Admin	3 510 000	2 966 509	543 491	3 510 000	-
Community Services	9 216 498	4 690 515	4 525 983	9 216 498	-
Technical Services	28 005 594	18 722 443	9 283 151	28 005 594	-
	40 732 092	26 379 467	14 352 625	40 732 092	-

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

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2018 amounted to R464 589 975 (30 June 2017: R483 898 759) and is made up as follows:

Capital Replacement Reserve	193 344
Accumulated Surplus	<u>464 396 630</u>
	<u>464 589 975</u>

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

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

Refer to Note 19 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2018 was R2 516 011 (30 June 2017: R1 703 380).

Refer to Note 16 and Appendix "A" for more detail.

8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R14 100 243 as at 30 June 2018 (30 June 2017: R12 434 224) and is made up as follows:

Post-retirement Health Care Benefits Liability	12 677 940
Provision for Long Service Awards	<u>1 422 303</u>
	<u>14 100 243</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

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

Refer to Note 17 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R28 817 549 as at 30 June 2018 (30 June 2017: R26 425 996) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	<u>28 817 549</u>
	<u>28 817 549</u>

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

Refer to Note 18 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R45 942 480 as at 30 June 2018 (30 June 2017: R45 308 238) and is made up as follows:

Consumer Deposits	Note 10	840 519
Provisions	Note 11	3 412 587
Payables	Note 12	21 049 021
Unspent Conditional Grants and Receipts	Note 14	7 755 597
VAT Payable	Note 15	12 287 074
Current Portion of Long-term Liabilities	Note 16	597 682
		<u>45 942 480</u>

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

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R524 348 038 as at 30 June 2018 (30 June 2017: R529 313 398).

Refer to Note 7 and Appendices "B, C and E (2)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R216 262 as at 30 June 2018 (30 June 2017: R205 779).

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 8 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Properties were R2 060 899 as at 30 June 2018 (30 June 2017: R2 060 899).

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

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

14. CURRENT ASSETS

Current Assets amounted R29 486 572 as at 30 June 2018 (30 June 2017: R38 190 520) and is made up as follows:

Inventories	Note 2	442 663
Receivables from Exchange Transactions	Note 3	20 757 087
Receivables from Non-exchange Transactions	Note 4	3 169 967
Cash and Cash Equivalents	Note 5	5 116 407
Operating Lease Assets	Note 6	448
		<u>29 486 572</u>

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

Refer to the indicated Notes for more detail.

15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 48.

16. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, 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.



CHIEF FINANCIAL OFFICER

31 August 2018

UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

2017 R	Budget 2018 Original R	2018 Adjusted R		Note	Actual 2018 R	2017 R
ASSETS						
78 733 318	151 778 655	138 926 136	Current Assets		29 486 572	38 190 520
401 000	401 000	401 000	Inventories	2	442 663	437 405
50 384 797	117 359 262	117 359 262	Receivables from Exchange Transactions	3	20 757 087	16 403 285
4 075 342	4 075 342	4 075 342	Receivables from Non-exchange Transactions	4	3 169 967	4 235 175
23 872 179	29 943 051	17 090 532	Cash and Cash Equivalents	5	5 116 407	17 114 154
-	-	-	Operating Lease Receivables	6	448	500
550 338 679	572 110 077	592 060 769	Non-Current Assets		526 625 200	531 580 076
546 577 780	566 549 178	586 489 870	Property, Plant and Equipment	7	524 348 038	529 313 398
1 700 000	3 500 000	3 510 000	Intangible Assets	8	216 262	205 779
2 060 899	2 060 899	2 060 899	Investment Property	9	2 060 899	2 060 899
629 071 997	723 888 732	730 986 905	Total Assets		556 111 772	569 770 596
LIABILITIES						
23 497 385	4 722 006	4 722 006	Current Liabilities		46 087 994	45 308 238
906 000	911 000	911 000	Consumer Deposits	10	840 519	813 266
961 006	961 006	961 006	Provisions	11	3 412 587	3 157 485
17 330 379	2 500 000	2 500 000	Payables from Exchange Transactions	12	21 049 021	15 917 153
-	-	-	Payables from Non-exchange Transactions	13	145 514	145 514
-	-	-	Unspent Conditional Grants and Receipts	14	7 755 597	15 690 173
3 500 000	350 000	350 000	VAT Payable	15	12 287 074	8 536 423
800 000	-	-	Current Portion of Long-term Liabilities	16	597 682	1 048 223
25 887 255	25 887 509	25 887 509	Non-Current Liabilities		45 433 803	40 563 600
979 000	979 254	979 254	Long-term Liabilities	16	2 516 011	1 703 380
12 515 345	12 515 345	12 515 345	Employee Benefit Liability	17	14 100 243	12 434 224
12 392 910	12 392 910	12 392 910	Non-current Provisions	18	28 817 549	26 425 996
49 384 640	30 609 515	30 609 515	Total Liabilities		91 521 797	85 871 838
579 687 357	693 279 217	700 377 390	Total Assets and Liabilities		464 589 975	483 898 758
579 687 357	693 279 217	700 377 390	NET ASSETS		464 589 975	483 898 759
579 687 357	693 279 217	700 377 390	Accumulated Surplus / (Deficit)	19	464 589 975	483 898 759
579 687 357	693 279 217	700 377 390	Total Net Assets		464 589 975	483 898 759

UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

Budget			Actual		
2017	2018 Original	2018 Adjusted		2018	2017
R	R	R	Note	R	R
REVENUE					
Revenue from Non-exchange Transactions					
8 741 895	9 266 408		- Property Rates	9 861 205	8 591 233
290 000	229 079		- Property Rates - Penalties imposed and collection charges	202 782	289 933
-	-		- Fines and penalties	270 958	-
70 616 000	61 951 000		- Government Grants and Subsidies Received	71 679 521	70 919 066
Revenue from Exchange Transactions					
-	-		- Agency fees received	2 363 287	2 600 192
59 670 734	54 461 455		- Service Charges	48 376 530	42 156 927
314 208	271 043		- Rental of Facilities and Equipment	221 914	356 565
560 000	560 000		- Interest Earned - External Investments	333 080	453 176
2 242 072	2 196 962		- Interest Earned - Outstanding Debtors	2 885 294	2 513 333
8 645 699	8 754 814		- Other Revenue	1 417 163	1 412 869
151 081 108	137 691 261		- Total Revenue	137 611 735	129 293 295
EXPENDITURE					
45 310 900	48 688 104		- Employee Related Costs	42 917 511	38 985 218
3 460 789	3 716 887		- Remuneration of Councillors	3 845 166	3 428 913
29 442 204	25 827 264		- Depreciation and Amortisation	30 729 394	29 104 571
11 388 256	11 387 767		- Impairment Losses	23 190 660	11 388 516
3 529 125	3 496 280		- Repairs and Maintenance	2 959 785	3 110 661
2 098 000	2 128 000		- Finance Costs	4 371 582	3 947 340
22 962 421	23 388 287		- Bulk Purchases	22 455 038	22 917 001
-	-		- Other General Expenses	2 861 285	2 132 244
-	-		- Special programme: MFMA	3 853 713	2 729 109
30 509 362	23 772 969		- General Expenses	14 210 128	15 040 371
20 000	20 000		- Loss on Disposal of Property, Plant and Equipment	36 925	1 107 186
148 721 057	142 425 558		- Total Expenditure	151 431 185	133 891 129
2 360 051	(4 734 297)		- SURPLUS / (DEFICIT) FOR THE YEAR	(13 819 451)	(4 597 834)
Refer to Appendix E(1) for explanation of budget variances					

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

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
2017		
Balance at 30 June 2016	483 203 025	483 203 025
Correction of Error (Note 36)	5 293 567	5 293 567
Restated Balance	488 496 592	488 496 592
Surplus / (Deficit) for the year	(4 597 834)	(4 597 834)
Balance at 30 June 2017	483 898 758	483 898 758
2018		
Restated Balance	483 898 758	483 898 758
Surplus / (Deficit) for the year	(13 819 451)	(13 819 451)
Balance at 30 June 2018	464 589 974	464 589 974

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

UMSOBOMVU LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

2017	Budget		Note	Actual	
	2018 Original	2018 Adjusted		2018	2017
R	R	R		R	R
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
8 741 894	9 266 409	8 869 757	Property Rates	6 204 870	8 241 550
70 616 000	61 951 000	73 944 000	Government Grant and Subsidies	63 744 945	73 362 426
55 510 172	46 855 544	39 400 782	Service Charges	24 356 578	25 429 513
2 802 072	2 116 328	2 433 765	Interest Received	3 218 374	2 966 509
13 828 407	14 123 436	15 549 489	Other Receipts	1 417 163	10 573 690
Payments					
(58 105 812)	(67 202 760)	(61 200 766)	Employee Related Costs	(44 609 757)	(39 449 466)
(3 428 913)	(3 845 166)	(3 845 166)	Remuneration of Councillors	(3 845 166)	(3 428 913)
(230 000)	(260 000)	(119 000)	Interest Paid	(4 371 582)	(3 947 340)
(45 929 386)	(39 624 951)	(39 624 951)	Suppliers Paid	(31 252 932)	(52 614 599)
(6 777 352)	-	-	Other Payments	-	(734 718)
37 027 082	23 379 840	35 407 910	NET CASH FLOWS FROM OPERATING ACTIVITIES	14 862 493	20 398 652
CASH FLOWS FROM INVESTING ACTIVITIES					
(31 748 010)	(20 781 400)	(34 622 278)	Purchase of Property, Plant and Equipment	(25 721 636)	(23 379 700)
-	-	-	Purchase of Intangible Assets	(90 381)	(188 637)
			Proceeds on Disposal of Property, Plant and Equipment	-	130 000
			Profit on Sale of Land	-	45 203
(31 748 010)	(20 781 400)	(34 622 278)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(25 812 017)	(23 393 134)
CASH FLOWS FROM FINANCING ACTIVITIES					
-	-	-	Proceeds from Borrowings	-	1 631 000
(800 000)	-	-	Repayment of Borrowings	(1 048 223)	(770 469)
145 000	170 000	170 000	Increase (decrease) in consumer deposits	-	-
(655 000)	170 000	170 000	NET CASH FLOWS FROM FINANCING ACTIVITIES	(1 048 223)	860 531
4 624 072	3 818 783	4 624 072	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(1 997 747)	(2 133 952)
19 248 107	23 723 017	19 248 107	Cash and Cash Equivalents at Beginning of Period	17 114 154	19 248 106
23 872 179	27 541 800	23 872 179	Cash and Cash Equivalents at End of Period	5 116 407	17 114 154

UMSOBOMVU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

Notes to the user:

- (1) Approved Budget: The Final Budget approved by council and submitted to National Treasury.
- (2) Final Budget: The Final Amended Budget used by the municipality, for which council approval was not obtained (i.e. adjustments/virements allowed without council approval).
- (3) If the Approved Budget (normally the Adjustment Budget) is the same as the Final Budget, only column need to be used.

30 June 2018

Description	2017/2018							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R		R	R	R	R	R
FINANCIAL POSITION								
Current Assets								
Inventories	401 000	-	401 000	401 000	442 663	41 663	110.39	110.39
Receivables from Exchange Transactions	117 359 262	-	117 359 262	117 359 262	20 757 087	(96 602 175)	17.69	17.69
Receivables from Non-exchange Transactions	4 075 342	-	4 075 342	4 075 342	3 169 967	(905 375)	77.78	77.78
Cash and Cash Equivalents	29 943 051	(12 852 519)	17 090 532	17 090 532	5 116 407	(11 974 125)	29.94	17.09
Operating Lease Receivables	-	-	-	-	448	448	0.00	0.00
Non-Current Assets								
Property, Plant and Equipment	566 549 178	19 940 692	586 489 870	586 489 870	524 348 038	(62 141 832)	89.40	92.55
Intangible Assets	3 500 000	10 000	3 510 000	3 510 000	216 262	(3 293 738)	6.16	6.18
Investment Property	2 060 899	-	2 060 899	2 060 899	2 060 899	-	100.00	100.00
Total Assets	723 888 732	7 098 173	730 986 905	730 986 905	556 111 772	(174 875 133)	76.08	76.82

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R		R	R	R	R	R
Current Liabilities	-							
Consumer Deposits	911 000	-	911 000	911 000	840 519	(70 481)	92.26	92.26
Provisions	961 006	-	961 006	961 006	3 412 587	2 451 581	355.11	355.11
Payables	2 500 000	-	2 500 000	2 500 000	21 194 535	18 694 535	847.78	847.78
Unspent Conditional Grants and Receipts	-	-	-	-	7 755 597	7 755 597	0.00	0.00
VAT Payable	350 000	-	350 000	350 000	12 287 074	11 937 074	3 510.59	3 510.59
Current Portion of Long-term Liabilities	-	-	-	-	597 682	597 682	0.00	0.00
Non-Current Liabilities								
Long-term Liabilities	979 254	-	979 254	979 254	2 516 011	1 536 757	256.93	256.93
Employee Benefit Liability	12 515 345	-	12 515 345	12 515 345	14 100 243	1 584 898	112.66	112.66
Non-current Provisions	12 392 910	-	12 392 910	12 392 910	28 817 549	16 424 639	232.53	232.53
Total Liabilities	30 609 515	-	30 609 515	30 609 515	91 521 797	60 912 282	299.00	299.00
Total Assets and Liabilities	693 279 217	7 098 173	700 377 390	700 377 390	464 589 975	(235 787 415)	66.33	67.01
Net Assets (Equity)								
Accumulated Surplus / (Deficit)	693 279 217	7 098 173	700 377 390	700 377 390	464 589 975	(235 787 417)	66.33	67.01
Total Net Assets	693 279 217	7 098 173	700 377 390	700 377 390	464 589 975	(235 787 417)	66.33	67.01

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R		R	R	R	R	R
FINANCIAL PERFORMANCE								
Revenue from Non-exchange Transactions								
Property Rates	9 266 408	(9 266 408)	-	-	9 861 205	9 861 205	0.00	106.42
Property Rates - Penalties imposed and collection charges	229 079	(229 079)	-	-	202 782	202 782	0.00	88.52
Government Grants and Subsidies Received	33 860 200	(63 636 000)	(29 775 800)	(29 775 800)	46 237 801	76 013 601	0.00	136.56
Revenue from Exchange Transactions								
Service Charges	54 461 455	(54 461 455)	-	-	48 376 530	48 376 530	0.00	88.83
Rental of Facilities and Equipment	271 043	(271 043)	-	-	221 914	221 914	0.00	81.87
Interest Earned - External Investments	560 000	(560 000)	-	-	333 080	333 080	0.00	59.48
Interest Earned - Outstanding Debtors	2 196 962	(2 196 962)	-	-	2 885 294	2 885 294	0.00	131.33
Other Income	8 754 814	(8 754 814)	-	-	1 417 163	1 417 163	0.00	16.19
Total Revenue	109 600 461	(139 376 261)	(29 775 800)	(29 775 800)	112 170 014	141 945 814	0.00	102.34

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R		R	R	R	R	R
Expenditure								
Employee Related Costs	48 688 104	(48 688 104)	-	-	42 917 511	42 917 511	0.00	88.15
Remuneration of Councillors	3 716 887	(3 716 887)	-	-	3 845 166	3 845 166	0.00	103.45
Depreciation and Amortisation	25 827 264	(25 827 264)	-	-	30 729 394	30 729 394	0.00	118.98
Impairment Losses	11 387 767	(11 387 767)	-	-	23 190 660	23 190 660	0.00	203.65
Repairs and Maintenance	3 496 280	(3 496 280)	-	-	2 959 785	2 959 785	0.00	84.66
Finance Costs	2 128 000	(2 128 000)	-	-	4 371 582	4 371 582	0.00	205.43
Bulk Purchases	23 388 287	(23 388 287)	-	-	22 455 038	22 455 038	0.00	96.01
General Expenses	23 772 969	(23 772 969)	-	-	14 210 128	14 210 128	0.00	59.77
Loss on Disposal of Property, Plant and Equipment	20 000	(20 000)	-	-	36 925	36 925	0.00	184.62
Total Expenditure	142 425 558	(142 425 558)	-	-	151 431 185	151 431 185	0.00	106.32
Surplus/(Deficit)	(32 825 097)	3 049 297	(29 775 800)	(29 775 800)	(39 261 171)	(9 485 371)	131.86	119.61
Transfers Recognised - Capital	28 090 800	1 685 000	29 775 800	29 775 800	25 441 720	(4 334 080)	85.44	90.57
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) after Capital Transfers and Contributions	(4 734 297)	4 734 297	-	-	(13 819 451)	(13 819 451)	0.00	0.00
Surplus/(Deficit for the Year)	(4 734 297)	4 734 297	-	-	(13 819 451)	(13 819 451)	-	-
CAPITAL EXPENDITURE PER FUNCTION								
Executive & Council	-	-	-	-	-	-	0.00	0.00
Finance & Admin	3 500 000	10 000	3 510 000	3 510 000	3 510 000	-	100.00	100.29
Community Services	250 000		9 216 498	9 216 498	9 216 498	-	100.00	3 686.60
Technical Services	17 031 400		28 005 594	28 005 594	28 005 594	-	100.00	164.44
Total Sources of Capital Funds	20 781 400	10 000	40 732 092	40 732 092	40 732 092	-	100.00	196.00

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R		R	R	R	R	R
CASH FLOW								
Cash Flows from/(used in) Operating Activities								
Property Rates	9 266 409	(396 652)	8 869 757	8 869 757	6 204 870	(2 664 887)	69.96	66.96
Grants	61 951 000	11 993 000	73 944 000	73 944 000	63 744 945	(10 199 055)	86.21	102.90
Service Charges	46 855 544	(7 454 762)	39 400 782	39 400 782	24 356 578	(15 044 204)	61.82	51.98
Interest Received	2 116 328	317 437	2 433 765	2 433 765	3 218 374	784 609	132.24	152.07
Other Receipts	14 123 436	1 426 053	15 549 489	15 549 489	1 417 163	(14 132 326)	9.11	10.03
Employee Related Costs	(67 202 760)	6 001 994	(61 200 766)	(61 200 766)	(44 609 757)	16 591 009	72.89	66.38
Remuneration of Councillors	(3 845 166)	-	(3 845 166)	(3 845 166)	(3 845 166)	-	100.00	100.00
Interest Paid	(260 000)	141 000	(119 000)	(119 000)	(4 371 582)	(4 252 582)	3 673.60	1 681.38
Suppliers Paid	(39 624 951)	-	(39 624 951)	(39 624 951)	(31 252 932)	8 372 019	78.87	78.87
Other Payments	-	-	-	-	-	-	0.00	0.00
Cash Flows from/(used in) Investing Activities								
Purchase of Property, Plant and Equipment	(20 781 400)	(13 840 878)	(34 622 278)	(34 622 278)	(25 721 636)	8 900 642	74.29	123.77
Purchase of Intangible Assets	-	-	-	-	(90 381)	(90 381)	0.00	0.00
Cash Flows from/(used in) Financing Activities								
Increase (decrease) in consumer deposits	170 000	-	170 000	170 000	-	(170 000)	0.00	0.00
Increase (decrease) in finance leases	-	-	-	-	-	-	0.00	
Loans repaid	-	-	-	-	(1 048 223)	(1 048 223)	0.00	0.00
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents at End of the Year	2 768 440	(1 812 808)	955 632	955 632	(11 997 747)	(12 953 379)	0.00	0.00

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R		R	R	R	R	R
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								
{Inventories increased in the current year due to an increase in the water in the reservoirs at year end. }								
Receivables								
{Difference between budget figure and actual mostly due to budget figures not taking historic impairment into account. }								
Cash and Cash Equivalents:								
{Lower payment rates for debtors lead to decrease in the cash balance. }								
Operating Lease Receivables:								
{We didn't budget for this line item as the contracts were not significant}								
Property, Plant and Equipment								
Some adjustment were required in the current year due to discrepancies picked up during the fixed asset verification.}								
Intangible Assets:								
{We planned to make the first payment of the acquisition of the new system before the end of June but unfortunately the service provider that we initially had an agreement with decided not to go through with the deal and made an agreement with another service provider to provide us with another financial system that is mSCOA compliant.}								
Provision								
{Significant change from budget was due to prior period error picked in the current period. }								
Payables:								
{Reason for difference is that categories disclosed separately were budgeted together.								
Long-term Liabilities:								
{Long term liabilities were more than budgeted due to finance lease purchased in the current year.}								
Retirement Benefit Liabilities:								
{Retirement benefits were not budgeted due to fact that the amount is difficult to estimated and required expert inputs. }								
Non-current Provisions:								
{Significant change from budget was due to prior period error picked in the current period. }								

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R		R	R	R	R	R

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, are as follow:

Fines: Management budgeted for this under Fines, but the actual amount was reallocated to Other Income as disclosed as commission to comply with GRAP 9

Licenses and permits: Management budgeted for this under Fines, but the actual amount was reallocated to Other Income as disclosed as commission to comply with GRAP 9

Government Grants and Subsidies Received:

Service Charges: This is a result of customers who are tempering with their Electricity meters as it can be witnessed in the increase of distribution losses. There's also a lot of water which is unaccounted for as the amount of water billed decreased this year as compared to the previous financial year. Management did also not account for the "own consumption" that was allocated to this line item, which decrease the actual amount disclosed.

Rental of Facilities and Equipment: The budget was adjusted downwards during the adjustment budget due to low income from rental facilities, unfortunately the income increased during the last couple of months of the financial year.

Interest Earned - External Investments: As a result of the withdrawal in investments and the sale that didn't realise in this financial year, the expected interest income decreased.

Interest Earned - Outstanding Debtors: Outstanding Debtors: Due to the decrease in the collection rate, interest on outstanding debtors increased.

Other Income: Management did not include the reallocation of the commission on fines and Licenses and Permits

Employee Related Costs: This is a result of vacant positions that were not filled and a few resignations during the financial year.

Repairs and Maintenance: Repairs on buildings was less than expected as well as maintenance on the sewerage network

Finance Costs: Management did not budget for the increase in finance leases. Furthermore management, did not include the interest portion for landfill sites and Post retirement obligation under this line item

General Expenses: Management did not account for the Indigent support amount that was allocated under service charges as revenue forgone. Other items that contributed to the variance was traffic TVS payments and marketing of the municipality's brand

Loss on Disposal of Property, Plant and Equipment: Some assets could not be verified during the assets verification therefore the amount of loss was more than the budgeted amount.

Transfers Recognised - Capital:

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, are as follow:

Finance & Admin: Management bought a new telephone system which was not included in the budget

Community Services: The allocation received from MIG was for two projects, but we didn't split the allocation while preparing the budget as we received the letter detailing the split very late and management completely forgot to split it during the adjustment budget as well.

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

Property Rates

This is the of the decrease in the collection rate.

Grants

The business plan for the EEDG grant was approved late therefore the project started late as well. The grant received from Lottery will only be implemented in the 2016/2017 financial year for a sport complex in Noupoort.

Public Contributions and Donations

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R		R	R	R	R	R
{Give short explanation of the main reason(s) for deviation here}								
Service Charges								
This is a result of customers who are tampering with their Electricity meters as it can be witnessed in the increase of distribution losses. There's also a lot of water which is unaccounted for as the amount of water billed decreased this year as compared to the previous financial year. Management did also not account for the "own consumption" that was allocated to this line item, which decrease the actual amount disclosed.								
Dividends Received								
{Give short explanation of the main reason(s) for deviation here}								
Royalties Received								
{Give short explanation of the main reason(s) for deviation here}								
Interest Received								
Other Receipts								
Management did not include the reallocation of the commission on fines and Licenses and Permits								
Employee Related Costs								
This is a result of vacant positions that were not filled and a few resignations during the financial year.								
Interest Paid								
Management did not budget for the increase in finance leases. Furthermore management, did not include the interest portion for landfill sites and Post retirement obligation under this line item								
Purchase of Property, Plant and Equipment								
Spending was less due to timing issues on the sports ground project								
Purchase of Intangible Assets								
Management accidentally did not include an amount under this line item								
Increase (decrease) in consumer deposits								
Management incorrectly budgeted for this item								
Increase (decrease) in finance leases								
Management accidentally did not include the new finance lease for the year								

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018

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

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

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

For the years ended 30 June 2017 and 30 June 2018 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

(a) is required by a Standard of GRAP; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgments, 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 judgments 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 judgments and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

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

In making their judgment, 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. 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. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2. 2 Financial assets and liabilities

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

In making the above-mentioned judgment, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2018

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 3 Impairment of Financial Assets

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgment 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 the impairment of financial assets recorded during the year is appropriate.

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 was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions amounted to R10 041 294 and that of trade and other receivable from non exchange transactions to R1 032 137

1. 2. 4 Useful lives of Property, Plant and Equipment, Intangible assets and Investment property

As described in Accounting Policies 3.3. 5 and 6 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

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

The municipality has opted to early adopt the changes to GRAP 17: Property, Plant and Equipment as evident from Exposure Draft 126.

Therefore, the useful lives and residual values of items of Property, Plant and Equipment, Intangible Assets and Investment Property shall only be amended if there has been any indicators that require such change to be made.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories

Accounting Policy 7 on *Impairment of assets* and Accounting Policy 5.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgments are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgment, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management. During the year the estimated impairments to Property, plant and equipment amounted to R315 083, whilst no impairments were made to intangible assets or inventory.

1. 2. 6 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 9.2 of the accounting policy to the Annual Financial Statements.

1. 2. 7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, 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 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 17 and 18 to the Annual Financial Statements.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2018

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 8 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 6% (2016: 6%) and discounted to the present value:

a) For landfill sites with the remaining operating life of 15 years, were aligned to the yield of South African Government bonds with a similar maturity date i.e. 9.96% (2016:9.83%)

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements. Actual figures and budget figures are compiled on a comparative basis.

1. 3 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. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

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, 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:

- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 34 Separate Financial Statements
- GRAP 35 Consolidated Financial Statements
- GRAP 36 Investments in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interests in Other Entities
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents
- GRAP 110 Living and Non-living Resource
- IGRAP 17 Service Concession Arrangements where a Grantor controls a significant Residual Interest in an Asset
- IGRAP 18 Recognition and Derecognition of Land
- IGRAP 19 Liabilities to Pay Levies
- Directive 12 The Selection of an Appropriate Reporting Framework by Public Entities

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

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

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

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:
Related Parties - GRAP 20

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2018

1. BASIS OF PRESENTATION (continued)

1.1 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

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.

GRAP 20 – Related party disclosures

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 32 – Service Concession Arrangement Grantor

The proposed Standard of GRAP on Service Concession Arrangements: Grantor is drawn primarily from the equivalent International Public Sector Accounting Standard (IPSASs) on Service Concession Arrangements: Grantor issued by the International Federation of Accountants' International Public Sector Accounting Standards Board (IPSASB). The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

GRAP 34 – Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. Separate financial statements are those presented by an entity, in which the entity could elect, subject to the requirements in this Standard, to account for its investments in controlled entities, joint ventures and associates either at cost, in accordance with the Standard of GRAP on Financial Instruments (GRAP 104) or using the equity method as described in the Standard of GRAP on Investments in Associates and Joint Ventures (GRAP 36). The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

GRAP 35 – Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

GRAP 36 – Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

GRAP 37 – Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements). To meet the objective, this Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

GRAP 38 – Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and (b), the effects of those interests on its financial position, financial performance and cash flows. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

GRAP 108 – Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

GRAP 109 – Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. This Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2018

1. BASIS OF PRESENTATION (continued)

IGRAP 18 – Recognition and Derecognition of Land

In the South African public sector there are numerous legislative requirements that govern immovable assets. Questions have arisen as to how these legislative requirements impact on the recognition and/or derecognition of land when the accounting principles in the Standards of GRAP are applied. This Interpretation of the Standards of GRAP provides guidance on when an entity should recognise and derecognise land as an asset in its financial statements. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

IGRAP 19 – Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

2. 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 property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus 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 Entity.
 - The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
 - Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
 - If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.
- Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

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

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

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

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

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity 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, excluding land and building and including for Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Previously, land and buildings were carried at cost less accumulated depreciation and impairment losses. These changes are recorded as a change in accounting policy in the Statement of Financial Performance.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2018

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 2 Subsequent Measurement (continued)

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
Infrastructure		Buildings	20 - 25
Roads and Paving	10 - 15		
Electricity	5 - 50	Other	
Water	15 - 100	Specialist Vehicles	1 - 5
Sewerage	15 - 60	Other Vehicles	1 - 5
Landfill Sites	23 - 25	Office Equipment	3 - 7
		Furniture and Fittings	7 - 10
Community		Plant and Equipment	2 - 10
Recreational Facilities	20 - 25		
Security			

The assets' residual values, estimated useful lives and depreciation method are reviewed based on indicators, and adjusted prospectively if appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

3. 4 Incomplete Construction Work

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

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity 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. 6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3. 7 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. 8 Derecognition of property, plant and equipment

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 or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 June 2018**

4. Heritage Assets

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

4. 1 Initial Recognition

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

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

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

The cost of an item of heritage assets acquired in exchange for a non-monetary 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.

4. 2 Subsequent Measurement

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

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

4. 3 Derecognition of Heritage assets

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

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

Transitional provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 year for the measurement of heritage assets.

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.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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5. INTANGIBLE ASSETS (Continued)

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as 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:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- 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 ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / 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. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

5. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its 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 102, 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 (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

	Years
<i>Intangible asset</i>	
Software	3-Indefinite
Website	5

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

Estimated useful life and residual values is reviewed when there are indicators. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

5. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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5. INTANGIBLE ASSETS (continued)

Transitional provisions

Intangible assets recognised in terms of GRAP 102 have been presented for the financial year ended 30 June 2013 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

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

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

The cost of self-constructed investment property is the cost at date of completion.

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

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

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

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

6. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation (30 July 2013). Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

6. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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7. IMPAIRMENT OF ASSETS

The entity 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 any such indication exists, the municipality estimates the recoverable amount of the individual asset.

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 best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

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 loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount in 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 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 as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in 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 any such indication exists, the municipality estimates the recoverable service amount of the asset.

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 cash-generating unit to which the asset belongs is determined.

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

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. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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 as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A 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.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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7. IMPAIRMENT OF ASSETS (continued)

7. 2 Impairment of Non-Cash generating assets (continued)

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. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

8. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity 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 entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

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

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

The effective interest rate method

Amortised cost

8. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

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

Financial asset at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition;
- or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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8. FINANCIAL INSTRUMENTS (continued)

8. 1 Financial Assets - Classification (continued)

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

8. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

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

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

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

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

8. 3 Initial and Subsequent Measurement

8. 3. 1 Financial Assets:

Financial asset 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 fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2018

8. FINANCIAL INSTRUMENTS (continued)

8. 3 Initial and Subsequent Measurement (continued)

8. 3. 2 *Financial Liabilities:*

Financial liabilities measured at fair value

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

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

8. 4 Impairment of Financial Assets

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

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured 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.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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8. FINANCIAL INSTRUMENTS (continued)

8. 5 Derecognition of Financial Assets

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

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

8. 6 Derecognition of Financial Liabilities

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

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

9. INVENTORIES

9. 1 Initial Recognition

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

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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9. INVENTORIES (continued)

9. 2 Subsequent Measurement (continued)

Redundant and slow-moving inventories

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

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

10. NON-CURRENT ASSETS HELD-FOR-SALE

10. 1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

10. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

10 REVENUE RECOGNITION

10. 1 General

Revenue, excluding value-added taxation where applicable, 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 is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

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

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

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

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

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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10 REVENUE RECOGNITION (continued)

10. 2 Revenue from Exchange Transactions

10. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year are recognised as an unutilised portion based on an estimate of the prepaid electricity consumed as at the reporting date.

10. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

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 Income from Agency Services

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

10. 2. 6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10. 2. 7 Rentals

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

10. 2. 8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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10 REVENUE RECOGNITION (continued)

10.3 Revenue from Non-exchange Transactions

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

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

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 proportion 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

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

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised based on all fines issued for that current financial year..

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 in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

UMSOBOMVU LOCAL MUNICIPALITY

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10 REVENUE RECOGNITION (continued)

10 3 Revenue from Non-exchange Transactions (continued)

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 and receipts

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

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

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

10. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

11 PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

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

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

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

12 EMPLOYEE BENEFITS

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.

The municipality treats its provision for leave pay as an accrual.

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

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12 EMPLOYEE BENEFITS (continued)

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 service in the current or prior periods.

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

12.3 Defined Benefit Plans

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

12.3.1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

12.3.2 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 has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

13.3.3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 47 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

13.3.4 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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13 LEASES

Lease Classification

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

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

13.1 The Municipality as Lessee

Finance leases

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

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease 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.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the

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

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 income 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.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

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 consideration 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.

14. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2013 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

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

UMSOBOMVU LOCAL MUNICIPALITY

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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:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

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

16. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

17. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, 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 recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

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 the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

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 recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively 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 change in policy. 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 35 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is 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 36 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

21. 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, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

22. 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 the notes to the Annual Financial Statements.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2018

23. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

24. COMPARATIVE INFORMATION

24. 1 Prior year comparatives

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

24. 2 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 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 notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the 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 2017 to 30 June 2018.

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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

26. 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.

27. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

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

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

	2018	2017
	R	R
1. GENERAL INFORMATION		
<p>Umsobomvu Local Municipality (the municipality) is a local government institution in Colesberg, Noupoot and Norvalspont, Northern Cape Province, and is one of eight local municipalities under the jurisdiction of the Pixley ka Seme District Municipality. The addresses of its registered office and principal place of business is Chruch Street, Colesberg. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).</p>		
2. INVENTORIES		
Property Stock	370 300	370 300
Water - at cost	72 363	67 105
Total Inventories	442 663	437 405

Inventories 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.

The cost of water production for the year amounted to R6.22 per kilolitre (2017: R5.84 per kilolitre).

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

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
As at 30 June 2018			
Service Debtors:	135 852 874	115 882 445	19 970 429
Electricity	10 580 586	3 338 226	7 242 360
Refuse	33 084 199	31 661 104	1 423 095
Sewerage	29 565 869	25 619 187	3 946 682
Water	62 622 221	55 263 928	7 358 292
Other Receivables	1 737 693	951 034	786 659
Other Consumer Services	1 737 693	951 034	786 659
Total Receivables from Exchange Transactions	137 590 567	116 833 479	20 757 087
As at 30 June 2017			
	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
		19 693 402	
Service Debtors:	110 465 150	94 677 991	15 787 159
Electricity	8 099 932	2 891 385	5 208 547
Refuse	28 002 291	26 214 442	1 787 848
Sewerage	23 877 253	21 184 889	2 692 364
Water	50 485 675	44 387 275	6 098 400
Other Receivables	3 078 212	2 462 086	616 125
Other Debtors	3 078 212	2 462 086	616 125
Total Receivables from Exchange Transactions	113 543 362	97 140 077	16 403 285

The management of the municipality is of the opinion that the carrying value of Receivables approximate their amortised cost.

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

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

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

2018
R

2017
R

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

Before accepting any new consumer, the municipality uses an external credit scoring system to assess the potential consumer's credit quality and defines credit limits by consumer. Limits and scoring attributed to consumers are reviewed twice a year. 80% of the Receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the municipality.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2018, the municipality is owed R5 741 908 (30 June 2017: R7 122 545) by National and Provincial Government for exchange and non-exchange receivables.

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

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2018

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	2 166 997	483 883	388 134	7 541 571	10 580 586
Less: Provision for Impairment	68 901	64 560	63 614	3 141 151	3 338 226
Net Balances	2 098 097	419 323	324 520	4 400 420	7 242 360
Refuse:					
Gross Balances	547 014	463 744	440 077	31 633 364	33 084 199
Less: Provision for Impairment	353 127	354 480	355 483	30 598 014	31 661 104
Net Balances	193 887	109 264	84 594	1 035 350	1 423 095
Sewerage:					
Gross Balances	783 394	591 853	551 433	27 639 189	29 565 869
Less: Provision for Impairment	360 545	361 852	363 230	24 533 561	25 619 187
Net Balances	422 849	230 001	188 203	3 105 628	3 946 682
Water:					
Gross Balances	1 689 546	1 495 283	1 397 015	58 040 377	62 622 221
Less: Provision for Impairment	1 233 063	1 173 125	1 163 175	51 694 566	55 263 928
Net Balances	456 484	322 158	233 839	6 345 811	7 358 292
Other Receivables:					
Gross Balances	43 759	4 018	4 016	1 685 901	1 737 693
Less: Provision for Impairment	2 257	2 430	2 429	943 918	951 034
Net Balances	41 501	1 588	1 587	741 983	786 659
All Receivables:					
		Past Due			
		31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Gross Balances		3 038 780	2 780 675	126 540 401	132 359 857
Less: Provision for Impairment		1 956 447	1 947 931	110 911 209	114 815 588
Net Balances		1 082 334	832 744	15 629 192	17 544 270

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

	2018 R	2017 R		
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)				
As at 30 June 2017				
	Current	Past Due		Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>
Electricity:				
Gross Balances	2 787 850	596 076	332 785	4 383 221
Less: Provision for Impairment	43 202	44 519	37 343	2 766 320
Net Balances	2 744 648	551 557	295 442	1 616 901
Refuse:				
Gross Balances	463 424	382 488	372 567	26 783 812
Less: Provision for Impairment	313 002	316 832	322 327	25 262 281
Net Balances	150 422	65 656	50 240	1 521 531
Sewerage:				
Gross Balances	656 703	509 990	480 870	22 229 691
Less: Provision for Impairment	311 599	316 242	319 368	20 237 679
Net Balances	345 104	193 747	161 501	1 992 011
Water:				
Gross Balances	2 689 435	939 786	834 273	46 022 181
Less: Provision for Impairment	690 697	622 361	573 251	42 500 965
Net Balances	1 998 738	317 424	261 022	3 521 216
Other Receivables:				
Gross Balances	483 455	14 959	13 827	2 565 971
Less: Provision for Impairment	10 830	11 064	10 928	2 429 264
Net Balances	472 625	3 895	2 899	136 707

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	2 443 298	2 034 321	101 984 876	106 462 495
Less: Provision for Impairment	1 311 019	1 263 217	93 196 510	95 770 747
Net Balances	1 132 279	771 104	8 788 366	10 691 749

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2018				
<u>Current:</u>				
0 - 30 days	2 251 678	1 883 261	1 095 770	-
<u>Past Due:</u>				
31 - 60 Days	2 345 378	333 458	359 944	-
61 - 90 Days	2 256 106	270 492	254 078	-
+ 90 Days	120 256 816	3 898 080	2 385 506	-
Sub-total	127 109 978	6 385 290	4 095 299	-
Less: Provision for Impairment	112 683 022	2 896 655	1 253 804	-
Total Trade Receivables by Customer Classification	14 426 957	3 488 635	2 841 495	-

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

	2018			2017
	R			R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2017				
<i>Current:</i>				
0 - 30 days	4 380 004	2 213 691	487 171	-
<i>Past Due:</i>				
31 - 60 Days	1 720 053	264 475	458 771	-
61 - 90 Days	1 503 492	124 381	406 448	-
+ 90 Days	97 775 470	2 517 092	1 692 314	-
Sub-total	105 379 019	5 119 639	3 044 704	-
Less: Provision for Impairment	94 986 898	2 153 180	-	-
Total Trade Receivables by Customer Classification	10 392 122	2 966 460	3 044 704	-

3.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	97 140 077	85 998 376
<i>All Consumer Debtors</i>	97 140 077	85 998 376
Impairment Losses recognised	20 111 735	11 412 676
<i>All Consumer Debtors</i>	20 111 735	11 412 676
Amounts written off as uncollectable	(418 333)	(270 975)
<i>All Consumer Debtors</i>	(418 333)	(270 975)
Balance at end of year	116 833 479	97 140 077

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

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

3.4 Ageing of impaired Receivables from Exchange Transactions

<i>Current:</i>		
0 - 30 Days	2 017 892	1 369 331
<i>Past Due:</i>		
31 - 60 Days	1 956 447	1 311 019
61 - 90 Days	1 947 931	1 263 217
+ 90 Days	110 911 209	93 196 510
Total	116 833 479	97 140 077

3.5 Derecognition of Financial Assets

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

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2018			
Assessment Rates Debtors	14 046 283	10 937 469	3 108 813
Payments Made In Advance	3 582	-	3 582
Sundry Debtors	1 702 233	1 644 661	57 572
Total Receivables from Non-exchange Transactions	15 752 097	12 582 130	3 169 967

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

	2018 R	2017 R	
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2017			
Assessment Rates Debtors	11 236 720	8 633 947	2 602 773
Payments Made In Advance	-	-	-
Sundry Debtors	1 885 571	866 863	1 018 708
Government Subsidies	613 694	-	613 694
Total Receivables from Non-exchange Transactions	13 735 985	9 500 810	4 235 175

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

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

The management of the municipality is of the opinion that the carrying value of Receivables approximate their amortised cost.

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 2018

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Assessment Rates:					
Gross Balances	645 800	348 054	330 201	12 722 228	14 046 283
Less: Provision for Impairment	163 100	162 195	185 777	10 426 396	10 937 469
Net Balances	482 700	185 859	144 424	2 295 831	3 108 814
Payments Made In Advance:					
Gross Balances	3 581	-	-	-	3 581
Less: Provision for Impairment	-	-	-	-	-
Net Balances	3 581	-	-	-	3 581
Sundry Debtors:					
Gross Balances	649 480	32 087	31 905	988 761	1 702 233
Less: Provision for Impairment	632 596	19 648	19 483	972 933	1 644 661
Net Balances	16 884	12 439	12 422	15 828	57 572

As at 30 June Receivables of R2 666 802 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	380 141	362 106	13 710 989	14 453 235
Less: Provision for Impairment	181 843	205 260	11 399 330	11 786 434
Net Balances	198 297	156 846	2 311 659	2 666 802

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

2018
R

2017
R

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

As at 30 June 2017

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	812 189	282 766	313 648	9 828 117	11 236 720
Less: Provision for Impairment	133 166	131 639	135 369	8 233 773	8 633 947
Net Balances	679 023	151 127	178 279	1 594 344	2 602 773
Government Subsidy Claims:					
Gross Balances	613 694	-	-	-	613 694
Less: Provision for Impairment	-	-	-	-	-
Net Balances	613 694	-	-	-	613 694
Sundry Debtors:					
Gross Balances	651 634	17 360	16 771	1 199 805	1 885 571
Less: Provision for Impairment	9 309	9 299	9 299	838 957	866 863
Net Balances	642 325	8 061	7 473	360 849	1 018 708

As at 30 June Receivables of R2 300 133 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	300 126	330 420	11 027 922	11 658 468
Less: Provision for Impairment	140 938	144 668	9 072 729	9 358 335
Net Balances	159 188	185 752	1 955 193	2 300 133

4.2 Summary of Assessment Rates Debtors by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2018				
<u>Current:</u>				
0 - 30 days	414 146	372 468	1 290 904	
<u>Past Due:</u>				
31 - 60 Days	248 057	43 087	8 982	
61 - 90 Days	226 193	95 245	8 982	
+ 90 Days	9 040 685	1 649 496	337 741	
Sub-total	9 929 081	2 160 296	1 646 609	-
Less: Provision for Impairment	8 268 783	1 232 027	-	-
Total Rates Debtors by Customer Classification	1 660 297	928 269	1 646 609	-

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

	2018 R	2017 R		
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)				
	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2017				
<i>Current:</i>				
0 - 30 days	(126 966)	51 615	3 405 600	
<i>Past Due:</i>				
31 - 60 Days	218 779	40 007	5 981	
61 - 90 Days	194 279	30 212	3 503	
+ 90 Days	7 299 539	1 569 637	662 757	
Sub-total	7 585 631	1 691 471	4 077 841	-
Less: Provision for Impairment	7 723 063	604 647	-	-
Total Rates Debtors by Customer Classification	(137 432)	1 086 824	4 077 841	-

4.3 Reconciliation of Provision for Impairment

Balance at beginning of year		9 500 810	8 327 709
<i>Other Debtors</i>		-	966 656
<i>Assessment Rates Debtors</i>		-	7 361 053
Impairment Losses recognised		3 081 320	1 173 101
<i>Other Debtors</i>		777 798	(137 481)
<i>Assessment Rates Debtors</i>		2 303 522	1 310 582
Balance at end of year		12 582 130	9 500 810

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

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

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

The following Loans and Receivables are included in the total amount of the Provision for Impairment:

Assessment Rates		10 937 469	8 633 947
Sundry Debtors		1 644 661	866 863
Total Provision for Impairment on Receivables from Non-exchange Transactions		12 582 129	9 500 810

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

	2018 R	2017 R
5. CASH AND CASH EQUIVALENTS		
Current Investments	873 249	837 083
Bank Accounts	4 239 458	16 273 371
Cash and Cash Equivalents	3 700	3 700
Total Bank, Cash and Cash Equivalents	5 116 407	17 114 154

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.

5.1 Current Investment Deposits

Notice Deposits	873 249	837 083
Total Current Investment Deposits	873 249	837 083

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.10 % to 5,75 % (2017: 5.10% to 5.75%) per annum.

Deposits attributable to Unspent Conditional Grants	873 249	837 083
Total Deposits attributable to Commitments of the Municipality	873 249	837 083

INSTITUTION	ACCOUNT NUMBER	ACCOUNT TYPE		
STANDARD BANK	2889-016-06-001	Notice Deposit	83 637	83 637
STANDARD BANK	2889-053-93-001	Notice Deposit	-	-
STANDARD BANK	2889-015-41-001	Notice Deposit	151 485	151 485
			235 123	235 123
FIRST NATIONAL BANK	74107-295-062	Notice Deposit	24 845	24 356
			24 845	24 356
ABSA	2063-506-922	Notice Deposit	143 344	135 344
ABSA	2069-495-799	Notice Deposit	12 795	12 099
ABSA	20-7346-8449	Notice Deposit	457 143	430 162
ABSA	20-7482-3674	Notice Deposit	-	-
			613 282	577 605
			873 250	837 083

5.2 Bank Accounts

Cash in Bank	4 274 397	16 273 371
Total Bank Accounts	4 274 397	16 273 371

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank - Colesberg - Account Number: 2440000005

Cash book balance at beginning of year	5 798 880	3 057 497
Cash book balance at end of year	1 707 092	5 798 880
	5 986 787	3 533 103
Bank statement balance at beginning of year	5 986 787	3 533 103
Bank statement balance at end of year	-	5 986 787
	5 986 787	5 986 787

ABSA Bank - Colesberg - Account Number: 4052875289

Cash book balance at beginning of year	3 279 345	1 695 994
Cash book balance at end of year	2 049 851	3 279 345
	2 049 851	3 279 345
Bank statement balance at beginning of year	3 279 345	1 695 994
Bank statement balance at end of year	2 048 851	3 279 345
	2 048 851	3 279 345

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

	2018 R	2017 R
5. CASH AND CASH EQUIVALENTS (Continued)		
Standard Bank - Noupoort - Account Number: 280412835		
Cash book balance at beginning of year	3 346 269	4 217 861
Cash book balance at end of year	61 979	3 346 269
Bank statement balance at beginning of year	3 346 939	4 199 794
Bank statement balance at end of year	1 707 091	3 346 939
ABSA Bank - Colesberg - Account Number : 4061642031		
Cash book balance at beginning of year	3 848 878	3 981 184
Cash book balance at end of year	455 475	3 848 878
Bank statement balance at beginning of year	3 848 878	3 981 184
Bank statement balance at end of year	2 048 851	3 848 878

An amount of R5 116 407 (2017: R16 174 902) is attributable to Unspent Conditional Grants.

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.

5.3 Cash and Cash Equivalents

Cash Floats and Advances	3 700	3 700
Total Cash on hand in Cash Floats, Advances and Equivalents	3 700	3 700

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 amortised cost.

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.

6. 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	500	1 624
Operating Lease Revenue recorded	-	-
Operating Lease Revenue effected	(52)	(1 124)
Total Operating Lease Receivables	448	500

Operating Lease Assets have been restated to correctly classify amounts for water and electricity billed in the previous financial year and not accrued for. Refer to Note 34.7 on "Correction of Error" for details of the restatement.

6.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 10 (2016: 1 to 10) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

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

	2018	2017
	R	R
6. OPERATING LEASE RECEIVABLES (Continued)		
6.2 Amounts receivable under Operating Leases		
At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:		
Up to 1 year	772	448
2 to 5 years	3 254	1 209
More than 5 years	-	-
Total Operating Lease Arrangements	4 026	1 657

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease of R52 (2017: decrease of R1 124) in current year income.

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

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

7 PROPERTY, PLANT AND EQUIPMENT

Summary of Property Plant and Equipment

Description	2018			2017		
	Cost / Valuation	Accumulate depreciation and accumulate impairment	Carrying value	Cost / Valuation	Accumulate depreciation and accumulate impairment	Carrying value
	R	R	R	R	R	R
Infrastructure	886 949 232	(462 995 533)	423 953 699	861 670 792	(434 838 151)	426 832 641
Work In Progress	41 713 450	-	41 713 450	44 099 205	-	44 099 205
Land	38 355 105	-	38 355 105	37 855 105	-	37 855 105
Buildings	19 458 118	(9 120 496)	10 337 622	19 458 118	(8 767 887)	10 690 231
Other	25 177 243	(15 189 080)	9 988 163	23 066 054	(13 229 867)	9 836 187
Total	1 011 653 148	(487 305 109)	524 348 038	986 149 274	(456 835 906)	529 313 368

*Please refer to note 7(a) for a detailed breakdown of Other assets as per its functional categories.

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

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2018

Reconciliation of Carrying Value

Description	Infrastructure	Land	Buildings	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2017	426 832 641	37 855 105	10 690 231	9 836 187	485 214 163
Cost	905 770 028	37 855 105	19 458 118	23 066 054	986 149 305
- <i>Completed Assets</i>	861 670 823	37 855 105	19 458 118	23 066 054	942 050 100
- <i>Under Construction</i>	44 099 205	-	-	-	44 099 205
Accumulated Impairment Losses	(555 129)	-	-	(970 776)	(1 525 905)
Accumulated Depreciation:	(434 283 022)	-	(8 767 887)	(12 259 091)	(455 310 000)
- <i>Cost</i>	(434 283 022)	-	(8 767 887)	(12 259 091)	(455 310 000)
Acquisitions Work In Progress	22 892 685	500 000	-	2 328 951	25 721 636
Capital under Construction - Additions:		-	-	-	-
- <i>Cost</i>	-	-	-	-	-
Depreciation:	(28 157 382)	-	(352 609)	(2 139 505)	(30 649 496)
- <i>Based on Cost</i>	(28 157 382)	-	(352 609)	(2 139 505)	(30 649 496)
Carrying value of Disposals:	-	-	-	(36 925)	(36 925)
- <i>Cost</i>	-	-	-	(217 217)	(217 217)
- <i>Accumulated Depreciation</i>	-	-	-	180 293	180 293
Capital under Construction - Completed	(25 278 440)	-	-	-	-
Carrying values at 30 June 2018	465 667 149	38 355 105	10 337 622	9 988 163	524 348 039
Cost	928 662 682	38 355 105	19 458 118	25 177 243	1 011 653 148
- <i>Completed Assets</i>	886 949 232	38 355 105	19 458 118	25 177 243	969 939 698
- <i>Under Construction</i>	41 713 450	-	-	-	41 713 450
Accumulated Impairment Losses	(555 129)	-	-	(970 776)	(1 525 905)
Accumulated Depreciation:	(462 440 404)	-	(9 120 496)	(14 218 304)	(485 779 204)
- <i>Cost</i>	(462 440 404)	-	(9 120 496)	(14 215 502)	(485 776 402)

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

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2017

Reconciliation of Carrying Value

Description	Infrastructure	Land	Buildings	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2016	476 176 938	37 900 308	11 042 839	9 583 103	534 703 188
Cost	863 505 451	37 900 308	19 458 118	21 691 067	942 554 944
- Completed Assets	863 505 451	37 900 308	19 458 118	21 691 067	942 554 944
- Under Construction	20 843 890	-	-	-	20 843 890
Accumulated Impairment Losses	(579 750)	-	-	(657 596)	(1 237 346)
Accumulated Depreciation:	(407 592 653)	-	(8 415 279)	(11 451 132)	(427 459 064)
- Cost	(407 592 653)	-	(8 415 279)	(11 451 132)	(427 459 064)
Acquisitions	157 643	-	-	2 777 872	2 935 515
Capital under Construction - Additions:	23 255 315	-	-	-	23 255 315
Depreciation:	(27 972 828)	-	(352 609)	(1 640 908)	(29 966 345)
- Based on Cost	(27 972 828)	-	(352 609)	(1 640 908)	(29 966 345)
Carrying value of Disposals:	(683 446)	(45 203)	-	(569 777)	(1 298 426)
- Cost	(1 992 271)	(45 203)	-	(1 402 885)	(3 440 359)
- Accumulated Impairment Losses	26 366	-	-	159	26 525
- Accumulated Depreciation	1 282 459	-	-	832 949	2 115 408
- Based on Cost	1 282 459	-	-	832 949	2 115 408
Impairment Losses	(1 745)	-	-	(313 339)	(315 084)
Capital under Construction - Completed	-	-	-	-	-
Carrying values at 30 June 2017	470 931 877	37 855 105	10 690 231	9 836 187	529 313 399
Cost	905 770 028	37 855 105	19 458 118	23 066 054	986 149 305
- Completed Assets	861 670 823	37 855 105	19 458 118	23 066 054	942 050 100
- Under Construction	44 099 205	-	-	-	44 099 205
Accumulated Impairment Losses	(555 129)	-	-	(970 776)	(1 525 905)
Accumulated Depreciation:	(434 283 022)	-	(8 767 887)	(12 259 091)	(455 310 000)
- Cost	(434 283 022)	-	(8 767 887)	(12 259 091)	(455 310 000)

Property, Plant and Equipment have been restated as per note 34.3 and 34.5

The leased Property, Plant and Equipment is secured as set out in Note 16.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

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

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

The following material items are included under Other assets in the reconciliation above.

Description	2018			2017		
	Cost / Valuation	Accumulate depreciation and accumulate impairment	Carrying value	Cost / Valuation	Accumulate depreciation and accumulate impairment	Carrying value
	R	R	R	R	R	R
Computer equipment	4 246 398	(2 476 534)	1 769 865	4 033 340	(1 937 320)	2 096 020
Transport assets	7 678 216	(3 955 154)	3 723 061	7 678 216	(3 730 384)	3 947 832
Furniture equipment	5 437 183	(3 297 436)	2 139 748	3 539 053	(2 847 966)	691 087
Machinery & Equipment	7 809 815	(5 457 154)	2 352 660	7 809 815	(4 712 415)	3 097 400
Total	25 171 612	(15 186 278)	9 985 334	23 060 423	(13 228 084)	9 832 339

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

2018
R 2017
R

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

7.1 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.

7.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

7.3 Assets pledged as security

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

7.4 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R0 (2017: R315 084) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 29.

During the period, the municipality carried out a review of the recoverable amount of its infrastructure property, plant and equipment, having regard to its ongoing programme of modernisation and the extension of its services. These assets are used in the municipality's basic services delivery reportable segments. The review led to the recognition of an impairment loss of R315 084 (2016: R584 659), which has been recognised in the Statement of Financial Performance.

Infrastructure: Electricity	-	1 683
Infrastructure: Roads	-	62
Infrastructure: Sanitation	-	-
Infrastructure: Water	-	-
Other Assets: Computer Equipment	-	1 125
Other Assets: Furniture and Office Equipment	-	10 668
Other Assets: Motor Vehicles	-	298 079
Other Assets: Machinery and Equipment	-	3 466
Total Impairment of Property, Plant and Equipment	-	315 084

Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.

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

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:

Executive and Council	-	-
Municipal Manager	(939)	(66 630)
Corporate Services	-	-
Finance and Administration	(14 135)	(46 043)
Planning and Development	-	-
Health	-	-
Community and Social Services	(98)	(628)
Housing	-	-
Public Safety	-	-
Sport and Recreation	-	-
Environmental Protection	-	-
Waste Management	(891)	(31 134)
Roads and Transport	(5 109)	(105 740)
Water	(1 716)	(5 163)
Waste Management	-	-
Electricity	-	(185)
Other	-	-
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(22 887)	(255 524)

The change in estimates will result in an increase of R3 978 218 in the depreciation expense for the municipality over the next three financial years.

7.6 Land and Buildings carried at Fair Value

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

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

	2018 R	2017 R
7. PROPERTY, PLANT AND EQUIPMENT (Continued)		
7.7 Work-in-progress		
The municipality has incurred expenditure on capital project which were no completed at year end. The details of the carrying amounts of expenditure included in each class of assets are listed below:		
Carrying amounts of Work-in-progress		
Buildings	-	-
Infrastructure	41 713 450	107 693 842
Community Assets	-	-
Specialised Vehicles	-	-
Other assets	-	-
	41 713 450	107 693 842

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

7.8 Expenditure incurred for Repairs and Maintenance

The following specific costs included in the amount of Repairs and Maintenance disclosed in Note 30 were incurred by municipality

Electrical Infrastructure:	823 847	662 402
- Contracted Services	-	-
- Inventory Consumed	-	-
- Labour	823 847	662 402
- Other Operational Costs	-	-
Roads Infrastructure:	466 298	433 425
- Contracted Services	-	-
- Inventory Consumed	-	-
- Labour	466 298	433 425
- Other Operational Costs	-	-
Sanitation Infrastructure:	20 232	20 731
- Contracted Services	-	-
- Inventory Consumed	-	-
- Labour	20 232	20 731
- Other Operational Costs	-	-
Water Supply Infrastructure:	314 582	540 578
- Contracted Services	-	-
- Inventory Consumed	-	-
- Labour	314 582	540 578
- Other Operational Costs	-	-
Community Assets:	5 860	102 383
- Contracted Services	-	-
- Inventory Consumed	-	-
- Labour	5 860	102 383
- Other Operational Costs	-	-
Computer Equipment:	56 498	145 672
- Contracted Services	-	-
- Inventory Consumed	-	-
- Labour	56 498	145 672
- Other Operational Costs	-	-
Furniture and Office Equipment:	1 306	19 646
- Contracted Services	-	-
- Inventory Consumed	-	-
- Labour	1 306	19 646
- Other Operational Costs	-	-
Machinery and Equipment:	159 141	13 469
- Contracted Services	-	-
- Inventory Consumed	-	-
- Labour	159 141	13 469
- Other Operational Costs	-	-
- Other Operational Costs	-	-
Transport Assets:	1 112 021	1 172 356
- Contracted Services	-	-
- Inventory Consumed	-	-
- Labour	1 112 021	1 172 356
- Other Operational Costs	-	-
Total Expenditure incurred to Repair and Maintain	2 959 785	3 110 661

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

	2018 R	2017 R
8. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>216 262</u>	<u>205 779</u>
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2017	205 779	205 779
Cost	1 912 933	1 912 933
Accumulated Amortisation	(1 707 154)	(1 707 154)
Acquisitions:	90 381	90 381
Purchased	90 381	90 381
Amortisation:	(79 898)	(79 898)
Purchased	(79 898)	(79 898)
Carrying values at 30 June 2018	216 262	216 262
Cost	2 003 314	2 003 314
Accumulated Amortisation	(1 787 052)	(1 787 052)
	Computer Software	Total
Carrying values at 01 July 2016	53 826	53 826
Cost	1 724 296	1 724 296
Accumulated Amortisation	(1 670 470)	(1 670 470)
Acquisitions:	188 637	188 637
Purchased	188 637	188 637
Amortisation:	(36 684)	(36 684)
Purchased	(36 684)	(36 684)
Carrying values at 30 June 2017	205 779	205 779
Cost	1 912 933	1 912 933
Accumulated Amortisation	(1 707 154)	(1 707 154)

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

2018
R 2017
R

8. INTANGIBLE ASSETS (Continued)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 28).

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.

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

8.1 Significant Intangible Assets

The municipality has a Financial Accounting System, Abakus, which is material in relation to other intangibles assets recognised. The carrying amount of the software of R3 141 (2016: R5 466). Management is in the process of changing Financial Accounting System.

8.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

8.3 Impairment of Intangible Assets

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

9. INVESTMENT PROPERTY

At Fair Value

2 060 899 2 060 899

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

2 060 899 **2 060 899**

Fair Value

2 060 899 2 060 899

Net Gains / (Losses) from Fair Value Adjustments

- -

Carrying values at 30 June

2 060 899 **2 060 899**

Fair Value

2 060 899 2 060 899

Estimated Fair Value of Investment Property at 30 June

2 060 899 2 060 899

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

Rental Revenue earned from Investment Property	221 914	356 565
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-

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 reliability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

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

9.1 Investment Property carried at Fair Value

The municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, evaluator Ducharme Consulting. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.

The evaluator is of the opinion that less or no change occurred to the values of these properties because of the slow property market.

The following assumptions were used:

Discount Rate	7.80%	6.74%
Other		

9.2 Impairment of Investment Property

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

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

	2018 R	2017 R
10. CONSUMER DEPOSITS		
Electricity and Water	840 519	813 266
Total Consumer Deposits	840 519	813 266
Guarantees held in lieu of Electricity and Water Deposits	1 775 596	1 775 596

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximates their amortised cost.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

11. PROVISIONS

Current Portion of Post-retirement Medical Aid Benefits Liability	266 616	220 842
Current Portion of Long-term Service:	278 474	307 118
Current Portion of Non-Current Provisions:	2 867 497	2 629 525
Rehabilitation of Land-fill Sites	2 867 497	2 629 525
Total Provisions	3 412 587	3 157 485

	Rehabilitation of Land-fill Sites	Long-term Service	Post-retirement
	R	R	R
30 June 2018			
Balance at beginning of year	2 629 525	307 118	220 842
Transfer from non-current	237 972	11 295	1 788 328
Balance at end of year	2 867 497	318 413	2 009 170
	Rehabilitation of Land-fill Sites	Long-term Service	Post-retirement
	R	R	R
30 June 2017			
Balance at beginning of year	426 314	82 837	225 648
Transfer from non-current	2 203 211	224 281	(4 806)
Balance at end of year	2 629 525	307 118	220 842

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

	2018	2017
	R	R
12. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Creditors	13 786 201	5 952 746
Retentions	1 013 597	4 567 741
Other Creditors	2 542 474	1 756 030
Staff Bonuses	720 737	745 086
Staff Leave Accrued	2 986 012	2 895 551
Total Payables	21 049 021	15 917 153

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

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

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

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

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

13. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Sundry Deposits	145 514	145 514
Total Payables	145 514	145 514

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

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

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

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

14. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

14.1 Conditional Grants from Government

	7 755 597	15 690 173
National Government Grants	5 232 819	3 927 295
Provincial Government Grants	2 236 183	7 997 861
Other Spheres of Government	286 596	3 765 017
Total Conditional Grants and Receipts	7 755 597	15 690 173

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

See Note 21 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

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

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

	2018	2017
	R	R
15. VAT PAYABLE		
Vat Payable	12 287 074	8 536 423
	12 287 074	8 536 423

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

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

16. LONG-TERM LIABILITIES

Annuity Loans	13 596	1 048 320
Finance Lease Liabilities	3 100 098	1 703 283
Sub-total	3 113 694	2 751 603
Less: Current Portion transferred to Current Liabilities:-	597 682	1 048 223
Annuity Loans	13 721	881 029
Finance Lease Liabilities	583 961	167 194
Total Long-term Liabilities (Neither past due, nor impaired)	2 516 011	1 703 380

16.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 2 to 11 (2017: 1 to 12) years and at interest rates varying from 9,25% to 16,50% (2017: 9,25% to 16,50%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates to IT Equipment with lease terms of 5 (2017: 5) years. The effective interest rate on Finance Leases is between 13,21% and 48,13% (2017: 13,21 to 48,13%).

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

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

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

16.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2016: 5 years). The effective interest rate on Finance Leases is between 9.00% and 15.75% (2016: 9.00% and 15.00%).

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

The risks and rewards of ownership in respect of the Property, Plant and Equipment will transfer to the municipality at the conclusion of the agreement.

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

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

	2018	2017	2018	2017
	R	R	R	R
16. LONG-TERM LIABILITIES (Continued)				
The obligations under Finance Leases are as follows:				
	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2018	2017	2018	2017
	R	R	R	R
Amounts payable under finance leases:				
Within one year	999 116	647 954	999 116	647 954
In the second to fifth years, inclusive	3 124 301	1 941 172	2 739 659	1 941 172
Over five years	-	-	-	-
	4 123 417	2 589 126	3 738 775	2 589 126
Less: Future Finance Obligations	1 023 318	885 843	638 677	885 843
Present Value of Minimum Lease Obligations	3 100 098	1 703 283	3 100 098	1 703 283
Less: Amounts due for settlement within 12 months (Current Portion)			583 961	167 194
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			2 516 137	1 536 089

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

- Office Equipment
- Vehicles

Included in these classes are the following significant leases:

(i) Printers			
- Instalments are payable Monthly in advance			
- Average period outstanding		22 months	30 months
- Average effective interest rate		15.30%	13.59%
- Average quarterly instalment		R 94 852.29	R 201 614.76
- Carry amount at year end		R 1 598 074.68	R 1 612 678.74

17. EMPLOYEE BENEFIT LIABILITY

Post-retirement Health Care Benefits Liability		12 677 940	11 106 113
Provision for Long Service Awards		1 422 303	1 328 111
Total Employee Benefits		14 100 243	12 434 224

17.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year		11 326 955	11 490 904
Expected Employer Benefit Payments		(220 842)	(225 648)
Current-service Cost		711 087	819 724
Interest Cost		1 110 963	1 039 974
Actuarial (Gain)/Loss Recognised in P&L		16 393	(1 797 999)
Balance at end of Year		12 944 556	11 326 955
Transfer to Current Provisions		(266 616)	(220 842)
Total Post-retirement Health Care Benefits Liability		12 677 940	11 106 113

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

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

	2018 R	2017 R
17. EMPLOYEE BENEFIT LIABILITY (Continued)		
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	40	36
In-service Non-members (Employees)	126	135
Continuation Members (Retirees, widowers and orphans)	4	4
Total Members	170	175
The liability in respect of past service has been estimated as follows:		
In-service Members	6 964 000	5 792 063
In-service (employee) non-members	2 581 000	2 520 847
Continuation Members	3 475 000	3 014 045
Total Liability	13 020 000	11 326 955
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:		
- Bonitas		
- Hosmed		
- Keyhealth		
- LA Health		
- Samwumed		
The Current-service Cost for the year ending 30 June 2018 is estimated to be R711 087, whereas the cost for the ensuing year is estimated to be R 819 724 (30 June 2017: R819 724 and R711 087 respectively).		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.73%	9.90%
Health Care Cost Inflation Rate	7.42%	8.17%
Net Effective Discount Rate	2.09%	1.60%
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	60	60
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	11 326 955	11 490 904
Current service costs	711 087	819 724
Interest cost	1 110 963	1 039 974
Benefits paid	(220 842)	(225 648)
Actuarial losses / (gains)	16 393	(1 797 999)
Present Value of Fund Obligation at the end of the Year	12 944 556	11 326 955
Total Recognised Benefit Liability	12 944 556	11 326 955
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	12 944 556	11 326 955
Unfunded Accrued Liability	12 944 556	11 326 955
Total Benefit Liability	12 944 556	11 326 955
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	711 087	819 724
Interest cost	1 110 963	1 039 974
Benefits paid	(220 842)	(225 648)
Actuarial losses / (gains)	16 393	(1 797 999)
Total Post-retirement Benefit included in Employee Related Costs (Note 26)	1 617 601	(163 949)

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

	2018		2017	
	R		R	
17. EMPLOYEE BENEFIT LIABILITY (Continued)				
The history of experienced adjustments is as follows:				
	2018	2017	2016	2015
	R	R	R	R
Present Value of Defined Benefit Obligation	12 944 556	11 326 955	11 490 904	10 974 553
Deficit	<u>12 944 556</u>	<u>11 326 955</u>	<u>11 490 904</u>	<u>10 974 553</u>
			<u>8 336 604</u>	

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

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

Increase:		
Effect on the aggregate of the current service cost and the interest cost	3 823 000	2 256 400
Effect on the defined benefit obligation	15 217 000	13 332 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	3 172 000	1 547 300
Effect on the defined benefit obligation	11 233 000	9 709 000

Refer to Note 44, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

17.2 Provision for Long Service Awards

	2018		2017	
	R		R	
Balance at beginning of year	1 635 229		1 483 540	
Current-service Cost	194 615		192 365	
Interest Cost	122 875		121 665	
Actuarial (Gain)/Loss	55 176.0		(79 504)	
Expected Employer Benefit Payments	(307 118)		(82 837)	
	<u>1 700 777</u>		<u>1 635 229</u>	
Transfer to current provisions	(278 474)		(307 118)	
Balance at end of year	<u>1 422 303</u>		<u>1 328 111</u>	

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 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 Current-service Cost for the year ending 30 June 2018 is estimated to be R194 615, whereas the cost for the ensuing year is estimated to be R192 365 (30 June 2017: R192 365 and R194 615 respectively).

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

	2018 R	2017 R			
17. EMPLOYEE BENEFIT LIABILITY (Continued)					
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount Rate	8.40%	8.28%			
Net Effective Discount Rate	6.05%	2.06%			
Expected Rate of Salary Increase	2.22%	6.09%			
Expected Retirement Age - Females	60	60			
Expected Retirement Age - Males	60	60			
Movements in the present value of the Defined Benefit Obligation were as follows:					
Balance at the beginning of the year	1 635 229	1 483 540			
Current service costs	194 615	192 365			
Interest cost	122 875	121 665			
Benefits paid	(307 118)	(82 837)			
Actuarial losses / (gains)	55 176	(79 504)			
Present Value of Fund Obligation at the end of the Year	1 700 777	1 635 229			
Actuarial losses / (gains) unrecognised	-	-			
Total Recognised Benefit Liability	1 700 777	1 635 229			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	1 700 777	1 635 229			
Unfunded Accrued Liability	1 700 777	1 635 229			
Actuarial gains / (losses) not recognised	-	-			
Total Benefit Liability	1 700 777	1 635 229			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	194 615	192 365			
Interest cost	122 875	121 665			
Benefits paid	(307 118)	(82 837)			
Actuarial losses / (gains)	55 176	(79 504)			
Total Post-retirement Benefit included in Employee Related Costs (Note 26)	65 548	151 689			
The history of experienced adjustments is as follows:					
	2018	2017	2016	2015	2014
	R	R	R	R	R
Present Value of Defined Benefit Obligation	1 700 777	1 635 229	1 483 540	1 350 562	1 240 340
Deficit	1 700 777	1 635 229	1 483 540	1 350 562	1 240 340
In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.					
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:					
Increase:					
Effect on the aggregate of the current service cost and the interest cost				337 100	335 200
Effect on the defined benefit obligation				1 806 000	1 719 000
Decrease:					
Effect on the aggregate of the current service cost and the interest cost				299 600	294 700
Effect on the defined benefit obligation				1 635 000	1 558 000

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

	2018 R	2017 R
18. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	28 817 549	26 425 996
Total Non-current Provisions	28 817 549	26 425 996

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

		Land-fill Sites
		R
30 June 2018		
Balance at beginning of year		29 055 521
Contributions to provision		2 629 524.64
		31 685 045
Transfer to current provisions		(2 867 497)
Balance at end of year	-	28 817 549
		Land-fill Sites
		R
30 June 2017		
Balance at beginning of year		26 644 219
Contributions to provision		2 411 302
		29 055 521
Transfer to current provisions		(2 629 525)
Balance at end of year		26 425 996

18.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licencing and rehabilitation costs of R31 685 045 (2017: R29 055 521) to restore the site at the end of its useful life, estimated to be in 2031.

Provision has been made for the net present value of this cost, South African Bond rates with an expected life equal to the remaining useful lives of these sites were used to obtain an interest rate of 9.96% (2016:9.83%)

Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site.

The provision for rehabilitation are reconciled as follows :

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

Landfill site		
Balance at beginning of year	29 055 521	26 644 219
Contributions in current year	2 629 525	2 411 302
Rehabilitation expenditure during the year	-	-
Less: Transfer to Current Provisions	(2 867 497)	(2 629 525)
Balance of landfill site	28 817 549	26 425 996

The council will incur rehabilitation cost on its three dumping/landfill sites over the period 2012/13 up to 2030/31. Provision has been made for the net present value of this cost.

	Proposed rehabilitation	2018	2017
Noupoort	2030/2031	7 053 068	6 467 738
Norvalspont	2030/2031	7 822 462	7 173 280
Colesberg	2030/2031	16 809 515	15 414 503
		31 685 045	29 055 521

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

	2018 R	2017 R
19. ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Capital Replacement Reserve (CRR)	193 344	193 344
Accumulated Surplus / (Deficit) due to the results of Operations	464 396 630	483 705 414
Total Accumulated Surplus	464 589 975	483 898 758

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

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

20. PROPERTY RATES

	Property Valuations		Property Rates Levied	
	July 2018 R000's	July 2017 R000's		
Property Rates - Gross			10 235 949	8 591 233
Forgone			(374 744)	-
Property Rates			9 861 205	8 591 233
Agricultural	1 336 668 090	1 487 336 159	561 401	516 863
Commercial	221 097 240	204 948 816	2 498 399	2 374 884
Municipal	-	-	-	-
Residential	584 828 150	561 062 380	5 690 128	4 598 730
State	78 324 000	87 828 145	1 111 277	1 100 756
Total Property Rates	2 220 917 480	2 341 175 500	9 861 205	8 591 233

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2014.

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

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

- Residential Properties: 1.20 c/R (2016/17: 1.13 c/R)
- Business Properties: 1.42 c/R (2016/17: 1.34 c/R)
- Agricultural Properties: 0.30 c/R (2016/17: 0.28 c/R)
- State Properties: 1.93 c/R (2016/17: 1.82 c/R)

A discount of 20,00% (2016/17: 20,00%) was granted on properties owned by the State and a discount of 85% on all Agricultural

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

21. GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	36 565 000	36 658 000
Operational Grants	36 565 000	36 658 000
Conditional Grants	35 114 521	34 261 066
National Government: FINANCE MANAGEMENT GRANT	1 900 000	1 825 000
National Government: MIG	14 970 475	12 405 525
National Government: DWAF	6 570 856	7 795 337
National Government: EEDG	2 404 124	7 347 426
National Government: INEP	3 100 346	43 306
Provincial Government: DEPT. PUBLIC WORKS	800 044	999 765
Provincial Government: DEPT. SPORT, ARTS AND CULTURE	1 679 000	1 900 000
Other Government: Lotto	3 689 677	1 787 065
Other Government: DBSA	-	157 643
Other Government: WATER BLUE DROP MANAGEMENT	-	-
Total Government Grants and Subsidies	71 679 521	70 919 066

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

	2018 R	2017 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Operational Grants:		
21.1 National: Equitable Share	36 565 000	36 658 000
<p>In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R166 (2017: R156), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.</p>		
Conditional Grants:		
21.2 National: Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	36 565 000	36 658 000
Conditions met - transferred to Revenue: Operating Expenses	<u>(36 565 000)</u>	<u>(36 658 000)</u>
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>
<p>In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by National Treasury the funds are also utilized to enable the municipality to execute its functions as the local authority.</p>		
21.3 National: Financial Management Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1 900 000	1 825 000
Conditions met - transferred to Revenue: Operating Expenses	<u>(1 900 000)</u>	<u>(1 825 000)</u>
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>
<p>The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance management Act (MFMA), 2003. No funds have been</p>		
21.4 National: Municipal Infrastructure Grant		
Balance unspent at beginning of year	3 358 475	-
Current year receipts	11 612 000	15 764 000
Conditions met - transferred to Revenue: Operating Expenses	(764 870)	(873 200)
Conditions met - transferred to Revenue: Capital Expenses	<u>(14 205 605)</u>	<u>(11 532 325)</u>
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>3 358 475</u>
<p>The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. The original amount allocated as per the DoRA amounted to R17 500 000 for the current year, but National Treasury decreased the allocation to R15 764 000.</p>		

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

	2018 R	2017 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.6 National: Department Water Affairs and Forestry (DWAF)		
Balance unspent at beginning of year	(570 313)	(2 312 441)
Unspent portion recovered by DWAF	526 922	-
Adjusted opening balance	(43 391)	-
Current year receipts	5 075 707	9 537 466
Conditions met - transferred to Revenue: Capital Expenses	(3 512 928)	(7 795 337)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>1 519 388</u>	<u>(570 313)</u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWA to the municipality, the refurbishment of water infrastructure, the Olifants River Water Resource project and the payment of salaries of staff transferred from DWA. No funds have been withheld.

The National: Department Water Affairs and Forestry (DWAF) grant was restated to correctly classify the 2012 opening balance

21.7 National: Electricity Demand Side Management Grant

Balance unspent at beginning of year	3 957 693	3 305 118
Current year receipts	-	8 000 000
Conditions met - transferred to Revenue: Operating Expenses	-	(400 000)
Conditions met - transferred to Revenue: Capital Expenses	(2 404 124)	(6 947 426)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>1 553 569</u>	<u>3 957 693</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure.

21.8 National: Integrated National Electrification Programme

Balance unspent at beginning of year	3 871 694	-
Current year receipts	2 000 000	3 915 000
Conditions met - transferred to Revenue: Capital Expenses	(3 100 346)	(43 306)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>2 771 348</u>	<u>3 871 694</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure.

21.9 Provincial: Expanded Public Works Programme Integrated Grant for Municipalities

Balance unspent at beginning of year	175	58 940
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to Revenue: Capital Expenses	(800 044)	(999 765)
Other Adjustments/Refunds	-	(59 000)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>200 131</u>	<u>175</u>

Expenses were incurred to promote rural development and upgrade of road infrastructure and for cleaning the grave sites in the municipal area. No funds have been withheld. The amount of R59 000 was paid back to National Treasury which relates to the opening balance of 2017

21.10 Provincial: Department of Arts and Culture

Balance unspent at beginning of year	-	-
Current year receipts	1 679 000	1 900 000
Conditions met - transferred to Revenue: Operating Expenses	(1 679 000)	(1 900 000)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.

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

	2018 R	2017 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.11 Provincial: Department of Housing		
Balance unspent at beginning of year	130 852	130 852
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>130 852</u>	<u>130 852</u>
This grant was received for the building and maintenance of low costs housing in the district. No funds have been withheld.		
21.12 Provincial: Department of Safety		
Balance unspent at beginning of year	124 919	124 919
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>124 919</u>	<u>124 919</u>
This grant was received for the building of a taxi rank. No funds have been withheld.		
21.13 Other Government: DBSA		
Balance unspent at beginning of year	6 337	163 980
Conditions met - transferred to Revenue: Capital Expenses	-	(157 643)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>6 337</u>	<u>6 337</u>
This grant was received for the purchasing of water meters. No funds have been withheld.		
21.14 Provincial: NLDTF (LOTTO)		
Balance unspent at beginning of year	3 969 935	5 757 000
Current year receipts	-	-
Conditions met - transferred to Revenue: Capital Expenses	(3 689 677)	(1 787 065)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>280 258</u>	<u>3 969 935</u>
The municipality received this grant from the Lotto fund to upgrade the sport stadiums in the municipal area. The grant was utilised for this purpose. No funds have been withheld.		
21.15 Other: Water Blue Drop Management		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>
The municipality received this grant to improve the Blue Drop status of the municipality. The grant was utilised for this purpose. No funds have been withheld.		
21.16 Other: Institutional Re-organization Grant		
Balance unspent at beginning of year	226 712	226 712
Current year receipts	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>226 712</u>	<u>226 712</u>
The municipality received this grant to help with the re-organization of the municipality after 1994. The grant was utilised for this purpose. No funds have been withheld.		
21.17 National: Department Water Affairs and Forestry (DWAF)		
Balance unspent at beginning of year	-	-
Current year receipts	4 000 000	-
Conditions met - transferred to Revenue: Capital Expenses	(3 057 928)	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>942 072</u>	<u>-</u>
21.18 Changes in levels of Government Grants		
Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2018), government grant funding is expected to increase over the forthcoming three financial years.		

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

	2018 R	2017 R
22. SERVICE CHARGES		
Sale of Electricity - Gross	15 811 474	14 147 255
Foregone	-	-
Sale of Electricity	15 811 474	14 147 255
Sale of Water - Gross	16 268 889	11 471 499
Foregone	(1 512 596)	-
Sale of Water	14 756 293	11 471 499
Refuse Removal - Gross	9 235 226	7 043 884
Foregone	(1 714 863)	-
Refuse Removal	7 520 363	7 043 884
Sewerage and Sanitation Charges - Gross	12 427 388	9 494 288
Foregone	(2 131 045)	-
Sewerage and Sanitation Charges	10 296 343	9 494 288
Total Service Charges	48 376 530	42 156 927

Furthermore, *Service Charges* have been restated to correctly disclose the revenue due to the municipality for services rendered at 30 June. Refer to Note 39.4 on "Correction of Error" for details of the restatement.

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.

23. RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue:		
- Investment Property	51 420	93 750
Rental Revenue from Buildings	8 104	11 864
Rental Revenue from Halls	68 554	102 269
Rental Revenue from Land	88 305	85 966
Rental Revenue from Machinery	5 532	62 717
Total Rental of Facilities and Equipment	221 914	356 565

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

24. INTEREST EARNED

Property Rates:		
Penalties imposed and Collection Charges	202 782	289 933
	202 782	289 933
External Investments:		
Bank Account	145 073	273 899
Investments	188 007	179 277
	333 080	453 176
Outstanding Debtors:		
Outstanding Billing Debtors	2 885 294	2 513 333
	2 885 294	2 513 333
Total Interest Earned	3 421 155	3 256 442

Interest earned from outstanding debtors contribute R2 186 600 (2017: R2 186 600) towards debtors impaired and R326 733 (2017: R326 733) from debtors not impaired

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

Available-for-Sale Financial Assets	333 080	453 176
Loans and Receivables	3 088 075	2 803 266
	3 421 155	3 256 442
	3 421 155	3 256 442

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

	2018 R	2017 R
25. OTHER REVENUE		
Advertising Boards	3 550	3 600
Brick Oven	13 056	13 532
Building Plan Fees	9 898	16 309
Cemetery Fees	20 496	22 870
Commission On Collections	129 752	105 589
Dumping Fees	6 635	6 635
Guest House	2 192	526
Commission received on License and Permits	347 195	743 665
Insurance Claims	165 475	57 481
Other Income	547 327	284 611
Photocopies	3 824	2 435
Re-Zone	58 632	30 336
Sand, Gravel & Soil	45 333	57 427
Sdl Claims	63 798	52 852
Tender Documents	-	15 000
Total Other Revenue	1 417 163	1 412 869

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 24, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

26. EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	33 423 245	31 611 777
Basic Salaries and Wages	30 958 089	29 462 602
Long Service Bonuses	(57 327)	30 024
Service Bonuses	2 522 482	2 119 152
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5 924 057	5 689 552
Group Life	5 342	7 801
Medical	864 982	863 437
Pension	4 363 246	4 155 687
Industrial Council Levy	-	-
Skills Development Levy	408 686	386 310
UIF	281 801	276 318
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 002 303	849 495
Allowances	1 002 303	849 495
Housing Benefits and Allowances	320 178	371 656
Overtime Payments	1 741 090	1 666 661
Defined Benefit Plan Expense:	506 638	(1 203 923)
Current Service Cost	711 087	819 724
Interest Cost	-	-
Expected Return on Plan Assets	(220 842)	(225 648)
Net Actuarial (gains)/losses recognised	16 393	(1 797 999)
Total Employee Related Costs	42 917 511	38 985 218

Advances are made to employees in terms of the municipality's policy to assist them in the event of the death of a dependant.

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

	2018 R	2017 R
26. EMPLOYEE RELATED COSTS (Continued)		
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	1 055 369	1 025 301
Annual Bonus	162 337	120 104
Car and Other Allowances	32 563	134 250
Company Contributions to UIF, Medical and Pension Funds	1 884	1 876
Total	1 252 153	1 281 531
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	921 566	849 024
Annual Bonus	137 987	102 088
Leave Pay-out	-	-
Car and Other Allowances	136 594	136 594
Company Contributions to UIF, Medical and Pension Funds	1 884	1 876
Total	1 198 030	1 089 582
<i>Remuneration of the Manager: Community Services</i>		
Annual Remuneration	-	-
Annual Bonus	-	-
Car and Other Allowances	-	-
Company Contributions to UIF, Medical and Pension Funds	-	-
Total	-	-
<p>The Community Manager resigned at the end of Sept 2012. This post was then taken away and a Corporate Manager post was created. Mnr. Kapp are the Acting manager with out any compensation.</p>		
<i>Remuneration of the Manager: Corporate Manager</i>		
Annual Remuneration	910 317	871 826
Annual Bonus	137 987	83 527
Leave Pay-out	-	-
Car and Other Allowances	147 843	113 793
Company Contributions to UIF, Medical and Pension Funds	1 884	1 876
Total	1 198 030	1 071 021
<p>The Community Manager resigned at the end of Sept 2012. This post was then taken away and a Corporate Manager post was created. Mnr. Kapp are the Acting manager with out any compensation.</p>		
<i>Remuneration of the Manager: Technical Services</i>		
Annual Remuneration	986 160	913 618
Annual Bonus	137 987	83 527
Leave Pay-out	-	-
Car and Other Allowances	72 000	72 000
Company Contributions to UIF, Medical and Pension Funds	1 884	1 876
Total	1 198 030	1 071 021
27. REMUNERATION OF COUNCILLORS		
Mayor	558 940	534 410
Councillors	2 625 752	2 459 576
Other Allowances (Cellular Phones, Housing, Transport, etc.)	660 474	434 927
Telephone Allowance	474 900	268 842
Travelling Allowance	185 574	166 085
Total Councillors' Remuneration	3 845 166	3 428 913
Remuneration of Councillors:		
<p>Councillors may utilise official Council transportation when engaged in official duties.</p> <p>The Mayor has use of a Council owned vehicle for official duties.</p>		
28. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	30 649 496	29 067 887
Amortisation: Intangible Assets	79 898	36 684
Total Depreciation and Amortisation	30 729 394	29 104 571

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

	2018	2017
	R	R
29. IMPAIRMENT LOSSES		
<i>29.1 Impairment Losses on Fixed Assets (Fair Value)</i>		
Impairment Losses Recognised:	-	315 084
Property, Plant and Equipment	-	315 084
	-	315 084
<i>29.2 Impairment Losses on Financial Assets (Fair Value)</i>		
Impairment Losses Recognised:	23 190 660	11 073 432
Receivables from Exchange Transactions	20 109 341	10 041 295
Receivables from Non-exchange Transactions	3 081 319	1 032 137
	23 190 660	11 073 432
Total Impairment Losses	23 190 660	11 388 516
30. REPAIRS AND MAINTENANCE		
Land and Buildings	276 231	100 766
Infrastructure - Electricity	823 847	795 424
Infrastructure - Road Transport	165 895	300 403
Infrastructure - Sanitation	20 232	20 731
Infrastructure - Water	314 582	540 578
Community Assets	5 860	1 617
Other Assets	1 296 640	1 200 809
Specialised Vehicles	56 498	150 333
Total Repairs and Maintenance	2 959 785	3 110 661
31. FINANCE COSTS		
Finance Leases	448 445	183 149
Interest costs on employee benefits	1 233 838	1 161 639
Loans and Payables at amortised cost	59 774	191 251
Landfill Sites Expenses	2 629 525	2 411 302
Total Interest Expense	4 371 582	3 947 340
Total Interest Paid on External Borrowings	4 371 582	3 947 340
32. BULK PURCHASES		
Electricity	21 842 053	22 353 189
Water	612 985	563 812
Total Bulk Purchases	22 455 038	22 917 001

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from DWAF and "Boreholes".

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

	2018 R	2017 R
33. GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertising	159 813	103 262
Audit Fees	2 642 251	2 346 783
Bank Charges	554 832	439 995
Branding Of The Municipality	-	40 518
Cleaning Costs	41 450	49 871
Entertainment	50 486	64 858
EPWP Stormwater Project	565 208	-
Fuel And Oil	1 445 025	1 463 460
Indigent Support	673 300	786 110
Internal Audit	479 805	469 641
Insurance	629 955	598 950
Lease Charges	60 480	427 248
Legal Cost	59 404	39 047
Library Costs	362 181	656 833
Licences	116 746	113 655
Local Economical Development	169 641	509 282
Material	230 313	248 797
Membership Fees	527 383	508 857
Postage And Telegrams	275 286	243 446
Printing And Stationery	177 787	221 114
Special Programme - IT Support	516 657	921 919
Special Programme - Community Participation	140 954	34 180
Subsistence And Travelling	2 600 904	2 699 002
Telephone Cost	796 446	1 343 598
Traffic	7 881	1 500
Training Cost	170 085	136 791
Uniforms And Protective Clothing	165 132	97 214
Valuation	26 930	30 310
Ward Committee Meeting Costs	350 488	216 395
Workmen's Compensation	213 306	227 735
Total General Expenses	14 210 128	15 040 371

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

33.1 Material Losses

	8 777 520	15 294 186
Distribution Losses:		
Electricity Losses	3 983 360	6 299 445
Water Losses	4 794 159	8 994 741

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense (See Note 41.8).

No other extra-ordinary expenses were incurred.

33.2 Other General Expenses

	2 861 285	2 132 244
--	------------------	------------------

Other general expenses consist of:

- Buildings security	351 863	411 789
- Youth day celebrations	144 950	20 252
- Refuse bags	171 053	176 447
- IDP Review	374 592	244 656
- Cash in transit charges	89 476	89 497
- Water testing	102 212	74 604
- Pre-paid management fee	337 413	234 830
- Chemicals	570 874	451 328
- Other	718 853	428 839
	2 861 285	2 132 244

33.3 Special programme: MFMA

	3 853 713	2 729 109
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This expense relates to the implementation of mSCOA

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

2018
R

2017
R

34. CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

Details of the appropriations are as follows:

34.1 Reclassification of Statement of Financial Performance:

No prior year figures of Revenue Classes have been restated.

34.2 Reclassification of Statement of Financial Position:

No prior year figures in the Financial Position have been restated to correctly classify the nature.

34.3 Misstatement of Property, Plant and Equipment

Some Work in progress was not transferred when completed, this lead depreciation not being charged on assets in use.

The effect of the Correction of Error is as follows:

Statement of Financial Position:

Increase / (decrease) in Property, Plant and Equipment
(Increase) / decrease in Accumulated Surplus

(3 459 371)
2 178 915

Statement of Financial Performance:

(Increase) / decrease in Depreciation and

1 280 457

-

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

	2018 R	2017 R
34. CORRECTION OF ERROR (Continued)		
<u>34.4 Misstatement of Leases</u>		
Liability on finance lease was not calculated correctly.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus		(665 258)
(Increase) / decrease in Fiance Lease		663 651
Statement of Financial Performance:		
Increase / (decrease) in Finance Cost		1 607
		-
		-
<u>34.5 Misstatement of Provision</u>		
When calculating provision current expected cost and not cost at end of useful life was used to calculate the provision liability.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus		22 307 350
Increase / (decrease) in Landfill site provision		(24 271 575)
Statement of Financial Performance:		
(Increase) / decrease in Intrest on Landfill Site Provision		1 964 225
		-
		-
<u>34.6 Reclassification of Conditional Grant Revenue and Other Income</u>		
Management reallocated the 2017 amount of VAT recognised as own revenue from Grant Recognised as revenue from Other Income to Conditional Grant Revenue.		
Statement of Financial Performance:		
Increase in Conditional Grant Revenue		3 435 911
Decrease in Other Income		(3 435 911)
		-
		-
<u>34.7 Restatement of Fines</u>		
Management restated the fines for the year due to incorrect recognition in the prior year		
Statement of Financial Performance:		
Increase in Other Income		24 053
Decrease in Fines		(24 053)
		-
		-
<u>34.8 Restatement of Finance Costs</u>		
Management restated the finance costs on leases as not all costs were taken into account in the prior year calculations.		
Statement of Financial Performance:		
Increase in finance costs		1 965 832
Decrease in Expenses		(1 965 832)
		-
		-
<u>34.9 Restatement of Property, Plant and Equipment</u>		
Assets previously not included in the asset register were included for the first time.		
Statement of Financial Performance:		
Increase in PPE: Land		500 000
Increase in PPE: Other		5 631
Increase in Accumulated Depreciation: Other		(1 783)
Increase in Depreciation: Other		1 019
Increase in Accumulated Surplus		(504 867)

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

2018
R

2017
R

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

	2018 R	2017 R
36. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(13 819 451)	(4 597 834)
Adjustment for:		
Depreciation and Amortisation	30 729 394	29 104 571
Impairment Losses	(359 465)	315 084
Losses / (Gains) on Disposal of Property, Plant and Equipment	36 925	1 107 186
Contribution to Retirement Benefit Liabilities	(220 842)	(231 735)
Contribution to Provisions - Current	194 615	269 642
Contribution to Provisions - Non-current	619 922	396 910
Operating surplus before working capital changes	17 181 098	26 363 823
Decrease/(Increase) in Inventories	(5 257)	(27 557)
Decrease/(Increase) in Receivables from Exchange Transactions	(4 353 803)	(5 839 354)
Decrease/(Increase) in Receivables from Non-exchange Transactions	1 065 208	1 034 958
Decrease/(Increase) in Operating Lease Assets	52	1 124
Increase/(Decrease) in Consumer Deposits	27 253	38 777
Increase/(Decrease) in Payables from Exchange Transactions	5 131 868	(8 707 249)
Increase/(Decrease) in Payables from Non-exchange Transactions	-	291 948
Increase/(Decrease) in Conditional Grants and Receipts	(7 934 576)	5 879 271
Increase/(Decrease) in VAT Payable	3 750 650	1 362 910
Cash generated by / (utilised in) Operations	14 862 493	20 398 651

37. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2017/18 financial year.

38. FINANCING FACILITIES

The municipality did not have any Financing Facilities available at any time during the two financial years.

39. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 16)	3 113 694	2 751 603
Used to finance Property, Plant and Equipment - at cost	(3 113 694)	(2 751 603)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 5)	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

40. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

40.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:		
Opening balance	5 599 814	20 625 178
Unauthorised Expenditure current year	-	5 599 814
Approved by Council or condoned	(5 599 814)	(20 625 178)
Unauthorised Expenditure awaiting authorisation	-	5 599 814

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>To be condoned by Council</i>
- Executive and Council - R0 (2017: R0)	
- Finance and Administration - R0 (2017: R909 299)	
- Community and Social Services - R0 (2017: R4 690 515)	
- Technical Services - R0 (2017: R0)	

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

2018
R 2017
R

40. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)

40.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	-	-
Fruitless and Wasteful Expenditure current year	-	-
Approved by Council or condoned	-	-
Fruitless and Wasteful Expenditure awaiting condonement	-	-

Incident	Disciplinary Steps / Criminal Proceedings
<i>Interest on late payment - Various Creditors - R0 (2017: R0)</i>	<i>None</i>

40.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	11 928 290	8 708 768
Irregular Expenditure current year	6 537 511	11 154 984
Approved by Council and written off	(11 154 984)	(7 935 462)
Irregular Expenditure awaiting condonement	7 310 817	11 928 290

The irregular expenditure is still under investigation and the full extent could not be determined at year end

Incident	Disciplinary Steps / Criminal Proceedings
<i>During the year management identified purchases where the SCM procedures were not followed as to no Tax Clearance Certificates were obtained from the suppliers</i>	<i>These matter are being investigated and further communication will be addressed at the next council meeting.</i>
<i>Deviations from SCM procedures not regarded as Irregular Expenditure</i>	<i>During the year deviations amounting to R 251 280 (2016: R3 660 445) were identified relating less than the minimum quotations obtained. These items were identified in the current year after a detailed investigation by management. The register containing the detail of the total balance is available for inspection, based on the discretion of management. No disciplinary steps have been taken to date and no formal investigation into the matters have been launched. A report relating the deviations was adopted by the council and approved by the Municipal Manger.</i>

At an ordinary meeting of the Council on 8 August 2018 the following recommendation where made:
That

- (i) Council authorises unauthorised expenditure to the amount of R5 599 814.20;
- (ii) Council authorises irregular expenditure to the amount of R11 154 983.54;
- (iii) moveable and immoveable assets to the amount of R1 298 396.36 be written off;
- (iv) no disciplinary charges be laid against any officials or political office bearers;
- (v) no criminal charges be laid against officials or any political office- bearers.

41. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

41.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	527 383	508 857
Amount Paid - current year	(527 383)	(508 857)
Balance Unpaid (included in Creditors)	-	-

41.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	2 642 250	2 058 582
Council Subscriptions - VAT Portion	396 338	288 201
Amount Paid - current year	(3 038 588)	(2 346 783)
Balance Unpaid (included in Creditors)	-	-

41.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 15. All VAT returns have been submitted by the due date throughout the year.

41.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	5 760 541	5 413 613
Amount Paid - current year	(5 760 541)	(5 413 613)
Balance Unpaid (included in Creditors)	-	-

41.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	8 082 379	7 808 283
Amount Paid - current year	(8 082 379)	(7 808 283)
Balance Unpaid (included in Creditors)	-	-

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

	2018 R	2017 R	
41. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)			
41.6 Councillor's arrear Consumer Accounts			
The following Councillors had arrear accounts outstanding for up to 90 days as at:			
30 June 2018	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor MZWANDILE TOTO	77	77	-
Councillor MBULELO KAFI	11 278	11 278	-
Councillor ELSABIE HUMPHRIES	1 082	1 082	-
Councillor NANDIPHA STAFA	(2 428)	(2 428)	-
Councillor MZIMKHULU SESTILE	449	449	-
Councillor WILLEM MINNIE	2 524	2 524	-
Councillor VINCENT HARMSE	543	543	-
Councillor JOHANNES WILLIAMS	705	705	-
Councillor SHERYN BROWN	348	348	-
Councillor JOHANNES MATHEE	1 665	1 665	-
Councillor NICOLAS BATTIES	15 730	15 730	-
Total Councillor Arrear Consumer Accounts	31 973	31 973	-

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2017			
Councillor MZWANDILE TOTO	-	-	-
Councillor MBULELO KAFI	42 445	1 079	41 366
Councillor ELSABIE HUMPHRIES	-	-	-
Councillor NANDIPHA STAFA	25 961	775	25 185
Councillor MZIMKHULU SESTILE	120	120	-
Councillor WILLEM MINNIE	28 101	1 126	26 975
Councillor VINCENT HARMSE	359	359	-
Councillor JOHANNES WILLIAMS	983	983	-
Councillor SHERYN BROWN	326	326	-
Councillor JOHANNES MATHEE	3 211	3 211	-
Councillor NICOLAS BATTIES	8 721	1 987	6 734
Total Councillor Arrear Consumer Accounts	110 226	9 967	100 260

During the year the following Councillors had arrear accounts outstanding up to 90 days:

	Highest amount outstanding	Ageing
30 June 2018		
Councillor MZWANDILE TOTO	-	< 90 Days
Councillor MBULELO KAFI	42 445	> 90 Days
Councillor ELSABIE HUMPHRIES	111	< 90 Days
Councillor NANDIPHA STAFA	25 961	> 90 Days
Councillor MZIMKHULU SESTILE	204	< 90 Days
Councillor WILLEM MINNIE	47 567	> 90 Days
Councillor VINCENT HARMSE	864	< 90 Days
Councillor JOHANNES WILLIAMS	5 494	> 90 Days
Councillor SHERYN BROWN	700	< 90 Days
Councillor JOHANNES MATHEE	6 197	< 90 Days
Councillor NICOLAS BATTIES	10 589	> 90 Days
30 June 2017		
Councillor MZWANDILE TOTO	-	< 90 Days
Councillor MBULELO KAFI	42 445	> 90 Days
Councillor ELSABIE HUMPHRIES	111	< 90 Days
Councillor NANDIPHA STAFA	25 961	> 90 Days
Councillor MZIMKHULU SESTILE	204	< 90 Days
Councillor WILLEM MINNIE	47 567	> 90 Days
Councillor VINCENT HARMSE	864	< 90 Days
Councillor JOHANNES WILLIAMS	5 494	> 90 Days
Councillor SHERYN BROWN	700	< 90 Days
Councillor JOHANNES MATHEE	6 197	< 90 Days
Councillor NICOLAS BATTIES	10 589	> 90 Days

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

No known matters existed at reporting date.

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

	2018 R	2017 R
41. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
41.8 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA		
Material Electricity and Water Losses were as follows and are not recoverable:		

Electricity:

		Lost Units	Tariff	Value
30 June 2018	Unaccounted Electricity Losses	<u>3 574 184</u>	<u>1.1145</u>	<u>3 983 360</u>
30 June 2017	Unaccounted Electricity Losses	<u>5 778 530</u>	<u>1.0901</u>	<u>6 299 445</u>

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

	2018 R	2017 R
Volumes in kWh/year:		
System Input Volume	24 342 556	24 368 254
Billed Consumption	20 768 372	18 589 724
Distribution Loss	3 574 184	5 778 530
Percentage Distribution Loss	14.68%	23.71%

Water:

		Lost Units	Tariff	Value
30 June 2018	Unaccounted Water Losses	<u>745 823</u>	<u>6.4280</u>	<u>4 794 159</u>
30 June 2017	Unaccounted Water Losses	<u>1 539 234</u>	<u>5.8436</u>	<u>8 994 741</u>

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

	2018 R	2017 R
Volumes in Kl/year:		
System Input Volume	1 996 376	2 738 520
Billed Consumption	1 250 553	1 199 286
Distribution Loss	745 823	1 539 234
Percentage Distribution Loss	37.36%	56.21%

42. COMMITMENTS FOR EXPENDITURE

42.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-	10 092 013	35 533 741
Infrastructure	10 092 013	35 533 741
Other	-	-
- Approved but Not Yet Contracted for:-	-	-
Infrastructure	-	-
Total Capital Commitments	10 092 013	35 533 741
This expenditure will be financed from:		
Government Grants	189 356	35 533 741
	189 356	35 533 741
Commitments for the acquisition of Property, Plant and Equipment	10 092 013	35 533 741

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

		2018 R	2017 R
43. FINANCIAL INSTRUMENTS			
43.1 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			
Electricity	Amortised cost	7 242 360	5 208 547
Refuse	Amortised cost	1 423 095	1 787 848
Sewerage	Amortised cost	3 946 682	2 692 364
Water	Amortised cost	7 358 292	6 098 400
Other Receivables	Amortised cost	786 659	616 125
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	3 108 813	2 602 773
Payments made in Advance	Amortised cost	3 582	-
Sundry Debtors	Amortised cost	57 572	1 018 708
Cash and Cash Equivalents			
Notice Deposits	Amortised cost	873 249	837 083
Bank Balances	Amortised cost	4 274 397	16 273 371
Cash Floats and Advances	Fair value	3 700	3 700
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Electricity	7 242 360	5 208 547
Receivables from Exchange Transactions	Refuse	1 423 095	1 787 848
Receivables from Exchange Transactions	Sewerage	3 946 682	2 692 364
Receivables from Exchange Transactions	Water	7 358 292	6 098 400
Receivables from Exchange Transactions	Other Debtors	786 659	616 125
Receivables from Non-exchange Transactions	Assessment Rates Debtors	3 108 813	2 602 773
Receivables from Non-exchange Transactions	Payments made in Advance	3 582	-
Receivables from Non-exchange Transactions	Sundry Debtors	57 572	1 018 708
Cash and Cash Equivalents	Bank Balances	4 274 397	16 273 371
Cash and Cash Equivalents	Notice Deposits	873 249	837 083
		29 074 701	37 135 220
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	3 700	3 700
		3 700	3 700
Total Financial Assets		29 078 401	37 138 920

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

		2018	2017
		R	R
43. FINANCIAL INSTRUMENTS (Continued)			
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>		
Annuity Loans	Amortised cost	(126)	167 291
Finance Lease Liabilities	Amortised cost	2 516 137	1 536 089
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	13 786 201	5 952 746
Retentions	Amortised cost	1 013 597	4 567 741
Payables from Non-exchange Transactions			
Staff Bonuses	Amortised cost	720 737	745 086
Staff Leave Accrued	Amortised cost	2 986 012	2 895 551
Sundry Deposits	Amortised cost	145 514	145 514
Annuity Loans	Amortised cost	13 721	881 029
Finance Lease Liabilities	Amortised cost	583 961	167 194
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	(126)	167 291
Long-term Liabilities	Finance Lease Liabilities	2 516 137	1 536 089
Payables from Exchange Transactions	Trade Creditors	13 786 201	5 952 746
Payables from Exchange Transactions	Retentions	1 013 597	4 567 741
Payables from Non-exchange Transactions	Staff Bonuses	720 737	745 086
Payables from Non-exchange Transactions	Staff Leave Accrued	2 986 012	2 895 551
Payables from Non-exchange Transactions	Sundry Deposits	145 514	145 514
Current Portion of Long-term Liabilities	Annuity Loans	13 721	881 029
Current Portion of Long-term Liabilities	Finance Lease Liabilities	583 961	167 194
		21 765 754	17 058 240
Total Financial Liabilities		21 765 754	17 058 240

43.2 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

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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.

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

2018
R 2017
R

43. FINANCIAL INSTRUMENTS (Continued)

Long-term Liabilities

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

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 2018, 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:

	30 June 2018		30 June 2017	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	29 074 701	29 074 701	37 135 220	37 135 220
Notice Deposits	873 249	873 249	837 083	837 083
Trade Receivables from Exchange Transactions	20 757 087	20 757 087	16 403 285	16 403 285
Trade Receivables from Non-exchange Transactions	3 169 967	3 169 967	3 621 481	3 621 481
Bank Balances and Cash	4 274 397	4 274 397	16 273 371	16 273 371
Measured at Fair Value	3 700	3 700	3 700	3 700
Bank Balances and Cash	3 700	3 700	3 700	3 700
Total Financial Assets	<u>29 078 401</u>	<u>29 078 401</u>	<u>37 138 920</u>	<u>37 138 920</u>
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	21 765 754	21 765 754	17 058 240	17 058 240
Annuity Loans	(126)	(126)	167 291	167 291
Finance Lease Liabilities	2 516 137	2 516 137	1 536 089	1 536 089
Trade and Other Payables:				
- Payables from Exchange Transactions	14 799 798	14 799 798	10 520 487	10 520 487
- Payables from Non-exchange Transactions	3 852 263	3 852 263	3 786 151	3 786 151
- Current Portion of Long-term Liabilities	597 682	597 682	1 048 223	1 048 223
Total Financial Liabilities	<u>21 765 754</u>	<u>21 765 754</u>	<u>17 058 240</u>	<u>17 058 240</u>
Total Financial Instruments	<u>7 312 646</u>	<u>7 312 646</u>	<u>20 080 680</u>	<u>20 080 680</u>
Unrecognised Gain / (Loss)		-		-

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

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

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by

Level 1:-

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

Level 2:-

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

Level 3:-

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

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

	2018 R	2017 R	
43. FINANCIAL INSTRUMENTS (Continued)			
30 June 2018			
	Level 1 R	Level 2 R	Level 3 R
			Total R
FINANCIAL ASSETS			
Financial Instruments at Fair Value:			
Bank Balances and Cash	-	4 278 097	-
	-	4 278 097	-
Total Financial Assets	-	4 278 097	-
FINANCIAL LIABILITIES			
Financial Instruments at Fair Value:			
Other Loans	-	-	-
	-	-	-
Total Financial Liabilities	-	-	-
Total Financial Instruments	-	4 278 097	-
30 June 2017			
	Level 1 R	Level 2 R	Level 3 R
			Total R
FINANCIAL ASSETS			
Financial Instruments at Fair Value:			
Bank Balances and Cash	-	16 277 071	-
	-	16 277 071	-
Total Financial Assets	-	16 277 071	-
FINANCIAL LIABILITIES			
Financial Instruments at Fair Value:			
Other Loans	-	-	-
	-	-	-
Total Financial Liabilities	-	-	-
Total Financial Instruments	-	16 277 071	-

43.3 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

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 16, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19 and the Statement of Changes in Net Assets.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95,00%, reducing 90,00%. This aggressive ratio is as a result of the development challenges faced by the municipality. The rate of borrowing is well below market related rates.

The municipality's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The municipality has a target gearing ratio of 20-25% determined as the proportion of net debt to equity. Based on the committee's recommendations, the municipality expects to increase its gearing ratio closer to 25% through the issue of new debt.

The gearing ratio at the year-end was as follows:

Debt	6 965 956	6 537 754
Cash and Cash Equivalents	(3 700)	(3 700)
Net Debt	6 962 256	6 534 054
Equity	464 589 975	483 898 759
Net debt to equity ratio	1.50%	1.35%

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

2018	2017
R	R

43. FINANCIAL INSTRUMENTS (Continued)

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

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

43.4 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.

The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

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.

43.5 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

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

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

Risks and exposures are disclosed as follows:

Market Risk

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

Credit Risk

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

Liquidity Risk

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

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

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 43.8 to the Annual Financial Statements.

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

2018	2017
R	R

43. FINANCIAL INSTRUMENTS (Continued)

43.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 51.7 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.

43.6.1 Foreign Currency Risk Management

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

43.6.2 Interest Rate Risk Management

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

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

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.

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

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

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

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

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 sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 51.9 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2018 would have increased / decreased by R102 739 (30 June 2017: increased / decreased by R146 130). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

The municipality's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

Finance Lease Liabilities:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2018 would have decreased / increased by R6 037 (30 June 2017: decreased / increased by R6 300). This is mainly attributable to the municipality's exposure to interest rates on its variable rate borrowings; and

The municipality's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

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

2018
R 2017
R

43. FINANCIAL INSTRUMENTS (Continued)

43.7 Credit Risk Management

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

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

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with 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.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

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

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various

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.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

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

Consumer Debtors	137 590 567	113 543 362
Other Debtors	15 752 097	13 735 985
Bank, Cash and Cash Equivalents	5 116 407	17 114 154
Maximum Credit and Interest Risk Exposure	158 459 071	144 393 502

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

	%	%
Consumer Debtors:		
- Household	89.37%	88.75%
- Industrial / Commercial	5.57%	5.35%
- National and Provincial Government	3.74%	5.60%
Other Debtors:		
- Other not Classified	1.11%	1.96%
Total Credit Risk	99.80%	101.66%

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

	2018	2017
	R	R
43. FINANCIAL INSTRUMENTS (Continued)		
Bank and Cash Balances		
ABSA Bank Ltd	1 617 169	13 504 707
First National Bank	24 845	24 356
Standard Bank	297 102	3 581 391
Cash Equivalents	3 700	3 700
Total Bank and Cash Balances	<u>1 942 816</u>	<u>17 114 154</u>
	(3 173 591)	
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to		
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 1	6 333 828	7 069 702
Group 2	914 774	1 380 495
Group 3	-	-
	<u>7 248 601</u>	<u>8 450 197</u>
Total Receivables from Exchange Transactions	<u>7 248 601</u>	<u>8 450 197</u>
Receivables from Non-exchange Transactions		
Group 1	1 116 859	1 935 042
Total Receivables from Non-exchange Transactions	<u>1 116 859</u>	<u>1 935 042</u>

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

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

43 FINANCIAL INSTRUMENTS (Continued)

43.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 46 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

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

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

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2018								
Non-interest Bearing		0.00%	18 652 061	18 652 061	-	-	-	-
- Payables from Exchange transactions			14 799 798	14 799 798	-	-	-	-
- Payables from Non-exchange transactions			3 852 263	3 852 263	-	-	-	-
			-	-	-	-	-	-
Variable Interest Rate Instruments		8.08%	-	-	-	-	-	-
- Bank Overdraft			-	-	-	-	-	-
			-	-	-	-	-	-
Fixed Interest Rate Instruments		5.00%	597 682	13 721	-	-	583 961	-
- ABSA		5.00%	597 682	13 721	-	-	583 961	-
			19 249 743	18 665 782	-	-	583 961	-
30 June 2017								
Non-interest Bearing		0.00%	14 306 637	14 306 637	-	-	-	-
- Payables from Exchange transactions			10 520 487	10 520 487	-	-	-	-
- Payables from Exchange transactions			3 786 151	3 786 151	-	-	-	-
			-	-	-	-	-	-
Fixed Interest Rate Instruments		5.00%	1 048 223	881 029	-	-	167 194	-
- ABSA		5.00%	1 048 223	881 029	-	-	167 194	-
			15 354 860	15 187 667	-	-	167 194	-

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

43. FINANCIAL INSTRUMENTS (Continued)

At the year-end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil.

The following table details the municipality's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Description	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	R	R	R	R		R
30 June 2018						
Net Settled:						
Interest Rate Swaps	689	11	50	205	302	121
Foreign Exchange Forward Contracts	(13)	(5)	(21)	13	-	-
Gross Settled:						
Foreign Exchange Forward Contracts	47	12	35	-	-	-
	723	18	64	218	302	121
30 June 2017						
Net Settled:						
Interest Rate Swaps	689	11	50	205	302	121
Foreign Exchange Forward Contracts	(13)	(5)	(21)	13	-	-
Gross Settled:						
Foreign Exchange Forward Contracts	47	12	35	-	-	-
	723	18	64	218	302	121

43.9 Other Price Risks

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

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

2018	2017
R	R

44. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

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

All councillors belong to the Pension Fund for Municipal Councillors.

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

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

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

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

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

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

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

The total expense recognised in the Statement of Financial Performance of R4 363 246 (2017: R4 155 687) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The total expense recognised in the Statement of Financial Performance of R4 363 246 (2017: R4 155 687) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. As at 30 June 2018, contributions of R8 000 (30 June 2017: R8 000) due in respect of the 2017/18 (2016/17) reporting period had not been paid over to the plans. The amounts were paid over subsequent to the reporting date (see Note 45.5).

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

DEFINED BENEFIT SCHEMES

Government Employees Pension Fund (GEPF):

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The statutory valuation performed as at 30 June 2006 revealed that the fund had a surplus of R0,0 (30 June 2004: deficit of R12,8) million, with a funding level of 100,0% (30 June 2004: 96,5%). The contribution rate paid by the members (7,00%) and the municipalities (13,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Employees Pension Fund:

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

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

The fund is closed for membership and no new members are allowed to join the fund.

No further information could be obtained.

National Fund for Municipal Workers - Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The fund does not have any reserves or surpluses which can be allocated to members' fund records.

The last valuation performed for the period ended 31 March 2006 revealed that the fund had a shortfall of R205 million, with a funding level of 83%. This will be taken into account in determining future surcharges, to be met by increased employer contributions. These surcharges are as follows:

- From 1 July 2006 14%
- From 1 July 2007 17%

The above-mentioned surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of 6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,83% (1 July 2007: 100,26%). 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.

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

2018	2017
R	R

44. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (Continued)

No further information could be obtained.

Joint Municipal Pension Fund (previously Transvaal Municipal Pension Fund):

The scheme is subject to a bi-annual actuarial valuation. The last statutory valuation was performed as at 30 September 2007.

The statutory valuation performed as at 30 September 2007 revealed that the fund had a surplus of R82,1 (31 December 2005: shortfall of R44,2) million, with a funding level of 123,7% (31 December 2005: unknown). The contribution rate paid by the members (9,00%) and municipalities (22,00%) has a shortfall of 0,90%, but can be covered by the available margin in the fund.

The last valuation performed for the period ended 31 March 2006 revealed that the fund had a shortfall of R205 million, with a funding level of 83%. This will be taken into account in determining future surcharges, to be met by increased employer contributions. These surcharges are as follows:

- From 1 July 2006 14%
- From 1 July 2007 17%

The above-mentioned surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

The fund is closed for membership and no new members are allowed to join the fund.

No information could be obtained.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

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

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 2010 revealed that the market value of the fund was R1 446,8 (30 June 2009: R1 223,7) million. 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 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 in a sound financial condition as at 30 June 2010.

Municipal Employees Gratuity Fund:

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

The valuation performed as at 30 June 2010 revealed that the market value of the fund was R9 774 (30 June 2009: 8 249) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is 0,10% lower than the 5,00% available to cover the cost of benefits and expenses, but can be absorbed by the current balance in the Risk reserve. The fund was certified to be in sound financial condition as at 30 June 2007.

The valuation performed as at 30 June 2010 revealed that the market value of the fund was R9 774 (30 June 2009: 8 249) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be in sound financial condition as at 30 June 2010.

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 2008.

The net assets available for benefits were R3 617 (2007: R3 696) million.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of 6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,83% (1 July 2007: 100,26%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

None of the above mentioned plans are State Plans.

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

2018
R **2017**
R

45. RELATED PARTY TRANSACTIONS

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

45.1 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
Section 57 Staff		
AC Mpela	Municipal Manger	Director of Mthombo Sediba Development Agency (Article 21) and Member of Pride and Grace Trading and Projects cc Non-Executive Director of Umsobomvu Industrial Development City Management
Mr Kapp	Corporate Manager	Non-Executive Director of Umsobomvu Industrial Development City Management
P Mosompha	Technical Manager	Member of World Focus 684 cc
DT Visagie	Chief Financial Officer	Section 57 staff member
Executive and Council		
NL. Hermans	Councillor	Member of Woman in Property and Facilities Management cc
Mr Gronum	Councillor	Tender Morganite Tradings 2
S Ngalimani	Councillor	Member of Vukuzenzele Tuck Shop cc
MA Sestile	Councillor	Member of Kwazamuxolo Building and Maintenance Construction cc
S.G Mlenzana	Councillor	Member of Amachule Akwantu Art And Craft
M.R Kafi	Councillor	Member of Sakhisizwe Colesberg Tours and Sakhisizwe Tours And Event Management
W Minnie	Councillor	Member of Jashwill Contractors
SK Brown	Councillor	Executive and Council
NJ Batties	Councillor	Member of Bongata Trading 533 and Mighty Warrior Transport Services
J.P Matthee	Councillor	Member of JM Compsol
Other Related Parties		
NS. Ntshudu	Official (SCM)	Member of Ntsukaze Trading cc

45.2 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:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2018				
Councillors	6 395	76 589	7 152	29 019
Municipal Manager and Section 57 Personnel	24 256	55 886	623	4 435
Total Services	30 651	132 475	7 775	33 454
For the Year ended 30 June 2017				
Councillors	5 539	68 128	6 322	109 559
Municipal Manager and Section 57 Personnel	22 538	51 005	519	2 194
Total Services	28 077	119 133	6 841	111 753

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.

45.3 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.

45.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

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

2018
R

2017
R

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

	2018 R	2017 R			
45. RELATED PARTY TRANSACTIONS (Continued)					
45.5 Purchases from Related Parties					
The municipality did not buy goods from any companies which can be considered to be Related Parties.					
The municipality bought goods from the following companies, which are considered to be Related Parties:					
Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
Molethu Caterers	Falata N.S	Owner	PA of the Mayor	-	37 500.00
Total Purchases				<u>-</u>	<u>37 500</u>
46. CONTINGENT LIABILITIES					
46.1 Guarantees:				<u>6 000</u>	<u>6 000</u>
(i) ABSA Bank: A bank guarantee in the amount of R6 000 was issued in favour of Eskom				6 000	6 000
(ii) Eskom: The municipality issued a bank guarantee in favour of Eskom to increase its electricity demand to 40 MVA to be able to meet the increasing demand for electricity supply from consumers.					
46.2 Court Proceedings:				<u>7 070 000</u>	<u>7 070 000</u>
(i) Komanisie Development is claiming loss of income and stock on a housing project to the amount of R7 070 000 (2017: R7 070 000).				7 070 000	7 070 000
46.3 Insurance Claims:				<u>274 248</u>	<u>570 902</u>
(i) One of the farmers in the municipal area put claim in against the municipality for fire damage on his farm. According to the farmer, the municipality was negligent. This matter was resolved				-	-
(i) LA12BL130 Street light pole falls over – This claim was processed and completed				18 248	18 248
(ii) LA17BL356 - Three children was swimming in query dam and drowned				256 000	256 000
47. CONTINGENT ASSETS					
Reporting of possible fraudulent action. The matter has been reported to the SAPS (Case No 39/6/2015) and internal disciplinary steps have been instituted. Four officials are allegedly involved of which one official has been suspended. The date of the hearing was set for 31 July 2015 and it has been postponed by mutual agreement between the employer and the unions involved. The dates of 9, 10 and 11 September 2015 has been for the start of the hearings. The alleged theft took place over a period of 16 months and the value of the funds missing amounts to R 90 391.89 The amount is made up out of the following: L. Sonwabo - R90 391.89. The hearing is completed and the person has resigned. There is currently a civil matter that was made to recover the money and the municipality stopped her pension payments.					
				<u>90 392</u>	<u>118 871</u>
Mr. Percy Mugwedi was charged with fraud for the estimate amount of R100 000 at the beginning of the 2012/2013 financial year, but relates to the current financial year. An investigation is still underway.				<u>100 000</u>	<u>100 000</u>

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

2018	2017
R	R

J. Fatyela. 'The person is currently suspended and a date for the trial must be determined. The matter is in an investigation phase. In terms of new legislation, Municipal Regulations for Financial Misconduct and Offences, No 37699 promulgated in Government Gazette No. R430 on the 30th May 2014 this matter was reported to the Council on 31 May 2017. Disciplinary Council meeting took place on 29 June 2017. Their recommendation was that the person be charged with disciplinary steps

<u>10 140</u>	<u>10 140</u>
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48. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2018.

49. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 34).

50. GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) In May 2018 Council adopted the 2018/19 to 2021/22 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services 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) Strictly 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 risk 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 in flow of revenue to support the continuing delivery of municipal services. Certain key financial ratios such as liquidity, cost recovery, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

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

APPENDIX A
UMSOBOMVU LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2017	Ineterst Charged during period	Redeemed/ Written Off during Period	Balance at 30 June 2018
	R				R		R	R
LOCAL REGISTERED STOCK								
Total Registered Stock	-				-		-	-
ANNUITY LOANS								
ABSA Bank Ltd								
Account 83517250	447 137	9.50%	83517250	01/02/2018	74 064	-	-	-
Account 83528279	993 106	9.50%	83528279	01/02/2018	164 499	-	-	-
Account 83527833	993 106	9.50%	83527833	01/02/2018	164 499	-	-	-
Account 84008046	1 951 765	9.50%	84008046	01/06/2018	477 968	-	-	-
Account 84215231	724 608	9.50%	84215231	01/07/2018	167 291	-	-	-
Total Annuity Loans	5 109 721				1 048 320	-	-	-
TOTAL EXTERNAL LOANS	5 109 721				1 048 320	-	-	-

ANNUITY LOANS:

Absa:

Structured unsecured 5 year loan for purchase of Motor Vehicles.

This appendix does not form part of the annual financial statements.

APPENDIX B
UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value	
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
	R	R	R	R	R	R	R	R	R	R	R
Community Assets											
Land	37 855 105	500 000	-	-	-	38 355 105	-	-	-	-	38 355 105
Buildings	19 458 118	-	-	-	-	19 458 118	8 767 887	352 609	-	9 120 496	10 337 622
Total	57 313 223	500 000	-	-	-	57 813 223	8 767 887	352 609	-	9 120 496	48 692 727
Infrastructure											
Electricity											
Hv - Network	3 750 647	-	-	-	-	3 750 647	2 328 115	89 459	-	2 417 574	1 333 072
Lv - Network	35 836 903	-	-	-	-	35 836 903	19 519 782	1 149 569	-	20 669 352	15 167 552
Mv - Network	10 174 852	-	-	-	-	10 174 852	5 973 588	242 141	-	6 215 730	3 959 123
Roads											
Bridges, Subways & Culverts	-	-	-	-	-	-	-	-	-	-	-
Road Structures	-	-	-	-	-	-	-	-	-	-	-
Storm Water	331 687 784	-	-	-	-	331 687 784	210 371 988	6 972 198	-	217 344 186	114 343 598
Traffic Management	-	-	-	-	-	-	-	-	-	-	-
Solid Waste											
Landfill Sites	2 827 101	-	-	-	-	2 827 101	1 350 004	112 174	-	1 462 178	1 364 923
Sanitation											
Collection / Reticulation Network	64 944 582	-	-	-	-	64 944 582	43 837 593	1 623 615	-	45 461 208	19 483 375
Sewer Pump Stations	41 414 040	11 726 726	-	-	-	53 140 765	12 499 679	2 189 550	-	14 689 229	38 451 537
Waste Water Treatment Works	15 694 033	-	-	-	-	15 694 033	11 247 390	523 134	-	11 770 525	3 923 508
Water											
Boreholes	1 376 767	-	-	-	-	1 376 767	864 385	57 528	-	921 913	454 855
Bulk Distribution	170 484 914	-	-	-	-	170 484 914	78 979 474	8 568 133	-	87 547 608	82 937 307
Distribution / Reticulation Network	51 280 405	13 551 715	-	-	-	64 832 120	2 743 813	1 818 219	-	4 562 032	60 270 088
Water Pump Stations	25 175 174	-	-	-	-	25 175 174	4 616 552	1 005 471	-	5 622 023	19 553 151
Water Storage	34 080 062	-	-	-	-	34 080 062	14 410 556	1 143 699	-	15 554 255	18 525 807
Water Treatment Works	72 943 527	-	-	-	-	72 943 527	26 095 232	2 662 491	-	28 757 722	44 185 805
Total	861 670 792	25 278 440	-	-	-	886 949 232	434 838 151	28 157 382	-	462 995 533	423 953 699
Work in Progress											
WIP Projects	44 099 205	26 446 829	-	-	(25 278 440)	45 267 593	-	-	-	-	45 267 593
Total	44 099 205	26 446 829	-	-	(25 278 440)	45 267 593	-	-	-	-	45 267 593

Other Assets											
COMPUTER EQUIPMENT											
COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	4 067 162.49	2 281 526.64	-	-	(159 181.30)	6 189 507.83	1 964 073	989 751	(135 888)	2 817 936	3 371 572
FURNITURE AND OFFICE EQUIPMENT											
AIR CONDITIONERS INDIVIDUAL FIXED AND MOVABLE	398 036.66	47 424.23	-	-	-	445 460.89	289 690	45 814	-	335 504	109 957
AUDIOVISUAL EQUIPMENT	153 978.80	-	-	-	-	153 978.80	129 445	6 639	-	136 084	17 895
DOMESTIC AND HOSTEL FURNITURE	112 743.52	-	-	-	-	112 743.52	92 561	7 896	-	100 457	12 287
DOMESTIC EQUIPMENT (NON KITCHEN APPLIANCES)	90 941.13	-	-	-	-	90 941.13	65 752	9 706	-	75 457	15 484
FIXTURES & FITTINGS	95 485.00	-	-	-	-	95 485.00	79 652	3 041	-	82 693	12 792
KITCHEN APPLIANCES	86 170.69	-	-	-	-	86 170.69	72 473	3 310	-	75 783	10 387
OFFICE EQUIPMENT INCLUDING FAX MACHINES	177 526.58	-	-	-	(58 036.00)	119 490.58	131 126	14 873	(44 405)	101 594	17 896
OFFICE FURNITURE	2 584 325.37	-	-	-	-	2 584 325.37	2 119 652	95 784	-	2 215 436	368 890
MACHINERY AND EQUIPMENT											
ELECTRIC WIRE AND POWER DISTRIBUTION EQUIPMENT (C	32 155.35	-	-	-	-	32 155.35	27 916	1 239	-	29 154	3 001
FIRE FIGHTING EQUIPMENT	34 302.00	-	-	-	-	34 302.00	27 393	2 523	-	29 916	4 386
GARDENING EQUIPMENT	127 064.21	-	-	-	-	127 064.21	73 297	33 014	-	106 312	20 752
MEDICAL AND ALLIED EQUIPMENT	8 858.00	-	-	-	-	8 858.00	8 509	87	-	8 597	261
MUSIC INSTRUMENTS	84 608.00	-	-	-	-	84 608.00	67 868	3 535	-	71 403	13 205
PUMPS PLUMBING PURIFICATION SANITATION AND ALLIED	276 986.91	-	-	-	-	276 986.91	188 298	39 195	-	227 493	49 494
RADIO EQUIPMENT	30 135.76	-	-	-	-	30 135.76	23 829	1 418	-	25 247	4 889
ROAD CONSTRUCTION AND MAINTENANCE EQUIPMENT	4 631 190.74	-	-	-	-	4 631 190.74	2 407 067	380 494	-	2 787 561	1 843 630
SURVEY EQUIPMENT	3 499.00	-	-	-	-	3 499.00	2 904	70	-	2 974	525
TRACTORS	1 546 260.00	-	-	-	-	1 546 260.00	1 020 494	246 850	-	1 267 343	278 917
WORKSHOP EQUIPMENT AND LOOSE TOOLS FIXED	5 740.00	-	-	-	-	5 740.00	4 676	316	-	4 992	748
WORKSHOP EQUIPMENT AND LOOSE TOOLS MOVABLE	840 668.28	-	-	-	-	840 668.28	702 799	29 175	-	731 975	108 694
TRANSPORT ASSETS											
BAKKIES	2 025 304.67	-	-	-	-	2 025 304.67	983 623	76 830	-	1 060 453	964 852
EMERGENCY VEHICLES	490 022.33	-	-	-	-	490 022.33	315 094	4 078	-	319 173	170 850
MOTOR VEHICLES	383 974.68	-	-	-	-	383 974.68	123 127	23 742	-	146 869	237 106
TRAILERS AND ACCESSORIES	727 901.90	-	-	-	-	727 901.90	342 185	42 990	-	385 175	342 727
TRUCKS	4 051 012.08	-	-	-	-	4 051 012.08	1 966 356	77 130	-	2 043 486	2 007 526
Total	23 066 054	2 328 951	-	-	(217 217)	25 177 788	13 229 858	2 139 500	(180 293)	15 189 065	9 988 722
Total	986 149 274	54 554 220	-	-	(25 495 658)	1 015 207 836	456 835 897	30 649 491	(180 293)	487 305 094	527 902 742

**UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2016**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value	
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
	R	R	R	R	R	R	R	R	R	R	R
Investment Properties											
Land And Buildings	2 060 900	-	-	-	-	2 060 900	-	-	-	-	2 060 900
Total	2 060 900	-	-	-	-	2 060 900	-	-	-	-	2 060 900

**UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2016**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value	
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets											
Computer Software	1 912 933	90 381	-	-	-	2 003 314	1 707 155	79 898	-	1 787 052	216 262
Total	1 912 933	90 381	-	-	-	2 003 314	1 707 155	79 898	-	1 787 052	216 262

Total Asset Register	990 123 107	54 644 601	-	-	(25 495 658)	1 019 272 050	458 543 051	30 729 388	(180 293)	489 092 147	530 179 904
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APPENDIX C
UMSOBOMVU LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive and Council	2 151 287	-	-	(5 378)	2 145 910	1 606 338	141 950	(4 039)	1 744 248	401 661
Mayor and Council - 101010	-	-	-	-	-	-	-	-	-	-
Mayor and Council - 101005	-	-	-	-	-	-	-	-	-	-
Municipal Manager - 101015	2 151 287	-	-	(5 378)	2 145 910	1 606 338	141 950	(4 039)	1 744 248	401 661
Finance and Administration	69 088 449	27 607 391	-	(209 572)	96 486 268	5 543 696	3 640 568	(174 358)	9 009 906	87 476 362
Community and Social Services	62 003 738	500 000	6 509 795	-	69 013 533	8 767 887	352 609	-	9 120 496	59 893 037
Technical Services	852 905 800	-	19 937 033	(25 280 708)	847 562 125	440 917 975	26 514 364	(1 895)	467 430 444	380 131 681
Total	986 149 274	28 107 391	26 446 829	(25 495 658)	1 015 207 836	456 835 897	30 649 491	(180 293)	487 305 094	527 902 742

APPENDIX D
UMSOBOMVU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

2017 Actual Income	2017 Actual Expenditure	2017 Surplus/ (Deficit)	Description	2018 Actual Income	2018 Actual Expenditure	2018 Surplus/ (Deficit)
R	R	R		R	R	R
29 229 108	12 899 967	14 911 165	Executive and Council	31 057 702	15 417 587	15 640 115
12 667 641	26 736 970	(2 139 074)	Finance and Administration	18 163 646	24 637 941	(6 474 294)
12 548 816	6 814 557	3 914 321	Community and Social Services	4 679 059	8 905 601	(4 226 541)
108 674 288	101 508 700	2 786 840	Technical Services	81 768 073	102 469 038	(20 700 965)
163 119 852	147 960 194	19 473 252	Total	135 668 481	151 430 166	(15 761 686)
This appendix does not form part of the annual financial statements.						

APPENDIX E(1)

UMSOBOMVU LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2018

Description	2017/18							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
REVENUE - STANDARD								
Governance and Administration:								
Executive and Council	39 760 000	(39 760 000)	-	-	31 057 702	31 057 702	0.00	78.11
Budget and Treasury Office	12 221 487	(12 221 487)	-	-	12 910 805	12 910 805	0.00	105.64
Corporate Services	12 135	(12 135)	-	-	62 232	62 232	0.00	512.83
Community and Public Safety:								
Community and Social Services	732 781	(732 781)	-	-	6 893 738	6 893 738	0.00	940.76
Public Safety	8 341 956	(8 341 956)	-	-	2 973 031	2 973 031	0.00	35.64
Housing	-	-	-	-	2 900	2 900	0.00	0.00
Road Transport	12 091 661	(12 091 661)	-	-	11 422 984	11 422 984	0.00	94.47
Trading Services:								
Electricity	36 973 488	(36 973 488)	-	-	36 844 646	36 844 646	0.00	99.65
Water	12 805 862	(12 805 862)	-	-	15 018 626	15 018 626	0.00	117.28
Waste Water Management	8 670 066	(8 670 066)	-	-	10 645 492	10 645 492	0.00	122.78
Waste Management	6 081 825	(6 081 825)	-	-	7 836 324	7 836 324	0.00	128.85
Total Revenue - Standard	137 691 261	(137 691 261)	-	-	135 668 481	135 668 481	0.00	98.53
					(1 943 254)			
EXPENDITURE - STANDARD								
Governance and Administration:								
Executive and Council	13 644 705	(13 644 705)	-	-	15 417 587	15 417 587	0.00	112.99
Budget and Treasury Office	20 128 321	(20 128 321)	-	-	17 249 847	17 249 847	0.00	85.70
Corporate Services	6 589 461	(6 589 461)	-	-	4 687 109	4 687 109	0.00	71.13
Community and Public Safety:								
Community and Social Services	7 110 364	(7 110 364)	-	-	5 307 310	5 307 310	0.00	74.64
Sport and Recreation	3 251 804	(3 251 804)	-	-	2 445 765	2 445 765	0.00	75.21
Public Safety	8 008 850	(8 008 850)	-	-	3 090 017	3 090 017	0.00	38.58
Housing	850 119	(850 119)	-	-	763 493	763 493	0.00	89.81
Economic and Environmental Services:								
Road Transport	13 421 596	(13 421 596)	-	-	6 681 296	6 681 296	0.00	49.78
Trading Services:								
Electricity	28 343 683	(28 343 683)	-	-	25 366 291	25 366 291	0.00	89.50
Water	21 713 802	(21 713 802)	-	-	58 671 843	58 671 843	0.00	270.21
Waste Water Management	10 762 381	(10 762 381)	-	-	6 698 194	6 698 194	0.00	62.24
Waste Management	8 600 469	(8 600 469)	-	-	5 051 414	5 051 414	0.00	58.73
Total Expenditure - Standard	142 425 558	(142 425 558)	-	-	151 430 166	151 430 166	0.00	106.32
					(1 019)			
Surplus/(Deficit) for the year	(4 734 297)	4 734 297	-	-	(15 761 686)	(15 761 686)	0.00	0.00
					(1 942 235)			

This appendix does not form part of the annual financial statements.

APPENDIX E (2)
UMSOBOMVU LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2018

Description	2017/18								
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE									
Vote 1 - EXECUTIVE & COUNCIL	39 760 000	(39 760 000)	-	-	31 057 702	-	31 057 702	0.00	78.11
Vote 2 - FINANCE & ADMIN	11 253 301	(11 253 301)	-	-	18 163 646	-	18 163 646	0.00	161.41
Vote 3 - COMMUNITY SERVICES	10 055 058	(10 055 058)	-	-	4 679 059	-	4 679 059	0.00	46.53
Vote 4 - TECHNICAL SERVICES	76 622 902	(76 622 902)	-	-	81 768 073	-	81 768 073	0.00	106.71
Total Revenue by Vote	137 691 261	(137 691 261)	-	-	135 668 481	-	135 668 481	0.00	98.53
EXPENDITURE BY VOTE									
Vote 1 - EXECUTIVE & COUNCIL	13 644 705	(13 644 705)	-	-	15 417 587	15 417 587	15 417 587	0.00	112.99
Vote 2 - FINANCE & ADMIN	29 517 093	(29 517 093)	-	-	24 637 941	24 637 941	24 637 941	0.00	83.47
Vote 3 - COMMUNITY SERVICES	16 421 827	(16 421 827)	-	-	8 905 601	8 905 601	8 905 601	0.00	54.23
Vote 4 - TECHNICAL SERVICES	82 841 933	(82 841 933)	-	-	102 469 038	102 469 038	102 469 038	0.00	123.69
Total Expenditure by Vote	142 425 558	(142 425 558)	-	-	151 430 166	151 430 166	151 430 166	0.00	106.32
Surplus/(Deficit) for the year	(4 734 297)	4 734 297	-	-	(15 761 686)	(151 430 166)	(15 761 686)	0.00	0.00
					(1 942 235.00)				

This appendix does not form part of the annual financial statements.

APPENDIX E (3)
UMSOBOMVU LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

Description	2017/18							2016/17	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R
Revenue by Source									
Property Rates	9 266 408	(9 266 408)	-	8 741 895	9 861 205	1 119 310	112.80	106.42	8 591 233
Property Rates - Penalties & Collection Charges	229 079	(229 079)	-	290 000	202 782	(87 218)	69.92	88.52	289 933
Service Charges - Electricity	22 931 049	(22 931 049)	-	-	15 811 474	15 811 474	0.00	68.95	14 147 255
Service Charges - Water	14 481 602	(14 481 602)	-	-	14 756 293	14 756 293	0.00	101.90	11 471 499
Service Charges - Sanitation	10 069 830	(10 069 830)	-	-	10 296 343	10 296 343	0.00	102.25	9 494 288
Service Charges - Refuse	7 140 714	(7 140 714)	-	-	7 520 363	7 520 363	0.00	105.32	7 043 884
Service Charges - Other	(161 740)	161 740	-	-	(7 943)	(7 943)	0.00	0.00	(0)
Rental of Facilities and Equipment	271 043	(271 043)	-	314 208	221 914	(92 294)	70.63	81.87	356 565
Interest Earned - External Investments	560 000	(560 000)	-	560 000	333 080	(226 920)	59.48	59.48	453 176
Interest Earned - Outstanding Debtors	2 196 962	(2 196 962)	-	2 242 072	2 885 294	643 222	128.69	131.33	2 513 333
Dividends Received	-	-	-	-	-	-	0.00	0.00	-
Fines	-	-	-	5 585 876	2 363 287	(3 222 589)	42.31	0.00	2 600 192
Licences and Permits	500	(500)	-	2 662 358	-	(2 662 358)	0.00	0.00	-
Agency Services	-	-	-	-	270 958	270 958	0.00	0.00	-
Transfers Recognised - Operational	40 925 200	(85 000)	40 840 200	40 840 200	57 748 096	16 907 896	141.40	141.11	31 976 664
Other Revenue	8 754 814	(8 754 814)	-	5 265 965	1 417 163	(3 848 802)	26.91	16.19	1 412 869
Gains on Disposal of PPE	-	-	-	-	-	-	0.00	0.00	-
Total Revenue (excluding Capital Transfers & Contributions)	116 665 461	(75 825 261)	40 840 200	66 502 574	123 680 310	57 177 736	185.98	106.01	90 350 893
Expenditure									
Employee Related Costs	48 688 105	(48 688 105)	-	-	42 917 511	42 917 511	0.00	88.15	38 985 218
Remuneration of Councillors	3 716 887	(3 716 887)	-	-	3 845 166	3 845 166	0.00	103.45	3 428 913
Debt Impairment	-	-	-	-	-	-	0.00	0.00	-
Depreciation and Asset Impairment	29 406 915	(29 406 915)	-	-	53 920 054	53 920 054	0.00	183.36	40 493 087
Finance Charges	2 128 000	(2 128 000)	-	-	4 371 582	4 371 582	0.00	205.43	3 947 340
Bulk Purchases	23 388 287	(23 388 287)	-	-	22 455 038	22 455 038	0.00	96.01	22 917 001
Other Materials	3 496 280	(3 496 280)	-	-	2 959 785	2 959 785	0.00	84.66	3 110 661
Contracted Services	-	-	-	-	2 861 285	2 861 285	0.00	0.00	2 132 244
Transfers and Grants	-	-	-	-	3 853 713	3 853 713	0.00	0.00	2 729 109
Other Expenditure	23 772 969	(23 772 969)	-	-	14 210 128	14 210 128	0.00	59.77	15 040 371
Loss on Disposal of PPE	20 000	(20 000)	-	-	36 925	36 925	0.00	184.62	1 107 186
Total Expenditure	134 617 443	(134 617 443)	-	-	151 431 185	151 431 185	0.00	112.49	133 891 129
Surplus/(Deficit)	(17 951 982)	58 792 182	40 840 200	66 502 574	(27 750 876)	(94 253 450)	0.00	0.00	(43 540 236)
Transfers Recognised - Capital	28 090 800	1 685 000	29 775 800	29 775 800	13 931 425	(15 844 375)	46.79	49.59	38 942 402
Surplus/(Deficit) after Capital Transfers and	10 138 818	60 477 182	70 616 000	96 278 374	(13 819 451)	(110 097 825)	0.00	0.00	(4 597 834)
Surplus/(Deficit) for the Year	10 138 818	60 477 182	70 616 000	96 278 374	(13 819 451)	(110 097 825)	-	-	(4 597 834)
	14 873 115		70 616 000	96 278 374					

This appendix does not form part of the annual financial statements.

APPENDIX E(4)
UMSOBOMVU LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2018

Description	2017/18								
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE									
Multi-year Expenditure									
Vote 2 - FINANCE & ADMIN	-	-	-	-	-	-	-	0.00	0.00
Vote 4 - TECHNICAL SERVICES	-	-	-	-	-	-	-	0.00	0.00
Total Capital Expenditure - Multi-year	-	-	-	-	-	-	-	0.00	0.00
Single-year Expenditure									
Vote 1 - Executive & Council	-	-	-	-	-	-	-	0.00	0.00
Vote 2 - Finance & Admin	3 500 000	10 000	3 510 000	3 510 000	3 510 000	-	-	100.00	100.29
Vote 3 - Community Services	250 000	8 966 498	9 216 498	9 216 498	9 216 498	-	-	100.00	3 686.60
Vote 4 - Technical Services	17 031 400	10 974 194	28 005 594	28 005 594	28 005 594	-	-	100.00	164.44
Total Capital Expenditure - Single-year	20 781 400	19 950 692	40 732 092	40 732 092	40 732 092	-	-	100.00	196.00
Total Capital Expenditure - Vote	20 781 400	19 950 692	40 732 092	40 732 092	40 732 092	-	-	100.00	196.00
CAPITAL EXPENDITURE - STANDARD									
Governance and Administration:									
Executive and Council	-	-	-	-	-	-	-	0.00	0.00
Budget and Treasury Office	3 500 000	10 000	3 510 000	3 510 000	3 510 000	-	-	100.00	100.29
Corporate Services	-	-	-	-	-	-	-	0.00	0.00
Community and Public Safety:									
Sport and Recreation	-	8 966 498	8 966 498	8 966 498	9 216 498	-	250 000	102.79	0.00
Cemeteries	250 000	-	250 000	-	-	-	-	0.00	0.00
Economic and Environmental Services:									
Road Transport	11 031 400	6 339 194	17 370 594	17 370 594	3 260 405	-	(14 110 189)	18.77	29.56
Trading Services:									
Electricity	2 000 000	4 635 000	6 635 000	6 635 000	6 191 696	-	(443 304)	93.32	309.58
Water	4 000 000	-	4 000 000	4 000 000	3 613 645	-	(386 355)	90.34	90.34
Waste Water Management	-	-	-	-	5 656 696	-	5 656 696	-	-
Waste Management	-	-	-	-	-	-	-	0.00	0.00
Total Capital Expenditure - Standard	20 781 400	19 950 692	40 732 092	40 482 092	31 448 941	-	(9 033 151)	77.69	151.33
					(9 283 151.00)				
FUNDED BY:									
National Government	17 031 400	11 825 100	28 856 500	28 856 500	27 938 941	-	(917 559)	96.82	164.04
Provincial Government	-	-	-	-	-	-	-	0.00	0.00
Own Funds	3 750 000	8 125 592	11 875 592	11 875 592	1 879 000	-	(9 996 592)	15.82	50.11
Transfers Recognised - Capital	20 781 400	19 950 692	40 732 092	40 732 092	29 817 941	-	(10 914 151)	73.21	143.48
Public Contributions & Donations	-	-	-	-	-	-	-	0.00	0.00
Borrowing	-	-	-	-	1 631 000	-	1 631 000	0.00	0.00
Internally Generated Funds	-	-	-	-	-	-	-	0.00	0.00
Total Capital Funding	20 781 400	19 950 692	40 732 092	40 732 092	31 448 941	-	(9 283 151)	77.21	151.33

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APPENDIX E(5)
UMSOBOMVU LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

Description	2017/18							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and Other	9 266 409	(396 652)	8 869 757	8 869 757	8 732 199	(137 558)	98.45	94.23
Government - Operating	44 919 600	167 900	45 087 500	45 087 500	24 428 854	(20 658 646)	54.18	54.38
Government - Capital	17 031 400	11 825 100	28 856 500	28 856 500	30 437 424	1 580 924	105.48	178.71
Public Contributions and Donations		-		-	-	-	0.00	0.00
Service Charges	46 855 544	(7 454 762)	39 400 782	39 400 782	24 356 578	(15 044 204)	61.82	51.98
Interest	2 116 328	317 437	2 433 765	2 433 765	3 218 374	784 609	132.24	152.07
Other Receipts	14 123 436	1 426 053	15 549 489	15 549 489	7 857 370	(7 692 119)	50.53	55.63
Payments								
Suppliers and Employees	(110 672 877)	6 001 994	(104 670 883)	(104 670 883)	(80 474 883)	24 196 000	0.00	0.00
Finance Charges	(260 000)	260 000		(119 000)	(4 371 582)	(4 252 582)	0.00	0.00
Other payments		-		-	(727 081)	(727 081)	0.00	0.00
NET CASH FROM / (USED) OPERATING ACTIVITIES	23 379 840	12 147 070	35 526 910	35 407 910	13 457 252	(21 950 657)	38.01	57.56
CASH FLOWS FROM INVESTING ACTIVITIES								
Payments								
Capital Assets	(20 781 400)	(13 840 878)	(34 622 278)	(34 622 278)	(29 206 798)	5 415 480	0.00	0.00
NET CASH FROM / (USED) INVESTING ACTIVITIES	(20 781 400)	(13 840 878)	(34 622 278)	(34 622 278)	(29 206 798)	5 415 480	0.00	0.00
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Increase / (Decrease) in Consumer Deposits	170 000	-	170 000	170 000	-	(170 000)	0.00	0.00
New Loans raised		-		-	-	-	0.00	0.00
Payments								
Proceeds from Borrowings	(979 254)		(979 254)		4 800 022			
Loans repaid		-		-	(1 048 223)	(1 048 223)	0.00	0.00
NET CASH FROM / (USED) FINANCING ACTIVITIES	(809 254)	-	(809 254)	170 000	3 751 799	(1 218 223)	2 206.94	0.00
		119 000	119 000	979 254				
NET INCREASE / (DECREASE) IN CASH HELD	(1 789 186)	1 812 808	23 622	23 622	11 997 747	11 974 125	50 789.56	0.00
Cash / Cash Equivalents at the Year begin:	17 114 154	-	17 114 154	17 114 154	17 114 154	0	100.00	100.00
Cash / Cash Equivalents at the Year end:	18 903 340	(1 812 808)	17 090 532	17 090 532	5 116 407	(11 974 125)	29.94	27.07

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APPENDIX F
UMSOBOMVU LOCAL MUNICIPALITY

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

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenses				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below Yes / No	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June			
Equitable Share	Nat Treasury	16 566 000	13 253 000	9 941 000	-	9 940 000	9 940 000	9 940 000	9 940 000	N/A	Yes	N/A
FMG	Nat Treasury	1 900 000			-	475 000	475 000	475 000	475 000	N/A	Yes	N/A
INEP	Nat Treasury	-	2 000 000		-			267 764		Roll-over not approved	Yes	N/A
MIG Projects	MIG	5 200 000	5 500 000	912 000	-	688 597	6 885 768	3 488 251	549 384	N/A	Yes	N/A
Bulk Infrastructure Grant	DWAF	2 230 407			2 845 300					N/A	Yes	N/A
EDSMG	Province	-			-					Roll-over not approved	Yes	N/A
MSIG	DPLG	2 000 000		2 000 000	-		187 834	18 695	1 014 213	N/A	Yes	N/A
EPWP Incentive Grant	Province	250 000	450 000		300 000	51 092	274 383	265 169	240 275	N/A	Yes	N/A
Library Grant	Province	-	839 500	839 500	-	419 750	419 750	419 750	419 750	N/A	Yes	N/A
Sports Facilities - Noupoot	Lotto	-	-	-	-	-	-	-	-	N/A	Yes	N/A
Water Management Grant	DBSA	-	-	-	-	-	-	-	-	N/A	Yes	N/A
Blue Water Drop Project	Other	-	-	-	-	-	-	-	-	N/A	Yes	N/A
Total Grants and Subsidies Received		28 146 407	22 042 500	13 692 500	3 145 300	11 574 439	18 182 735	14 874 629	12 638 622			

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

APPENDIX G
UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2018

Incumbent	Basic Salaries	Bonuses	Allowances	Total Remuneration
	R	R	R	R
Mayor Toto M.S	558 940	-	228 474	787 414
Other Councillors				
Humphries S.E	235 846	-	42 900	278 746
Harmse V.P	302 669	-	42 900	345 569
Minnie W	302 669	-	42 900	345 569
Stafa N.D	235 846	-	42 900	278 746
Batties N.J	235 846	-	42 900	278 746
Matthee J.P	235 846	-	42 900	278 746
Brown S.K	235 846	-	44 400	280 246
MA Sestile	235 846	-	42 900	278 746
M.R Kafi	235 846	-	42 900	278 746
Williams M.J	235 846	-	42 900	278 746
Total for Councillors	3 656 384	-	746 274	4 402 658
Municipal Manager Mpela A.C	1 055 369	162 337	132 563	1 350 269
Chief Financial Officer Visagie D.T	921 566	137 987	136 594	1 196 146
Manager: Technical Services Mosompha P	986 160	137 987	72 000	1 196 146
Manager: Corporate Services Kapp B	910 317	137 987	147 843	1 196 146
Total for Senior Managers	3 873 412	576 297	488 999	4 938 707
Total for Management	7 529 796	576 297	1 235 273	9 341 365

Staff leave balances:

	Leave balance		Total
Municipal Manager Mpela A.C	199 093		199 093
Chief Financial Officer Visagie D.T	77 411		77 411
Manager: Technical Services Mosompha P	51 280		51 280
Manager: Corporate Services Kapp B	54 619		54 619
	382 404	-	382 404

APPENDIX G
UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2017

Incumbent	Basic Salaries	Bonuses	Allowances	Total Remuneration
	R	R	R	R
Mayor				
Hermans N.L	59 265	-	20 486	79 751
Toto M.S	475 145	-	170 289	645 434
Other Councillors				
Mdala N.B	30 567	-	2 268	32 835
Reyners N	23 819	-	2 268	26 087
Mlenzana S.G	30 567	-	2 268	32 835
Gronum C.F	23 819	-	2 268	26 087
Ngaliman S	23 819	-	2 268	26 087
Humphries S.E	231 443	-	24 900	256 343
Fritz S.A	23 819	-	2 268	26 087
Siko S	23 819	-	2 268	26 087
Sestile M.A	286 271	-	24 000	310 271
Kafi M.R	254 457	-	22 422	276 878
Harmse V.P	254 457	-	22 422	276 878
Minnie W	254 457	-	22 422	276 878
Stafa N.D	199 653	-	22 422	222 075
Batties N.J	199 653	-	22 422	222 075
Mathee J.P	199 653	-	22 422	222 075
Brown S.K	199 653	-	22 422	222 075
Williams M.J	199 653	-	22 422	222 075
Total for Councillors	2 993 986	-	434 927	3 428 913
Municipal Manager				
Mpela A.C	1 025 301	120 104	134 250	1 279 655
Chief Financial Officer				
Visagie D.T	849 024	102 088	136 594	1 087 707
Manager: Technical Services				
Mosompha P	913 618	83 527	72 000	1 069 145
Manager: Corporate Services				
Kapp B	871 826	83 527	113 793	1 069 145
Total for Senior Managers	3 659 769	389 246	456 636	4 505 652
Total for Management	6 653 755	389 246	891 563	7 934 565

APPENDIX H
UMSOBOMVU LOCAL MUNICIPALITY
RATIO ANALYSIS

30 June 2018

RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	
" R 000 "				
1. FINANCIAL POSITION				
A. Asset Management/Utilisation				
1	Capital Expenditure to Total Expenditure	10% - 20%	2%	
			Total Operating Expenditure	151 431 185
			Taxation Expense	-
			Total Capital Expenditure	2 419 332
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%	4%	
			PPE, Investment Property and Intangible Impairment	23 190 660
			PPE at carrying value	524 348 038
			IP at carrying value	2 060 899
			Intangible Assets at carrying value	216 262
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%	1%	
			Total Repairs and Maintenance Expenditure	2 959 785
			PPE at carrying value	524 348 038
			Investment Property at Carrying value	2 060 899
B. Debtors Management				
1	Collection Rate	95%	51%	
			Gross Debtors closing balance	137 590 567
			Gross Debtors opening balance	113 543 362
			Bad debts written Off	-418 333
			48 376 530	
2	Bad Debts Written-off as % of Provision for Bad Debt	100%	0%	
			Consumer Debtors Bad debts written off	-418 333
			Consumer Debtors Current bad debt Provision	116 833 479
3	Net Debtors Days	30 days	157 days	
			Gross debtors	137 590 567
			Bad debts Provision	116 833 479
			Billed Revenue	48 376 530
C. Liquidity Management				
1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	1 - 3 Months	0 Month	
			Cash and cash equivalents	5 116 407
			Unspent Conditional Grants	7 755 597
			Overdraft	-
			Short Term Investments	-
			77 780 805	
2	Current Ratio	1.5 - 2:1	0.64	
			Current Assets	29 486 572
			Current Liabilities	46 087 994

APPENDIX H UMSOBOMVU LOCAL MUNICIPALITY RATIO ANALYSIS

D. Liability Management

1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%		6%
			Interest Paid	4 371 582
			Redemption	-
			Total Operating Expenditure	77 780 805
			Taxation Expense	-

2	Debt (Total Borrowings) / Revenue	45%		4%
			Total Debt	2 516 011
			Total Operating Revenue	137 611 735
			Operational Conditional Grants	71 679 521

E. Sustainability

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%		-659797675%
			Cash and cash Equivalents	5 116 407
			Bank Overdraft	-
			Short Term Investment	-
			Long Term Investment	-
			Unspent Grants	7 755 597
			Net Assets	464 589 975
			Share Premium	-
			Share Capital	-
			Revaluation Reserve	-
			Fair Value Adjustment Reserve	-
Accumulated Surplus	464 589 974			

2. FINANCIAL PERFORMANCE

A. Efficiency

1	Net Operating Surplus Margin	= or > 0%		-10%
			Total Operating Revenue	137 611 735
			Depreciation - Revalued Portion <i>(Only populate if depreciation line item in the Statement of Financial Performance)</i>	
			Total Operating Expenditure	151 431 185
			Taxation Expense	-

2	Net Surplus /Deficit Electricity	0% - 15%		#REF!
			Total Electricity Revenue	#REF!
			Total Electricity Expenditure	21 842 053

3	Net Surplus /Deficit Water	= or > 0%		#REF!
			Total Water Revenue	#REF!
			Total Water Expenditure	612 985

4	Net Surplus /Deficit Refuse	= or > 0%		#REF!
			Total Refuse Revenue	#REF!
			Total Refuse Expenditure	

5	Net Surplus /Deficit Sanitation and Waste Water	= or > 0%		#REF!
			Total Sanitation and Water Waste Revenue	#REF!
			Total Sanitation and Water Waste Expenditure	

B. Distribution Losses

1	Electricity Distribution Losses (Percentage)	7% - 10%		15%
			Number of units purchased and/or generated	24 342 556
			Number of units sold	20 768 372

				37%
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**APPENDIX H
UMSOBOMVU LOCAL MUNICIPALITY
RATIO ANALYSIS**

2	Water Distribution Losses (Percentage)	15% - 30%	Number of kilolitres purchased and/or purified	1 996 376
			Number of kilolitres sold	1 250 553

APPENDIX H UMSOBOMVU LOCAL MUNICIPALITY RATIO ANALYSIS

C. Revenue Management

1	Growth in Number of Active Consumer Accounts	None		#DIV/0!
			Number of Active Debtors Accounts (Previous)	
			Number of Active Debtors Accounts (Current)	

1	Revenue Growth (%)	= CPI		6%
			CPI	7%
			Total Revenue (Previous)	129 293 295
			Total Revenue (Current)	137 611 735

3	Revenue Growth (%) - Excluding capital grants	= CPI		13%
			CPI	6%
			Total Revenue Exl.Capital (Previous)	58 374 229
			Total Revenue Exl.Capital (Current)	65 932 214

D. Expenditure Management

1	Creditors Payment Period (Trade Creditors)	30 days		112 days
			Trade Creditors	13 786 201
			Contracted Services	2 861 285
			Repairs and Maintenance	2 959 785
			General expenses	14 210 128
			Bulk Purchases	22 455 038
			Capital Credit Purchases (<i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i>)	2 419 332

2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		0%
			Irregular, Fruitless and Wasteful and Unauthorised Expenditure	-
			Total Operating Expenditure	151 431 185
			Taxation Expense	-

3	Remuneration as % of Total Operating Expenditure	25% - 40%		31%
			Employee/personnel related cost	42 917 511
			Councillors Remuneration	3 845 166
			Total Operating Expenditure	151 431 185
Taxation Expense	-			

4	Contracted Services % of Total Operating Expenditure	2% - 5%		2%
			Contracted Services	2 861 285
			Total Operating Expenditure	151 431 185
			Taxation Expense	-

E. Grant Dependency

1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	None		2643%
			Internally generated funds	60 822 936
			Borrowings	3 113 694
			Total Capital Expenditure	2 419 332

2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		2514%
			Internally generated funds	60 822 936
			Total Capital Expenditure	2 419 332

3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	None		48%
			Total Revenue	137 611 735
			Government grant and subsidies	71 679 521
			Public contributions and Donations	-
Capital Grants	-			

**APPENDIX H
UMSOBOMVU LOCAL MUNICIPALITY
RATIO ANALYSIS**

APPENDIX H UMSOBOMVU LOCAL MUNICIPALITY RATIO ANALYSIS

3. BUDGET IMPLEMENTATION

1	Capital Expenditure Budget Implementation Indicator	95% - 100%		6%
			Actual Capital Expenditure	2 419 332
			Budget Capital Expenditure	40 732 092
2	Operating Expenditure Budget Implementation Indicator	95% - 100%		#DIV/0!
			Actual Operating Expenditure	151 431 185
			Budget Operating Expenditure	-
3	Operating Revenue Budget Implementation Indicator	95% - 100%		-377%
			Actual Operating Revenue	112 170 014
			Budget Operating Revenue	-29 775 800
4	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		#DIV/0!
			Actual Service Charges and Property Rates Revenue	58 237 735
			Budget Service Charges and Property Rates Revenue	-

Interpretation of results

	The green colour indicates that the result is within the norm and is acceptable
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.
	Data should be captured in the blue colour cell to calculate a ratio.
	# In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced

This appendix does not form part of the annual financial statements.