

UMSOBOMVU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 8 to 88, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the 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:

29 August 2014

UMSOBOMVU LOCAL MUNICIPALITY
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for the year ended 30 June 2014

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UMSOBOMVU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

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 2014.

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 2014 indicates an increase in Net Assets, and an increase in both Non-current Liabilities and Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase 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 increases in Retirement Benefit Liabilities and Long-service Benefits. The increase in Current Liabilities is primarily as a result of the increase in Creditors and Unspent Conditional Grants.

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	2014	2013
Surplus / (Deficit) before Appropriations	22 662 552	17 761 825
Surplus / (Deficit) at the end of the Year	502 010 910	479 348 358
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	27.00%	23.71%
Remuneration of Councillors	2.40%	1.96%
Collection Costs	0.00%	0.00%
Depreciation and Amortisation	22.35%	21.30%
Impairment Losses	6.90%	5.42%
Repairs and Maintenance	1.99%	2.14%
Interest Paid	0.37%	0.10%
Bulk Purchases	14.75%	12.39%
Contracted Services	0.00%	0.00%
Grants and Subsidies Paid	0.00%	0.00%
General Expenses	24.20%	32.95%
Current Ratio:		
Trade Creditors Days	69	90
Debtors from Exchange Transactions Days	219	215

2. KEY FINANCIAL INDICATORS (Continued)

2.2 Performance Indicators:

INDICATOR	2014	2013
Borrowing Management:		
Capital Charges to Operating Expenditure	0.64%	-3.06%
Capital Charges to Own Revenue	1.30%	-6.43%
Borrowed Funding to Own Capital Expenditure	0.00%	0.00%
Borrowing to Total Capital Assets	0.65%	0.77%
Safety of Capital:		
Gearing	0.66%	0.77%
Liquidity:		
Current Ratio	1.73	1.62
Liquidity Ratio	0.60	0.75
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	91.75%	92.27%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	1.56%	10.80%
Revenue Management:		
Current Debtors Collection Rate	76.31%	81.28%
Outstanding Debtors to Revenue	60.59%	65.25%
Creditors Management:		
Creditors to Cash and Investments	79.68%	48.47%
Financial Viability:		
Debt Coverage	59.77	(19.50)
Outstanding Service Debtors to Revenue	70.48%	82.84%
Cost Coverage	0.21	0.36

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 2014 are as follows:

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	475 619 485	457 857 660	3.88	-	100.00
Operating income for the year	147 442 084	144 895 965	1.76	165 390 995	(10.85)
Appropriations for the year	-	-	-	-	-
	623 061 569	602 753 625	3.37	165 390 995	276.72
Expenditure:					
Operating expenditure for the year	124 779 532	127 134 140	(1.85)	129 254 214	(3.46)
Sundry transfers	-	-	-	-	-
Closing surplus / (deficit)	498 282 037	475 619 485	4.76	36 136 780	1 278.88
	623 061 569	602 753 625	3.37	165 390 995	276.72

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 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	47 431 327	31 818 276	49.07	49 854 807	(4.86)
Expenditure	62 881 607	42 330 408	48.55	57 520 637	9.32
Surplus / (Deficit)	(15 450 280)	(10 512 132)	46.98	(7 665 831)	101.55
Surplus / (Deficit) as % of total income	(32.57)%	(33.04)%		(15.38)%	

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 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	-	500	(100.00)	-	-
Expenditure	533 482	453 912	17.53	468 873	13.78
Surplus / (Deficit)	(533 482)	(453 412)	17.66	(468 873)	13.78
Surplus / (Deficit) as % of total income	(100.00)%	(90682.35)%		(100.00)%	

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 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	13 218 473	21 105 044	(37.37)	12 827 552	3.05
Expenditure	8 392 469	18 224 481	(53.95)	13 900 631	(39.63)
Surplus / (Deficit)	4 826 004	2 880 564	67.54	(1 073 079)	(549.73)
Surplus / (Deficit) as % of total income	36.51%	13.65%		(8.37)%	

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 R18,138,569 (2013: R15,537,775). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	29 497 322	34 885 268	(15.44)	33 840 000	(12.83)
Expenditure	26 588 384	31 387 257	(15.29)	27 934 688	(4.82)
Surplus / (Deficit)	2 908 938	3 498 011	(16.84)	5 905 312	(50.74)
Surplus / (Deficit) as % of total income	9.86%	10.03%		17.45%	

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 R271,917 (2013: R217,728). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	57 737 804	45 244 913	27.61	62 922 000	(8.24)
Expenditure	26 800 186	22 896 118	17.05	23 482 749	14.13
Surplus / (Deficit)	30 937 618	22 348 795	38.43	39 439 251	(21.56)
Surplus / (Deficit) as % of total income	53.58% (26 246)	49.40%		62.68%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R50,429,037 (2012/13: R46,122,277). 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 R50,429,037 was financed as follows:

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
External Loans	716 588	4 385 113	(83.66)	628 585	14.00
Grants and Subsidies	45 859 018	40 621 420	12.89	52 724 939	(13.02)
Public Contributions	-	-	-	5 100 000	(100.00)
Own Funds (Accumulated Surplus)	3 853 431	630 378	511.29	3 338 896	15.41
	50 429 037	45 636 911	10.50	61 792 420	(18.39)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2014	2013
External Loans	1.42%	9.61%
Grants and Subsidies	90.94%	89.01%
Own Funds (Accumulated Surplus)	7.64%	1.38%
	100.00%	100.00%

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2014	2013
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	36 136 780	(28 324 698)
Revenue variances	(17 948 911)	66 077 155
Expenditure variances:		
Employee Related Costs	914 701	236 362
Remuneration of Councillors	47 213	182 479
Collection Costs	50 000	50 000
Depreciation and Amortisation	(1 121 026)	371 240
Impairment Losses	(3 757 182)	(2 819 762)
Repairs and Maintenance	(319 437)	(610 899)
Interest Paid	(123 601)	33 726
Bulk Purchases	(1 100 486)	(245 503)
General Expenses	9 911 754	(17 143 555)
Loss on disposal of Property, Plant and Equipment	(27 254)	(44 720)
Actual surplus before appropriations	22 662 552	17 761 825

DETAILS	2014	2013
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	36 136 780	(28 324 698)
Executive and Council	1 196 589	3 439 843
Finance and Administration	(1 228 208)	3 926 492
Community and Social Services	(2 422 917)	3 955 623
Technical Services	(10 993 446)	34 764 565
Actual surplus before appropriations	22 688 798	17 761 825
	26 246	

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 2013/14 R	Actual 2012/13 R	Variance actual 2013/14 / 2012/13 R	Budgeted 2013/14 R	Variance actual/ budgeted R
Executive and Council	661 384	23 423	637 961	-	661 384
Finance and Administration	333 936	82 765	251 171	-	333 936
Community and Social Services	59 670	1 765 110	(1 705 440)	5 153 000	(5 093 330)
Roads and Transport	3 524 337	-	3 524 337	8 728 585	(5 204 248)
Technical Services	45 849 710	42 577 147	3 272 563	47 910 835	(2 061 125)
	50 429 037	44 448 445	5 980 592	61 792 420	(11 363 383)

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 2014 amounted to R502,010,910 (30 June 2013: R479,348,358) and is made up as follows:

Capital Replacement Reserve	193 344
Accumulated Surplus	<u>501 817 566</u>
	<u><u>502 010 910</u></u>

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

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

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

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2014 was R3,300,120 (30 June 2013: R3,699,414).

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

8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R11,592,172 as at 30 June 2014 (30 June 2013: R9,226,668) and is made up as follows:

Post-retirement Health Care Benefits Liability	10 534 737
Provision for Long Service Awards	<u>1 057 435</u>
	<u><u>11 592 172</u></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 R11,316,739 as at 30 June 2014 (30 June 2013: R17,754,105) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	<u>11 316 739</u>
	<u><u>11 316 739</u></u>

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

Refer to Note 18 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R33,212,309 as at 30 June 2014 (30 June 2013: R45,828,350) and is made up as follows:

Consumer Deposits	Note 10	697 140
Provisions	Note 11	925 105
Payables	Note 12	15 892 685
Unspent Conditional Grants and Receipts	Note 14	<u>11 164 521</u>
		<u><u>30 826 097</u></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 R502,295,348 as at 30 June 2014 (30 June 2013: R479,726,211).

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

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R72,886 as at 30 June 2014 (30 June 2013: R165,995).

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 R1,654,811 as at 30 June 2014 (30 June 2013: R1,654,811).

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 R57,409,206 as at 30 June 2014 (30 June 2013: R74,309,878) and is made up as follows:

Inventories	Note 2	398 196
Receivables from Exchange Transactions	Note 3	30 201 130
Receivables from Non-exchange Transactions	Note 4	6 856 039
Cash and Cash Equivalents	Note 5	<u>19 946 722</u>
		<u>57 409 206</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 47.

16. EXPRESSION OF APPRECIATION

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



CHIEF FINANCIAL OFFICER

29 August 2014

UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

2013 R	Budget 2014 Original R	2014 Adjusted R		Note	Actual 2014 R	2013 R
ASSETS						
56 286 367	36 291 000	36 291 000	Current Assets		57 409 206	74 309 878
-	-	-	Inventories	2	398 196	413 144
24 291 406	24 291 000	24 291 000	Receivables from Exchange Transactions	3	30 201 130	26 684 556
-	-	-	Receivables from Non-exchange Transactions	4	6 856 039	12 795 185
31 994 961	12 000 000	12 000 000	Cash and Cash Equivalents	5	19 946 722	34 409 897
-	-	-	Operating Lease Receivables	6	7 119	7 096
423 028 893	549 826 000	549 826 000	Non-Current Assets		504 023 044	481 547 017
423 028 893	546 621 000	546 621 000	Property, Plant and Equipment	7	502 295 348	479 726 211
-	1 550 000	1 550 000	Intangible Assets	8	72 886	165 995
-	1 655 000	1 655 000	Investment Property	9	1 654 811	1 654 811
479 315 260	586 117 000	586 117 000	Total Assets		561 432 250	555 856 896
LIABILITIES						
45 985 256	-	-	Current Liabilities		33 212 309	45 828 350
606 488	-	-	Consumer Deposits	10	697 140	673 889
-	-	-	Provisions	11	925 105	906 857
44 927 199	-	-	Payables from Exchange Transactions	12	15 892 685	16 679 853
-	-	-	Payables from Non-exchange Transactions	13	2 386 212	2 415 783
-	-	-	Unspent Conditional Grants and Receipts	14	11 164 521	24 001 641
-	-	-	VAT Payable	15	1 213 335	285 904
451 569	-	-	Current Portion of Long-term Liabilities	16	933 312	864 423
25 819 789	4 374 000	4 374 000	Non-Current Liabilities		26 209 031	30 680 187
5 000 000	4 374 000	4 374 000	Long-term Liabilities	16	3 300 120	3 699 414
-	-	-	Employee Benefit Liability	17	11 592 172	9 226 668
20 819 789	-	-	Non-current Provisions	18	11 316 739	17 754 105
71 805 045	4 374 000	4 374 000	Total Liabilities		59 421 340	76 508 537
407 510 215	581 743 000	581 743 000	Total Assets and Liabilities		502 010 910	479 348 358
407 510 215	581 743 000	581 743 000	NET ASSETS		502 010 910	479 348 358
407 510 215	581 743 000	581 743 000	Accumulated Surplus / (Deficit)	19	502 010 910	479 348 358
407 510 215	581 743 000	581 743 000	Total Net Assets		502 010 910	479 348 358

UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

Budget				Actual		
2013 R	2014 Original R	2014 Adjusted R		Note	2014 R	2013 R
REVENUE						
Revenue from Non-exchange Transactions						
4 194 000	4 445 640	4 746 080	Property Rates	20	4 631 572	4 734 634
150 000	159 000	159 000	Property Rates - Penalties imposed and collection charges		170 266	165 115
1 237 500	12 600	1 500 000	Fines		684 469	1 392 457
435 578	457 242	676 568	Licences and Permits		531 236	473 226
29 976 000	94 266 500	104 514 000	Government Grants and Subsidies Received	21	86 281 106	84 392 130
Revenue from Exchange Transactions						
39 029 378	42 345 783	47 397 552	Service Charges	22	45 734 153	40 529 884
291 761	307 630	374 694	Rental of Facilities and Equipment	23	406 805	413 783
21 500	21 500	512 000	Interest Earned - External Investments	24	692 873	914 267
1 225 000	1 328 300	1 325 000	Interest Earned - Outstanding Debtors	24	1 634 305	1 813 445
2 258 093	4 185 550	4 186 100	Other Revenue	25	6 675 300	10 067 024
78 818 810	147 529 746	165 390 995	Total Revenue		147 442 084	144 895 965
EXPENDITURE						
30 378 933	34 616 916	34 609 951	Employee Related Costs	26	33 695 250	30 142 571
2 670 765	2 804 304	3 039 304	Remuneration of Councillors	27	2 992 090	2 488 286
50 000	50 000	50 000	Collection Costs		-	-
27 449 122	27 587 648	26 772 008	Depreciation and Amortisation	28	27 893 034	27 077 882
4 065 118	4 392 864	4 848 980	Impairment Losses	29	8 606 162	6 884 880
2 113 005	2 231 005	2 167 040	Repairs and Maintenance		2 486 477	2 723 904
160 250	364 322	342 000	Finance Costs	30	465 601	126 524
15 510 000	16 726 000	17 310 000	Bulk Purchases	31	18 410 486	15 755 503
24 745 087	27 923 993	40 113 703	General Expenses	32	30 201 949	41 888 642
1 228	1 228	1 228	Loss on Disposal of Property, Plant and Equipment		28 482	45 948
107 143 508	116 698 278	129 254 214	Total Expenditure		124 779 532	127 134 140
(28 324 698)	30 831 468	36 136 780	SURPLUS / (DEFICIT) FOR THE YEAR		22 662 552	17 761 825

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 2014

Description	Accumulated Surplus / (Deficit) Account		Total for Accumulated Surplus/(Deficit) Account	Total
	Capital Replacement Reserve	Accumulated Surplus / (Deficit)		
	R	R	R	R
2013				
Balance at 30 June 2012	193 344	457 857 660	458 051 004	458 051 004
Correction of Error (Note 33)	-	-	-	-
Restated Balance	193 344	457 857 660	458 051 004	458 051 004
Surplus / (Deficit) for the year		17 761 825	17 761 825	17 761 825
Balance at 30 June 2013	193 344	475 619 485	475 812 829	475 812 829
				(3 535 529.00)
2014				
Restated Balance	193 344	475 619 485	475 812 829	472 277 300
Surplus / (Deficit) for the year		22 662 552	22 662 552	22 662 552
Balance at 30 June 2014	193 344	498 282 037	498 475 381	494 939 852
				(7 071 058.00)

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 2014

2013	Budget		Note	Actual	
	2014 Original	2014 Adjusted		2014	2013
R	R	R		R	R
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
47 594 926	4 445 640	4 445 640	Property Rates	4 102 456	4 436 744
82 833 680	94 266 500	104 514 000	Government Grant and Subsidies	73 443 986	79 034 851
	47 467 806	47 467 806	Service Charges	35 708 506	33 961 385
1 247 000	1 349 800	1 349 800	Interest Received	692 873	914 267
			Other Receipts	15 476 903	222 430
Payments					
(75 784 365)	(34 620 236)	(34 620 236)	Employee Related Costs	(31 341 414)	(27 915 932)
	(2 804 304)	(2 804 304)	Remuneration of Councillors	(2 992 090)	(2 488 286)
(165 448)	(364 322)	(364 322)	Interest Paid	(465 601)	(126 524)
	(46 929 591)	(44 031 969)	Suppliers Paid	(56 313 603)	(56 384 579)
	-	-	Other Payments	(2 015 761)	12 872 248
55 725 793	62 811 294	75 956 416	NET CASH FLOWS FROM OPERATING ACTIVITIES	36 296 255	44 526 604
CASH FLOWS FROM INVESTING ACTIVITIES					
(65 079 251)	(71 016 939)	(61 792 420)	Purchase of Property, Plant and Equipment	(50 412 247)	(46 114 097)
			Purchase of Intangible Assets	(16 790)	(8 180)
			Decrease / (Increase) in Operating Lease Asset	(23)	(7 096)
(65 079 251)	(71 016 939)	(61 792 420)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(50 429 060)	(46 129 373)
CASH FLOWS FROM FINANCING ACTIVITIES					
4 373 898	-	-	Proceeds from Borrowings	-	-
(1 418 954)	(451 671)	(451 671)	Repayment of Borrowings	(330 371)	4 017 705
2 954 944	(451 671)	(451 671)	NET CASH FLOWS FROM FINANCING ACTIVITIES	(330 371)	4 017 705
(6 398 514)	(8 657 317)	13 712 324	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(14 463 176)	2 414 936
2 759 535	25 595 620	25 595 620	Cash and Cash Equivalents at Beginning of Period	34 409 897	31 994 961
(3 638 979)	16 938 303	39 307 944	Cash and Cash Equivalents at End of Period	19 946 722	34 409 897

UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2014

Description	2013/2014							
	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	-	-	-	-	398 196	398 196	0.00	0.00
Receivables from Exchange Transactions	24 291 000	-	24 291 000	24 291 000	30 201 130	5 910 130	124.33	124.33
Receivables from Non-exchange Transactions	-	-	-	-	6 856 039	6 856 039	0.00	0.00
Cash and Cash Equivalents	12 000 000	-	12 000 000	12 000 000	19 946 722	7 946 722	166.22	166.22
Operating Lease Receivables	-	-	-	-	7 119	7 119	0.00	0.00
Non-Current Assets								
Property, Plant and Equipment	546 621 000	-	546 621 000	546 621 000	502 295 348	(44 325 652)	91.89	91.89
Intangible Assets	1 550 000	-	1 550 000	1 550 000	72 886	(1 477 114)	4.70	4.70
Investment Property	1 655 000	-	1 655 000	1 655 000	1 654 811	(189)	99.99	99.99
Total Assets	586 117 000	-	586 117 000	586 117 000	561 432 250	(24 684 750)	95.79	95.79
Current Liabilities								
Consumer Deposits	-	-	-	-	697 140	697 140	0.00	0.00
Provisions	-	-	-	-	925 105	925 105	0.00	0.00
Payables	-	-	-	-	18 278 897	18 278 897	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	11 164 521	11 164 521	0.00	0.00
VAT Payable	-	-	-	-	1 213 335	1 213 335	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	933 312	933 312	0.00	0.00
Non-Current Liabilities								
Long-term Liabilities	4 374 000	-	4 374 000	4 374 000	3 300 120	(1 073 880)	75.45	75.45
Employee Benefit Liability	-	-	-	-	11 592 172	11 592 172	0.00	0.00
Non-current Provisions	-	-	-	-	11 316 739	11 316 739	0.00	0.00
Total Liabilities	4 374 000	-	4 374 000	4 374 000	59 421 340	55 047 340	1 358.51	1 358.51
Total Assets and Liabilities	581 743 000	-	581 743 000	581 743 000	502 010 910	(79 732 090)	86.29	86.29
Net Assets (Equity)								
Accumulated Surplus / (Deficit)	581 743 000	-	581 743 000	581 743 000	502 010 910	(79 732 090)	86.29	86.29
Total Net Assets	581 743 000	-	581 743 000	581 743 000	502 010 910	(79 732 090)	86.29	86.29

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	4 445 640	300 440	4 746 080	4 746 080	4 631 572	(114 508)	97.59	104.18
Property Rates - Penalties imposed and collection charges	159 000	-	159 000	159 000	170 266	11 266	107.09	107.09
Fines	12 600	1 487 400	1 500 000	1 500 000	684 469	(815 531)	45.63	5 432.29
Licences and Permits	457 242	219 326	676 568	676 568	531 236	(145 332)	78.52	116.18
Government Grants and Subsidies Received	94 266 500	(54 337 000)	39 929 500	39 929 500	40 769 029	839 529	102.10	43.25
Revenue from Exchange Transactions								
Service Charges	42 345 783	5 051 769	47 397 552	47 397 552	45 734 153	(1 663 399)	96.49	108.00
Rental of Facilities and Equipment	307 630	67 064	374 694	374 694	406 805	32 111	108.57	132.24
Interest Earned - External Investments	21 500	490 500	512 000	512 000	692 873	180 873	135.33	3 222.66
Interest Earned - Outstanding Debtors	1 328 300	(3 300)	1 325 000	1 325 000	1 634 305	309 305	123.34	123.04
Other Income	4 185 550	550	4 186 100	4 186 100	6 675 300	2 489 200	159.46	159.48
Total Revenue	147 529 746	(46 723 252)	100 806 495	100 806 495	101 930 007	1 123 512	101.11	69.09
Expenditure								
Employee Related Costs	34 616 916	(6 964)	34 609 951	34 609 951	33 695 250	(914 701)	97.36	97.34
Remuneration of Councillors	2 804 304	235 000	3 039 304	3 039 304	2 992 090	(47 213)	98.45	106.70
Collection Costs	50 000	-	50 000	50 000	-	(50 000)	0.00	0.00
Depreciation and Amortisation	27 587 648	(815 640)	26 772 008	26 772 008	27 893 034	1 121 026	104.19	101.11
Impairment Losses	4 392 864	456 117	4 848 980	4 848 980	8 606 162	3 757 182	177.48	195.91
Repairs and Maintenance	2 231 005	(63 965)	2 167 040	2 167 040	2 486 477	319 437	114.74	111.45
Finance Costs	364 322	(22 322)	342 000	342 000	465 601	123 601	136.14	127.80
Bulk Purchases	16 726 000	584 000	17 310 000	17 310 000	18 410 486	1 100 486	106.36	110.07
General Expenses	27 923 993	12 189 711	40 113 703	40 113 703	30 201 949	(9 911 754)	75.29	108.16
Loss on Disposal of Property, Plant and Equipment	1 228	-	1 228	1 228	28 482	27 254	2 319.17	2 319.17
Total Expenditure	116 698 278	12 555 936	129 254 214	129 254 214	124 779 532	(4 474 682)	96.54	106.92
Surplus/(Deficit)								
Transfers Recognised - Capital	30 831 468	(59 279 187)	(28 447 720)	(28 447 720)	(22 849 525)	5 598 194	0.00	0.00
	-	64 584 500		64 584 500	45 512 077	(19 072 423)	70.47	0.00
Surplus/(Deficit) after Capital Transfers and Contributions	30 831 468	5 305 313	(28 447 720)	36 136 780	22 662 552	(13 474 228)	62.71	73.50
Surplus/(Deficit for the Year)	30 831 468	5 305 313	(28 447 720)	36 136 780	22 662 552	(13 474 228)	62.71	73.50
CAPITAL EXPENDITURE PER FUNCTION								
Executive and Council	-	-	-	-	661 384	661 384	0.00	0.00
Finance and Administration	1 550 000	3 450 000	5 000 000	5 000 000	333 936	(4 666 064)	6.68	21.54
Community and Social Services	-	153 000	153 000	153 000	198 282	45 282	129.60	0.00
Technical Services	69 466 939	(12 827 519)	56 639 420	56 639 420	49 235 435	(7 403 985)	86.93	70.88
Total Sources of Capital Funds	71 016 939	(9 224 519)	61 792 420	61 792 420	50 429 037	(11 363 383)	81.61	71.01

Description	Original	Budget	Final	Final	Actual	Variance	Actual Outcome	Actual Outcome
	Total	Adjustments	Adjustments	Budget	Outcome		as % of	as % of
	R	R	Budget	R	R	R	R	R
CASH FLOW								
Cash Flows from/(used in) Operating Activities								
Property Rates	4 445 640	-	4 445 640	4 445 640	4 102 456	(343 184)	92.28	92.28
Grants	94 266 500	10 247 500	104 514 000	104 514 000	73 443 986	(31 070 014)	70.27	77.91
Service Charges	47 467 806	-	47 467 806	47 467 806	35 708 506	(11 759 300)	75.23	75.23
Interest Received	1 349 800	-	1 349 800	1 349 800	692 873	(656 927)	51.33	51.33
Other Receipts	-	-	-	-	15 476 903	15 476 903	0.00	0.00
Employee Related Costs	(34 620 236)	-	(34 620 236)	(34 620 236)	(31 341 414)	3 278 822	0.00	0.00
Remuneration of Councillors	(2 804 304)	-	(2 804 304)	(2 804 304)	(2 992 090)	(187 787)	0.00	0.00
Interest Paid	(364 322)	-	(364 322)	(364 322)	(465 601)	(101 279)	0.00	0.00
Suppliers Paid	(46 929 591)	2 897 622	(44 031 969)	(44 031 969)	(56 313 603)	(12 281 634)	0.00	0.00
Other Payments	-	-	-	-	(2 015 761)	(2 015 761)	0.00	0.00
Cash Flows from/(used in) Investing Activities								
Purchase of Property, Plant and Equipment	(71 016 939)	9 224 519	(61 792 420)	(61 792 420)	(50 412 247)	11 380 173	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	(16 790)	(16 790)	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	-	-	-	(23)	(23)	0.00	0.00
Cash Flows from/(used in) Financing Activities								
Loans repaid	(451 671)	-	(451 671)	(451 671)	(330 371)	121 301	0.00	0.00
Cash and Cash Equivalents at End of the Year	(8 657 317)	22 369 641	13 712 324	13 712 324	(14 463 176)	(28 175 500)	0.00	0.00

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:

Receivables from Exchange Transactions:

Outstanding debtors increased since the installation of the Solar Water Heaters for indigents, most of these solar heaters are leaking and the number of consumers increased with the building of new houses in New Oubos.

Cash and Cash Equivalents:

A new investment was started in November 2013 and we received more income as the consumers increased. The implementation of credit control increased revenue.

Intangible Assets:

We are still waiting for the finalization of SCOA before purchasing a new financial system.

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:

Interest earned - external investment: A new investment was started in November 2013 of which we underestimated the amount of interest received from it.

Interest earned - outstanding debtors: The consumers increased and the indigents increased as a result of the projects that were completed.

Other income: We have spent more on Capital acquisition and therefore earned more vat income.

Fines: no speed traps were done from July till December 2013 as a result of a fault detected on the equipment used.

Licenses and permits: The Acting Chief Traffic was suspended for sometime during the financial period therefore there were no tests done nor learner's licenses written during that period.

Repairs and maintenance: One of our transformers in Noupoort was unexpectedly struck by lightning in February 2014.

Impairment Losses: This increased as a result of the increase in outstanding debtors.

Finance costs: We took an additional loan the Tractor and Trailer in Norvalspont.

General Expenditure: This is affected by savings on the budget due to strict budget control and prioritised spending.

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 and Administration: The project to upgrade the community hall in Norvalspont was registered late due to problems between MIG and RBIG.

Community and Social Services: We had to purchase computer equipment which were unforeseen.

Technical Services: We had to finish the rollover first before spending on the current financial year allocation.

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.

Service Charges

This is due to low payment rate.

A portion of the interest received from outstanding debtors is included in the services charges because our financial system can't split between the two when it comes to payments received.

Interest Paid

An additional loan was required to finance the acquisition of a new Tractor and Trailer in Norvalspont.

Suppliers Paid

The budget is incorrect.

Purchase of Property, Plant and Equipment:

We had to finish the rollover first and the project to upgrade the community hall in Norvalspont started late due to problems between MIG and RBIG.

Purchase of Intangible Assets:

Due to the purchase of computers which was unforeseen, we had to purchase computer software as well.

Loans repaid:

An additional loan was required to finance the acquisition of a new Tractor and Trailer in Norvalspont.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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 2012 and 30 June 2013 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*.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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 R7 133 065 and that of trade and other receivable from non exchange transactions to R219 047.

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.

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 R150 834, 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 IAS 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 2014

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 5% (2012: 5.5%) and discounted to the present value:

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 11.14% (2012: 11.3475%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 4.09% (2012: 11.3475%).

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the notes to the annual financial statements

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 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 105 Transfers between entities under common control - issued November 2010
- GRAP 106 Transfers between entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. 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:

- Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
- Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
- Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
- Financial Instruments (GRAP 104 Financial Instruments - October 2009)

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

1. BASIS OF PRESENTATION (continued)

1. 6 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 18 - Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management. Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

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 25 – Employee Benefits

This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected. This standard does not yet have an effective date.

GRAP 105 – Transfer of Function Between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This standard does not yet have an effective date.

GRAP 106 – Transfer of Function Between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. 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
FOR THE YEAR ENDED 30 JUNE 2014

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.

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of property, plant and equipment 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.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

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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
<i>Infrastructure</i>		<i>Buildings</i>	<i>20 - 25</i>
Roads and Paving	10 - 15		
Electricity	5 - 50	<i>Other</i>	
Water	15 - 100	Specialist Vehicles	1 - 5
Sewerage	15 - 60	Other Vehicles	1 - 5
Landfill Sites	10 - 55	Office Equipment	3 - 7
		Furniture and Fittings	7 - 10
<i>Community</i>		Plant and Equipment	2 - 10
Recreational Facilities	20 - 25		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, 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.

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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.

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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
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.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. 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.

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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 include
- 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

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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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.

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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 of 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.

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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.

11. REVENUE RECOGNITION

11. 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.

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

11. 2 Revenue from Exchange Transactions

11. 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.

11. 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.

11. 2. 3 Finance income

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

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.

11. 2. 4 Tariff Charges

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

11. 2. 5 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.

11. 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.

11. 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.

11. 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.

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

11. 3 Revenue from Non-exchange Transactions

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

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

11. 3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time 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.

11. 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 when the public prosecutor pays the cash collected over to the entity.

11. 3. 3 Public contributions

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

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

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

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11. REVENUE RECOGNITION (continued)

11. 3 Revenue from Non-exchange Transactions (continued)

11. 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.

11. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

12. 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.

13. EMPLOYEE BENEFITS

13. 1 Short-term Employee Benefits

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

The municipality 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.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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13. EMPLOYEE BENEFITS (continued)

13. 2 Post employment benefits

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

13. 2 1 Defined Contribution Plans

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

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

13. 3 Defined Benefit Plans

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

13. 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.

13. 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 employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

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.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

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.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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14. 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.

14. 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 term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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

14. 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.

14. 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.

15. 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.

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16. GRANTS-IN-AID

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

- 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.

17. 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.

18. 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.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. 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. 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.

21. 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.

22. 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.

23. 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.

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24. 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.

25. COMPARATIVE INFORMATION

25. 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.

25. 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 2012 to 30 June 2013.

26. 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.

27. 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.

28. 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 2014

2014
R

2013
R

1. GENERAL INFORMATION

Umsobomvu Local Municipality (the municipality) is a local government institution in Colesberg, Noupoort 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 are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Property Stock	370 300	370 300
Water - at cost	27 896	42 844
Total Inventories	398 196	413 144

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 R4,19 per kilolitre (2013: R3,87 per kilolitre).

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

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Service Debtors:	59 317 124	29 722 243	29 594 881
Electricity	4 934 840	1 653 328	3 281 511
Refuse	16 342 909	8 045 743	8 297 166
Sewerage	12 056 438	6 152 158	5 904 280
Water	25 982 938	13 871 014	12 111 924
Other Receivables	1 279 254	673 005	606 250
Other Consumer Services	1 279 254	673 005	606 250
Total Receivables from Exchange Transactions	60 596 378	30 395 248	30 201 130
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Service Debtors:	46 905 446	20 796 670	26 108 776
Electricity	4 796 483	1 276 122	3 520 361
Refuse	13 281 837	5 979 748	7 302 089
Sewerage	9 119 700	4 259 027	4 860 673
Water	19 707 426	9 281 773	10 425 653
Other Receivables	1 109 666	533 885	575 780
Other Debtors	1 109 666	533 885	575 780
Total Receivables from Exchange Transactions	48 015 112	21 330 556	26 684 556

Receivables from Exchange Transactions have been restated to correctly classify amounts for water and electricity billed in the previous financial year and not accrued for. Refer to Note 34.6 on "Correction of Error" for details of the restatement.

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

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

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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R 2013
R

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

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.

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 2014, the municipality is owed R1,281,419 (30 June 2013: R1,335,860) by National and Provincial Government.

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 2014

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	1 780 962	270 807	180 021	2 703 049	4 934 840
Less: Provision for Impairment	58 400	62 911	60 072	1 471 946	1 653 328
Net Balances	1 722 562	207 897	119 949	1 231 103	3 281 511
Refuse:					
Gross Balances	312 935	284 096	267 469	15 478 409	16 342 909
Less: Provision for Impairment	138 301	137 317	135 680	7 634 445	8 045 743
Net Balances	174 634	146 779	131 789	7 843 964	8 297 166
Sewerage:					
Gross Balances	464 619	325 817	298 636	10 967 366	12 056 438
Less: Provision for Impairment	141 249	138 752	136 775	5 735 382	6 152 158
Net Balances	323 370	187 065	161 861	5 231 984	5 904 280
Water:					
Gross Balances	754 724	607 639	574 255	24 046 320	25 982 938
Less: Provision for Impairment	185 433	339 424	330 512	13 015 645	13 871 014
Net Balances	569 291	268 214	243 744	11 030 675	12 111 924
Other Receivables:					
Gross Balances	31 237	21 397	19 380	1 207 241	1 279 254
Less: Provision for Impairment	12 028	11 007	10 613	639 356	673 005
Net Balances	19 209	10 389	8 767	567 884	606 250

As at 30 June Receivables of R27,392,065 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	1 509 755	1 339 762	54 402 384	57 251 901
Less: Provision for Impairment	689 411	673 652	28 496 774	29 859 837
Net Balances	820 344	666 110	25 905 610	27 392 065

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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R

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R

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)
As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	1 978 350	261 683	220 051	2 336 400	4 796 483
Less: Provision for Impairment	53 886	50 776	37 300	1 134 160	1 276 122
Net Balances	1 924 464	210 907	182 750	1 202 239	3 520 361
Refuse:					
Gross Balances	343 370	257 050	248 395	12 433 022	13 281 837
Less: Provision for Impairment	122 449	94 842	95 500	5 666 956	5 979 748
Net Balances	220 921	162 208	152 894	6 766 066	7 302 089
Sewerage:					
Gross Balances	432 471	287 068	258 801	8 141 359	9 119 700
Less: Provision for Impairment	116 097	89 791	89 956	3 963 183	4 259 027
Net Balances	316 374	197 278	168 845	4 178 176	4 860 673
Water:					
Gross Balances	978 012	500 192	426 714	17 802 508	19 707 426
Less: Provision for Impairment	382 394	198 287	185 436	8 515 657	9 281 773
Net Balances	595 618	301 905	241 278	9 286 851	10 425 653
Other Receivables:					
Gross Balances	63 550	19 064	18 362	1 008 690	1 109 666
Less: Provision for Impairment	11 621	8 749	8 694	504 822	533 885
Net Balances	51 929	10 315	9 668	503 868	575 780

As at 30 June Receivables of R23,575,250 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	1 325 057	1 172 322	41 721 979	44 219 359
Less: Provision for Impairment	442 445	416 885	19 784 779	20 644 109
Net Balances	882 613	755 437	21 937 200	23 575 250

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2014				
Current:				
0 - 30 days	2 353 196	752 176	239 105	
Past Due:				
31 - 60 Days	1 228 856	182 700	98 199	
61 - 90 Days	1 135 875	131 950	71 937	
+ 90 Days	52 117 724	1 832 414	452 246	
Sub-total	56 835 651	2 899 241	861 487	-
Less: Provision for Impairment	29 718 779	676 469	-	-
Total Trade Receivables by Customer Classification	27 116 872	2 222 772	861 487	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
Household	Industrial/ Commercial	National and Provincial Government
R	R	R
As at 30 June 2013		
<i>Current:</i>		
0 - 30 days	2 468 799	467 079
<i>Past Due:</i>		
31 - 60 Days	1 057 030	179 924
61 - 90 Days	948 860	143 387
+ 90 Days	39 651 026	1 769 831
Sub-total	44 125 715	2 560 220
Less: Provision for Impairment	20 258 046	1 065 499
Total Trade Receivables by Customer Classification	23 867 670	1 494 722

3.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	21 352 441	25 617 071
<i>All Consumer Debtors</i>	21 330 556	25 617 071
Impairment Losses recognised	9 042 807	6 626 349
<i>All Consumer Debtors</i>	9 042 807	6 626 349
Amounts recovered	-	(10 912 865)
<i>All Consumer Debtors</i>	-	(10 912 865)
Balance at end of year	30 395 248	21 330 556

Provision for Impairment have been restated to correctly classify amounts for water and electricity billed in the previous financial year and not accrued for. Refer to Note 34.6 on "Correction of Error" for details of the restatement.

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	535 411	686 447
<i>Past Due:</i>		
31 - 60 Days	689 411	442 445
61 - 90 Days	673 652	416 885
+ 90 Days	28 496 774	19 784 779
Total	30 395 248	21 330 556

3.5 Derecognition of Financial Assets

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

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R	
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Assessment Rates Debtors	5 037 149	1 999 199	3 037 950
Payments Made In Advance	31 328	-	31 328
Sundry Debtors	1 251 703	349 805	901 898
Government Subsidies	2 884 863	-	2 884 863
Total Receivables from Non-exchange Transactions	9 205 043	2 349 004	6 856 039
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Assessment Rates Debtors	4 337 768	1 708 337	2 629 431
Payments Made In Advance	5 728	-	5 728
Sundry Debtors	1 559 797	266 058	1 293 739
Government Subsidies	8 866 286	-	8 866 286
Total Receivables from Non-exchange Transactions	14 769 579	1 974 395	12 795 185

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

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

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

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 2014

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	15 756	113 161	97 586	4 810 646	5 037 149
Less: Provision for Impairment	43 559	41 590	41 410	1 872 641	1 999 199
Net Balances	(27 803)	71 571	56 176	2 938 006	3 037 950
Payments Made In Advance:					
Gross Balances	31 328	-	-	-	31 328
Less: Provision for Impairment	-	-	-	-	-
Net Balances	31 328	-	-	-	31 328
Government Subsidy Claims:					
Gross Balances	2 884 863	-	-	-	2 884 863
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2 884 863	-	-	-	2 884 863
Sundry Debtors:					
Gross Balances	568 340	26 905	20 709	635 748	1 251 703
Less: Provision for Impairment	(24 263)	10 299	8 415	355 354	349 805
Net Balances	592 603	16 607	12 294	280 394	901 898

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

As at 30 June Receivables of R3,375,047 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	140 067	118 295	5 446 394	5 704 756
Less: Provision for Impairment	51 889	49 825	2 227 995	2 329 708
Net Balances	88 178	68 470	3 218 400	3 375 047

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	63 839	100 472	85 174	4 088 283	4 337 768
Less: Provision for Impairment	42 511	27 472	27 432	1 610 922	1 708 337
Net Balances	21 328	73 000	57 742	2 477 361	2 629 431

Payments made in Advance:

Gross Balances	5 728	-	-	-	5 728
Less: Provision for Impairment	-	-	-	-	-
Net Balances	5 728	-	-	-	5 728

Government Subsidy Claims:

Gross Balances	8 866 286	-	-	-	8 866 286
Less: Provision for Impairment	-	-	-	-	-
Net Balances	8 866 286	-	-	-	8 866 286

Sundry Debtors:

Gross Balances	1 093 063	21 878	19 428	425 429	1 559 797
Less: Provision for Impairment	7 247	7 107	7 107	244 596	266 058
Net Balances	1 085 816	14 770	12 320	180 833	1 293 739

As at 30 June Receivables of R2,816,027 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	122 349	104 602	4 513 712	4 740 663
Less: Provision for Impairment	34 579	34 539	1 855 518	1 924 636
Net Balances	87 770	70 063	2 658 194	2 816 027

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 2014				
<u>Current:</u>				
0 - 30 days	10 882	(22 910)	28 938	
<u>Past Due:</u>				
31 - 60 Days	104 238	35 829	-	
61 - 90 Days	92 095	26 200	-	
+ 90 Days	4 235 202	820 198	390 994	
Sub-total	4 442 417	859 317	419 932	-
Less: Provision for Impairment	2 105 855	243 150	-	-
Total Rates Debtors by Customer Classification	2 336 562	616 167	419 932	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)		
Household	Industrial/ Commercial	National and Provincial Government
R	R	R
Other		
R		
As at 30 June 2013		
<i>Current:</i>		
0 - 30 days	208 718	949 930
<i>Past Due:</i>		
31 - 60 Days	97 197	25 095
61 - 90 Days	79 485	25 116
+ 90 Days	3 923 374	587 694
Sub-total	4 308 775	1 587 835
Less: Provision for Impairment	1 702 234	272 161
Total Rates Debtors by Customer Classification	2 606 541	1 315 673
		3 982
		57
		-
		2 644
		6 684
		-
		-

4.3 Reconciliation of Provision for Impairment

Balance at beginning of year	1 974 394	1 866 696
<i>Other Debtors</i>	211 769	200 906
<i>Assessment Rates Debtors</i>	1 762 625	1 665 790
Impairment Losses recognised	374 610	107 698
<i>Other Debtors</i>	83 748	10 863
<i>Assessment Rates Debtors</i>	290 862	96 835
Balance at end of year	2 349 005	1 974 394

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	1 999 199	1 708 337
Sundry Debtors	349 805	266 058
Total Provision for Impairment on Receivables from Non-exchange Transactions	2 349 004	1 974 395

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
5. CASH AND CASH EQUIVALENTS		
Current Investments	9 506 601	10 645 318
Bank Accounts	10 436 420	23 760 879
Cash and Cash Equivalents	3 700	3 700
Total Bank, Cash and Cash Equivalents	<u>19 946 722</u>	<u>34 409 897</u>

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

5.1 Current Investment Deposits

Notice Deposits	9 506 601	10 645 318
Total Current Investment Deposits	<u>9 506 601</u>	<u>10 645 318</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.10 % to 5,75 % (2011: 5% to 7,50%) per annum.

Deposits attributable to Unspent Conditional Grants	9 506 601	10 645 318
Total Deposits attributable to Commitments of the Municipality	<u>9 506 601</u>	<u>10 645 318</u>

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	8 752 417	-
STANDARD BANK	2889-015-41-001	Notice Deposit	151 485	151 485
			<u>8 987 540</u>	<u>235 123</u>
FIRST NATIONAL BANK	74107-295-062	Notice Deposit	24 356	24 356
			<u>24 356</u>	<u>24 356</u>
ABSA	2063-506-922	Notice Deposit	116 442	110 764
ABSA	2069-495-799	Notice Deposit	10 345	9 914
ABSA	2072-027-769	Notice Deposit	-	9 915 162
ABSA	20-7346-8449	Notice Deposit	367 919	350 000
			<u>9 506 601</u>	<u>10 645 318</u>

5.2 Bank Accounts

Cash in Bank	10 436 420	23 760 879
Total Bank Accounts	<u>10 436 420</u>	<u>23 760 879</u>

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank - Colesberg - Account Number: 2440000005

Cash book balance at beginning of year	23 760 879	972 267
Cash book balance at end of year	<u>6 622 034</u>	<u>23 760 879</u>

Bank statement balance at beginning of year	8 550 925	972 267
Bank statement balance at end of year	<u>7 639 329</u>	<u>8 550 925</u>

ABSA Bank - Colesberg - Account Number: 4052875289

Cash book balance at beginning of year	6 842 348	9 459 342
Cash book balance at end of year	<u>1 442 879</u>	<u>6 842 348</u>

Bank statement balance at beginning of year	7 033 752	9 459 342
Bank statement balance at end of year	<u>1 498 297</u>	<u>7 033 752</u>

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
5. CASH AND CASH EQUIVALENTS (Continued)		
<i>Standard Bank - Noupoot - Account Number: 280412835</i>		
Cash book balance at beginning of year	7 310 057	290 281
Cash book balance at end of year	<u>1 771 670</u>	<u>7 310 057</u>
Bank statement balance at beginning of year	7 310 394	290 280
Bank statement balance at end of year	<u>1 752 490</u>	<u>7 310 394</u>
<i>ABSA Bank - Colesberg - Account Number : 4061642031</i>		
Cash book balance at beginning of year	1 468 760	896 477
Cash book balance at end of year	<u>599 837</u>	<u>1 468 760</u>
Bank statement balance at beginning of year	1 468 760	311 968
Bank statement balance at end of year	<u>599 837</u>	<u>1 468 760</u>

An amount of R11 164 521 (2013: R24 001 641) 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	<u>3 700</u>	<u>3 700</u>

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

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

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

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

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	7 096	6 287
Operating Lease Revenue recorded	23	809
Total Operating Lease Receivables	<u>7 119</u>	<u>7 096</u>

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 (2013: 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.

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	5 199	7 119
2 to 5 years	5 359	10 128
More than 5 years	779	1 209
Total Operating Lease Arrangements	<u>11 337</u>	<u>18 456</u>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R23 (2013: decrease of R809) 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 2014

7 PROPERTY, PLANT AND EQUIPMENT

30 June 2014

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Rehabilitation Landfill Site	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2013	41 206 598	420 453 014	8 326 852	9 739 747	479 726 211
Cost	48 297 122	819 144 287	10 079 874	17 020 820	894 542 103
- Completed Assets	44 530 149	722 914 439	10 079 874	17 020 820	794 545 282
- Under Construction	3 766 973	96 229 848	-	-	99 996 821
Accumulated Impairment Losses	-	-	-	(378 183)	(378 183)
Accumulated Depreciation:	(7 090 524)	(398 691 273)	(1 753 022)	(6 902 890)	(414 437 708)
- Cost	(7 090 524)	(398 691 273)	(1 753 022)	(6 902 890)	(414 437 708)
Acquisitions	-	468 773	-	4 084 456	4 553 229
Capital under Construction - Additions:	59 670	45 799 348	-	-	45 859 018
- Cost	59 670	45 799 348	-	-	45 859 018
Additions	59 670	45 799 348	-	-	45 859 018
Depreciation:	(516 876)	(24 852 856)	(416 343)	(1 997 096)	(27 783 170)
- Based on Cost	(516 876)	(24 852 856)	(416 343)	(1 997 096)	(27 783 170)
Carrying value of Disposals:	-	-	-	(28 482)	(28 482)
- Cost	-	-	-	(100 750)	(100 750)
- Accumulated Impairment Losses	-	-	-	85	85
- Accumulated Depreciation	-	-	-	72 183	72 183
Based on Cost	-	-	-	72 183	72 183
Impairment Losses	-	-	-	(31 459)	(31 459)
Carrying values at 30 June 2014	40 749 392	441 868 279	7 910 510	11 767 167	502 295 348
Cost	48 356 792	865 412 407	10 079 874	21 004 526	944 853 600
- Completed Assets	44 530 149	723 383 212	10 079 874	21 004 526	798 997 761
- Under Construction	3 826 644	142 029 196	-	-	145 855 839
Accumulated Impairment Losses	-	-	-	(409 557)	(409 557)
Accumulated Depreciation:	(7 607 400)	(423 544 128)	(2 169 364)	(8 827 803)	(442 148 696)
- Cost	(7 607 400)	(423 544 128)	(2 169 364)	(8 827 803)	(442 148 696)

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2013

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Rehabilitation Landfill Site	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2012	41 653 408	402 404 132	8 765 108	7 965 977	460 788 625
Cost	48 247 647	777 036 311	10 079 874	13 289 131	848 652 963
- Completed Assets	44 530 149	711 341 360	10 079 874	13 289 131	779 240 513
- Under Construction	3 717 498	65 694 951	-	-	69 412 449
Accumulated Impairment Losses	-	-	-	(227 349)	(227 349)
Accumulated Depreciation:	(6 594 239)	(374 632 179)	(1 314 766)	(5 095 805)	(387 636 989)
- Cost	(6 594 239)	(374 632 179)	(1 314 766)	(5 095 805)	(387 636 989)
Acquisitions	-	11 573 080	-	3 956 645	15 529 725
Capital under Construction - Additions:	49 475	30 534 897	-	-	30 584 372
- Cost	49 475	30 534 897	-	-	30 584 372
Additions	49 475	30 534 897	-	-	30 584 372
Depreciation:	(496 286)	(24 059 094)	(438 255)	(1 986 093)	(26 979 728)
- Based on Cost	(496 286)	(24 059 094)	(438 255)	(1 986 093)	(26 979 728)
Carrying value of Disposals:	-	-	-	(45 948)	(45 948)
- Cost	-	-	-	(224 957)	(224 957)
- Accumulated Depreciation	-	-	-	179 008	179 008
Based on Cost	-	-	-	179 008	179 008
Impairment Losses	-	-	-	(150 834)	(150 834)
Carrying values at 30 June 2013	41 206 598	420 453 014	8 326 852	9 739 747	479 726 211
Cost	48 297 122	819 144 287	10 079 874	17 020 820	894 542 103
- Completed Assets	44 530 149	722 914 439	10 079 874	17 020 820	794 545 282
- Under Construction	3 766 973	96 229 848	-	-	99 996 821
Accumulated Impairment Losses	-	-	-	(378 183)	(378 183)
Accumulated Depreciation:	(7 090 524)	(398 691 273)	(1 753 022)	(6 902 890)	(414 437 708)
- Cost	(7 090 524)	(398 691 273)	(1 753 022)	(6 902 890)	(414 437 708)

Property, Plant and Equipment have been restated to correctly classify amounts held for Heritage Assets in terms of GRAP 103, previously included in Property, Plant and Equipment. Refer to Note 42.1 on "Change in Accounting Policy" for details of the restatement.

The leased Property, Plant and Equipment is secured as set out in Note 18.

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 2014

2014
R 2013
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 R31,459 (2013: R150,832) 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 R1,09 million, which has been recognised in the Statement of Financial Performance.

Other Assets: Computer Equipment	1 608	3 610
Other Assets: Furniture and Office Equipment	4 175	12 039
Other Assets: Motor Vehicles	-	126 504
Other Assets: Machinery and Equipment	25 675	8 679
Total Impairment of Property, Plant and Equipment	31 459	150 832

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

There was no change (2012/13: R0) in the estimated useful life of various assets of the municipality for the financial year.

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.

8 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses **72 886** **165 995**

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying values at 01 July 2013	165 995	165 995
Cost	1 658 661	1 658 661
Accumulated Amortisation	(1 492 666)	(1 492 666)
Acquisitions:	16 790	16 790
Purchased	16 790	16 790

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
8 INTANGIBLE ASSETS (Continued)		
Amortisation:	(109 899)	(109 899)
Purchased	(109 899)	(109 899)
Carrying values at 30 June 2014	72 886	72 886
Cost	1 675 451	1 675 451
Accumulated Amortisation	(1 602 565)	(1 602 565)
	Computer Software	Total
Carrying values at 01 July 2012	255 970	255 970
Cost	1 650 481	1 650 481
Accumulated Amortisation	(1 394 511)	(1 394 511)
Acquisitions:	8 180	8 180
Purchased	8 180	8 180
Amortisation:	(98 154)	(98 154)
Purchased	(98 154)	(98 154)
Carrying values at 30 June 2013	165 995	165 995
Cost	1 658 661	1 658 661
Accumulated Amortisation	(1 492 666)	(1 492 666)

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 R29 761 (2012: R160 714). 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	1 654 811	1 654 811
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The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	1 654 811	1 654 811
Fair Value	1 654 811	1 654 811

Carrying values at 30 June	1 654 811	1 654 811
Fair Value	1 654 811	1 654 811

Estimated Fair Value of Investment Property at 30 June	1 654 811	1 654 811
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UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
9 INVESTMENT PROPERTY (Continued)		
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	269 489	273 880

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 DCR Consultants. 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.

10 CONSUMER DEPOSITS

Electricity and Water	697 140	673 889
Total Consumer Deposits	697 140	673 889
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 fair values.

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	141 564	129 264
Current Portion of Long-term Service:	182 905	205 777
Current Portion of Non-Current Provisions:	600 636	571 816
	600 636	
Total Provisions	925 105	906 857

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
11 PROVISIONS (Continued)		
	Rehabilitation of Land-fill Sites	Long-term Service
	R	R
30 June 2014		
Balance at beginning of year	571 816	129 264
Transfer from non-current	28 820	(22 872)
Balance at end of year	<u>600 636</u>	<u>141 564</u>
	Rehabilitation of Land-fill Sites	Long-term Service
	R	R
30 June 2013		
Balance at beginning of year	-	108 239
Transfer from non-current	571 816	29 294
Balance at end of year	<u>571 816</u>	<u>129 264</u>

12 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	9 622 177	14 833 601
Retentions	3 738 804	1 049 625
Other Creditors	2 531 703	796 627
Total Payables	<u>15 892 685</u>	<u>16 679 853</u>

Payables from Exchange transactions have been restated to correctly classify amounts due for Creditors not accrued for previously. Refer to Note 36.4 on "Correction of Error" for details of the restatement.

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.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
13 PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Staff Bonuses	606 833	557 470
Staff Leave Accrued	1 777 655	1 856 935
Sundry Deposits	1 724	1 379
Total Payables	2 386 212	2 415 783

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.

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

	11 164 521	24 001 641
National Government Grants	7 897 405	8 806 814
Provincial Government Grants	3 267 115	15 194 827
Total Conditional Grants and Receipts	11 164 521	24 001 641

Unspent Conditional Grants and Receipts have been restated to correctly classify amounts held for Own and Public Contributions, previously included in Creditors. Refer to Note 39.4 on "Correction of Error" for details of the restatement.

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.

15 VAT PAYABLE

Vat Payable.	1 213 335	285 904
Vat Payable	1 213 335	285 904

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.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
16 LONG-TERM LIABILITIES		
Annuity Loans	4 072 743	4 259 351
Finance Lease Liabilities	160 689	304 486
Sub-total	4 233 432	4 563 837
Less: Current Portion transferred to Current Liabilities:-	933 312	864 423
Annuity Loans	801 010	729 921
Finance Lease Liabilities	132 301	134 502
Total Long-term Liabilities (Neither past due, nor impaired)	3 300 120	3 699 414

16.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 2 to 11 (2013: 1 to 12) years and at interest rates varying from 9,25% to 16,50% (2013: 9,25% to 16,50%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates toIT Equipment with lease terms of 5 (2013: 5) years. The effective interest rate on Finance Leases is between 13,21% and 48,13% (2013: 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 (2013: 5 years). The effective interest rate on Finance Leases is between 9.00% and 15.00% (2011: 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.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2014 R	2013 R	2014 R	2013 R
Amounts payable under finance leases:				
Within one year	141 597	157 501	141 597	157 501
In the second to fifth years, inclusive	28 387	169 984	28 387	169 984
Over five years	-	-	-	-
	169 984	327 485	169 984	327 485
Less: Future Finance Obligations	9 295	22 999	9 295	22 999
Present Value of Minimum Lease Obligations	160 689	304 486	160 689	304 486
Less: Amounts due for settlement within 12 months (Current Portion)			132 301	134 502
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			292 990	438 988

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

- Office Equipment
- Vehicles

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
16 LONG-TERM LIABILITIES (Continued)		
Included in these classes are the following significant leases:		
(i) Printers	R 160 061	R 273 403
- Instalments are payable Monthly in advance		
- Average period outstanding	30 months	30 months
- Average effective interest rate	10.00%	10.00%
- Average quarterly instalment	R 22 935.63	R 22 935.63
17 EMPLOYEE BENEFIT LIABILITY		
Post-retirement Health Care Benefits Liability	10 534 737	8 207 340
Provision for Long Service Awards	1 057 435	1 019 328
Total Employee Benefits	<u>11 592 172</u>	<u>9 226 668</u>

17.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	8 336 604	6 980 619
Expected Employer Benefit Payments	(129 264)	(71 112)
Current-service Cost	585 305	522 730
Interest Cost	765 648	579 616
Actuarial (Gain)/Loss Recognised in P&L	1 118 008	324 751
Balance at end of Year	<u>10 676 301</u>	<u>8 336 604</u>
Transfer to Current Provisions	(141 564)	(129 264)
Total Post-retirement Health Care Benefits Liability	<u>10 534 737</u>	<u>8 207 340</u>

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.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 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)	47	37
In-service Non-members (Employees)	128	164
Continuation Members (Retirees, widowers and orphans)	3	3
Total Members	<u>178</u>	<u>204</u>

The liability in respect of past service has been estimated as follows:

In-service Members	5 708 579	4 047 265
Continuation Members	2 351 726	2 085 840
Total Liability	<u>8 060 305</u>	<u>6 133 105</u>

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R			
17 EMPLOYEE BENEFIT LIABILITY (Continued)					
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 2014 is estimated to be R585,305, whereas the cost for the ensuing year is estimated to be R2 177 341 (30 June 2013: R522,730 and R585,305 respectively).					
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount Rate	9.27%	9.25%			
Health Care Cost Inflation Rate	8.37%	7.81%			
Net Effective Discount Rate	0.83%	1.34%			
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	8 336 604	6 980 619			
Current service costs	585 305	522 730			
Interest cost	765 648	579 616			
Benefits paid	(129 264)	(71 112)			
Actuarial losses / (gains)	1 118 008	324 751			
Present Value of Fund Obligation at the end of the Year	10 676 301	8 336 604			
Total Recognised Benefit Liability	10 676 301	8 336 604			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	10 676 301	8 336 604			
Unfunded Accrued Liability	10 676 301	8 336 604			
Total Benefit Liability	10 676 301	8 336 604			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	585 305	522 730			
Interest cost	765 648	579 616			
Actuarial losses / (gains)	1 118 008	324 751			
Total Post-retirement Benefit included in Employee Related Costs (Note 26)	2 468 961	1 355 985			
The history of experienced adjustments is as follows:					
	2014	2013	2012	2011	2010
	R	R	R	R	R
Present Value of Defined Benefit Obligation	10 676 301	8 336 604	6 980 619	6 780 550	5 912 204
Deficit	10 676 301	8 336 604	6 980 619	6 780 550	5 912 204

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
17 EMPLOYEE BENEFIT LIABILITY (Continued)		
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	1 629 700	1 332 300
Effect on the defined benefit obligation	1 130 100	1 138 200
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	1 394 200	920 800
Effect on the defined benefit obligation	1 468 000	1 190 300

The municipality expects to make a contribution of R891 070 (2013: R585 305) to the Defined Benefit Plans during the next financial year.

Refer to Note 43, "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

	2014 R	2013 R
Balance at beginning of year	1 225 105	1 050 699
Contributions to provision	(205 777)	(139 363)
Increase due to discounting	79 953	63 388
Expenditure incurred	157 432	190 876
Reduction due to re-measurement	(16 373)	59 505
	1 240 340	1 225 105
Transfer to current provisions	(182 905)	(205 777)
Balance at end of year	1 057 435	1 019 328

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 most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 175 (2013: 198) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2014 is estimated to be R157,432, whereas the cost for the ensuing year is estimated to be R972 461 (30 June 2013: R190,876 and R157,432 respectively).

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

Discount Rate	7.83%	7.11%
Net Effective Discount Rate	0.73%	0.35%
Expected Rate of Salary Increase	7.05%	6.74%
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	60	60

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
17 EMPLOYEE BENEFIT LIABILITY (Continued)		
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	1 225 105	1 050 699
Current service costs	157 432	190 876
Interest cost	79 953	63 388
Benefits paid	(205 777)	(139 363)
Actuarial losses / (gains)	(16 373)	59 505
Present Value of Fund Obligation at the end of the Year	1 240 340	1 225 105
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	1 240 340	1 225 105
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 240 340	1 225 105
Unfunded Accrued Liability	1 240 340	1 225 105
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	1 240 340	1 225 105
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	157 432	190 876
Interest cost	79 953	63 388
Actuarial losses / (gains)	(16 373)	59 505
Total Post-retirement Benefit included in Employee Related Costs (Note 26)	221 012	313 769

The history of experienced adjustments is as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Present Value of Defined Benefit Obligation	1 240 340	1 225 105	1 050 699	911 801	750 586
Deficit	1 240 340	1 225 105	1 050 699	911 801	750 586

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	254 100	270 100
Effect on the defined benefit obligation	231 200	277 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	221 400	240 000
Effect on the defined benefit obligation	243 200	220 200

The municipality expects to make a contribution of R146 810 (2013: R157 432) to the defined benefit plans during the next financial year.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
18 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	11 316 739	17 754 105
Total Non-current Provisions	<u><u>11 316 739</u></u>	<u><u>17 754 105</u></u>

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

	Land-fill Sites	
	R	
30 June 2014		
Balance at beginning of year		18 325 921
Contributions to provision		(6 408 547)
		11 917 375
Transfer to current provisions		(600 636)
Balance at end of year		<u><u>11 316 739</u></u>
	Land-fill Sites	
	R	
30 June 2013		
Balance at beginning of year		12 098 011
Contributions to provision		6 227 911
		18 325 921
Transfer to current provisions		(571 816)
Balance at end of year		<u><u>17 754 105</u></u>

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 R11,316,739 (2013: R17,754,105) to restore the site at the end of its useful life, estimated to be in 2015. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

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	18 325 921	12 098 011
Contributions in current year	(6 408 547)	6 227 911
Rehabilitation expenditure during the year		-
Less: Transfer to Current Provisions (Boy Louw)		-
Balance of landfill site	<u><u>11 917 375</u></u>	<u><u>18 325 921</u></u>

The council will incur rehabilitation cost on its seven dumping/landfill sites over the period 2012/13 up to 2018/19. Provision has been made for the net present value of this cost.

	Proposed rehabilitation	2014	2013
Noupoort	2032/2033	3 771 854	6 025 112
Norvalspont	2032/2033	3 938 032	5 308 382
Colesberg	2032/2033	4 207 489	6 992 427
		<u><u>11 917 375</u></u>	<u><u>18 325 921</u></u>

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 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	501 817 566	479 155 014
Total Accumulated Surplus	502 010 910	479 348 358

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 33.1 to 33.7 "Correction of error" for details of the restatements.

- Recognition of Property, Plant and Equipment - Note 33.3
- Recognition of Trade Payables - Note 33.3
- Recognition of VAT Payable - Note 33.4
- Recognition of Unspent Conditional Grants - Note 33.5
- Reclassification of Trade Receivables from Exchange - Note 33.6
- Reclassification of Services Charges - Note 33.6
- Recognition of Operating Lease Receivables - Note 33.7
- Recognition of Operating Lease Payables - Note 33.4

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

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

20 PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2014 R000's	July 2013 R000's		
Agricultural	625 274 331	617 632 586	272 815	278 886
Commercial	71 464 536	70 591 137	1 104 554	1 129 133
Municipal	864 136	853 575	793	810
Residential	440 038 005	434 660 112	3 213 006	3 284 502
State	14 809 473	14 628 480	40 404	41 303
Total Property Rates	1 152 450 480	1 138 365 890	4 631 572	4 734 634

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 2008.

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: 1.1573 c/R (2012/13: 1.0918 c/R)
- Business Properties: 1.369 c/R (2012/13: 1.2915 c/R)
- Agricultural Properties: 0.2894 c/R (2012/13: 0.2730 c/R)
- State Properties: 1.866 c/R (2012/13: 1.7604 c/R)

A discount of 20,00% (2013/2012: 20,00%) was granted on properties owned by the State and a discount of 25% 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.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
21 GOVERNMENT GRANTS AND SUBSIDIES		
National Equitable Share	30 684 000	29 319 000
Operational Grants	<u>30 684 000</u>	<u>29 319 000</u>
Conditional Grants	86 281 106	84 392 130
National Government: EQUITABLE SHARE	30 684 000	29 319 000
National Government: FINANCE MANAGEMENT GRANT	1 650 000	1 500 000
National Government: MIG	13 125 968	12 253 953
National Government: MSIG	890 000	800 000
National Government: DWAF	28 040 055	26 262 729
National Government: EEDG	3 782 881	11 440 416
National Government: INEP	2 280 702	1 413 496
Provincial Government: DEPT. PUBLIC WORKS	3 249 545	683 746
Provincial Government: DEPT. SPORT, ARTS AND CULTURE	708 000	715 000
Other Government: DBSA	-	3 790
Provincial Government: DEPT. PUBLIC WORKS - Kgotso Pula Nala	1 869 955	-
Total Government Grants and Subsidies	<u>86 281 106</u>	<u>84 392 130</u>

Government Grants and Subsidies have been restated to correctly classify revenue to be included in the category of Government Grants and Subsidies for Library Books donated. Refer to Note 42.2 on "Correction of Error" for details of the restatement.

Operational Grants:

21.1 National: Equitable Share	<u>30 684 000</u>	<u>29 319 000</u>
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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 (2013: 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.

Conditional Grants:

21.2 National: Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	23 593 000	26 171 000
Conditions met - transferred to Revenue: Operating Expenses	(30 684 000)	(29 319 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	7 091 000	3 148 000
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

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. Unspent portion of the Electricity Demand Side Management Grant from the 2013 financial year was deducted from the Equitable Share, total amount of R7 091 000. The unspent portion of the Municipal Infrastructure Grant and Integrated National Electrification Programme (Eskom) for 2011 was deducted from the Equitable Share in the previous financial year, total amount of R3 148 000

21.3 National: Financial Management Grant

Balance unspent at beginning of year	-	-
Current year receipts	1 650 000	1 500 000
Conditions met - transferred to Revenue: Operating Expenses	(1 650 000)	(1 500 000)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

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

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
21 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.4 National: Municipal Infrastructure Grant		
Balance unspent at beginning of year	8 011 916	8 861 879
Current year receipts	13 550 000	14 271 000
Conditions met - transferred to Revenue: Operating Expenses	(764 422)	(790 000)
Conditions met - transferred to Revenue: Capital Expenses	(12 361 546)	(11 463 953)
Conditions met - transferred to Revenue: VAT portion released	(1 333 441)	(1 200 251)
Other Adjustments/Refunds	-	(1 666 759)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>7 102 507</u>	<u>8 011 916</u>

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. An amount of R0 (2013: R1 666 759) has been withheld for the unspent portion of the 2011 financial year. This amount has been deducted from the Equitable Share allocation of the current financial year.

21.5 National: Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	-
Current year receipts	890 000	800 000
Conditions met - transferred to Revenue: Operating Expenses	(890 000)	(800 000)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

21.6 National: Department Water Affairs and Forestry (DWAF)

Balance unspent at beginning of year	(8 822 905)	(7 060 450)
Current year receipts	37 723 600	28 172 635
Conditions met - transferred to Revenue: Capital Expenses	(28 040 055)	(26 262 729)
Conditions met - transferred to Revenue: VAT portion released	(3 702 121)	(3 672 361)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(2 841 482)</u>	<u>(8 822 905)</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	12 071 020	19 932 398
Current year receipts	-	5 000 000
Conditions met - transferred to Revenue: Operating Expenses	(3 782 881)	(11 440 416)
Conditions met - transferred to Revenue: VAT portion released	(469 522)	(1 420 962)
Other Adjustments/Refunds	(7 091 000)	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>727 617</u>	<u>12 071 020</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. An unspent amount of R7 091 000 (2013: R0) has been withheld.

21.8 National: Integrated National Electrification Programme

Balance unspent at beginning of year	-	(1 481 241)
Current year receipts	2 600 000	3 300 000
Conditions met - transferred to Revenue: Capital Expenses	(2 280 702)	(1 413 496)
Conditions met - transferred to Revenue: VAT portion released	(319 298)	(405 263)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
21 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.9 Provincial: Expanded Public Works Programme Integrated Grant for Municipalities		
Balance unspent at beginning of year	2 955 506	-
Current year receipts	1 000 000	3 651 264
Conditions met - transferred to Revenue: Operating Expenses	(419 770)	(683 746)
Conditions met - transferred to Revenue: Capital Expenses	(2 829 774)	-
Conditions met - transferred to Revenue: VAT portion released	(64 912)	(12 012)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>641 050</u>	<u>2 955 506</u>

Expenses were incurred to promote rural development and upgrade of road infrastructure. No funds have been withheld.

21.10 Provincial: Department of Arts and Culture

Balance unspent at beginning of year	-	-
Current year receipts	708 000	715 000
Conditions met - transferred to Revenue: Operating Expenses	(708 000)	(715 000)
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.

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>

No funds have been withheld.

21.13 Other Government: DBSA

Balance unspent at beginning of year	664 046	-
Current year receipts	-	668 366
Conditions met - transferred to Revenue: Operating Expenses	-	(3 789)
Conditions met - transferred to Revenue: VAT portion released	-	(531)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>664 046</u>	<u>664 046</u>

No funds have been withheld.

21.14 Provincial: Expanded Public Works Programme Integrated Grant for Municipalities - Kgotso Pula Nala

Balance unspent at beginning of year	-	-
Current year receipts	3 600 000	-
Conditions met - transferred to Revenue: Operating Expenses	(1 869 870)	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>1 730 130</u>	<u>-</u>

The municipality received this grant from the Department of Public Works for cleaning the grave sites in the municipal area. The grant was utilised for this purpose. No funds have been withheld.

21.15 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2014), 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 2014

	2014 R	2013 R
22 SERVICE CHARGES		
Sale of Electricity	22 239 871	19 804 345
Sale of Water	11 030 306	9 648 580
Refuse Removal	5 446 927	4 934 277
Sewerage and Sanitation Charges	7 017 048	6 142 683
Total Service Charges	45 734 153	40 529 884
Attributable to:		
Continuing Operations	45 734 153	40 529 884
Discontinued Operations	-	-
	45 734 153	40 529 884

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

Operating Lease Rental Revenue:		
- Investment Property	269 489	273 880
Rental Revenue from Buildings	8 143	8 175
Rental Revenue from Halls	46 447	37 805
Rental Revenue from Land	67 368	73 994
Rental Revenue from Machinery	15 359	19 929
Total Rental of Facilities and Equipment	406 805	413 783
Attributable to:		
Continuing Operations	406 805	413 783
Discontinued Operations	-	-
	406 805	413 783

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	170 266	165 115
	170 266	165 115
External Investments:		
Bank Account	45 378	17 051
Investments	647 495	897 216
	692 873	914 267
Outstanding Debtors:		
Outstanding Billing Debtors	1 634 305	1 813 445
	1 634 305	1 813 445
Total Interest Earned	2 497 443	2 892 827
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	692 873	914 267
Loans and Receivables	1 804 571	1 978 560
	2 497 443	2 892 827
	2 497 443	2 892 827

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
25 OTHER REVENUE		
Advertising Boards	3 600	10 850
Bloem Water Contribution	-	891 284
Brick Oven	15 436	15 504
Building Plan Fees	13 492	13 511
Cemetery Fees	22 270	20 718
Commission On Collections	64 458	56 110
Dumping Fees	6 214	6 635
Guest House	3 597	2 544
Insurance Claims	158 737	1 953 792
Other Income	310 712	175 991
Photocopies	2 200	2 831
Re-Zone	16 590	10 875
Sand, Gravel & Soil	8 812	13 250
Sdl Claims	150 325	158 243
Tender Documents	9 561	42 213
Vat Income	5 889 296	6 692 673
Total Other Revenue	6 675 300	10 067 024
Attributable to:		
Continuing Operations	6 675 300	10 067 024
Discontinued Operations	-	-
	6 675 300	10 067 024

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	24 576 575	22 672 667
Basic Salaries and Wages	22 872 816	21 123 170
Long Service Bonuses	15 235	162 202
Service Bonuses	1 688 524	1 387 295
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	4 660 934	4 117 242
Group Life	5 263	4 407
Medical	737 412	510 525
Pension	3 384 045	3 031 151
Industrial Council Levy	-	22
Skills Development Levy	321 488	371 201
UIF	212 726	199 936
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	775 752	724 466
Allowances	775 752	724 466
Housing Benefits and Allowances	44 654	46 350
Overtime Payments	1 297 638	1 225 861
Defined Benefit Plan Expense:	2 339 697	1 355 985
Current Service Cost	585 305	522 730
Interest Cost	765 648	579 616
Expected Return on Plan Assets	(129 264)	(71 112)
Net Actuarial (gains)/losses recognised	1 118 008	324 751
Total Employee Related Costs	33 695 250	30 142 571
Attributable to:		
Continuing Operations	33 695 250	30 142 571
	33 695 250	30 142 571

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 2014

	2014 R	2013 R
26 EMPLOYEE RELATED COSTS (Continued)		
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	824 880	844 491
Annual Bonus	150 515	83 015
Car and Other Allowances	331 347	134 250
Company Contributions to UIF, Medical and Pension Funds	1 856	1 782
Total	<u>1 308 597</u>	<u>1 063 538</u>
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	622 675	571 089
Annual Bonus	53 076	66 412
Leave Pay-out	45 251	-
Car and Other Allowances	19 104	136 594
Company Contributions to UIF, Medical and Pension Funds	1 856	1 782
Total	<u>741 962</u>	<u>775 877</u>
<i>Remuneration of the Manager: Community Services</i>		
Annual Remuneration	-	134 241
Annual Bonus	-	61 201
Car and Other Allowances	-	28 798
Company Contributions to UIF, Medical and Pension Funds	-	390
Total	<u>-</u>	<u>224 630</u>
<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	568 548	-
Leave Pay-out	120 669	-
Car and Other Allowances	150 599	-
Company Contributions to UIF, Medical and Pension Funds	1 856	-
Total	<u>841 672</u>	<u>-</u>
<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	693 260	635 683
Annual Bonus	53 076	66 412
Leave Pay-out	47 866	-
Car and Other Allowances	151 509	72 000
Company Contributions to UIF, Medical and Pension Funds	1 856	1 782
Total	<u>947 567</u>	<u>775 877</u>

27 REMUNERATION OF COUNCILLORS

Mayor	476 012	455 830
Councillors	1 983 385	1 627 867
Other Allowances (Cellular Phones, Housing, Transport, etc.)	532 693	404 589
Telephone Allowance	208 680	137 177
Travelling Allowance	324 013	267 412
Total Councillors' Remuneration	<u>2 992 090</u>	<u>2 488 286</u>

Remuneration of Councillors:

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

The Mayor has use of a Council owned vehicle for official duties.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
28 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	27 783 134	26 979 728
Amortisation: Intangible Assets	109 899	98 154
Total Depreciation and Amortisation	<u>27 893 034</u>	<u>27 077 882</u>
Attributable to:		
Continuing Operations	27 893 034	27 077 882
	<u>27 893 034</u>	<u>27 077 882</u>

Depreciation and Amortisation have been restated to correctly disclose the expense on correction of opening balance and 2013 balance terms in terms of GRAP 17. Refer to Note 42.2 on "Correction of Error" for details of the restatement.

29 IMPAIRMENT LOSSES

29.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:	31 459	150 832
Property, Plant and Equipment	<u>31 459</u>	<u>150 832</u>
	<u>31 459</u>	<u>150 832</u>

29.2 Impairment Losses on Financial Assets

Impairment Losses Recognised:	8 574 703	6 734 048
Receivables from Exchange Transactions	<u>8 246 098</u>	<u>6 626 349</u>
Receivables from Non-exchange Transactions	<u>328 605</u>	<u>107 698</u>

Total Impairment Losses	<u>8 606 162</u>	<u>6 884 880</u>
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Attributable to:		
Continuing Operations	8 606 162	6 884 880
	<u>8 606 162</u>	<u>6 884 880</u>

Impairment Losses have been restated to correctly classify revenue raised for Interest on Outstanding Billing Debtors, now included in Interest Earned. Refer to Note 39.3 on "Correction of Error" for details of the restatement.

30 FINANCE COSTS

Finance Leases	22 999	37 448
Loans and Payables at amortised cost	442 602	89 075
Total Interest Expense	<u>465 601</u>	<u>126 524</u>

Total Interest Paid on External Borrowings	<u>465 601</u>	<u>126 524</u>
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Attributable to:		
Continuing Operations	465 601	126 524
	<u>465 601</u>	<u>126 524</u>

The weighted average capitalisation rate on funds borrowed generally is 5,27% per annum (2013: 5,24% per annum).

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
31 BULK PURCHASES		
Electricity	18 138 569	15 537 775
Water	271 917	217 728
Total Bulk Purchases	18 410 486	15 755 503

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".

32 GENERAL EXPENSES

Included in General Expenses are the following:

Advertising	142 911	182 698
Audit Fees	1 941 312	1 699 589
Bank Charges	235 872	211 725
Branding Of The Municipality	350 339	1 083 596
Cleaning Costs	25 596	24 911
Consumer Debtors	6 379 605	2 886 666
Entertainment	35 025	58 113
EPWP Grave Cleaning Project	1 869 495	-
EPWP Stormwater Project	419 770	683 746
Fuel And Oil	1 374 454	1 177 210
Indigent Support	6 214 468	5 915 721
Insurance	470 980	755 266
Landfill Sites Expenses	(6 408 547)	6 227 911
Lease Charges	254 969	195 027
Legal Cost	288 864	611 870
Library Costs	539 070	499 082
Licences	65 079	63 886
Local Economical Development	1 379 405	540 094
Material	93 956	67 434
Membership Fees	458 000	406 000
Other General Expenses	1 390 369	1 083 975
Postage And Telegrams	199 679	159 510
Printing And Stationery	195 662	188 601
Project - Solar Geyser	3 100 172	11 222 176
Special Programme - Learnerships	181 250	-
Special Programme - IT Support	583 161	522 763
Special Programme - M S I G	1 149 141	678 584
Special Programme - M F M A	1 544 216	1 235 001
Special Programme - Aids Day	4 640	-
Special Programme - EEDMS	432 710	18 240
Special Programme - Norval Water Feasibility	118 231	368 291
Special Programme - Water Training (Dbsa)	-	3 789
Special Programme - Community Participation	54 065	45 452
Subsistence And Travelling	1 647 402	1 508 068
Telephone Cost	694 243	572 575
Traffic	515 602	610 363
Training Cost	358 436	98 299
Uniforms And Protective Clothing	88 514	75 768
Valuation	796 275	-
Ward Committee Meeting Costs	241 134	204 000
Workmen's Compensation	776 426	2 641
Total General Expenses	30 201 949	41 888 642

General Expenses have been restated to correctly classify expenditure incurred in terms of a VAT Audit performed. Refer to Note 36 on "Correction of Error" for details of the restatement.

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.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
32 GENERAL EXPENSES (Continued)		
32.1 Material Losses	7 051 054	5 652 231
Distribution Losses:		
Electricity Losses	3 962 705	2 370 081
Water Losses	3 088 349	3 282 150

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 48.9).

No other extra-ordinary expenses were incurred.

33 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:

Statement of Financial Position:

Trade Receivables from Exchange Transactions	(483 309)	(483 309)
VAT Payable	488 010	488 010
Property, Plant and Equipment	(1 201 699)	(1 201 699)
Intangible Assets	6 699	6 699
Creditors	(1 759 198)	(1 759 198)
Unspent Conditional Grants and Receipts	5 888 080	5 888 080
Operating Lease Liability	7 096	7 096
Accumulated Surplus / (Deficit) - Prior Year Adjustments	(3 535 529)	(3 535 529)
Accumulated Surplus / (Deficit) - (Surplus) / Deficit for the Year	589 850	589 850
	-	-

Statement of Financial Performance:

Government Grants and Subsidies Received	1 481 241
Service Charges	433 572
Rental of Facilities and Equipment	(809)
Depreciation and Amortisation	(958 851)
Impairment Losses	(21 885)
Repairs and Maintenance	(3 958)
Profit or (loss) on disposal of assets	(31 758)
General Expenses	(307 703)
	589 850

33.1 Reclassification of Statement of Financial Performance:

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

Details of the appropriations are as follows:

	2014/2013	2013/2012	Restated Amount
Contracted Services	-	2 485 267	(2 485 267)
Repairs and Maintenance	2 723 904	2 723 093	811
General Expenses	41 888 642	39 404 186	2 484 456
	44 612 546	44 612 546	-

33.2 Reclassification of Statement of Financial Position:

The prior year figures have been restated to correctly classify the nature.

Details of the appropriations are as follows:

	2014/2013	2013/2012	Restated Amount
Employee Benefit Liability	9 226 668	-	9 226 668
Retirement Benefit Liabilities	-	8 207 340	(8 207 340)
Provisions	906 857	335 041	571 816
Non-current Provisions	17 754 105	19 345 249	(1 591 144)
	27 887 630	27 887 630	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
33 CORRECTION OF ERROR (Continued)		
<u>33.3 Misstatement Property, Plant and Equipment and Payables</u>		
During the 2014 financial year the municipality received invoices late which was not provided as a creditor, furthermore the Work-in-Progress of the project on 30 June 2013 was understated.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
Increase / (decrease) in Property, Plant and	1 673 635	1 673 635
(Increase) / decrease in VAT Payable	85 563	85 563
(Increase) / decrease in Creditors	(1 759 198)	(1 759 198)
	-	-
	-	-
<u>33.4 Misstatement of Value Add Tax</u>		
A VAT review was done by Max Prof. Consultants to correct the VAT that could be claimed by the Municipality in the prior years. These amounts were retrospectively corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated	(330 825)	(19 165)
Increase / (decrease) in VAT Payable	330 825	330 825
	-	-
	-	-
Statement of Financial Performance:		
Increase / (decrease) in Repairs and	-	(3 958)
Increase / (decrease) in General Expenses	-	(307 703)
	-	-
	-	-
<u>33.5 Misstatement of Unspent Conditional Grants</u>		
The amount disclosed in 2013 financial year under the INEP grant had to be corrected as it was firstly agreed that National Treasury will refund these expenses paid by the municipality, but after further communication from National Treasury indicated that these funds will not be refunded		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated	1 481 241	-
(Increase) / decrease in Unspent Conditional	(1 481 241)	(1 481 241)
	-	-
	-	-
Statement of Financial Performance:		
(Increase) / decrease in Government Grants	-	1 481 241
	-	-
	-	-
<u>33.6 Misstatement of Trade Receivables from Exchange Transactions and Service Charges</u>		
During the current financial year management discovered that some of the trade debtors was not correctly billed in the 2013 financial year. The main problem was that the kva factor was not correct.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated	411 687	-
(Increase) / decrease in VAT Payable	71 622	71 622
Increase / (decrease) in Trade Receivables	(483 309)	(483 309)
	-	-
	-	-
Statement of Financial Performance:		
(Increase) / decrease in Service Charges	-	433 572
Increase / (decrease) in Impairment Losses	-	(21 885)
	-	-
	-	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
33 CORRECTION OF ERROR (Continued)		
<u>33.7 Misstatement of Operating Lease Asset</u>		
During the current financial year management accounted for all operating lease assets. This was corrected retrospectively.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated	(7 096)	(6 287)
(Increase) / decrease in Operating Lease	7 096	7 096
Statement of Financial Performance:		
(Increase) / decrease in Rental of Facilities		(809)
	-	-
<u>33.8 Misstatement of Unspent Conditional Grants and Receipts</u>		
During the current financial year management reconciled the RBIG grant from the start of the project. Management discovered that between 2010 and 2012 the income from the grant was not correctly recognised. This was corrected retrospectively.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated	(7 369 321)	(7 369 321)
(Increase) / decrease in Unspent Conditional Grants and Receipts	7 369 321	7 369 321
	-	-
<u>33.9 Misstatement of Property, Plant and Equipment and Intangible Assets</u>		
During the financial year management discovered that a formula error occurred with the calculation of depreciation of Intangible Assets. Furthermore, management accounted incorrectly of pre-paid electricity meters as an asset. Furthermore, management corrected the incorrectly write-off's of movable assets that was found during the 2014 verification. all of the above was corrected retrospectively		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	2 868 635	3 859 244
Increase / (decrease) in Intangible Assets	6 699	6 699
Increase / (decrease) in Property, Plant and Equipment	(2 875 334)	(2 875 334)
Statement of Financial Performance:		
Increase / (decrease) in Depreciation and Amortisation		(958 851)
Increase / (decrease) in Profit or (loss) on disposal of assets		(31 758)
	-	-
34 CHANGE IN ACCOUNTING ESTIMATES		
<u>34.1 Rehabilitation of Land-fill Sites:</u>		
The residual values, estimated useful lives were reviewed at 30 June 2014. Adjustments to the residual values and useful lives affect the amount of provision for the current year and is expected to affect future periods as well. The adjustments are as follows:		
Increase / (Decrease) in General Expenses due to adjustments to Present value as on 2013	6 980 363	6 227 911
Increase / (Decrease) in Depreciation of PPE	6 980 363	6 227 911
Depreciation as previously stated	27 893 034	27 077 882
Adjustment due to Change in Accounting Estimate	-	-
General Expenses as per Note 33	27 893 034	27 077 882

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
35 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	22 662 552	17 761 825
Adjustment for:		
Depreciation and Amortisation	27 893 034	27 077 882
Impairment Losses on Property, Plant and Equipment	31 459	150 834
Losses / (Gains) on Disposal of Property, Plant and Equipment	28 482	45 948
Contribution to Retirement Benefit Liabilities	2 365 504	1 371 833
Contribution to Provisions - Current	18 248	622 136
Contribution to Provisions - Non-current	(6 437 366)	5 656 094
Contribution to Impairment Provision	8 574 703	6 734 046
Operating surplus before working capital changes	55 136 616	59 420 598
Decrease/(Increase) in Inventories	14 948	(31 416)
Decrease/(Increase) in Receivables from Exchange Transactions	(11 716 667)	(8 498 670)
Decrease/(Increase) in Receivables from Non-exchange Transactions	5 564 536	(7 318 229)
Increase/(Decrease) in Consumer Deposits	23 252	67 401
Increase/(Decrease) in Payables from Exchange Transactions	(840 011)	5 043 240
Increase/(Decrease) in Payables from Non-exchange Transactions	(29 571)	216 171
Increase/(Decrease) in Conditional Grants and Receipts	(12 837 120)	(5 357 279)
Increase/(Decrease) in VAT Payable	930 697	984 788
Cash generated by / (utilised in) Operations	36 246 679	44 526 604

36 NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2013/14 financial year.

37 FINANCING FACILITIES

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

38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 16)	4 233 432	4 563 837
Used to finance Property, Plant and Equipment - at cost	(4 233 432)	(4 563 837)
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.

39 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

39.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	1 729 733	1 639 773
Unauthorised Expenditure current year	1 496 054	89 960
Unauthorised Expenditure awaiting authorisation	3 225 787	1 729 733

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>To be condoned by Council</i>
- Executive and Council - R661,384 (2013: R0)	
- Community and Social Services - R0 (2013: R89,960)	
- Technical Services - R834,670 (2013: R0)	

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

39 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)

39.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	35	35
Fruitless and Wasteful Expenditure current year	-	-
Fruitless and Wasteful Expenditure awaiting condonement	35	35

Incident	Disciplinary Steps / Criminal Proceedings
<i>Interest on late payment - Various Creditors - R0 (2013: R0)</i>	None

39.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	2 903 885	-
Irregular Expenditure current year	3 472 499	2 903 885
Irregular Expenditure awaiting condonement	6 376 384	2 903 885

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 R7 119 189 (2013: R5 418 111) 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>

40 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

40.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	450 000	400 000
Amount Paid - current year	(450 000)	(400 000)
Balance Unpaid (included in Creditors)	-	-

40.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	1 926 125	1 699 589
Council Subscriptions - VAT Portion	269 657	237 942
Amount Paid - current year	(2 195 782)	(1 937 532)
Balance Unpaid (included in Creditors)	-	-

40.3 VAT

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

40.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	4 251 055	3 706 812
Amount Paid - current year	(4 251 055)	(3 706 812)
Balance Unpaid (included in Creditors)	-	-

40.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	6 326 134	5 367 897
Amount Paid - current year	(6 326 134)	(5 367 897)
Balance Unpaid (included in Creditors)	-	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R	
40 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)			
40.6 Councillor's arrear Consumer Accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
30 June 2014	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor FRITZ ANNIE	691	691	-
Councillor H.C. GRONUM	14 912	14 912	-
Councillor NL. HERMANS	1 773	1 773	-
Councillor E. HUMPHRIES	903	901	2
Councillor N.B. MDALA	423	423	-
Councillor S.G. MLENZANA	463	463	-
Councillor S. NGALIMANI	192	192	-
Councillor N. REYNERS	704	704	-
Councillor SESTILE M ALBERT	912	912	-
Councillor N.B. SIKO	573	573	-
Total Councillor Arrear Consumer Accounts	21 546	21 544	2

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2013			
Councillor FRITZ ANNIE	280	280	-
Councillor H.C. GRONUM	9 326	9 326	-
Councillor NL. HERMANS	292	292	-
Councillor E. HUMPHRIES	275	275	-
Councillor N.B. MDALA	183	183	-
Councillor S.G. MLENZANA	200	200	-
Councillor S. NGALIMANI	95	95	-
Councillor N. REYNERS	343	343	-
Councillor SESTILE M ALBERT	313	313	-
Councillor N.B. SIKO	284	284	-
Total Councillor Arrear Consumer Accounts	11 592	11 592	-

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

	Highest amount outstanding	Ageing
30 June 2014		
Councillor FRITZ ANNIE	691	< 90 Days
Councillor H.C. GRONUM	14 912	< 90 Days
Councillor NL. HERMANS	1 773	< 90 Days
Councillor E. HUMPHRIES	903	> 90 Days
Councillor N.B. MDALA	423	< 90 Days
Councillor S.G. MLENZANA	463	< 90 Days
Councillor S. NGALIMANI	192	< 90 Days
Councillor N. REYNERS	704	< 90 Days
Councillor SESTILE M ALBERT	912	< 90 Days
Councillor N.B. SIKO	577	< 90 Days
30 June 2013		
Councillor FRITZ ANNIE	337	< 90 Days
Councillor E. HUMPHRIES	183	< 90 Days
Councillor N.B. MDALA	87	< 90 Days
Councillor S.G. MLENZANA	179	< 90 Days
Councillor S. NGALIMANI	95	< 90 Days
Councillor N. REYNERS	372	< 90 Days
Councillor SESTILE M ALBERT	9 295	< 90 Days
Councillor N.B. SIKO	255	< 90 Days

40.7 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 2014

	2014 R	2013 R
40 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
40.8 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 2014	Unaccounted Electricity Losses	5 375 931	0.7371	3 962 705
30 June 2013	Unaccounted Electricity Losses	3 885 378	0.6100	2 370 081

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.

	2014 R	2013 R
Volumes in kWh/year:		
System Input Volume	24 607 361	24 271 680
Billed Consumption	19 231 430	20 386 302
Distribution Loss	5 375 931	3 885 378
Percentage Distribution Loss	21.85%	16.01%

Water:

		Lost Units	Tariff	Value
30 June 2014	Unaccounted Water Losses	737 326	4.1886	3 088 349
30 June 2013	Unaccounted Water Losses	850 298	3.8600	3 282 150

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.

	2014 R	2013 R
Volumes in Kl/year:		
System Input Volume	1 848 433	2 367 873
Billed Consumption	1 111 107	1 517 575
Distribution Loss	737 326	850 298
Percentage Distribution Loss	39.89%	35.91%

41 COMMITMENTS FOR EXPENDITURE

41.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-	14 751 977	43 744 507
Infrastructure	3 810 798	29 481 593
Other	10 941 179	14 262 914
Total Capital Commitments	14 751 977	43 744 507
This expenditure will be financed from:		
Government Grants	14 751 977	43 744 507
Commitments for the acquisition of Property, Plant and Equipment	3 810 798	29 481 593

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
42 FINANCIAL INSTRUMENTS			
42.1 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	3 281 511	3 520 361
Refuse	Amortised cost	8 297 166	7 302 089
Sewerage	Amortised cost	5 904 280	4 860 673
Water	Amortised cost	12 111 924	10 425 653
Other Receivables	Amortised cost	606 250	575 780
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	3 037 950	2 629 431
Payments made in Advance	Amortised cost	31 328	5 728
Sundry Debtors	Amortised cost	901 898	1 293 739
Cash and Cash Equivalents			
Notice Deposits	Amortised cost	9 506 601	10 645 318
Bank Balances	Amortised cost	10 436 420	23 760 879
Cash Floats and Advances	Fair value	3 700	3 700
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Electricity	3 281 511	3 520 361
Receivables from Exchange Transactions	Refuse	8 297 166	7 302 089
Receivables from Exchange Transactions	Sewerage	5 904 280	4 860 673
Receivables from Exchange Transactions	Water	12 111 924	10 425 653
Receivables from Exchange Transactions	Other Debtors	606 250	575 780
Receivables from Non-exchange Transactions	Assessment Rates Debtors	3 037 950	2 629 431
Receivables from Non-exchange Transactions	Payments made in Advance	31 328	5 728
Receivables from Non-exchange Transactions	Sundry Debtors	901 898	1 293 739
Cash and Cash Equivalents	Bank Balances	10 436 420	23 760 879
Cash and Cash Equivalents	Notice Deposits	9 506 601	10 645 318
		54 115 328	65 019 652
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	3 700	3 700
		3 700	3 700
Total Financial Assets		54 119 028	65 023 352
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	3 271 733	3 529 430
Finance Lease Liabilities	Amortised cost	28 387	169 984
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	9 622 177	14 833 601
Retentions	Amortised cost	3 738 804	1 049 625
Payables from Non-exchange Transactions			
Staff Bonuses	Amortised cost	606 833	557 470
Staff Leave Accrued	Amortised cost	1 777 655	1 856 935
Sundry Deposits	Amortised cost	1 724	1 379
Annuity Loans	Amortised cost	801 010	729 921
Finance Lease Liabilities	Amortised cost	132 301	134 502

42 FINANCIAL INSTRUMENTS (Continued)
SUMMARY OF FINANCIAL LIABILITIES

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	3 271 733	3 529 430
Long-term Liabilities	Finance Lease Liabilities	28 387	169 984
Payables from Exchange Transactions	Trade Creditors	9 622 177	14 833 601
Payables from Exchange Transactions	Retentions	3 738 804	1 049 625
Payables from Non-exchange Transactions	Staff Bonuses	606 833	557 470
Payables from Non-exchange Transactions	Staff Leave Accrued	1 777 655	1 856 935
Payables from Non-exchange Transactions	Sundry Deposits	1 724	1 379
Current Portion of Long-term Liabilities	Annuity Loans	801 010	729 921
Current Portion of Long-term Liabilities	Finance Lease Liabilities	132 301	134 502
		19 980 625	22 862 845
Total Financial Liabilities		19 980 625	22 862 845

42.2 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

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.

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 2014, 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 2014		30 June 2013	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:				
	54 115 328	54 115 328	65 019 652	65 019 652
Notice Deposits	9 506 601	9 506 601	10 645 318	10 645 318
Trade Receivables from Exchange Transactions	30 201 130	30 201 130	26 684 556	26 684 556
Trade Receivables from Non-exchange Transactions	3 971 176	3 971 176	3 928 899	3 928 899
Bank Balances and Cash	10 436 420	10 436 420	23 760 879	23 760 879
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	54 119 028	54 119 028	65 023 352	65 023 352

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

			2014 R	2013 R
42 FINANCIAL INSTRUMENTS (Continued)				
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	19 980 625	19 980 625	22 862 845	22 862 845
Annuity Loans	3 271 733	3 271 733	3 529 430	3 529 430
Finance Lease Liabilities	28 387	28 387	169 984	169 984
Trade and Other Payables:				
- Payables from Exchange Transactions	13 360 981	13 360 981	15 883 226	15 883 226
- Payables from Non-exchange Transactions	2 386 212	2 386 212	2 415 783	2 415 783
- Current Portion of Long-term Liabilities	933 312	933 312	864 423	864 423
Total Financial Liabilities	19 980 625	19 980 625	22 862 845	22 862 845
Total Financial Instruments	34 138 403	34 138 403	42 160 506	42 160 506
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.

30 June 2014

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Bank Balances and Cash	-	10 440 120	-	10 440 120
Total Financial Assets	-	10 440 120	-	10 440 120
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Other Loans	-	-	-	-
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	-	10 440 120	-	10 440 120

30 June 2013

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Bank Balances and Cash	-	23 764 579	-	23 764 579
Total Financial Assets	-	23 764 579	-	23 764 579
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Other Loans	-	-	-	-
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	-	23 764 579	-	23 764 579

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R 2013
R

42 FINANCIAL INSTRUMENTS (Continued)

42.3 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	6 619 644	6 979 620
Cash and Cash Equivalents	(3 700)	(3 700)
Net Debt	6 615 944	6 975 920
Equity	502 010 910	479 348 358
Net debt to equity ratio	1.32%	1.46%

Debt is defined as Long- and Short-term Liabilities, as detailed in Notes 16 and 16.

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.

42.4 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.

42.5 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

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:

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014	2013
R	R

42 FINANCIAL INSTRUMENTS (Continued)

Market Risk

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

Credit Risk

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

Liquidity Risk

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

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

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 51.8 and 51.9 to the Annual Financial Statements.

42.6 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.

42.6.1 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

42.6.2 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:

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R 2013
R

42 FINANCIAL INSTRUMENTS (Continued)

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 2014 would have increased / decreased by R170,986 (30 June 2013: increased / decreased by R123,666). 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 2014 would have decreased / increased by R6,037 (30 June 2013: 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.

42.7 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

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	60 596 378	48 015 112
Other Debtors	9 205 043	14 769 579
Bank, Cash and Cash Equivalents	19 946 722	34 409 897
Maximum Credit and Interest Risk Exposure	89 748 143	97 194 589

42 FINANCIAL INSTRUMENTS (Continued)

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer

% %

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Consumer Debtors:		
- Household	87.79%	77.14%
- Industrial / Commercial	5.38%	6.61%
- National and Provincial Government	1.84%	2.13%
Other Debtors:		
- Other not Classified	5.97%	16.62%
Total Credit Risk	100.98%	102.49%
Bank and Cash Balances		
ABSA Bank Ltd	9 159 456	10 385 840
First National Bank	24 356	24 356
Standard Bank	10 759 210	23 996 001
Cash Equivalents	3 700	3 700
Total Bank and Cash Balances	19 946 722	34 409 897
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	2 454 562	2 601 344
Group 2	354 504	507 962
	2 809 066	3 109 306
Total Receivables from Exchange Transactions	2 809 066	3 109 306
Receivables from Non-exchange Transactions		
Group 1	3 480 991	9 979 158
Total Receivables from Non-exchange Transactions	3 480 991	9 979 158

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

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 2014

42 FINANCIAL INSTRUMENTS (Continued)

42.8 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 2014								
Non-interest Bearing		0.00%	15 747 193	15 747 193	-	-	-	-
- Payables from Exchange transactions			13 360 981	13 360 981	-	-	-	-
- Payables from Non-exchange transactions			2 386 212	2 386 212	-	-	-	-
			-	-	-	-	-	-
Variable Interest Rate Instruments		8.08%	-	-	-	-	-	-
- Bank Overdraft			-	-	-	-	-	-
			-	-	-	-	-	-
Fixed Interest Rate Instruments		5.00%	4 233 432	933 312	-	-	3 300 120	-
- ABSA		5.00%	4 233 432	933 312	-	-	3 300 120	-
			19 980 625	16 680 505	-	-	3 300 120	-
30 June 2013								
Non-interest Bearing		0.00%	18 299 009	18 299 009	-	-	-	-
- Payables from Exchange transactions			15 883 226	15 883 226	-	-	-	-
- Payables from Exchange transactions			2 415 783	2 415 783	-	-	-	-
			-	-	-	-	-	-
Fixed Interest Rate Instruments		5.00%	4 563 837	864 423	-	-	3 699 414	-
- ABSA		5.00%	4 563 837	864 423	-	-	3 699 414	-
			22 862 845	19 163 432	-	-	3 699 414	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

42 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 2014						
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 2013						
Net Settled:						
Interest Rate Swaps	289	7	18	22	160	82
Foreign Exchange Forward Contracts	34	10	15	9	-	-
Gross Settled:						
Foreign Exchange Forward Contracts	218	65	132	21	-	-
	541	82	165	52	160	82

42.9 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 2014

2014
R

2013
R

43 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 R3,384,045 (2013: R3,031,151) 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 R3,384,045 (2013: R3,031,151) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. As at 30 June 2014, contributions of R8 000 (30 June 2013: R8 000) due in respect of the 2013/14 (2012/13) 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 2014

2014
R

2013
R

43 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 2014

2014
R

2013
R

44 RELATED PARTY TRANSACTIONS

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

44.1 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
AC Mpela	Municipal Manger	Director of Mthombo Sediba Development Agency (Article 21) and Member of Pride and Grace Trading and Projects cc
P Mosompha	Manger	Member of World Focus 684 cc
NS. Ntshudu	Official (SCM)	Member of Ntsukaze Trading cc
NL. Hermans	Councillor	Member of Woman in Property and Facilities Management cc
SG Mlenzana	Councillor	Member of Amachule Akwantu Art and Craft
S Ngalimani	Councillor	Member of Vukuzenzele Tuck Shop cc
MA Sestile	Councillor	Member of Kwazamuxolo Building and Maintenance Construction cc

44.2 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 2014				
Councillors	13 993	82 297	2 723	6 243
Municipal Manager and Section 57 Personnel	14 449	58 985	33	10 896
Total Services	28 441	141 282	2 756	17 139
For the Year ended 30 June 2013				
Councillors	10 876	70 557	1 024	2 082
Municipal Manager and Section 57 Personnel	7 643	38 684	1	3 682
Total Services	18 518	109 241	1 025	5 764

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.

44.3 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. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note N/A to the Annual Financial Statements.

44.4 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 2014

	2014 R	2013 R			
44 RELATED PARTY TRANSACTIONS (Continued)					
44.5 Purchases from Related Parties					
<p>The municipality bought goods from the following companies, which are considered to be Related Parties:</p>					
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				-	37 500
45 CONTINGENT LIABILITIES					
45.1 Guarantees:				6 000	6 000
(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.					
45.2 Court Proceedings:				6 000 000	6 100 000
(i) Komanisie Development is claiming loss of income and stock on a housing project to the amount of R6,000,000				6 000 000	6 000 000
(ii) TMT is claiming R100 000 in terms of a speeding fine project. This issue was resolved in the current year. No liability or financial losses were incurred				-	100 000
45.3 Insurance Claims:				5 268 315	-
(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.				4 953 413	-
(ii) Street light pole falls over – The Insurer attorney is busy negotiate with the T/P for settlement				18 248	-
(iii) T/P falls in manhole - Still waiting for excess from the Municipality				296 654	-
47.4 Landfill sites:				-	-
<p>(i) Currently the municipality is not complying with the National Environmental Management: Waste Act as the municipality is operating the landfill site of Norvalspont without a license as required by section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008).</p> <p>In terms of section 68(1) of the Waste Management Act the municipality might receive a penalty of R10 million for not having a license to operate a landfill site. As per pervious guidance it was decided not to disclose an amount as this fines was not allocated to any municipality in the past</p> <p>In accordance with section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made.</p>					
46 CONTINGENT ASSETS					
<p>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.</p>				100 000	100 000

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

47 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2014.

48 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 33).

49 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 31 May 2013 the Council adopted the 2012/13 to 2014/15 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

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

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

(iv) The municipality developed a Financial Recovery Plan to address the cash flow challenges experienced at the beginning of the 2011/12 financial year. This plan has resulted in the municipality improving its cash and cash equivalents position from a projected R59,9 million upon approval of the 2011/12 Adjustments Budget to R428 million as at the end of June 2012. The municipality has also secured a bank overdraft in the amount of R450 million to cover short term cash shortfalls as and when the need arises – to date this facility has not been used.

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

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

APPENDIX A
UMSOBOMVU LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2013	Received during the Period	Ineterst Charged during period	Redeemed/ Written Off during Period	Balance at 30 June 2014
	R				R	R		R	R
LOCAL REGISTERED STOCK									
Total Registered Stock	-				-	-		-	-
ANNUITY LOANS									
ABSA Bank Ltd									
Account 83517250	447 137	9.50%	83517250	2018/02/01	424 027	-	37 659	(113 221)	348 466
Account 83528279	993 106	9.50%	83528279	2018/02/01	941 779		83 642	(251 467)	773 954
Account 83527833	993 106	9.50%	83527833	2018/02/01	941 779		83 642	(251 467)	773 954
Account 84008046	1 951 765	9.50%	84008046	2018/06/01	1 951 765		180 099	(494 936)	1 636 928
Account 84215231	724 608	9.50%	84215231		-	716 588	57 555	(234 597)	539 547
Total Annuity Loans	5 109 721				4 259 351	716 588	442 598	(1 345 688)	4 072 848
TOTAL EXTERNAL LOANS	5 109 721				4 259 351	716 588	442 600	(1 345 688)	4 072 848

ANNUITY LOANS:

Absa:

Structured unsecured 5 year loan for purchase of Motor Vehicles.

APPENDIX B
UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Land and Buildings										
<i>Land:</i>										
Land: Developed	4 628 392	-	-	-	4 628 392	-	-	-	-	4 628 392
Land: Undeveloped	21 464 565	-	-	-	21 464 565	-	-	-	-	21 464 565
Farms	4 284 900	-	-	-	4 284 900	-	-	-	-	4 284 900
<i>Buildings:</i>										
Office Buildings	5 790 448	-	-	-	5 790 448	3 642 507	232 660	-	3 875 168	1 915 280
	36 168 305	-	-	-	36 168 305	3 642 507	232 660	-	3 875 168	32 293 137
Infrastructure										
<i>Electricity:</i>										
Credit Meters	706 801	-	-	-	706 801	417 013	28 272	-	445 285	261 517
Ground Transformer	2 815 098	-	-	-	2 815 098	1 517 284	62 610	-	1 579 894	1 235 204
High Mast Light	6 678 938	-	-	-	6 678 938	4 341 310	667 894	-	5 009 204	1 669 735
Mini Substation	5 877 408	-	-	-	5 877 408	2 038 044	147 550	-	2 185 594	3 691 814
Overhead Lines	21 438 092	-	-	-	21 438 092	9 332 283	537 975	-	9 870 258	11 567 834
Pole Transformer	367 812	-	-	-	367 812	211 492	9 195	-	220 687	147 125
Service Connection	260 845	-	-	-	260 845	151 205	8 695	-	159 900	100 945
Street Lights	3 143 443	-	-	-	3 143 443	1 791 244	78 542	-	1 869 786	1 273 657
Switch Box	139 740	-	-	-	139 740	83 689	3 105	-	86 794	52 946
Underground Cables	4 422 802	-	-	-	4 422 802	2 520 997	88 456	-	2 609 453	1 813 349
WIP Projects	-	-	2 447 224	-	2 447 224	-	-	-	-	2 447 224
<i>Roads and Transport:</i>										
Bridge Pedestrian	1 366 360	-	-	-	1 366 360	768 578	17 080	-	785 657	580 703
Bridge Vehicle	25 153 743	-	-	-	25 153 743	14 463 835	314 422	-	14 778 257	10 375 486
Building	-	115 609	-	-	115 609	-	855	-	855	114 754
Concrete Slab	1 970 010	-	-	-	1 970 010	1 159 681	32 833	-	1 192 515	777 495
Field Catch Pit	67 798	-	-	-	67 798	43 504	1 695	-	45 199	22 599
Grid Inlet	789 724	-	-	-	789 724	458 360	19 743	-	478 103	311 621
Ground Transformer	-	178 090	-	-	178 090	-	2 941	-	2 941	175 149
Guard Rails	103 724	-	-	-	103 724	74 508	8 347	-	82 855	20 869
High Mast Light	-	175 074	-	-	175 074	-	6 907	-	6 907	168 167
Kerbing	17 306 178	-	-	-	17 306 178	10 195 252	346 124	-	10 541 376	6 764 803
Outfall Structures	248 593	-	-	-	248 593	142 941	6 215	-	149 156	99 437
Parking Bays	1 072 943	-	-	-	1 072 943	641 533	26 824	-	668 357	404 586
Pavement	2 450 665	-	-	-	2 450 665	1 425 535	49 013	-	1 474 548	976 117
Road Signs	684 636	-	-	-	684 636	508 079	61 246	-	569 324	115 312
Road Surface	47 716 174	-	-	-	47 716 174	30 153 629	1 900 478	-	32 054 107	15 662 066
Roads Base Structure	212 770 154	-	-	-	212 770 154	123 456 228	4 255 403	-	127 711 631	85 058 523
Speed Bump	6 027	-	-	-	6 027	3 465	151	-	3 616	2 411
Speed Hump	181 699	-	-	-	181 699	105 200	4 542	-	109 743	71 957
Steel Rail	26 682	-	-	-	26 682	17 344	2 668	-	20 012	6 671
Storm Water Culvert	347 308	-	-	-	347 308	214 611	6 073	-	220 684	126 625
Storm Water Pipes	914 060	-	-	-	914 060	517 967	15 234	-	533 202	380 858

APPENDIX B
UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Stormwater Channel	1 767 036	-	-	-	1 767 036	1 021 302	29 451	-	1 050 753	716 284
Stormwater Drain (Catch Pit)	67 798	-	-	-	67 798	45 199	1 130	-	46 329	21 469
Traffic Circle	132 991	-	-	-	132 991	76 470	3 325	-	79 795	53 196
Traffic Island	178 540	-	-	-	178 540	102 876	4 464	-	107 339	71 201
Waste Bin	152 546	-	-	-	152 546	93 976	5 879	-	99 854	52 692
WIP Projects	-	-	3 641 048	-	3 641 048	-	-	-	-	3 641 048
<i>Sanitation:</i>										
Anaerobic Ponds	3 243 611	-	-	-	3 243 611	2 666	162 181	-	164 847	3 078 765
Biological Reactor	5 833 779	-	-	-	5 833 779	5 242	318 905	-	324 147	5 509 632
Chlorination	1 107 710	-	-	-	1 107 710	1 010	61 418	-	62 427	1 045 283
Clarifier	1 960 039	-	-	-	1 960 039	1 691	102 858	-	104 549	1 855 490
Control Room	433 112	-	-	-	433 112	390	23 736	-	24 126	408 986
Inlet Works	300 685	-	-	-	300 685	247	15 034	-	15 281	285 404
Ponds	4 903 938	-	-	-	4 903 938	4 031	245 197	-	249 228	4 654 710
Pump Stations	1 748 483	-	-	-	1 748 483	1 719	104 596	-	106 315	1 642 168
Site Works	2 782 113	-	-	-	2 782 113	2 564	155 957	-	158 521	2 623 592
Landfill sites	10 079 874	-	-	-	10 079 874	1 753 022	416 343	-	2 169 364	7 910 510
<i>Sewerage:</i>										
Buildings	562 612	-	-	-	562 612	27 776	11 252	-	39 028	523 584
Civils Structures	7 847 016	-	-	-	7 847 016	2 615 672	261 567	-	2 877 239	4 969 777
Electrical Plant	837 244	-	-	-	837 244	145 687	72 844	-	218 531	618 714
Inlet Works Structures	264 547	-	-	-	264 547	10 582	5 291	-	15 873	248 674
Lighting	107 912	-	-	-	107 912	14 388	7 194	-	21 582	86 329
Oxidation Ponds	5 232 077	-	-	-	5 232 077	348 805	174 403	-	523 208	4 708 869
Perimeter Protection	2 671 535	-	-	-	2 671 535	539 135	267 153	-	806 289	1 865 246
Sewer Gravity Pipes	64 972 302	-	-	-	64 972 302	37 359 073	1 624 308	-	38 983 381	25 988 921
Sewer Pump	718 159	-	-	-	718 159	95 755	47 877	-	143 632	574 527
Sewer Rising Mains	1 002 960	-	-	-	1 002 960	576 702	25 074	-	601 776	401 184
Structures	57 978	-	-	-	57 978	2 319	1 160	-	3 479	54 499

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UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
<i>Water:</i>										
Buildings	6 288 769	-	-	-	6 288 769	3 543 822	125 775	-	3 669 597	2 619 171
Bulk Water Meters	1 411 065	-	-	-	1 411 065	763 965	70 520	-	834 485	576 580
Civils Structures	6 883 020	-	-	-	6 883 020	2 313 012	229 263	-	2 542 275	4 340 744
Electrical Plant	731 859	-	-	-	731 859	365 167	48 791	-	413 958	317 901
Elevated Storage	281 641	-	-	-	281 641	103 268	18 776	-	122 045	159 597
Lighting	10 358	-	-	-	10 358	3 798	691	-	4 488	5 870
Meter Chambers	51 476	-	-	-	51 476	29 342	1 030	-	30 371	21 105
Perimeter Protection	320 148	-	-	-	320 148	162 929	32 015	-	194 944	125 204
Reservoirs	16 979 392	-	-	-	16 979 392	2 972 062	565 980	-	3 538 041	13 441 351
Storage	600 318	-	-	-	600 318	341 415	21 360	-	362 775	237 543
Structures	8 904	-	-	-	8 904	6 856	178	-	7 034	1 870
Telemetry	1 353 824	-	-	-	1 353 824	633 256	130 641	-	763 897	589 927
Valve Chambers	472 077	-	-	-	472 077	172 111	15 736	-	187 847	284 229
Valves	285 004	-	-	-	285 004	74 013	14 250	-	88 263	196 740
Waste Water Treatment Works (Plant)	15 694 033	-	-	-	15 694 033	9 154 852	523 134	-	9 677 987	6 016 046
Water Meters	13 299 299	-	-	-	13 299 299	7 979 579	664 965	-	8 644 544	4 654 755
Water Pipes	167 879 994	-	-	-	167 879 994	100 724 852	8 394 000	-	109 118 852	58 761 142
Water Pump	9 074 899	-	-	-	9 074 899	2 644 400	589 425	-	3 233 825	5 841 074
Water Treatment Works	28 889 575	-	-	-	28 889 575	16 852 252	962 986	-	17 815 238	11 074 337
WIP Projects	80 713 896	-	39 711 075	-	120 424 971	-	-	-	-	120 424 971
	829 223 608	468 773	45 799 348	-	875 491 729	400 444 062	25 269 198	-	425 713 260	449 778 469
Community Assets										
<i>Recreational Facilities:</i>										
Museums and Art Galleries	364 160	-	-	-	364 160	183 537	11 653	-	195 190	168 970
Town Halls	3 028 291	-	59 670	-	3 087 961	1 501 323	95 322	-	1 596 645	1 491 316
Parks	99 400	-	-	-	99 400	-	-	-	-	99 400
<i>Sports Facilities:</i>										
Stadiums	1 223 588	-	-	-	1 223 588	250 001	80 086	-	330 086	893 501
Golf Courses	592 500	-	-	-	592 500	-	-	-	-	592 500
Tennis Courts	154 800	-	-	-	154 800	80 496	6 192	-	86 688	68 112
<i>Other Facilities:</i>										
Churches	481 700	-	-	-	481 700	242 777	15 414	-	258 191	223 509
Cemeteries	106 000	-	-	-	106 000	-	-	-	-	106 000
Clinics and Hospitals	70 000	-	-	-	70 000	35 280	2 240	-	37 520	32 480
Libraries	1 850 880	-	-	-	1 850 880	932 844	59 228	-	992 072	858 808
Schools	440 000	-	-	-	440 000	221 760	14 080	-	235 840	204 160
Taxi Rank	3 717 498	-	-	-	3 717 498	-	-	-	-	3 717 498
	12 128 817	-	59 670	-	12 188 487	3 448 017	284 215	-	3 732 232	8 456 255

APPENDIX B
UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R
Other Assets										
<i>Computer Equipment:</i>										
Computer Hardware	1 803 019	63 855	-	(4 644)	1 862 230	1 346 958	176 878	(3 273)	1 520 563	341 667
<i>Furniture and Fittings:</i>										
Air Conditioners Individual Fixed And Movable	221 840	68 215	-	(9 723)	280 331	168 401	28 602	(8 751)	188 252	92 079
Computer Hardware Including Operating Systems	3 325	-	-	-	3 325	2 095	399	-	2 494	831
Domestic And Hostel Furniture	120 746	-	-	(3 719)	117 027	59 040	10 704	(1 495)	68 248	48 778
Fixtures & Fittings	123 890	19 800	-	(953)	142 737	80 238	11 283	(658)	90 864	51 873
Office Equipment Including Fax Machines	272 198	57 350	-	-	329 548	169 898	50 724	-	220 623	108 926
Office Furniture	3 142 183	14 725	-	(45 233)	3 111 676	1 992 530	216 168	(31 604)	2 177 095	934 581
<i>Motor Vehicles:</i>										
Bakkies	998 097	1 016 158	-	-	2 014 255	437 467	99 019	-	536 486	1 477 769
Emergency Vehicles	490 022	-	-	-	490 022	191 335	11 577	-	202 912	287 110
Motor Vehicles	569 200	-	-	-	569 200	128 943	42 358	-	171 301	397 899
Trailer	3 850	-	-	-	3 850	185	370	-	554	3 296
Trailers And Accessories	314 266	643 696	-	-	957 962	103 601	72 160	-	175 761	782 201
Trucks	3 434 946	-	-	-	3 434 946	813 708	478 610	-	1 292 318	2 142 627
<i>Plant and Equipment:</i>										
Air Conditioners Individual Fixed And Movable	7 140	-	-	-	7 140	2 463	1 278	-	3 742	3 398
Audiovisual Equipment	171 846	6 841	-	-	178 687	98 149	17 412	-	115 561	63 127
Domestic Equipment (Non Kitchen Appliances)	60 703	1 000	-	-	61 703	45 412	4 131	-	49 543	12 160
Electric Wire And Power Distribution Equipment (Com	46 155	-	-	-	46 155	26 604	4 391	-	30 995	15 160
Fire Fighting Equipment	34 516	-	-	(456)	34 060	22 771	2 973	(410)	25 333	8 727
Gardening Equipment	76 780	27 306	-	(7 270)	96 816	59 167	14 721	(6 543)	67 344	29 472
Kitchen Appliances	81 574	2 700	-	(306)	83 968	57 878	4 649	(208)	62 319	21 649
Machinery And Equipment	-	4 518	-	-	4 518	-	732	-	732	3 785
Medical And Allied Equipment	8 621	-	-	-	8 621	5 403	2 630	-	8 033	588
Music Instruments	84 608	-	-	-	84 608	46 852	10 410	-	57 261	27 347
Office Furniture	5 685	-	-	-	5 685	4 946	73	-	5 019	666
Pumps Plumbing Purification Sanitation And Allied Eq	30 998	-	-	-	30 998	19 529	7 595	-	27 124	3 875
Radio Equipment	38 030	1 472	-	-	39 502	16 505	5 389	-	21 893	17 609
Road Construction And Maintenance Equipment	4 041 505	645 660	-	(12 477)	4 674 688	808 007	443 251	(6 137)	1 245 120	3 429 568
Survey Equipment	3 891	-	-	-	3 891	2 451	233	-	2 685	1 206
Tractors	35 100	1 511 160	-	-	1 546 260	31 420	247 376	-	278 796	1 267 464
Workshop Equipment And Loose Tools Fixed	8 200	-	-	(820)	7 380	3 985	878	(738)	4 125	3 255
Workshop Equipment And Loose Tools Movable	787 885	-	-	(15 149)	772 736	535 131	61 581	(12 450)	584 262	188 474
	17 020 820	4 084 456	-	(100 750)	21 004 527	7 281 072	2 028 554	(72 267)	9 237 359	11 767 168
Total	894 541 551	4 553 229	45 859 018	(100 750)	944 853 048	414 815 659	27 814 628	(72 267)	442 558 019	502 295 029

APPENDIX B
UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

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

UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2014

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
Investment Properties										
Residential Buildings	1 654 812	-	-	-	1 654 812	-	-	-	-	1 654 812
	1 654 812	-	-	-	1 654 812	-	-	-	-	1 654 812

UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2014

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
Intangible Assets										
Computer Software	1 658 661	16 790	-	-	1 675 451	1 492 666	109 899	-	1 602 566	72 885
	1 658 661	16 790	-	-	1 675 451	1 492 666	109 899	-	1 602 566	72 885
Total Asset Register	897 855 024	4 570 019	45 859 018	(100 750)	948 183 311	416 308 325	27 924 527	(72 267)	444 160 585	504 022 726

APPENDIX C
UMSOBOMVU LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2014

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	2 250 755	661 384	-	(38 579)	2 873 560	1 302 209	265 263	(24 901)	1 542 570	1 330 990
Finance and Administration	3 204 098	333 936	-	(22 596)	3 515 438	2 499 749	288 019	(15 979)	2 771 790	743 649
Community and Social Services	49 951 934	-	198 282	-	50 150 216	7 090 524	516 876	-	7 607 400	42 542 816
Waste Management	121 619 565	50 362	-	(20 751)	121 649 176	45 541 727	4 529 542	(14 812)	50 056 457	71 592 718
Roads and Transport	324 115 326	3 524 337	-	(18 824)	327 620 840	188 728 697	8 292 154	(16 576)	197 004 274	130 616 565
Water	351 229 551	-	43 213 512	-	394 443 063	148 840 953	12 409 515	-	161 250 468	233 192 595
Electricity	45 483 794	-	2 447 224	-	47 931 018	22 304 466	1 623 159	-	23 927 625	24 003 393
Total	897 855 024	4 570 019	45 859 018	(100 750)	948 183 311	416 308 325	27 924 527	(72 267)	444 160 585	504 022 726

APPENDIX D
UMSOBOMVU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

2013 Actual Income	2013 Budgeted Income	2013 Actual Expenditure	2013 Budgeted Expenditure	2013 Surplus/ (Deficit)	Description	2014 Actual Income	2014 Budgeted Income	2014 Actual Expenditure	2014 Budgeted Expenditure	2014 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
29 319 000	26 171 000	17 084 397	17 376 240	12 234 603	Executive and Council	30 684 000	30 684 000	19 422 513	20 619 103	11 261 487
10 975 552	9 145 005	14 874 314	16 970 259	(3 898 762)	Finance and Administration	9 174 729	12 451 243	20 642 381	22 690 687	(11 467 652)
7 796 047	7 420 966	6 554 371	10 134 913	1 241 676	Community and Social Services	7 680 616	12 167 990	7 918 396	9 982 853	(237 779)
96 805 366	36 081 839	88 621 058	62 662 096	8 184 308	Technical Services	99 928 984	110 087 761	76 796 242	75 961 572	23 132 743
144 895 965	78 818 810	127 134 140	107 143 508	17 761 825	Total	147 468 330	165 390 995	124 779 532	129 254 214	22 688 798

APPENDIX E(1)
UMSOBOMVU LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14							
	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	30 684 000	-	30 684 000	30 684 000	30 684 000	-	100.00	100.00
Budget and Treasury Office	11 266 240	790 940	12 057 180	12 057 180	8 725 645	(3 331 535)	72.37	77.45
Corporate Services	18 020	-	18 020	18 020	20 190	2 170	112.04	112.04
Community and Public Safety:								
Community and Social Services	1 047 099	3 660 614	4 707 713	4 707 713	1 164 432	(3 543 282)	24.73	111.21
Public Safety	467 542	1 706 726	2 174 268	2 174 268	1 198 155	(976 114)	55.11	256.27
Road Transport	3 560 261	2 600 000	6 160 261	6 160 261	5 222 309	(937 952)	84.77	146.68
Trading Services:								
Electricity	29 286 400	4 553 600	33 840 000	33 840 000	29 471 076	(4 368 924)	87.09	100.63
Water	58 812 200	4 109 800	62 922 000	62 922 000	57 737 804	(5 184 196)	91.76	98.17
Waste Water Management	7 029 423	136 077	7 165 500	7 165 500	7 471 549	306 049	104.27	106.29
Waste Management	5 358 560	303 492	5 662 052	5 662 052	5 746 925	84 873	101.50	107.25
Total Revenue - Standard	147 529 746	17 861 248	165 390 995	165 390 995	147 442 084	(17 948 911)	89.15	99.94
EXPENDITURE - STANDARD								
Governance and Administration:								
Executive and Council	18 723 685	1 895 418	20 619 103	20 619 103	19 422 513	(1 196 589)	94.20	103.73
Budget and Treasury Office	14 841 528	1 029 777	15 871 305	15 871 305	13 847 733	(2 023 572)	87.25	93.30
Corporate Services	5 133 642	141 740	5 275 382	5 275 382	4 678 850	(596 533)	88.69	91.14
Community and Public Safety:								
Community and Social Services	8 268 840	(616 136)	7 652 705	7 652 705	5 928 387	(1 724 317)	77.47	71.70
Sport and Recreation	1 203 883	15 249	1 219 132	1 219 132	1 130 365	(88 767)	92.72	93.89
Public Safety	1 694 701	491 442	2 186 143	2 186 143	2 441 959	255 816	111.70	144.09
Housing	437 921	30 952	468 873	468 873	533 482	64 609	113.78	121.82
Economic and Environmental Services:								
Road Transport	10 098 242	545 262	10 643 504	10 643 504	15 015 203	4 371 699	141.07	148.69
Trading Services:								
Electricity	22 160 901	5 773 787	27 934 688	27 934 688	26 588 384	(1 346 304)	95.18	119.98
Water	19 800 866	3 681 882	23 482 749	23 482 749	26 800 186	3 317 437	114.13	135.35
Waste Water Management	8 594 426	(640 430)	7 953 995	7 953 995	8 809 065	855 070	110.75	102.50
Waste Management	5 739 643	206 992	5 946 636	5 946 636	(416 596)	(6 363 232)	0.00	0.00
Total Expenditure - Standard	116 698 278	12 555 936	129 254 214	129 254 214	124 779 532	(4 474 682)	96.54	106.92
	116 698 278		129 254 214	129 254 214	124 779 532			
Surplus/(Deficit) for the year	30 831 468	5 305 313	36 136 780	36 136 780	22 662 552	(13 474 228)	62.71	73.50

APPENDIX E (2)
UMSOBOMVU LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14								
	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget R	Final Budget R	Actual Outcome R	Unauthorised Expenditure R	Variance R	Actual Outcome as % of Final Budget R	Actual Outcome as % of Original Budget R
REVENUE BY VOTE									
Vote 1 - EXECUTIVE & COUNCIL	30 684 000	-	30 684 000	30 684 000	30 684 000	-	-	100.00	100.00
Vote 2 - FINANCE & ADMIN	11 593 239	858 004	12 451 243	12 451 243	9 174 729	-	(3 276 514)	73.69	79.14
Vote 3 - COMMUNITY SERVICES	1 205 662	5 300 276	6 505 938	6 505 938	1 933 692	-	(4 572 246)	29.72	160.38
Vote 4 - TECHNICAL SERVICES	104 046 844	11 702 969	115 749 813	115 749 813	105 649 663	-	(10 100 150)	91.27	101.54
Total Revenue by Vote	147 529 746	17 861 248	165 390 995	165 390 995	147 442 084	-	(17 948 911)	89.15	99.94
EXPENDITURE BY VOTE									
Vote 1 - EXECUTIVE & COUNCIL	18 723 685	1 895 418	20 619 103	20 619 103	19 422 513	-	(1 196 589)	94.20	103.73
Vote 2 - FINANCE & ADMIN	21 477 415	1 213 272	22 690 687	22 690 687	20 642 381	-	(2 048 306)	90.97	96.11
Vote 3 - COMMUNITY SERVICES	10 103 101	(120 248)	9 982 853	9 982 853	7 918 396	-	(2 064 457)	79.32	78.38
Vote 4 - TECHNICAL SERVICES	66 394 078	9 567 494	75 961 572	75 961 572	76 796 242	834 670	834 670	101.10	115.67
Total Expenditure by Vote	116 698 278	12 555 936	129 254 214	129 254 214	124 779 532	834 670	(4 474 682)	96.54	106.92
Surplus/(Deficit) for the year	30 831 468	5 305 313	36 136 780	36 136 780	22 662 552	(834 670)	(13 474 228)	62.71	73.50

APPENDIX E (3)
UMSOBOMVU LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14								2012/13
	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	4 445 640	300 440	4 746 080	4 746 080	4 631 572	(114 508)	97.59	104.18	4 734 634
Property Rates - Penalties & Collection Charges	159 000	-	159 000	159 000	170 266	11 266	107.09	107.09	165 115
Service Charges - Electricity	21 162 300	4 697 700	25 860 000	25 860 000	22 239 871	(3 620 129)	86.00	105.09	19 804 345
Service Charges - Water	9 180 000	-	9 180 000	9 180 000	11 030 306	1 850 306	120.16	120.16	9 648 580
Service Charges - Sanitation	6 805 423	130 077	6 935 500	6 935 500	7 017 048	81 548	101.18	103.11	6 142 683
Service Charges - Refuse	5 198 060	223 992	5 422 052	5 422 052	5 446 927	24 875	100.46	104.79	4 934 277
Service Charges - Other	-	-	-	-	-	-	0.00	0.00	(0)
Rental of Facilities and Equipment	307 630	67 064	374 694	374 694	406 805	32 111	108.57	132.24	413 783
Interest Earned - External Investments	21 500	490 500	512 000	512 000	692 873	180 873	135.33	3 222.66	914 267
Interest Earned - Outstanding Debtors	1 328 300	(3 300)	1 325 000	1 325 000	1 634 305	309 305	123.34	123.04	1 813 445
Dividends Received	-	-	-	-	-	-	0.00	0.00	-
Fines	12 600	1 487 400	1 500 000	1 500 000	684 469	(815 531)	45.63	5 432.29	1 392 457
Licences and Permits	457 242	219 326	676 568	676 568	531 236	(145 332)	78.52	116.18	473 226
Agency Services	-	-	-	-	-	-	0.00	0.00	-
Transfers Recognised - Operational	35 116 500	4 813 000	39 929 500	39 929 500	43 598 803	3 669 303	109.19	124.15	84 392 130
Other Revenue	4 185 550	550	4 186 100	4 186 100	6 675 300	2 489 200	159.46	159.48	10 067 024
Gains on Disposal of PPE	-	-	-	-	-	-	0.00	0.00	-
Total Revenue (excluding Capital Transfers & Contributions)	88 379 746	12 426 748	100 806 495	100 806 495	104 759 781	3 953 286	103.92	118.53	144 895 965
Expenditure									
Employee Related Costs	34 616 916	(6 964)	34 609 951	34 609 951	33 695 250	(914 701)	97.36	97.34	30 142 571
Remuneration of Councillors	2 804 304	235 000	3 039 304	3 039 304	2 992 090	(47 213)	98.45	106.70	2 488 286
Debt Impairment	-	-	-	-	-	-	0.00	0.00	-
Depreciation and Asset Impairment	31 980 512	(359 524)	31 620 988	31 620 988	36 499 196	4 878 207	115.43	114.13	33 962 762
Finance Charges	364 322	(22 322)	342 000	342 000	465 601	123 601	136.14	127.80	126 524
Bulk Purchases	16 726 000	584 000	17 310 000	17 310 000	18 410 486	1 100 486	106.36	110.07	15 755 503
Other Materials	2 231 005	(63 965)	2 167 040	2 167 040	2 486 477	319 437	114.74	111.45	2 723 904
Contracted Services	-	-	-	-	-	-	0.00	0.00	-
Transfers and Grants	-	-	-	-	-	-	0.00	0.00	-
Other Expenditure	27 973 993	12 189 711	40 163 703	40 163 703	30 201 949	(9 961 754)	75.20	107.96	41 888 642
Loss on Disposal of PPE	1 228	-	1 228	1 228	28 482	27 254	2 319.17	2 319.17	45 948
Total Expenditure	116 698 278	12 555 936	129 254 214	129 254 214	124 779 532	(4 474 682)	96.54	106.92	127 134 140
Surplus/(Deficit)	(28 318 532)	(129 187)	(28 447 720)	(28 447 720)	(20 019 751)	8 427 969	0.00	0.00	17 761 825
Transfers Recognised - Capital	59 150 000	5 434 500	64 584 500	64 584 500	42 682 303	(21 902 197)	66.09	72.16	-
Surplus/(Deficit) after Capital Transfers and Contributions	30 831 468	5 305 313	36 136 780	36 136 780	22 662 552	(13 474 228)	62.71	73.50	17 761 825
Surplus/(Deficit) for the Year	30 831 468	5 305 313	36 136 780	36 136 780	22 662 552	(13 474 228)	62.71	73.50	17 761 825

APPENDIX E(4)
UMSOBOMVU LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14								
	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 4 - TECHNICAL SERVICES	63 366 939	(34 617 000)	28 749 939	28 749 939	28 749 939	-	-	100.00	45.37
Total Capital Expenditure - Multi-year	63 366 939	(34 617 000)	28 749 939	28 749 939	28 749 939	-	-	100.00	45.37
Single-year Expenditure									
Vote 1 - EXECUTIVE & COUNCIL	-	-	-	-	661 384	661 384	661 384	0.00	0.00
Vote 2 - FINANCE & ADMIN	1 550 000	3 450 000	5 000 000	5 000 000	333 936	-	(4 666 064)	6.68	21.54
Vote 3 - COMMUNITY SERVICES	-	153 000	153 000	153 000	198 282	-	45 282	129.60	0.00
Vote 4 - TECHNICAL SERVICES	6 100 000	21 789 481	27 889 481	27 889 481	20 485 496	-	(7 403 985)	73.45	335.83
Total Capital Expenditure - Single-year	7 650 000	25 392 481	33 042 481	33 042 481	21 679 098	661 384	(11 363 383)	65.61	283.39
Total Capital Expenditure - Vote	71 016 939	(9 224 519)	61 792 420	61 792 420	50 429 037	661 384	(11 363 383)	81.61	71.01
CAPITAL EXPENDITURE - STANDARD									
Governance and Administration:									
Executive and Council	-	-	-	-	661 384	-	661 384	0.00	0.00
Budget and Treasury Office	1 550 000	(1 550 000)	-	-	333 936	-	333 936	0.00	21.54
Community and Public Safety:									
Community and Social Services	-	5 153 000	5 153 000	5 153 000	198 282	-	(4 954 718)	3.85	0.00
Economic and Environmental Services:									
Road Transport	4 500 000	4 228 585	8 728 585	8 728 585	3 524 337	-	(5 204 248)	40.38	78.32
Trading Services:									
Electricity	7 100 000	(3 747 052)	3 352 948	3 352 948	2 447 224	-	(905 724)	72.99	34.47
Water	57 866 939	(14 809 052)	43 057 887	43 057 887	43 213 512	-	155 625	100.36	74.68
Waste Water Management	-	1 500 000	1 500 000	1 500 000	50 362	-	(1 449 638)	-	-
Total Capital Expenditure - Standard	71 016 939	(9 224 519)	61 792 420	61 792 420	50 429 037	-	(11 363 383)	81.61	71.01
FUNDED BY:									
National Government	54 973 000	(2 248 061)	52 724 939	52 724 939	49 235 435	-	(3 489 504)	93.38	89.56
Provincial Government	3 500 000	(3 500 000)	-	-	-	-	-	0.00	0.00
Transfers Recognised - Capital	58 473 000	(5 748 061)	52 724 939	52 724 939	49 235 435	-	(3 489 504)	93.38	84.20
Public Contributions & Donations	-	5 100 000	5 100 000	5 100 000	-	-	(5 100 000)	0.00	0.00
Borrowing	-	628 585	628 585	628 585	716 588	-	88 003	114.00	0.00
Internally Generated Funds	12 543 939	(9 205 043)	3 338 896	3 338 896	477 014	-	(2 861 882)	14.29	3.80
Total Capital Funding	71 016 939	(9 224 519)	61 792 420	61 792 420	50 429 037	-	(11 363 383)	81.61	71.01

APPENDIX E(5)
UMSOBOMVU LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14							
	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	51 913 446	-	51 913 446	51 913 446	4 102 456	(47 810 990)	7.90	7.90
Government - Operating	35 116 500	4 813 000	39 929 500	39 929 500	28 059 223	(11 870 277)	70.27	79.90
Government - Capital	59 150 000	5 434 500	64 584 500	64 584 500	45 384 763	(19 199 737)	70.27	76.73
Service Charges	-	-	-	-	35 708 506	35 708 506	0.00	0.00
Interest	1 349 800	-	1 349 800	1 349 800	692 873	(656 927)	51.33	51.33
Other Receipts	-	-	-	-	15 476 903	15 476 903	0.00	0.00
Payments								
Suppliers and Employees	(84 354 130)	2 897 622	(81 456 509)	(81 456 509)	(90 647 107)	(9 190 598)	0.00	0.00
Finance Charges	(364 322)	-	(364 322)	(364 322)	(465 601)	(101 279)	0.00	0.00
Other payments	-	-	-	-	(2 015 761)	(2 015 761)	0.00	0.00
NET CASH FROM / (USED) OPERATING ACTIVITIES	62 811 294	13 145 122	75 956 416	75 956 416	36 296 255	(39 660 160)	47.79	57.79
CASH FLOWS FROM INVESTING ACTIVITIES								
Payments								
Capital Assets	(71 017 041)	9 224 519	(61 792 522)	(61 792 522)	(50 429 060)	11 363 462	0.00	0.00
NET CASH FROM / (USED) INVESTING ACTIVITIES	(71 017 041)	9 224 519	(61 792 522)	(61 792 522)	(50 429 060)	11 363 462	0.00	0.00
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Payments								
Loans repaid	(451 569)	-	(451 569)	(451 569)	(330 371)	121 198	0.00	0.00
NET CASH FROM / (USED) FINANCING ACTIVITIES	(451 569)	-	(451 569)	(451 569)	(330 371)	121 198	0.00	0.00
NET INCREASE / (DECREASE) IN CASH HELD	8 657 317	(22 369 641)	(13 712 324)	(13 712 324)	14 463 176	28 175 500	0.00	167.06
Cash / Cash Equivalents at the Year begin:	25 595 620	-	25 595 620	25 595 620	34 409 897	8 814 277	134.44	134.44
Cash / Cash Equivalents at the Year end:	16 938 303	22 369 641	39 307 944	39 307 944	19 946 722	(19 361 222)	50.74	117.76

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								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	12 785 000	2 832 000	15 067 000	-	7 671 000	7 671 000	7 671 000	7 671 000	N/A	Yes	N/A
FMG	Nat Treasury	1 650 000	-	-	-	795 370	113 647	292 319	448 664	N/A	Yes	N/A
INEP	Nat Treasury	-	2 600 000	-	-	185 998	57 326	1 444 920	911 756	N/A	Yes	N/A
MIG Projects	MIG	4 905 000	-	8 645 000	-	1 415 888	233 139	3 260 220	9 550 162	N/A	Yes	N/A
Bulk Infrastructure Grant	DWAF	13 663 058	11 341 654	10 602 555	2 116 333	11 406 995	10 316 372	3 284 683	6 734 126	N/A	Yes	N/A
EDSMG	Province	-	-	-	-	2 386 691	-	340 170	1 525 543	N/A	Yes	N/A
MSIG	DPLG	890 000	-	-	-	3 161	528 332	-	358 506.46	N/A	Yes	N/A
EPWP Incentive Grant	Province	400 000	300 000	3 900 000	-	410 738	274 091	1 080 752	3 418 747	N/A	Yes	N/A
Library Grant	Province	-	354 000	354 000	-	177 000	177 000	177 000	177 000	N/A	Yes	N/A
Total Grants and Subsidies Received		34 293 058	17 427 654	38 568 555	2 116 333	24 452 842	19 370 908	17 551 063	30 795 504			

(*) 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 2014

Incumbent	Basic Salaries	Bonuses	Allowances	Total Remuneration
	R	R	R	R
Mayor				
Hermans N.L	476 012	-	119 474	595 486
Other Councillors				
Mdala N.B	229 242	-	22 707	251 949
Reyners N	190 405	-	20 868	211 273
Mlenzana S.G	244 353	-	21 652	266 005
Gronum C.F	244 353	-	20 868	265 221
Ngaliman S	190 405	-	21 456	211 861
Humphries S.E	244 353	-	22 119	266 472
Fritz S.A	190 405	-	21 456	211 861
Siko S	244 353		21 064	265 417
Sestile M.A	190 405		21 260	211 665
Total for Councillors	2 444 286	-	312 924	2 757 209
Municipal Manager				
Mplea A.C	824 880	150 515	331 347	1 061 756
Chief Financial Officer				
Visagie D.T	622 675	53 076	19 104	774 095
Manager: Technical Services				
Mosompha P	693 260	53 076	151 509	774 095
Manager: Corporate Services				
Kapp B	568 548	-	150 599	774 095
Total for Senior Managers	1 884 483	106 152	321 212	2 322 285
Total for Management	4 328 768	106 152	634 136	5 079 494

Incumbent	Basic	Bonuses	Allowances	Total
	Salaries			Remuneration
	R	R	R	R
Mayor				
Hermans N.L	455 830	-	178 635	634 465
Other Councillors				
Mdala N.B	180 874	-	12 018	192 892
Reyners N	180 874	-	14 900	195 775
Mlenzana S.G	180 874	-	12 018	192 892
Gronum C.F	180 874	-	12 018	192 892
Ngaliman S	180 874	-	12 018	192 892
Humphries S.E	180 874	-	12 915	193 789
Fritz S.A	180 874	-	12 018	192 892
Siko S	180 874	-	12 018	192 892
Sestile M.A	180 874	-	15 007	195 881
Total for Councillors	2 083 698	-	293 565	2 377 262
Municipal Manager				
Mplea A.C	844 491	83 015	134 250	1 061 756
Chief Financial Officer				
Visagie D.T	571 089	66 412	136 594	774 095
Manager: Community Services				
Rossouw B.D	134 241	61 201	28 798	224 240
Manager: Technical Services				
Mosompha P	635 683	66 412	72 000	774 095
Total for Senior Managers	2 185 505	277 039	371 642	2 834 186
Total for Management	4 269 203	277 039	665 206	5 211 448

APPENDIX H UMSOBOMVU LOCAL MUNICIPALITY RATIO ANALYSIS

30 June 2014

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%	29%	
			Total Operating Expenditure	124 779 532
			Taxation Expense	-
			Total Capital Expenditure	50 429 037
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%	2%	
			PPE, Investment Property and Intangible Impairment	8 606 162
			PPE at carrying value	502 295 348
			IP at carrying value	1 654 811
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%	0%	
			Total Repairs and Maintenance Expenditure	2 486 477
			PPE at carrying value	502 295 348
			Investment Property at Carrying value	1 654 811
B. Debtors Management				
1	Collection Rate	95%	72%	
			Gross Debtors closing balance	60 596 378
			Gross Debtors opening balance	48 015 112
			Bad debts written Off	-
2	Bad Debts Written-off as % of Provision for Bad Debt	100%	0%	
			Consumer Debtors Bad debts written off	-
			Consumer Debtors Current bad debt Provision	30 395 248
3	Net Debtors Days	30 days	241 days	
			Gross debtors	60 596 378
			Bad debts Provision	30 395 248
			Billed Revenue	45 734 153
C. Liquidity Management				
1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	1 - 3 Months	1 Month	
			Cash and cash equivalents	19 946 722
			Unspent Conditional Grants	11 164 521
			Overdraft	-
			Short Term Investments	-
2	Current Ratio	1.5 - 2:1	1.73	
			Current Assets	57 409 206
			Current Liabilities	33 212 309

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%		1%
			Interest Paid	465 601
			Redemption	-
			Total Operating Expenditure	79 187 162
			Taxation Expense	-

2	Debt (Total Borrowings) / Revenue	45%		5%
			Total Debt	3 300 120
			Total Operating Revenue	147 442 084
			Operational Conditional Grants	86 281 106

E. Sustainability

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%		248%
			Cash and cash Equivalents	19 946 722
			Unspent Grants	11 164 521
			Net Assets	502 010 910
			Accumulated Surplus	498 475 381

2. FINANCIAL PERFORMANCE

A. Efficiency

1	Net Operating Surplus Margin	= or > 0%		15%
			Total Operating Revenue	147 442 084
			Depreciation - Revalued Portion <i>(Only populate if depreciation line item in</i>	
			Total Operating Expenditure	124 779 532
			Taxation Expense	-

2	Net Surplus /Deficit Electricity	0% - 15%		18%
			Total Electricity Revenue	22 239 871
			Total Electricity Expenditure	18 138 569

3	Net Surplus /Deficit Water	= or > 0%		98%
			Total Water Revenue	11 030 306
			Total Water Expenditure	271 917

4	Net Surplus /Deficit Refuse	= or > 0%		100%
			Total Refuse Revenue	5 446 927
			Total Refuse Expenditure	

5	Net Surplus /Deficit Sanitation and Waste Water	= or > 0%		100%
			Total Sanitation and Water Waste Revenue	7 017 048
			Total Sanitation and Water Waste Expenditure	

B. Distribution Losses

1	Electricity Distribution Losses (Percentage)	7% - 10%		22%
			Number of units purchased and/or generated	24 607 361
			Number of units sold	19 231 430

2	Water Distribution Losses (Percentage)	15% - 30%		40%
			Number of kilolitres purchased and/or purified	1 848 433
			Number of kilolitres sold	1 111 107

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)	

2	Revenue Growth (%)	= CPI		2%
			CPI	7%
			Total Revenue (Previous)	144 895 965
			Total Revenue (Current)	147 442 084

3	Revenue Growth (%) - Excluding capital grants	= CPI		1%
			CPI	6%
			Total Revenue Exl.Capital (Previous)	60 503 836
			Total Revenue Exl.Capital (Current)	61 160 978

D. Expenditure Management

1	Creditors Payment Period (Trade Creditors)	30 days		35 days
			Trade Creditors	9 622 177
			Contracted Services	-
			Repairs and Maintenance	2 486 477
			General expenses	30 201 949
			Bulk Purchases	18 410 486
			Capital Credit Purchases (<i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i>)	50 429 037

2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		3%
			Irregular, Fruitless and Wasteful and Unauthorised Expenditure	3 225 822
			Total Operating Expenditure	124 779 532
			Taxation Expense	-

3	Remuneration as % of Total Operating Expenditure	25% - 40%		29%
			Employee/personnel related cost	33 695 250
			Councillors Remuneration	2 992 090
			Total Operating Expenditure	124 779 532
			Taxation Expense	-

4	Contracted Services % of Total Operating Expenditure	2% - 5%		0%
			Contracted Services	-
			Total Operating Expenditure	124 779 532
			Taxation Expense	-

E. Grant Dependency

1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	None		111%
			Internally generated funds	51 988 235
			Borrowings	4 233 432
			Total Capital Expenditure	50 429 037

2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		103%
			Internally generated funds	51 988 235
			Total Capital Expenditure	50 429 037

3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	None		41%
			Total Revenue	147 442 084
			Government grant and subsidies	86 281 106
			Public contributions and Donations	-
			Capital Grants	-

APPENDIX H UMSOBOMVU LOCAL MUNICIPALITY RATIO ANALYSIS

3. BUDGET IMPLEMENTATION

1	Capital Expenditure Budget Implementation Indicator	95% - 100%		82%
			Actual Capital Expenditure	50 429 037
			Budget Capital Expenditure	61 792 420
2	Operating Expenditure Budget Implementation Indicator	95% - 100%		97%
			Actual Operating Expenditure	124 779 532
			Budget Operating Expenditure	129 254 214
3	Operating Revenue Budget Implementation Indicator	95% - 100%		101%
			Actual Operating Revenue	101 930 007
			Budget Operating Revenue	100 806 495
4	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		97%
			Actual Service Charges and Property Rates Revenue	50 365 725
			Budget Service Charges and Property Rates Revenue	52 143 632

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