

Ubuntu Municipality



*menswaardigheid • hoop • erfenis
ubuntu • iibemba • izifuthe
humanity • hope • heritage*

Ubuntu Local Municipality
(Registration number NC071)
Annual Financial Statements
for the year ended 30 June 2023

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity	Local municipality as defined by the Municipal Structures Act (Act no.117 of 1998)
Nature of business and principal activities	Ubuntu Municipality is a local municipality performing the functions as set out in the Constitution (Act no. 105 of 1996)
Mayoral committee	
Mayor	CC Jantjies - Inaugurated on 1 November 2021
Speaker	GL Yekani (Speaker) - Inaugurated on 1 November 2021
Councillors	M Zeekoei (Chief Whip) - Inaugurated on 1 November 2021 AJ Robertson (Ex Comm Member) - Inaugurated on 1 November 2021 MN Baadjies (Ex Comm Member) - Inaugurated on 1 November 2021 SW Kock - Inaugurated on 1 November 2021 MA Maloi - Inaugurated on 1 November 2021 WRH Olyn - Inaugurated on 1 November 2021 A Verwey - Inaugurated on 1 November 2021 JH Vorster - Inaugurated on 1 November 2021 JJ Tolken - Inaugurated on 1 November 2021
Grading of local authority	Category B as defined by the Municipal Structures Act (Act number 117 of 1998)
Accounting Officers	Mrs LS Itumeleng (Appointed 1 May 2023) Mr D Molaoe (Acting 1 September 2022 to resigned 30 April 2023) Ms NM Mkotwanta (Acting from March 2022 to August 2022)
Chief Finance Officer (CFO)	Ms ON Sauli (Acting from 1 April 2022 to 30 May 2023)
Registered office	78 Church Street Victoria West 7070
Business address	78 Church Street Victoria West 7070
Bankers	First National Bank
Auditors	The Auditor-General of South Africa
Attorneys	Office of the State Attorney

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

General Information

Enabling legislation

Municipal Finance Management Act (Act no. 56 of 2003)
Division of Revenue Act
The Income Tax Act (Act no. 58 of 1962)
The Value-added Tax Act (Act no. 89 of 1991)
Municipal Structures Act (Act no. 117 of 1998)
Municipal Systems Act (Act no. 32 of 2000)
Municipal Planning and Performance Management Regulations
Housing Act (Act no. 107 of 1997)
Skills Development Levies Act (Act no. 9 of 1999)
Employment Equity Act (Act no. 55 of 1998)
Unemployment Insurance Act (Act no. 30 of 1966)
Basic Conditions of Employment Act (Act no. 75 of 1997)
Supply Chain Management Regulations Act, 2005
Disaster Management Act of 2016
Spatial Planning and Land Use Management Act (Act no. 16 of 2013)
Property Rates Act 6 of 2004

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	Page
Accounting Officers' Responsibilities and Approval	5
Accounting Officers' Report	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11 - 14
Appropriation Statement	14 - 16
Accounting Policies	17 - 46
Notes to the Annual Financial Statements	47 - 107

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Index

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DoRA	Division of Revenue Act
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
IAS	International Accounting Standards
IDP	Integrated Development Plan
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
INEP	Integrated National Electrification Programme
NERSA	National Energy Regulator of South Africa
MSA	Municipal Systems Act
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement Grant
PAYE	Pay As You Earn
SALGA	South African Local Government Association
SARS	South African Revenue Services

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Officers' Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting officers sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officers are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officers on 22 September 2023 and were signed on its behalf by:

Mrs LS Itumeleng
Accounting officer

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Officers' Report

The accounting officers submit their report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interests of the local community within the Ubuntu Municipal area and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 5 170 417 (2022: deficit R 18 316 839).

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 488 365 526 and that the municipality's total assets exceed its liabilities by R 488 365 526.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Furthermore management has reviewed the municipality's cash flow forecast for the year ended 30 June 2024 and, in the light of this review and the current financial position, management is satisfied that the municipality has, or has access to, adequate resources to continue its operations existing for the foreseeable future.

The municipality still has the ability to levy services, rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocations as published in terms of the Division of Revenue Act (Act No.9 of 2021).

For details of managements assumptions with respect to the applicability of the going concern assumption refer to note 43

3. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officers' interest in contracts

No matters to report.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officers

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Ms NM Mkotwanta	South African	Acting from March 2022 to August 2022
Mr D Molaole	South African	Acting from September 2022 to March 2023
Mrs LS Itumeleng	South African	Appointed May 2023

7. Auditors

The Auditor-General of South Africa will continue in office for the next financial period.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	128 945	81 924
Other receivables from exchange transactions	4	659 176	717 124
Statutory receivables from non-exchange transactions	5	17 392 944	19 331 957
Receivable from exchange transactions	6	11 321 461	6 847 351
Receivables from non-exchange transactions	7	48 986	48 986
Cash and cash equivalents	8	17 976 502	6 310 754
		47 528 014	33 338 096
Non-Current Assets			
Investment property	9	66 060 151	66 311 169
Property, plant and equipment	10	541 630 687	523 534 181
Intangible assets	11	7 144	13 294
		607 697 982	589 858 644
Total Assets		655 225 996	623 196 740
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	134 587 720	109 781 644
Consumer deposits	13	92 630	91 340
Employee benefit obligation	14	476 000	635 000
Unspent conditional grants and receipts	15	11 672 385	5 573 134
		146 828 735	116 081 118
Non-Current Liabilities			
Employee benefit obligation	14	5 091 000	4 806 000
Provisions	16	14 940 735	8 773 681
		20 031 735	13 579 681
Total Liabilities		166 860 470	129 660 799
Net Assets		488 365 526	493 535 941
Accumulated surplus		488 365 526	493 535 941
Total Net Assets		488 365 526	493 535 941

* See Note 47

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	20 005 513	21 871 284
Availability charges		5 307 655	4 048 653
Rental of facilities and equipment	18	546 182	575 805
Interest received (trading)		14 395 968	8 491 465
Licences and permits		405 131	415 202
Other income		550 238	231 092
Interest received - investment	19	1 266 038	501 104
Total revenue from exchange transactions		42 476 725	36 134 605
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	20 790 720	21 030 997
Availability charges		-	957 833
Interest received - Property rates	21	6 899 954	3 627 670
Transfer revenue			
Government grants & subsidies	22	79 582 749	61 408 732
Public contributions and donations	23	4 259 619	3 276 631
Fines, Penalties and Forfeits	24	53 312	196 041
Total revenue from non-exchange transactions		111 586 354	90 497 904
Total revenue	25	154 063 079	126 632 509
Expenditure			
Employee related costs	26	(36 372 225)	(36 286 719)
Remuneration of councillors	27	(4 794 189)	(3 986 471)
Depreciation and amortisation	28	(15 596 187)	(31 486 839)
Finance costs	29	(6 876 692)	(5 436 331)
Debt Impairment	30	(37 508 283)	(22 478 126)
Bulk purchases	31	(24 494 652)	(22 168 723)
General Expenses	32	(31 510 462)	(24 730 224)
Total expenditure		(157 152 690)	(146 573 433)
Operating deficit		(3 089 611)	(19 940 924)
Loss on disposal of assets and liabilities		(1 518 799)	(353 566)
Fair value adjustments		(173 670)	1 590 653
Actuarial gains/losses	14	218 268	414 502
Impairment loss	33	(606 605)	(27 504)
		(2 080 806)	1 624 085
Deficit for the year		(5 170 417)	(18 316 839)

* See Note 47

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	501 902 702	501 902 702
Prior year adjustments		
Correction of errors 47	9 950 078	9 950 078
Balance at 01 July 2021 as restated*	511 852 780	511 852 780
Changes in net assets		
Deficit for the year*	(18 316 839)	(18 316 839)
Total changes	(18 316 839)	(18 316 839)
Restated* Balance at 01 July 2022	493 535 943	493 535 943
Changes in net assets		
Deficit for the year	(5 170 417)	(5 170 417)
Total changes	(5 170 417)	(5 170 417)
Balance at 30 June 2023	488 365 526	488 365 526

Note(s)

* The deficit for the 2022 year has been restated from R14 070 333 to R18 316 839 due to the correction of various errors. Refer to note 47.2.

* See Note 47

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		28 970 531	40 214 542
Grants		85 682 000	55 598 001
Interest income		1 266 038	501 104
		<u>115 918 569</u>	<u>96 313 647</u>
Payments			
Employee costs		(40 822 146)	(39 980 688)
Suppliers		(26 986 437)	(38 686 043)
Finance costs		(5 730 738)	(2 748 693)
		<u>(73 539 321)</u>	<u>(81 415 424)</u>
Net cash flows from operating activities	34	<u>42 379 248</u>	<u>14 898 223</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	<u>(30 713 500)</u>	<u>(21 063 722)</u>
Cash flows from financing activities			
Finance lease payments		<u>-</u>	<u>(106 564)</u>
Net increase/(decrease) in cash and cash equivalents		11 665 748	(6 272 063)
Cash and cash equivalents at the beginning of the year		<u>6 310 754</u>	<u>12 582 817</u>
Cash and cash equivalents at the end of the year	8	<u>17 976 502</u>	<u>6 310 754</u>

The accounting policies on pages 17 to 46 and the notes on pages 47 to 107 form an integral part of the annual financial statements.

* See Note 47

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	47 475 888	(1 999 169)	45 476 719	20 005 513	(25 471 206)	52, x1
Rendering of services	-	-	-	5 307 655	5 307 655	52, x2
Rental of facilities and equipment	763 260	(360 006)	403 254	546 182	142 928	52, x3
Interest received (trading)	12 515 065	-	12 515 065	14 395 968	1 880 903	52, x4
Agency services	375 852	-	375 852	-	(375 852)	52, x5
Licences and permits	118 734	-	118 734	405 131	286 397	52, x6
Other income	802 299	(40 013)	762 286	550 238	(212 048)	52, x7
Interest received - investment	355 576	-	355 576	1 266 038	910 462	52, x8
Total revenue from exchange transactions	62 406 674	(2 399 188)	60 007 486	42 476 725	(17 530 761)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	25 198 752	(999 999)	24 198 753	20 790 720	(3 408 033)	52, x9
Interest received (trading)	-	-	-	6 899 954	6 899 954	52, x10
Transfer revenue						
Government grants & subsidies	81 225 008	5 800 000	87 025 008	79 582 749	(7 442 259)	52, x11
Public contributions and donations	-	-	-	4 259 619	4 259 619	52, x12
Fines, Penalties and Forfeits	26 442 156	(3 932 698)	22 509 458	53 312	(22 456 146)	52, x13
Total revenue from non-exchange transactions	132 865 916	867 303	133 733 219	111 586 354	(22 146 865)	
Total revenue	195 272 590	(1 531 885)	193 740 705	154 063 079	(39 677 626)	
Expenditure						
Personnel	(49 265 737)	(527 481)	(49 793 218)	(36 372 225)	13 420 993	52, x14
Remuneration of councillors	(3 916 763)	(817 839)	(4 734 602)	(4 794 189)	(59 587)	52, x15
Depreciation and amortisation	(24 894 086)	-	(24 894 086)	(15 596 187)	9 297 899	52, x16
Impairment loss/ Reversal of impairments	-	-	-	(606 605)	(606 605)	52, x17
Finance costs	(2 616 820)	10 007	(2 606 813)	(6 876 692)	(4 269 879)	52, x18
Debt Impairment	(18 439 704)	-	(18 439 704)	(37 508 283)	(19 068 579)	52, x19
Bulk purchases	(25 849 992)	1 549 992	(24 300 000)	(24 494 652)	(194 652)	52, x20
Contracted Services	(21 050 328)	5 174 323	(15 876 005)	-	15 876 005	52, x21
General Expenses	(18 643 155)	1 005 667	(17 637 488)	(31 510 462)	(13 872 974)	52, x22
Total expenditure	(164 676 585)	6 394 669	(158 281 916)	(157 759 295)	522 621	
Operating deficit	30 596 005	4 862 784	35 458 789	(3 696 216)	(39 155 005)	
Loss on disposal of assets and liabilities	-	-	-	(1 518 799)	(1 518 799)	52, x23
Fair value adjustments	-	-	-	(173 670)	(173 670)	52, x24
Actuarial gains/losses	-	-	-	218 268	218 268	52, x25
	-	-	-	(1 474 201)	(1 474 201)	

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Deficit before taxation	30 596 005	4 862 784	35 458 789	(5 170 417)	(40 629 206)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	30 596 005	4 862 784	35 458 789	(5 170 417)	(40 629 206)	
Reconciliation						

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	81 103	-	81 103	128 945	47 842	52, x26
Other receivables from exchange transactions	6 838 332	-	6 838 332	659 176	(6 179 156)	52, x27
Statutory receivables from non-exchange transactions	-	-	-	17 392 944	17 392 944	52, x28
Consumer debtors	30 925 979	-	30 925 979	11 321 461	(19 604 518)	52, x29
Receivables from non-exchange transactions	-	-	-	48 986	48 986	52, x30
Cash and cash equivalents	24 671 024	-	24 671 024	17 976 502	(6 694 522)	52, x31
	62 516 438	-	62 516 438	47 528 014	(14 988 424)	
Non-Current Assets						
Investment property	47 390 836	-	47 390 836	66 060 151	18 669 315	52, x32
Property, plant and equipment	565 590 239	4 140 004	569 730 243	541 630 687	(28 099 556)	52, x33
Intangible assets	53 118	-	53 118	7 144	(45 974)	52, x34
	613 034 193	4 140 004	617 174 197	607 697 982	(9 476 215)	
Total Assets	675 550 631	4 140 004	679 690 635	655 225 996	(24 464 639)	
Liabilities						
Current Liabilities						
Other financial liabilities	230 860	-	230 860	-	(230 860)	52, x35
Payables from exchange transactions	76 836 589	-	76 836 589	134 587 727	57 751 138	52, x36
Consumer deposits	199 521	-	199 521	92 630	(106 891)	52, x37
Employee benefit obligation	433 000	-	433 000	476 000	43 000	52, x38
Unspent conditional grants and receipts	-	-	-	11 672 385	11 672 385	52, x39
	77 699 970	-	77 699 970	146 828 742	69 128 772	
Non-Current Liabilities						
Other financial liabilities	106 565	-	106 565	-	(106 565)	52, x40
Employee benefit obligation	-	-	-	5 091 000	5 091 000	52, x41
Provisions	17 451 665	-	17 451 665	14 940 735	(2 510 930)	52, x42
	17 558 230	-	17 558 230	20 031 735	2 473 505	
Total Liabilities	95 258 200	-	95 258 200	166 860 477	71 602 277	
Net Assets	580 292 431	4 140 004	584 432 435	488 365 519	(96 066 916)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	580 292 431	4 140 004	584 432 435	488 365 526	(96 066 909)	

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	16 379 189	-	16 379 189	3 382 728	(12 996 461)	
Sale of goods and services	34 376 419	-	34 376 419	8 873 757	(25 502 662)	
Grants	81 225 000	5 000 000	86 225 000	85 682 000	(543 000)	
Interest income	12 926 247	-	12 926 247	22 557 329	9 631 082	
Other revenue	20 340 080	-	20 340 080	-	(20 340 080)	
	165 246 935	5 000 000	170 246 935	120 495 814	(49 751 121)	
Payments						
Suppliers and employees	(114 809 212)	-	(114 809 212)	(71 814 591)	42 994 621	
Finance costs	(2 606 820)	-	(2 606 820)	(4 643 352)	(2 036 532)	
	(117 416 032)	-	(117 416 032)	(76 457 943)	40 958 089	
Net cash flows from operating activities	47 830 903	5 000 000	52 830 903	44 037 871	(8 793 032)	
Cash flows from investing activities						
Capital assets	(29 735 000)	-	(29 735 000)	(30 960 861)	(1 225 861)	
Net increase/(decrease) in cash and cash equivalents	18 095 903	5 000 000	23 095 903	13 077 010	(10 018 893)	
Cash and cash equivalents at the beginning of the year	6 575 126	-	6 575 126	6 310 754	(264 372)	
Cash and cash equivalents at the end of the year	24 671 029	5 000 000	29 671 029	19 387 764	(10 283 265)	
Reconciliation						

Ubuntu Local Municipality

(Registration number NC071)
Annual Financial Statements for the year ended 30 June 2023

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2023											
Financial Performance											
Property rates	25 198 752	(999 999)	24 198 753	-	-	24 198 753	20 790 720		(3 408 033)	86 %	83 %
Service charges	47 475 888	(1 999 169)	45 476 719	-	-	45 476 719	20 005 513		(25 471 206)	44 %	42 %
Investment revenue	355 576	-	355 576	-	-	355 576	1 266 038		910 462	356 %	356 %
Transfers recognised - operational	51 490 008	800 000	52 290 008	-	-	52 290 008	50 787 300		(1 502 708)	97 %	99 %
Other own revenue	41 017 366	(4 332 717)	36 684 649	-	-	36 684 649	28 376 708		(8 307 941)	77 %	69 %
Total revenue (excluding capital transfers and contributions)	165 537 590	(6 531 885)	159 005 705	-	-	159 005 705	121 226 279		(37 779 426)	76 %	73 %
Employee costs	(49 265 737)	(527 481)	(49 793 218)	-	-	(49 793 218)	(36 372 225)		13 420 993	73 %	74 %
Remuneration of councillors	(3 916 763)	(817 839)	(4 734 602)	-	-	(4 734 602)	(4 794 189)		(59 587)	101 %	122 %
Depreciation and asset impairment	(24 894 086)	-	(24 894 086)	-	-	(24 894 086)	21 305 491		46 199 577	(86)%	(86)%
Finance charges	(2 616 820)	10 007	(2 606 813)	-	-	(2 606 813)	(6 876 692)		(4 269 879)	264 %	263 %
Inventory consumed and bulk purchases	(27 805 992)	579 992	(27 226 000)	-	-	(27 226 000)	(24 494 652)		2 731 348	90 %	88 %
Other expenditure	(56 177 187)	7 149 990	(49 027 197)	-	-	(49 027 197)	(33 202 931)		15 824 266	68 %	59 %
Total expenditure	(164 676 585)	6 394 669	(158 281 916)	-	-	(158 281 916)	(84 435 198)		73 846 718	53 %	51 %
Surplus/(Deficit)	861 005	(137 216)	723 789	-	-	723 789	36 791 081		36 067 292	5 083 %	4 273 %

Ubuntu Local Municipality

(Registration number NC071)
Annual Financial Statements for the year ended 30 June 2023

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	29 735 000	5 000 000	34 735 000	-	-	34 735 000	28 795 449		(5 939 551)	83 %	97 %
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	4 259 619		4 259 619	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	30 596 005	4 862 784	35 458 789	-	-	35 458 789	69 846 149		34 387 360	197 %	228 %
Surplus/(Deficit) for the year	30 596 005	4 862 784	35 458 789	-	-	35 458 789	69 846 149		34 387 360	197 %	228 %

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1. Presentation of Annual Financial Statements

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

In assessing whether the going concern assumption is appropriate under the current economic climate resulting from the COVID-19 pandemic, management considered a wide range of factors including the current and expected performance of the municipality, any announced and potential restructuring of organisational units, the likelihood of continued government funding and if necessary potential sources of replacement funding.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

The municipality strives toward ethical reporting thus transparent insights into the applied judgement and financial uncertainties, which the municipality faces as a result of the COVID-19 pandemic have been included in the accounting policies and/or notes to the financial statements.

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the 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 the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values

The entity's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy 1.5 Property Plant and equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.-

Where changes are made to the estimated residual values, management also makes these changes prospectively.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) 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.

Property with a currently undetermined use is also classified as investment property.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs is the amount of cash or cash equivalent or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

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

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 9).

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of asset.

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

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

1.6 Property, plant and equipment

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 (other than Investment Property), or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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 management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent measurement:

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation and impairment:

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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. Components of asset that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property plant and equipment on the cost model, is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Community facilities	Straight line	5 - 100 years
Sport and recreation facilities	Straight line	5 - 100 years
Electricity Network	Straight line	10 - 60 years
Water supply network	Straight line	10 - 100 years
Roads and stormwater network	Straight line	5 - 100 years
Sanitation network	Straight line	5 - 100 years
Community facilities	Straight line	5 - 100 years
Housing	Straight line	7 - 100 years
Operational buildings	Straight line	5 - 100 years
Computer equipment	Straight line	5 years

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Property, plant and equipment (continued)

Electrical equipment	Straight line	5 years
Furniture and fittings	Straight line	7 years
Leased assets - office equipment	Straight line	3 - 5 years
Mechanical equipment	Straight line	5 years
Office machines	Straight line	5 years
Vehicles	Straight line	6 - 10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Derecognition:

Items of property, plant and equipment 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 from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Property plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised 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.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the earlier of the date that asset is classified as held for sale (or included a disposal group that is classified as held for sale) in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Servitudes	Straight line	Infinite
Computer software	Straight line	4 years

Derecognition:

Intangible assets are 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 intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Financial instruments (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments 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.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Receivables from exchange transactions
Receivables from non-exchange transactions
Other receivables from exchange transactions
Cash and cash equivalents

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Other financial liabilities
Payables from exchange transactions
Bank overdraft

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectability of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

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 are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Financial instruments (continued)

- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a 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, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Financial instruments (continued)

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

These are initially and subsequently recorded at amortised cost. Fair value approximates the carrying amount. However, where the asset is not readily convertible into cash amounts for a period exceeding three months these are treated as investments.

1.9 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables.

The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Statutory receivables (continued)

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Employee benefits (continued)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Employee benefits (continued)

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes post employment medical aid as a minimum

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end, capped at a maximum of 48 days, and also on the total remuneration package of the employee.

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

Accumulated leave is vesting.

Staff Bonuses Accrued

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

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- 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 amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable

Management judgement is required when recognising and measuring contingent liabilities.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.6.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, when the following criteria are met and/or is applicable:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services) to the extent that the amount has not been recorded elsewhere in the financial statements.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received.
- If recognition and disclosure is specifically required by the Standards of GRAP .

Capital commitments are disclosed in the notes to the annual financial statements exclusive of Value Added Tax.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.16 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

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

- the municipality has transferred to the purchaser 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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- 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 stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Pre-paid electricity

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July. The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Current year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. This consists currently mostly of interest and penalties on late payments made.

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.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.24 Irregular expenditure

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.26 Segment information

A segment is an activity that generates economic benefits or service potential, whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity in assessing its performance and for which separate financial information is available. The objective of segment reporting is to provide information about the specific operational objectives and major activities of the municipality as well as the resources devoted to and costs of these objectives and activities.

The municipality operates solely in its area of jurisdiction as determined by the Municipal Demarcation Board. Although the municipality operates in a number of geographical areas, it is irrelevant for users of the financial statements to make decisions about the municipality as the goods or services provided are substantially the same within these geographical areas.

The reportable segments of the municipality are the actual segments which are used for internal reporting requirements which is based on a directorate level within the municipal structure. The identified segments of the municipality is as follows, Executive and Council, Office of the Municipal Manager, Financial Services Directorate, Corporate and Community Services and Infrastructure and Planning.

The factors used to identify reportable segments include the nature as well as the reporting lines and allocation of responsibilities within the municipality. Segments were aggregated for reporting purposes. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources.

Management considers the disclosure of the segmental information on non-current assets (property, plant and equipment, investment property and intangible assets), segmental current and non-current liabilities as well as segmental income and expenditure as the key information used by management to determine the allocation of resources to segments and also to evaluate segmental performance

The disclosure of information about these segments is also considered appropriate for external reporting purposes. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.26 Segment information (continued)

Segmental information on property, plant and equipment, segmental current and non-current liabilities as well as segmental income and expenditure is set out in note 50. This information is based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury.

1.27 Conditional grants and receipts

Revenue received from 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. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.28 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statement. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.29 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.30 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.30 Related parties (continued)

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.31 Events after reporting date

There were no significant events after reporting date.

1.32 Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate 15% from 1 April 2018 (2017:14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes.

The Municipality accounts for VAT on a bi-monthly basis.

1.33 Accumulated surplus

The municipality's surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets.

The accumulated surplus/deficit represents the net difference between total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments relating to income and expenditure are debited/credited against accumulated surplus when retrospective adjustments are made.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is for years beginning on or after 01 April 2023.

The municipality expects to adopt the guideline for the first time in the 2022/2023 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set. 01 April 2023.

The municipality expects to adopt the revisions for the first time in the 2022/2023 annual financial statements.

It is unlikely that the revisions will have a material impact on the municipality's annual financial statements.

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions have not yet been set. 01 April 2023.

The municipality expects to adopt the revisions for the first time in the 2022/2023 01 April 2023.

It is unlikely that the revisions will have a material impact on the municipality's annual financial statements.

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. 01 April 2023.

The municipality expects to adopt the interpretation for the first time in the 2022/2023 01 April 2023.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods but are not relevant to its operations:

GRAP 103 (as revised): Heritage Assets

Background

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as "the review") in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

The proposed definition focuses on assets that have “cultural significance” and defines a heritage asset as “an asset that has cultural significance, and is held indefinitely for the benefit of present and future generations”. “Cultural significance” has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the Classification of dual purpose heritage assets, Determining a reliable value for a heritage asset, Protective rights imposed on heritage assets, Re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, Impairment of heritage assets, Mandatory disclosures of heritage assets borrowed or on loan.

The effective date of these revisions have not yet been set.

The effective date of the standard is for years beginning on or after 01 April 2023.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality expects to adopt the guideline for the first time in the 2098/2099 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104 (as revised): Financial Instruments

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the revisions until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
 - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading "Classification of property as investment property" (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
 - Added heading "Guidance on initially measuring self-constructed investment property at fair value"
 - Added clarification that investment property is measured at fair value at earliest of:
 - o completion of construction or development; or
 - o when fair value becomes reliably measurable

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Clarify requirements on transfers to and from Investment property
 - Change in use involves an assessment on whether:
 - o property meets, or ceases to meet definition of investment property and
 - o evidence exists that a change in use has occurred
 - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
 - Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
 - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
 - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity’s employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
 - Management services are services where employees of management entity perform functions as “management” as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
 - Primary financial statements amended to “financial statements” or “face of the financial statements”

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
 - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
 - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

- Application guidance clarified
 - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
 - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

The municipality does not envisage the adoption of the improvements until such time as it becomes applicable to the municipality's operations.

It is unlikely that the improvements will have a material impact on the municipality's annual financial statements.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

3. Inventories

Water	128 945	81 924
-------	---------	--------

Inventory pledged as security

No inventory was pledged as security for any financial liability at year-end.

4. Other receivables from exchange transactions

Prepaid expenses	-	57 948
Medical aid contributions recoverable	59 176	59 176
Eskom connection deposit	600 000	600 000
	<u>659 176</u>	<u>717 124</u>

Other receivables from exchange transactions pledged as security

No other receivables from exchange transactions were pledged as security for any financial liability at year-end.

Credit quality of other receivables from exchange transactions

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Other receivables from exchange transactions past due but not impaired

Other receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R 659 176 (2022: R 717 124) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due	659 176	717 124
-------------------	---------	---------

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Statutory receivables from non-exchange transactions		
VAT receivable from non-exchange transactions	10 906 958	6 585 234
Property Rates	58 199 300	47 052 045
Total Statutory Receivables (before provision)	69 106 258	53 637 279
Less: Provision for Debt impairment	(51 713 314)	(34 305 322)
	17 392 944	19 331 957
Statutory Receivables arises from the following legislation:		
Taxes	- Value Added Tax Act (No89 of 1991)	
Property Rates	- Municipal Properties Rates Act (No6 of 2004)	
Statutory receivables are initially measured at transaction value, and subsequently at cost..		
Statutory receivables from non-exchange transactions pledged as security		
None of the statutory receivables from non-exchange transactions were pledged as security for any financial liability at year-end.		
Property rates: Ageing		
Current (0 - 30 days)	7 088 452	2 593 906
31 - 60 days	1 824 910	1 200 879
61 - 90 days	1 685 386	926 390
91 days +	47 600 552	42 330 870
Less: Debt Impairment	(51 713 314)	(34 305 322)
	6 485 986	12 746 723
Property rates by classification: consumers		
Current (0 - 30 days)	5 577 205	1 050 530
31 - 60 days	1 126 245	350 286
61 - 90 days	1 024 269	320 846
91 days +	36 052 561	16 018 752
Less: Debt Impairment	(38 911 699)	(16 526 583)
	4 868 581	1 213 831
Property rates by classification: Industrial / commercial		
Current (0 - 30 days)	227 933	963 872
31 - 60 days	63 646	456 059
61 - 90 days	57 320	407 362
91 days +	1 537 435	15 618 206
Less: Debt Impairment	(1 415 632)	(16 814 161)
	470 702	631 338
Property rates by classification: National and Provincial		
Current (0 - 30 days)	1 283 314	579 504
31 - 60 days	635 018	394 534
61 - 90 days	603 797	198 182
91 days +	10 010 557	10 693 912
Less: Impairment	(11 385 983)	(964 578)
	1 146 703	10 901 554

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Statutory receivables from non-exchange transactions (continued)		
Total		
Current (0 - 30 days)	7 088 452	2 593 906
31 - 60 days	1 824 910	1 200 879
61 - 90 days	1 685 386	926 390
91 days +	47 600 594	42 330 870
Less: Debt Impairment	(51 713 314)	(34 305 322)
	6 486 028	12 746 723

Credit quality of statutory receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates

The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Statutory receivables from non-exchange transactions past due but not impaired

Statutory receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R 6 485 986 (2022: R 12 746 723) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Property rates:	-	-
Property rates: Current (0 - 30 days)	3 340 863	579 504
Property rates: 31 - 60 days	361 813	394 534
Property rates: 61 - 90 days	240 510	198 182
Property rates: 91 days +	2 542 800	11 574 503

Statutory receivables from non-exchange transactions impaired

As of 30 June 2023, statutory receivables from non-exchange transactions of R 51 713 314 (2022: R 34 305 322) were impaired and provided for.

The ageing of these loans is as follows:

Property rates:	-	-
Property rates: Current (0 - 30 days)	3 747 589	1 419 477
Property rates: 31 - 60 days	1 463 097	661 143
Property rates: 61 - 90 days	1 444 876	655 410
Property rates: 91 days +	45 057 752	31 569 292

Reconciliation of provision for impairment of statutory receivables from non-exchange transactions

Opening balance	(34 305 322)	(29 808 925)
Contributions to debt impairment	(17 407 992)	(4 496 397)
	(51 713 314)	(34 305 322)

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
6. Receivable from exchange transactions		
Gross balances		
Electricity	15 142 710	13 575 400
Water	60 061 742	46 187 690
Sewerage	26 478 576	22 417 818
Refuse	29 842 949	25 261 243
Housing and other sundry	2 553 101	2 062 526
	134 079 078	109 504 677
Less: Provision for debt impairment		
Electricity	(10 005 978)	(8 853 825)
Water	(56 736 526)	(46 737 846)
Sewerage	(25 140 425)	(21 009 222)
Refuse	(28 460 309)	(24 072 333)
Housing and other sundry	(2 414 379)	(1 984 100)
	(122 757 617)	(102 657 326)
Net balance		
Electricity	5 136 732	4 721 575
Water	3 325 216	(550 156)
Sewerage	1 338 151	1 408 596
Refuse	1 382 640	1 188 910
Housing and other sundry	138 722	78 426
	11 321 461	6 847 351
Electricity		
Current (0 -30 days)	1 971 919	1 302 794
31 - 60 days	304 281	546 346
61 - 90 days	269 383	409 049
91 - 120 days	348 986	375 753
121 days +	12 248 141	10 941 458
Less: Provision for debt impairment	(10 005 978)	(8 853 825)
	5 136 732	4 721 575
Water		
Current (0 -30 days)	8 226 796	1 340 080
31 - 60 days	1 118 975	1 031 694
61 - 90 days	1 080 790	940 434
91 - 120 days	1 017 174	921 799
121 days +	48 618 007	41 953 683
Less: Provision for debt impairment	(56 736 526)	(46 737 846)
	3 325 216	(550 156)
Sewerage		
Current (0 -30 days)	933 569	658 101
31 - 60 days	436 229	547 562
61 - 90 days	427 856	504 099
91 - 120 days	423 838	495 665
121 days +	24 212 084	20 212 390
Less: Provision for debt impairment	(25 140 425)	(21 009 221)
	1 338 151	1 408 596

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

6. Receivable from exchange transactions (continued)

Refuse

Current (0 -30 days)	1 681 768	790 655
31 - 60 days	454 855	622 524
61 - 90 days	446 579	570 055
91 - 120 days	438 813	555 783
121 days +	26 820 934	22 722 225
Less: Provision for debt impairment	(28 460 309)	(24 072 332)
	1 382 640	1 188 910

Housing rental

Current (0 -30 days)	153 105	48 254
31 - 60 days	72 998	52 758
61 - 90 days	81 645	47 124
91 - 120 days	71 077	42 593
121 days +	2 174 276	1 871 797
Less: Provision for debt impairment	(2 414 379)	(1 984 100)
	138 722	78 426

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
6. Receivable from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	11 561 699	2 587 882
31 - 60 days	2 184 424	1 915 624
61 - 90 days	2 117 878	1 842 002
91 - 120 days	2 094 996	1 837 812
121 days +	106 585 910	85 590 468
	<u>124 544 907</u>	<u>93 773 788</u>
Less: Provision for debt impairment	(118 641 978)	(93 380 736)
	<u>5 902 929</u>	<u>393 052</u>
Industrial/ commercial		
Current (0 -30 days)	713 757	584 095
31 - 60 days	94 972	325 783
61 - 90 days	79 043	226 922
91 - 120 days	80 177	183 550
121 days +	3 557 610	5 080 231
	<u>4 525 559</u>	<u>6 400 581</u>
Less: Provision for debt impairment	(3 090 685)	(5 303 491)
	<u>1 434 874</u>	<u>1 097 090</u>
National and provincial government		
Current (0 -30 days)	691 701	967 906
31 - 60 days	107 942	559 476
61 - 90 days	109 332	401 836
91 - 120 days	124 716	370 230
121 days +	3 974 921	7 030 858
	<u>5 008 612</u>	<u>9 330 306</u>
Less: Allowance for impairment	1 024 954	(3 973 098)
	<u>6 033 566</u>	<u>5 357 208</u>
Total		
Current (0 -30 days)	12 967 157	4 139 884
31 - 60 days	2 387 337	2 800 883
61 - 90 days	2 306 253	2 470 760
91 - 120 days	2 299 889	2 391 593
121 days +	114 118 442	97 701 557
	<u>134 079 078</u>	<u>109 504 677</u>
Less: Provision for debt impairment	(122 757 617)	(102 657 326)
	<u>11 321 461</u>	<u>6 847 351</u>
Less: Allowance for impairment		
Current (0 -30 days)	(10 215 640)	(2 170 960)
31 - 60 days	(2 115 330)	(1 999 023)
61 - 90 days	(2 075 888)	(1 968 948)
91 days +	(108 350 759)	(96 518 395)
	<u>(122 757 617)</u>	<u>(102 657 326)</u>

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

6. Receivable from exchange transactions (continued)

Reconciliation of provision for debt impairment

Balance at beginning of the year	(102 657 326)	(84 615 441)
Contributions to debt impairment	(20 100 291)	(18 041 885)
	<u>(122 757 617)</u>	<u>(102 657 326)</u>

Receivables from exchange transactions pledged as security

None of the receivables from exchange transactions were pledged as security for any financial liability at year-end.

Credit quality of receivable from exchange transactions

The credit quality of receivable from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivable from exchange transactions past due but not impaired

Receivable from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R 11 321 461 (2022: R 6 847 351) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Current (0 - 30 days)	2 751 517	1 968 923
31 - 60 days	272 008	801 860
61 - 90 days	230 365	501 812
91 days +	8 067 571	3 574 755

Receivable from exchange transactions impaired

As of 30 June 2023, receivable from exchange transactions of R 122 757 617 (2022: R 102 657 326) were impaired and provided for.

The ageing of these receivables from exchange transactions is as follows:

Current (0 - 30 days)	10 215 640	2 170 960
31 - 60 days	2 115 330	1 999 023
61 - 90 days	2 075 888	1 968 948
91 days +	108 350 759	96 518 395

Reconciliation of provision for debt impairment

Opening balance	(102 657 326)	(84 615 441)
Contributions (to) / from debt impairment	(20 100 291)	(18 041 885)
	<u>(122 757 617)</u>	<u>(102 657 326)</u>

7. Receivables from non-exchange transactions

Deposits paid	<u>48 986</u>	<u>48 986</u>
---------------	---------------	---------------

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security for any financial liability at year-end.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	85 082	1 968
Bank balances	1 299 502	750 441
Short-term deposits	16 591 918	5 558 345
	<u>17 976 502</u>	<u>6 310 754</u>

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
F3	17 274 607	6 042 382
F1+	616 813	266 404
	<u>17 891 420</u>	<u>6 308 786</u>

Cash and cash equivalents pledged as collateral

There were no cash and cash equivalents pledged as security.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
First National Bank - Current account (Acc no: 54062338032)	682 689	484 037	267 729	682 689	484 037	267 729
Standard Bank - Current account (Acc no: 187389179)	616 514	245 627	57 341	616 514	245 627	57 341
Standard Bank - Current account (Acc no: 083192662)	299	20 777	(363)	299	20 777	(363)
First National Bank - Money market (MSIG)(Acc no: 62089843744)	235 793	52 127	381 027	235 793	52 127	381 027
First National Bank - Call account (Acc no: 62247301708)	3 208	5 129	106	3 208	5 129	106
First National Bank - Call account (Acc no: 62046110920)	907 358	623 349	5 715	907 358	623 349	5 715
First National Bank - Call account (MIG) (Acc no: 62824012489)	1 000	5 446	942	1 000	5 446	942
First National Bank - Call account (Acc no: 62050017021)	820 027	199 450	2 334	820 027	199 450	2 334
First National Bank - Fixed deposit account (Acc no: 71267618613)	165 597	154 467	148 455	165 597	154 467	148 455
First National Bank - Call account (MIG) (Acc no: 62209229831)	3 229 228	8 446	5 523 836	3 229 228	8 446	5 523 836
First National Bank - Call account (Acc no: 62242043892)	3 547 740	290 460	600 598	3 547 740	290 460	600 598
First National Bank - Call account (Acc no: 62086477760)	5 008 825	2 398 443	682	5 008 825	2 398 443	682
First National Bank - Call account (WSIG) (Acc no: 62735797667)	795 115	9 936	3 134 495	795 115	9 936	3 134 495
First National Bank - Call account (Acc no: 62735798988)	1 867 508	1 809 598	1 948 879	1 867 508	1 809 598	1 948 879
First National Bank - Call account (Acc no: 62735796924)	10 519	1 494	510 307	10 519	1 494	510 307
Total	17 891 420	6 308 786	12 582 083	17 891 420	6 308 786	12 582 083

Ubuntu Local Municipality

(Registration number NC071)
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

	2023	2022			
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
66 060 151	-	66 060 151	66 311 169	-	66 311 169

Investment property

Reconciliation of investment property - 2023

Investment property	Opening balance	Transfers	Fair value adjustments	Total
	66 311 169	(77 348)	(173 670)	66 060 151

Reconciliation of investment property - 2022

Investment property	Opening balance	Disposals	Fair value adjustments	Total
	65 003 111	(282 595)	1 590 653	66 311 169

Pledged as security

There are no investment properties pledged as security for any financial liability at year-end.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation:

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

9. Investment property (continued)

Property valuations were performed by an independent valuer, Mr Z Van Der Merwe (registered with the South African Council of Property Valuers as a Professional Valuer, with registration number 4973/1), and representing Infratec (Pty) Ltd. Infratec (Pty) Ltd is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation is based on a unit rate which has been determined from the trends in the general market growth rate as indicated by the FNB housing price index for June 2023. This rate base rate has been adjusted with various factors such as property use, comparability of sales and market activity to determine a fair value under current market conditions at 30 June 2023. The fair value adjustments rate applied was -0.45% in 2023 and 0.65% in 2022.

Deemed cost

Deemed cost was determined using fair value.

Ubuntu Local Municipality

(Registration number NC071)
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2023		2022			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	113 933 998	(77 348)	113 856 650	113 856 650	-	113 856 650
Buildings	53 823 448	(46 514 361)	7 309 087	53 973 825	(46 144 631)	7 829 194
Infrastructure	831 109 135	(432 778 532)	398 330 603	800 959 686	(420 983 050)	379 976 636
Community	122 930 660	(107 135 121)	15 795 539	123 464 478	(105 955 868)	17 508 610
Other property, plant and equipment	14 313 055	(8 068 578)	6 244 477	11 359 099	(7 149 647)	4 209 452
Lease assets	1 293 524	(1 199 193)	94 331	1 293 524	(1 139 885)	153 639
Total	1 137 403 820	(595 773 133)	541 630 687	1 104 907 262	(581 373 081)	523 534 181

Ubuntu Local Municipality

(Registration number NC071)
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	113 856 650	-	-	77 348	-	-	(77 348)	-	113 856 650
Buildings	7 829 194	-	(14 365)	-	-	(485 606)	(20 136)	-	7 309 087
Infrastructure	379 976 636	27 759 544	(1 436 786)	-	5 021 100	(12 648 853)	(352 852)	11 814	398 330 603
Community	17 508 610	-	(60 365)	-	-	(1 521 196)	(156 270)	24 760	15 795 539
Other property, plant and equipment	4 209 452	2 953 956	(48 041)	-	-	(878 100)	-	7 210	6 244 477
Lease assets	153 639	-	-	-	-	(59 308)	-	-	94 331
	523 534 181	30 713 500	(1 559 557)	77 348	5 021 100	(15 593 063)	(606 606)	43 784	541 630 687

Ubuntu Local Municipality

(Registration number NC071)
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers from WIP	Completed projects	Change in estimates	Depreciation	Impairment loss	Impairment reversal	Total
Land	113 856 650	-	-	-	-	-	-	-	-	113 856 650
Buildings	9 398 443	-	-	-	-	-	(1 569 249)	-	-	7 829 194
Infrastructure	385 473 195	19 647 358	(55 689)	10 678 742	(10 678 742)	(101 396)	(25 046 989)	-	60 157	379 976 636
Community	21 448 796	7 950	(144)	-	-	-	(3 947 992)	-	-	17 508 610
Other property, plant and equipment	3 490 300	1 408 414	(11 487)	-	-	-	(650 271)	(27 504)	-	4 209 452
Lease assets	419 397	-	-	-	-	-	(265 758)	-	-	153 639
	534 086 781	21 063 722	(67 320)	10 678 742	(10 678 742)	(101 396)	(31 480 259)	(27 504)	60 157	523 534 181

Pledged as security

There are no items of property, plant and equipment is pledged as security for any financial liability at year-end.

Assets subject to finance lease (Net carrying amount)

Office equipment 94 331 153 639

Other information

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Other property, plant and equipment 248 69

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

10. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Goutrou electrification:	20 767 517	-
The project has stalled as there is no budget allocation for this project in the period under review.		
VW - Upgrading of groundwater supply:	5 001 869	-
The project has stalled due to budget constraints for this project in the period under review.		
MIG1495: Victoria West, Upgrading of existing water infrastructure - Donated project:	7 319 665	-
The project has stalled as there is no budget allocation for this project in the period under review		
	33 089 051	-

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Total
Opening balance	38 502 034	38 502 034
Additions/capital expenditure	27 578 665	27 578 665
	66 080 699	66 080 699

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Total
Opening balance	29 912 561	29 912 561
Additions/capital expenditure	19 268 215	19 268 215
Transferred to completed items	(10 678 742)	(10 678 742)
	38 502 034	38 502 034

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Office equipment	42 566	362 201
Motor vehicles	223 054	525 363
Infrastructure	5 673 445	1 659 697
	5 939 065	2 547 261

Deemed cost

Deemed cost was determined using depreciated replacement cost.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Ubuntu Local Municipality

(Registration number NC071)
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

11. Intangible assets

	2023	2022			
Cost / Valuation	Accumulated amortisation and impairment	Carrying value	Cost / Valuation	Accumulated amortisation and impairment	Carrying value
37 282	(30 138)	7 144	49 367	(36 073)	13 294

Computer software and licenses

Reconciliation of intangible assets - 2023

Computer software and licenses	Opening balance	Disposals	Amortisation	Total
	13 294	(3 025)	(3 125)	7 144

Reconciliation of intangible assets - 2022

Computer software and licenses	Opening balance	Disposals	Amortisation	Total
	23 524	(3 651)	(6 579)	13 294

Pledged as security

There are no intangible assets pledged as security for any financial liability at year-end.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
12. Payables from exchange transactions		
Trade payables	114 271 337	94 143 955
Payments received in advanced	5 372 225	2 429 236
Direct deposits not receipted	7 275 970	5 886 870
Accrued leave pay	3 718 958	3 510 280
Accrued bonus	1 017 869	932 251
Payroll creditors	199 644	51 722
Deferred revenue	115 728	112 591
Other payables	-	2 898
Retension creditor	2 275 132	2 373 882
Department of Transport	340 857	337 959
	134 587 720	109 781 644
13. Consumer deposits		
Electricity	23 322	38 115
Water	53 762	48 904
Housing rental	15 546	4 321
	92 630	91 340

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
14. Employee benefit obligations		
Defined benefit plan		
The plan is a post employment medical benefit plan.		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(3 451 000)	(3 324 000)
Present value of the defined benefit obligation-partly or wholly funded	(2 116 000)	(2 117 000)
	(5 567 000)	(5 441 000)
Non-current liabilities	(5 091 000)	(4 806 000)
Current liabilities	(476 000)	(635 000)
	(5 567 000)	(5 441 000)
Benefits		
Post-retirement medical aid benefit	(3 092 000)	(2 944 000)
Long service awards	(1 999 000)	(1 862 000)
	(5 091 000)	(4 806 000)
Post retirement benefits		
Post Retirement Medical Aid Benefit		
Balance 1 July	(3 324 000)	(3 386 000)
Interest cost	(332 000)	(276 000)
Expenditure for the year	334 422	362 121
Actuarial Gain	(129 422)	(24 121)
Total post retirement benefit - 30 June	(3 451 000)	(3 324 000)
Less: Transfer to current portion	359 000	380 000
	(3 092 000)	(2 944 000)
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
Members		
Continuation members (e.g. retirees, widows, orphans)	<u>6</u>	<u>6</u>
The liability in respect of past service has been estimated to be as follows:		
Liability		
Continuation members (e.g. retirees, widows, opharns)	<u>(3 451 000)</u>	<u>(3 324 000)</u>
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
<ul style="list-style-type: none">• LA Health• Keyhealth• Bonitas		
Key actuarial assumptions used:		
Assumptions		
Discount rate	11,08%	10,59%
Health Care Cost Inflation Rate	6,97%	7,77%
Net Effective Discount Rate	3,84%	2,62%

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

14. Employee benefit obligations (continued)

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term consistent with the estimated term of the post-employment liabilities. However where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate terms should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 11,08% (2022: 10,59%) per annum has been used. The corresponding index-linked yield at this term is 4,84% (2022: 3,59%). These rates do not reflect any adjustments for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg Stock Exchange after the market closed on 30 June 2023.

Yields were determined by looking at the duration of the liability and finding the fixed-interest and index-linked yields at the relevant duration using an iterative process (because the yields depend on the liability which in turn depends on the yields).

Health Care Cost Inflation Rate:

This assumption is required to reflect estimated future changes in the cost of medical services resulting from both inflation and specific changes in medical cost (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 6,97% (2022: 7,77%) has been assumed. This is 1,50% in excess of expected CPI inflation over the expected term of the liability, namely 5,47% (2022: 6,27%). A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3,84% (2022: 2,62%) which derives from $((1+11.08\%-0.50\%)/(1+4.84\%)-1)$ (2022: $((1+10.59\%)/(1+7.77\%)-1)$).

The next contribution increase was assumed to occur with effect from 1 January 2024.

Post-Employment Mortality:

PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from $[1 - (1 - 1\%)^2]$, and so on.

Family Profile:

It has been assumed that female spouses will be five years younger than their male counterparts. Actual medical aid dependants were used and the potential for remarriage was ignored.

Impact of COVID-19:

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this early stage. There is much uncertainty as to how it will affect mortality, and whether (And where) a treatment or vaccine will become available. Medical scheme contributions are also likely to increase by more than expected.

Sensitivity Analysis on the Accrued Liability.

Assumption	% Change	Change	Change in interest cost
Central assumptions	-		3 451 000
Health care inflation	8%	+1%	3 718 000
Health care inflation	-7%	-1%	3 213 000
Discount rate	-7%	+1%	3 223 000
Discount rate	8%	-1%	3 710 000
Post-employment mortality	-4%	+1yr	3 317 000
Post-employment mortality	4%	-1yr	3 585 000

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2023

Assumption	%Change	Change	Change in Interest Cost
Central assumptions	-		332 000

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand		2023	2022
14. Employee benefit obligations (continued)			
Health care inflation	8%	+1%	357 000
Health care inflation	-7%	-1%	310 000
Discount rate	1%	+1%	340 000
Discount rate	-2%	-1%	323 000
Post employment mortality	-4%	+1yr	317 000
Post employment mortality	4%	-1yr	349 000
	-		

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2023

Long service award

Long service award

Balance 1 July	(2 117 000)	(2 177 000)
Contribution for the year	(209 000)	(238 000)
Interest cost	(220 000)	(187 000)
Expenditure for the year	82 311	46 378
Actuarial gain / (loss)	347 689	438 622
Subtotal	(2 116 000)	(2 117 000)
Less: Transfer to current portion	117 000	255 000
Balance 30 June	(1 999 000)	(1 862 000)

The Long Service Award is a defined benefit plan, of which the members are made up as follows:

Total eligible

As at year end, the following number of employees were eligible for long service bonuses	131	127
------------------------------------------------------------------------------------------	-----	-----

Key actuarial assumptions used:

Discount rate	11,32%	11,03%
General earnings inflation rate (long-term)	6,57%	7,33%
Net discount rate	4,45%	3,45%
Average retirement age	62	62

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating, current market rates along the yield curve.

Consequently, a discount rate of 11,32% (2022: 11,03%) per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability-weighted index-linked yield is 4,97% (2022: 3,95%). These rates do not reflect any adjustment for taxation, and were deducted from the interest rate data obtained from the JSE after the market closed on 30 June 2023.

Earnings Inflation Rate

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in the LSA are based on an employee's earnings at the date of the award:

General Earnings Inflation

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

14. Employee benefit obligations (continued)

The expected inflation assumption of 5,57% (2022: 6,33%) was obtained from the differential between market yields on index-linked bonds (4,97%) (2022: 3,95%) consistent with the estimated terms of the liabilities and those of nominal bonds (11,32%) (2022: 11,03%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0,05% (2021: 0,05%)). Therefore, expected inflation is determined as $((1+11.32\%-0.50\%)/(1+4.97\%)-1)$ (2022: $((1+11.03\%-0.50\%)/(1+3.95\%)-1)$).

Thus a general earnings inflation rate of 6,57% (2022: 7,33%) per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4,45% (2022: 3,45%).

It has been assumed that the next general earnings increase will take place on 1 July 2024:

Promotional Earnings Scale

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 6,57% (2022: 7,33%) per annum for all employees.

Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Pre-Retirement Mortality

SA85-90 ultimate table, adjusted down for female lives.

Withdrawal from Service

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates.

Assumption	% Change	Change	Liability
Valuation assumptions	-		2 116 000
General earnings inflation rate	6%	+1%	2 241 000
General earnings inflation rate	-5%	-1%	2 002 000
Discount rate	-6%	+1%	1 999 000
Discount rate	6%	-1%	2 247 000
Average retirement age	6%	+2yrs	2 235 000
Average retirement age	-12%	-2yrs	1 870 000
Withdrawal rate	-20%	x2	111 111
Withdrawal rate	13%	x0,5	111 111

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2023

Assumption	% Change	Change	Current service cost	Interest cost	Total
	-		209 000	220 000	429 000
General earnings inflation rate	7%	+1%	224 000	234 000	458 000
General earnings inflation rate	-6%	-1%	195 000	207 000	402 000
Discount rate	-1%	+1%	196 000	225 000	421 000
Discount rate	2%	-1%	223 000	214 000	437 000
Average retirement age	6%	+2yrs	221 000	232 000	453 000
Average retirement age	-11%	-2yrs	191 000	195 000	386 000
Withdrawal rates	-22%	x2	155 000	171 000	326 000
Withdrawal rates	16%	x0,5	247 000	253 000	500 000

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	2 429 428	539 315
Transformation and Development of Library Grant	3 133 733	2 431 033
Project - 36 erfs loxton Grant	305 093	305 093
Expanded Public Works Programme Integrated Grant for Municipalities- (EPWP)	11 203	11 203
Intergrated National Electrification Programme Grant	5 026 228	1 520 522
Project Cemetry Grant	88 739	88 739
Department of Coperative Governance, Human Settlement and Tradional Affairs Incentive Grant	460 835	460 835
Project Housing Grant	115 555	115 555
Project EIA Solid waste Victor West Grant	99 012	99 012
Project River Richmond Grant	1 827	1 827
Energy Efficiency and Demand-Side Management Grant	732	-
	11 672 385	5 573 134

Movement during the year

Balance at the beginning of the year	5 573 133	11 383 866
Additions during the year	86 225 000	63 315 000
Income recognition during the year	(79 582 748)	(61 408 732)
Transferred to Equitable share withheld	(543 000)	(7 717 000)
	11 672 385	5 573 134

See Appendix "F" for a reconciliation of grants from other spheres of government. The unspent grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants and received to the extent of the revenue recognised.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

See note 22 for reconciliation of grants from National/Provincial Government.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

16. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions / (Reversed) during the year	Change in discount factor	Total
Environmental rehabilitation	8 773 681	5 021 100	1 145 954	14 940 735

Reconciliation of provisions - 2022

	Opening Balance	Additions / (Reversed) during the year	Change in discount factor	Total
Environmental rehabilitation	6 187 439	(101 395)	2 687 637	8 773 681

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

The change in estimate is mainly due to the following reasons:

- Increase in the inflation rate 5.4% in 2023 and 7.4% in 2022

		2023 Cost of rehabilitation	2022 Cost of rehabilitation
Loxton	Estimated decommission date - 2030	44 884 809	87 739 014
Victoria West	Estimated decommission date - 2024	33 553 113	58 249 239
Richmond	Estimated decommission date - 2025	33 743 553	60 882 658

Area of landfill site consumed:

Loxton	60%	52%
Victoria West	86%	83%
Richmond	79%	72%

Discount Rate applied: 10.32% in 2023 and (9.39% in 2022)

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. The rate is considered appropriate given the municipality is in the government sector.

17. Service charges

Sale of electricity	12 331 586	15 351 031
Sale of water	8 521 223	3 325 426
Sewerage and sanitation charges	5 634 163	5 319 470
Refuse removal	6 243 556	5 838 537
Less: Departmental charges	(6 637 694)	(2 549 804)
Less: Indigents subsidies	(6 087 321)	(5 413 376)
	20 005 513	21 871 284

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
18. Rental of facilities and equipment		
Premises		
Premises	522 297	469 385
Venue hire	4 053	8 362
Other	19 832	98 058
	546 182	575 805
19. Investment revenue		
Interest revenue		
Bank	1 266 038	501 104
20. Property rates		
Rates received		
Residential	5 661 134	4 345 949
Commercial	6 522 134	5 683 587
State	7 383 550	16 198 234
Small holdings and farms	1 846 736	2 095 599
Less: Income forgone	(622 834)	(7 292 372)
	20 790 720	21 030 997
Valuations		
Residential	324 411 000	347 372 000
Commercial	136 476 000	120 845 000
State	82 992 000	81 803 000
Municipal	60 939 000	57 582 000
Farms	4 249 093 000	4 221 759 000
Public service infrastructure	9 729 000	9 742 000
Public benefit organisations	17 191 000	37 089 000
	4 880 831 000	4 876 192 000

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of per valuation category as specified in the annual municipal published tariff list is applied to property valuations to determine assessment rates. Rebates on the rateable value of R15 000 (2022: R15 000) are granted to residential and state property owners.

Rates are levied on an annual basis. Interest at 18% per annum (2022: 18%), is levied on rates outstanding two months after due date.

The new general valuation will be implemented on 01 July 2024.

21. Interest, dividends and Rent on Land

Interest - Receivables	6 899 954	3 627 670
------------------------	-----------	-----------

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
22. Government grants & subsidies		
Operating grants		
Equitable share	46 240 000	38 741 000
Local Government Financial Management Grant	2 900 000	2 800 000
Transformation and Development of Library Grant	697 300	1 098 359
Expanded Public Works Programme Integrated Grant	950 000	-
	50 787 300	42 639 359
Capital grants		
Municipal Infrastructure Grant	13 322 409	6 289 895
Intergrated National Electrification Program Grant	1 973 772	8 479 478
Water System Infrastructure Grant	9 000 000	4 000 000
Energy Efficiency and Demand-Side Management Grant	4 499 268	-
	28 795 449	18 769 373
	79 582 749	61 408 732
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	33 342 749	22 667 732
Unconditional grants received	46 240 000	38 741 000
	79 582 749	61 408 732
Equitable share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
The allocated Equitable share for the year was R46 240 000 (2022: R38 741 000).		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	539 315	5 354 083
Current-year receipts	15 735 000	6 274 000
Conditions met - transferred to revenue	(13 322 409)	(6 289 894)
Transferred to Equitable share withheld	(522 478)	(4 798 874)
	2 429 428	539 315
Conditions still to be met - remain liabilities (see note 15).		
Transformation and Development of Library Grant		
Balance unspent at beginning of year	2 431 033	2 029 391
Current-year receipts	1 400 000	1 500 000
Conditions met - transferred to revenue	(697 300)	(1 098 358)
	3 133 733	2 431 033
Conditions still to be met - remain liabilities (see note 15).		
Project - 36 erfs loxton Grant		
Balance unspent at beginning of year	305 093	305 093
Conditions still to be met - remain liabilities (see note 15).		

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
22. Government grants & subsidies (continued)		
Expanded Public Works Programme Integrated Grant		
Balance unspent at beginning of year	11 203	11 203
Current-year receipts	950 000	-
Conditions met - transferred to revenue	(950 000)	-
	<u>11 203</u>	<u>11 203</u>
Conditions still to be met - remain liabilities (see note 15).		
Integrated National Electrification Programme Grant		
Balance unspent at beginning of year	1 520 522	3 081
Current-year receipts	5 500 000	10 000 000
Conditions met - transferred to revenue	(1 973 772)	(8 479 478)
Surrendered	(20 522)	(3 081)
	<u>5 026 228</u>	<u>1 520 522</u>
Conditions still to be met - remain liabilities (see note 15).		
Project Cemetery Grant		
Balance unspent at beginning of year	<u>88 739</u>	<u>88 739</u>
Conditions still to be met - remain liabilities (see note 15).		
Department of Cooperative Governance, Human Settlement and Traditional Affairs Incentive Grant		
Balance unspent at beginning of year	<u>460 835</u>	<u>460 835</u>
Conditions still to be met - remain liabilities (see note 15).		
Local Government Financial Management Grant		
Current-year receipts	2 900 000	(2 800 000)
Conditions met - transferred to revenue	(2 900 000)	2 800 000
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 15).		
Project Housing Grant		
Balance unspent at beginning of year	<u>115 555</u>	<u>115 555</u>
Conditions still to be met - remain liabilities (see note 15).		
Project EIA Solid waste Victor West Grant		
Balance unspent at beginning of year	<u>99 012</u>	<u>99 012</u>
Conditions still to be met - remain liabilities (see note 15).		

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
22. Government grants & subsidies (continued)		
Project River Richmond Grant		
Balance unspent at beginning of year	1 827	1 827
Conditions still to be met - remain liabilities (see note 15).		
Water Service Infrastructure Grant		
Balance unspent at beginning of year	-	(2 915 046)
Current-year receipts	9 000 000	4 000 000
Conditions met - transferred to revenue	(9 000 000)	(4 000 000)
Surrendered	-	2 915 046
	-	-
Conditions still to be met - remain liabilities (see note 15).		
Solidarity Fund Grant		
Current-year receipts	-	11 191
Conditions met - transferred to revenue	-	(11 191)
	-	-
Conditions still to be met - remain liabilities (see note 15).		
Energy Efficiency and Demand-Side Management Grant		
Current-year receipts	4 500 000	-
Conditions met - transferred to revenue	(4 499 268)	-
	732	-
Conditions still to be met - remain liabilities (see note 15).		
Provide explanations of conditions still to be met and other relevant information.		
23. Public contributions and donations		
Grants in aid - Northern Cape Provincial Treasury	4 259 619	3 276 631
Conditions still to be met - remain liabilities (see note 15)		
24. Fines, Penalties and Forfeits		
Speed fines	15 600	194 252
Provincial traffic fines	37 334	1 500
Library fines	378	289
	53 312	196 041

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
25. Revenue		
Rendering of services	5 307 655	4 048 653
Service charges	20 005 513	21 871 284
Rental of facilities and equipment	546 182	575 805
Interest received (trading)	14 395 968	8 491 465
Licences and permits	405 131	415 202
Sundry income	550 238	231 092
Interest received - investment	1 266 038	501 104
Property rates	20 790 720	21 030 997
Interest, Dividends and Rent on Land	6 899 954	3 627 670
Government grants & subsidies	79 582 749	61 408 732
Public contributions and donations	4 259 619	3 276 631
Fines, Penalties and Forfeits	53 312	196 041
	154 063 079	125 674 676
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	20 005 513	21 871 284
Rendering of services	5 307 655	4 048 653
Rental of facilities and equipment	546 182	575 805
Interest received (trading)	14 395 968	8 491 465
Licences and permits	405 131	415 202
Other income	550 238	231 092
Interest received - investment	1 266 038	501 104
	42 476 725	36 134 605
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	20 790 720	21 030 997
Licences or permits	-	957 833
Interest, Dividends and Rent on Land	6 899 954	3 627 670
Transfer revenue		
Government grants & subsidies	79 582 749	61 408 732
Public contributions and donations	4 259 619	3 276 631
Fines, Penalties and Forfeits	53 312	196 041
	111 586 354	90 497 904

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
26. Employee related costs		
Basic	26 891 142	25 996 358
Medical aid - company contributions	463 815	411 614
UIF	241 092	248 452
SDL	275 838	279 514
Other payroll levies	17 615	17 757
Leave pay provision charge	397 042	935 538
Pension fund contributions	4 256 373	4 277 111
Overtime payments	957 533	699 519
Long-service awards	209 000	238 000
13th Cheques	1 948 477	1 949 368
Car allowance	229 500	422 532
Housing benefits and allowances	245 798	255 826
Telephone allowance	3 600	4 135
Standby allowance	235 400	550 995
	36 372 225	36 286 719
Remuneration of the Municipal Manager - Mr SS Ngwevu (1 July 2021 - 30 September 2021)		
Annual Remuneration	-	266 929
Car Allowance	-	18 000
Remote Allowance	-	28 538
Contributions to UIF, Medical and Pension Funds	-	531
Other	-	3 651
Leave days	-	55 249
	-	372 898
Remuneration of the Acting Municipal Manager - Me. NM Mkontwana (1 March 2022 - 30 June 2022):		
Annual Remuneration	16 769	34 337
Remuneration of the Acting Municipal Manager - Mr RA Jabobs (1 October 2021 - 31 January 2022):		
Annual Remuneration	-	27 416
Remuneration of the Chief Financial Officer - Mr RA Jabobs (1 July 2021 - 31 January 2022):		
Annual Remuneration	-	418 127
Car Allowance	-	63 722
Remote Allowance	-	49 371
Contributions to UIF, Medical and Pension Funds	-	66 416
Leave days due	-	111 713
Other	-	5 503
	-	714 852
Remuneration of the Acting Municipal Manager - Mr D Molaole (1 September 2022 - 30 April 2023)		
Annual Remuneration	843 648	-
Remote allowance	84 471	-
Contributions to UIF, Medical and Pension Funds	1 240	-
Leave days due	38 580	-
Other	9 667	-
	977 606	-

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
26. Employee related costs (continued)		
Remuneration of the Municipal Manager - Me. LS Itumeleng (1 May 2023 - 30 June 2023)		
Annual Remuneration	74 508	-
Car allowance	12 500	-
Remote Allowance	8 719	-
Contributions to UIF, Medical and Pension Funds	177	-
Other	932	-
	96 836	-
Remuneration of the Senior Manager Corporate Services - Me. NM Mkontwana (1 July 2022 - 30 June 2023)		
Annual Remuneration	709 404	672 451
Car Allowance	60 000	60 000
Remote Allowances	85 268	84 636
Contributions to UIF, Medical and Pension Funds	132 156	131 112
Other	8 056	7 860
	994 884	956 059
Remuneration of the Technical Manager - Mr. TH Zingange (1 October 2022 - 30 June 2023)		
Annual Remuneration	561 532	516 274
Remote Allowance	-	72 805
Car Allowance	40 000	149 677
Contributions to UIF, Medical and Pension Funds	1 691	81 344
Leave days due	-	44 561
Other	5 936	7 136
	609 159	871 797
27. Remuneration of councillors		
Councillors	4 794 189	3 986 471
Councillors' remuneration consist of the following:		
Remuneration of the Mayor - KJ Arens (1 July 2021 - 31 October 2021)		
Mayoral allowance	-	216 567
Transport allowance	-	71 467
Telephone allowance	-	15 866
Contributions to pension, medical and SDL	-	2 351
	-	306 251
Remuneration of the Mayor - CC Jantjies (1 July 2022 - 30 June 2023)		
Mayoral allowance	650 676	421 958
Transport allowance	192 000	80 000
Telephone allowance	44 400	28 742
Contributions to pension, medical and SDL	6 769	4 871
	893 845	535 571

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
27. Remuneration of councillors (continued)		
Remuneration of other councillors		
Councillor allowance	3 010 778	2 333 870
Transport allowance	408 384	402 142
Telephone allowance	444 000	379 610
Contributions to pension, medical and SDL	37 182	29 027
	3 900 344	3 144 649
28. Depreciation and amortisation		
Property, plant and equipment	15 593 063	31 480 259
Intangible assets	3 124	6 580
	15 596 187	31 486 839
29. Finance costs		
Trade and other payables	5 178 738	2 281 759
Finance leases	-	3 935
Employee benefit obligation	552 000	463 000
Landfill sites	1 145 954	2 687 637
	6 876 692	5 436 331
30. Debt impairment		
Debt impairment	37 508 283	22 478 126
31. Bulk purchases		
Electricity - Eskom	24 494 652	22 168 723

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
32. General expenses		
Advertising	53 408	41 913
Auditors remuneration	3 974 723	4 454 737
Bank charges	269 059	247 396
Commission traffic fine enforcement collections	123 731	-
Consulting and professional fees	8 422 134	5 627 349
Credit control	6 320	63 960
Department of Transport	-	997 823
Entertainment	64 638	-
Fines and penalties	-	269 392
Fleet	1 146 600	1 862 868
Fuel and oil	1 917 957	1 272 490
Insurance	771 789	850 388
Internal audit shared service	-	227 391
Inventory, spares and materials consumed	7 750 919	4 286 121
Learnerships and internships	854 145	-
Motor vehicle expenses	13 653	96 781
Other expenses	-	7 462
Paraffin subsidy	-	626 399
Pauper funerals	-	22 300
Printing and stationery	382 403	385 162
Protective clothing	28 000	99 255
Rental paid	860 188	857 721
Research and development costs	131 569	191 771
Royalties and license fees	47 412	65 965
Security (Guarding of municipal property)	1 650 000	-
Streetlight electricity consumed	-	243 611
Subscriptions and membership fees	507 705	531 205
Telephone and fax	575 219	296 692
Training	49 522	115 217
Travel - local	1 909 368	988 855
	31 510 462	24 730 224
33. Impairment loss		
Impairments		
Property, plant and equipment	606 605	27 504

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
34. Cash generated from operations		
Deficit	(5 170 417)	(18 316 839)
Adjustments for:		
Depreciation and amortisation	15 596 187	31 486 839
Gain on sale of assets and liabilities	1 518 799	353 566
Fair value adjustments	173 670	(1 590 653)
Movements in retirement benefit assets and liabilities	126 000	(122 000)
Movements in provisions	1 145 954	2 687 638
Impairment deficit	606 605	27 504
Impairment reversal	-	(60 157)
Changes in working capital:		
Inventories	(47 021)	(41 127)
Other receivables from exchange transactions	57 948	(14 341)
Receivables from exchange transactions	(4 474 110)	(34 591)
Statutory receivables from non-exchange transactions	1 939 013	481 104
Receivables from non-exchange transactions	-	973 808
Payables from exchange transactions	24 806 079	4 977 399
Unspent conditional grants and receipts	6 099 251	(5 810 731)
Consumer deposits	1 290	(99 196)
	42 379 248	14 898 223

35. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	5 156 247	708 139
Total capital commitments		
Already contracted for but not provided for	5 156 247	708 139

This committed expenditure relates to property, plant and equipment and will be financed by government grants.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

36. Contingencies

2023 Matters

Matter name	Description	Status	Amount
Dan Nkili / Ubuntu Local Municipality	Mr. Nkili issued summons against the Municipality for goods and services supplied. A rule 60 application will be heard on the 3rd of August 2022.	The Municipality is currently disputing the claim of the services provider with the assistance of the Office of the State Attorney.	The amount claimed by the applicant amounts to R229 332 inclusive of cost plus interest.
Imatu obo G Jacobs and 6 other / Ubuntu Local Municipality	This is a Labour Court review matter brought by the Municipality to review the arbitration award of the Commissioner in declaring the library personnel as permanent employees.	The condonation application must be argued before the Court.	The financial impact of the claim is currently estimated at R20 000.
Ubuntu Local Municipality / Martin Antonie	The Municipality brought an application to have Mr. Antonie evicted from Municipal property. Mr. Antonie counter sued for damages.	The eviction order was granted. Await feedback from the Sheriff on the execution of the eviction order.	The financial impact of the claim is currently estimated at R10 000.
XR Jolla / Absolom and Ubuntu Local Municipality	The Municipality is the second respondent in this matter. Mr. Absolom is occupying a house that was awarded to Ms. Jolla illegally and refuses to vacate.	There is a reasonable prospect that the joiner application will be successfully. Mr Absolom passed away and the application became mute.	The financial impact of the claim is currently estimated at R10 000.
Ubuntu Local Municipality / Angelina Tebele	The Municipality has issued instructions to evict Ms Tebele from the property previously occupied by Mr. Absolom.	The eviction application has been drafted, further instruction to be issued to the Attorney.	The financial impact of the claim is currently estimated at R12 000.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

36. Contingencies (continued)

2022 Matters

Matter name	Description	Status	Amount
Ubuntu Local Municipality / Ahmed MDS and 8 others	The Municipality brought an eviction application to evict illegal tuck shops.	Currently no further action has been taken on this matter	The financial impact of the claim is currently unknown
Dan Nkili / Ubuntu Local Municipality	Mr. Nkili issued summons against the Municipality for goods and services supplied. A rule 60 application will be heard on the 3rd of August 2022	The Municipality is currently disputing the claim of the services provider with the assistance of the Office of the State Attorney	The amount claimed by the applicant amounts to R 202 888 inclusive of cost plus interest
matu obo G Jacobs and 6 other / Ubuntu Local Municipality	This is a Labour Court review matter brought by the Municipality to review the arbitration award of the Commissioner in declaring the library personnel as permanent employees	The matter is currently before Court. A Court date has not been set	The financial impact of the claim is currently unknown
Ubuntu Local Municipality / Martin Antonie	The Municipality brought an application to have Mr. Antonie evicted from Municipal property. Mr. Antonie counter sued for damages	The eviction order was granted	The amount claimed by the applicant amounts to R 240 000 inclusive of costs
Jolla / Absolom and Ubuntu Local Municipality	Mr. Absolom is occupying a house that was awarded to Ms. Jolla illegally and refuses to vacate	An eviction matter is currently pending before the Richmond Magistrates Court	The financial impact of the claim is currently unknown
Victoria West Golf Club / Ubuntu Local Municipality	A spoliation order was granted.	This matter is in the process of being settled	It is not foreseen that the municipality will incur any further liability over and above the legal costs stated above in the amount of R 3 874.80

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

37. Related parties

Relationships

Interest in related parties

Any entity in which a Councillor and / or management of the municipality have the ability to control and / or exercise significant influence over.

Services rendered to related parties

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. Refer to note 45 where we have disclosed this information under the heading Councillors arrear consumer accounts.

Compensation of related parties

Compensation of related parties

Compensation of Councillors is set out in note 27 Compensation of key management personnel is set out in note 26

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.

Related party relationships

The municipalities key officials declared the following relationships with the listed companies. It should be noted that no transactions were entered into between these related parties and the municipality.

CC Jantjies

No business interest, shares and / or directorships held.

KJ Arens

No business interest, shares and / or directorships held.

GL Yekani

No business interest, shares and / or directorships held.

AJ Robertson

No business interest, shares and / or directorships held.

MN Baadjies

No business interest, shares and / or directorships held.

M Zeekoei

No business interest, shares and / or directorships held.

SW Kock

Shares and Directorship at Lungisa Enterprise

MA Maloi

No business interest, shares and / or directorships held.

WRH Olyn

No business interest, shares and / or directorships held.

A Verwey

No business interest, shares and / or directorships held.

JH Vorster

No business interest, shares and / or directorships held.

JJ Tolken

No business interest, shares and / or directorships held.

B de Bruyn

No business interest, shares and / or directorships held.

PE Jantjies

No business interest, shares and / or directorships held.

CJ Pieterse

No business interest, shares and / or directorships held.

Acting Chief Financial Officer - Me ON Sauli

Shares and Directorship - Kagorehile (Pty) Ltd, Perfectly Amazing (Pty) Ltd and SAADI Business Solutions (Pty) Ltd

Former Acting Municipal Manager & former Chief Financial Officer - RA Jacobs

Shares and Directorship - Chrisperitos (Pty) Ltd, Umthwalo Accounting (Pty) Ltd.

Former Municipal Manager - SS Ngwevu

No business interest, shares and / or directorships held.

Senior Manager Technical Services - TH Zingange

No business interest, shares and / or directorships held.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

37. Related parties (continued)

Related party balances

Provision for doubtful debts related to outstanding balances with related parties

MA Maloi	-	20 122
PE Jantjies	-	4 724
AJ Robertson	-	51 631
GL Yekani	15 771	8 924
MN Baadjies	-	24 854
JH Vorster	47 398	29 432
WRH Olyn	60 788	61 639
SW de Kock	80 332	65 745
M Zeekoei	65 376	52 588
A Verwey	1 791	9 274
CC Jantjies	15 065	4 724

Ubuntu Local Municipality

(Registration number NC071)
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

37. Related parties (continued)

Remuneration of management

Segment

2023

Name	Acting Allowances	Annual Remuneration	Car Allowances	Contributions to UIF, Medical and Pension Funds	Other Allowances	Remote Allowances	Leave days due	Total
Senior Management	16 769	2 189 092	112 500	135 264	24 592	178 458	38 580	2 695 255

2022

Name	Acting Allowances	Annual Remuneration	Car Allowances	Contributions to UIF, Medical and Pension Funds	Other Allowances	Remote Allowances	Leave days due	Total
Senior Management	61 753	1 873 780	291 399	279 403	24 151	235 350	211 523	2 977 359

38. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

38. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	92 630	-	-	-
Employee benefit obligation	476 000	-	-	-
Payables from exchange transactions	134 587 720	-	-	-
Unspent conditional grants and receipts	11 672 385	-	-	-
	146 828 735	-	-	-

At 30 June 2022	Less than 1 year	Between 1 and 2 year	Between 2 and 5 years	Overs 5 years
Consumer deposits	91 340	-	-	-
Employee benefit obligation	635 000	-	-	-
Payables from exchange transactions	109 781 644	-	-	-
Unspent conditional grants and receipts	5 573 134	-	-	-
	116 081 118	-	-	-

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net, after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours 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.

All rates and services are payable within 30 days from invoice date. Refer to note 5 and 6 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 5 and 6 for balances included in receivables that were re-negotiated for the period under review.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

38. Risk management (continued)

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Price risk

The municipality is not exposed to price risk.

39. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At amortised cost	Total
Receivable from exchange transactions	11 321 461	11 321 461
Cash and cash equivalents	17 976 502	17 976 502
	<u>29 297 963</u>	<u>29 297 963</u>

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	134 587 720	134 587 720
Consumer deposits	92 630	92 630
Unspent conditional grants and receipts	11 672 385	11 672 385
	<u>146 352 735</u>	<u>146 352 735</u>

2022

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	6 847 351	6 847 351
Cash and cash equivalents	6 310 754	6 310 754
	<u>13 158 105</u>	<u>13 158 105</u>

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	109 781 644	109 781 644
Consumer deposits	91 340	91 340
Unspent conditional grants and receipts	5 573 134	5 573 134
	<u>115 446 118</u>	<u>115 446 118</u>

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
40. Unauthorised expenditure		
Opening balance as previously reported	440 261 947	397 570 833
Add: Unauthorised expenditure - current	24 741 078	42 691 114
Closing balance	465 003 025	440 261 947
The over expenditure incurred by municipal departments during the year is attributable to the following categories:		
Non-cash	24 546 427	-
Cash	194 651	-
	24 741 078	-
Analysed as follows: non-cash		
Depreciation and amortisation	3 352 739	-
Loss on disposal of property, plant and equipment	2 125 405	-
Provision of impairment	19 068 283	-
	24 546 427	-
Analysed as follows: cash		
Bulk purchases	194 651	-
Unauthorised expenditure: Budget overspending – per municipal department:		
Vote 4	24 026 622	33 981 795
Vote 5	-	5 902 205
Vote 6	714 456	2 807 114
	24 741 078	42 691 114

Disciplinary steps taken/criminal proceedings

Management is initiating an investigation in to the nature and completeness of unauthorised expenditure as disclosed and as required.

Ubuntu Local Municipality

(Registration number NC071)
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

41. Fruitless and wasteful expenditure

Opening balance as previously reported	36 381 796	33 383 870
Opening balance as restated	36 381 796	33 383 870
Add: Expenditure identified - current	5 112 245	2 997 926
Closing balance	41 494 041	36 381 796

Expenditure identified in the current year include those listed below:

Interest on overdue accounts	5 112 245	2 657 613
Rental charge for written off vehicle	-	259 334
SARS interest & penalties	-	80 709
Subsistence & travel claim	-	270
	5 112 245	2 997 926

Disciplinary steps taken/criminal proceedings

Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.

Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.

Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.

Management is initiating an investigation in to the nature and completeness of the Fruitless and Wasteful expenditure as disclosed and as required in the MFMA.

42. Irregular expenditure

Opening balance as previously reported	103 958 580	89 213 804
Opening balance as restated	103 958 580	89 213 804
Add: Irregular Expenditure - current year	-	14 744 776
Less: Irregular Expenditure - written off	(10 651 425)	-
Closing balance	93 307 155	103 958 580

Ubuntu Local Municipality

(Registration number NC071)
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

42. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

Procurement in contravention of Section 32 of the Municipal Supply Chain Regulations	Disciplinary steps taken/criminal proceedings Management is initiating an investigation into the nature, accuracy and completeness of the irregular expenditure as disclosed and as required in the MFMA	-	10 918 706
Procurement in contravention of the Municipal Supply Chain Regulations	Management is initiating an investigation into the nature, accuracy and completeness of the irregular expenditure as disclosed and as required in the MFMA	-	1 907 505
PPPF Act not applied	Management is initiating an investigation into the nature, accuracy and completeness of the irregular expenditure as disclosed and as required in the MFMA	-	585 543
Employee costs	Management is initiating an investigation into the nature, accuracy and completeness of the irregular expenditure as disclosed and as required in the MFMA	-	1 218 742
Grant spending in contravention of grant conditions	Management is initiating an investigation into the nature, accuracy and completeness of the irregular expenditure as disclosed and as required in the MFMA	-	114 280
		-	14 744 776

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

43. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 488 365 526 and that the municipality's total assets exceed its liabilities by R 488 365 526.

We draw attention to the fact that at 30 June 2023, a material uncertainty exists regarding the ability of the municipality to continue as a going concern. These factors are listed below:

1. The provisions for rehabilitation of landfill sites and employee benefit provisions are not cash backed.
2. Unspent grants to be surrendered are cash backed as required.
3. The municipality experienced cash flow problems during the year, which resulted in major creditors not being paid timeously.
4. The consumer debtors days outstanding increased to 1169 days from (2022: 1038 days).
5. The municipality's current liabilities exceeds its current assets by R 99 300 721 (2022: R 82 743 022) which indicates a current ratio which is below the required norm of 1.5 - 2.
6. The municipality realised a deficit for the year under review of R 5 170 417 (2022: deficit R 18 316 839), the major contributors to this change is increases impairments, finance costs, employee related costs.

Even though the above uncertainties exist regarding the municipality's ability to continue as a going concern, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the Accounting Officer continues to procure funding for the ongoing operations of the municipality.

Furthermore the municipality has embarked on implementing strategies which will strengthen its ability to continue as a going concern. The most significant of these is that the municipality is currently implementing a system to enhance revenue collection and cash flow by improving on the debt recoverability.

The municipality still has the ability to levy rates and taxes and will continue to receive funding from government as evident from the Equitable Share allocation in terms of the Division of Revenue Act.

44. Events after the reporting date

There were no significant reports after year-end.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2 358 670	3 004 452
Current year subscription / fee	512 705	507 205
Amount paid - current year	(900 000)	(1 152 987)
	1 971 375	2 358 670

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
45. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Distribution losses		
Electricity distribution losses		
kWh purchased	10 486 505	11 861 085
Less: kWh sold	(14 438 140)	(7 622 258)
kWh Losses	(3 951 635)	4 238 827
% losses	37.68%	35.74%
Average cost per unit	1,722	1,870
Loss on Rand value	8 594 806	7 926 606
Water distribution losses (Kilo litres)		
Kilo litres purchased	835 752	863 735
Less: Kilo litres sold	(1 824 068)	(616 137)
	(988 316)	247 598
(Gain) / Loss %	(118,25%)	28,67%
Average cost per kilo litre	2,558	2,370
(Gain) / loss in rand value	(2 528 112)	586 807
Audit fees		
Opening balance	8 188 964	8 032 004
Current year subscription / fee	6 376 458	5 719 366
Amount paid - current year	(100 000)	(2 285 774)
National Treasury assistance	(5 273 421)	(3 276 631)
	9 192 001	8 188 965
PAYE, UIF and SDL		
Opening balance	-	871 044
Current year subscription / fee	5 094 619	4 944 050
Penalties & Interest	489 112	311 185
Amount paid	(5 169 097)	(6 126 279)
	414 634	-

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	265 404	2 946 930
Current year subscription / fee	7 348 385	7 814 063
Amount paid - current year	(5 884 809)	(10 495 588)
	1 728 980	265 405

VAT

VAT receivable	10 906 958	6 585 234
----------------	------------	-----------

VAT output payables and VAT input receivables are shown in note 5.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MA Maloi	3 087	8 410	11 497
Councillor GL Yekani	2 959	12 811	15 770
Councillor WRH Olyn	5 451	55 337	60 788
Councillor SW de Kock	6 225	74 107	80 332
Councillor CC Jantjies	6 873	8 193	15 066
Councillor M Zeekoei	5 665	59 711	65 376
Councillor AJ Robertson	4 717	28 534	33 251
Councillor MN Baadtjies	(3 650)	-	(3 650)
Councillor JH Vorster	5 700	41 698	47 398
Councillor A Verwey	600	1 190	1 790
	37 627	289 991	327 618

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MA Maloi	1 340	18 782	20 122
Councillor GL Yekani	1 149	7 775	8 924
Councillor WRH Olyn	4 825	56 814	61 639
Councillor SW de Kock	3 531	62 214	65 745
Councillor CC Jantjies	1 300	3 424	4 724
Councillor M Zeekoei	5 065	47 523	52 588
Councillor AJ Robertson	2 056	49 575	51 631
Councillor MN Baadtjies	1 239	23 615	24 854
Councillor JH Vorster	9 744	19 687	29 431
Councillor A Verwey	793	8 481	9 274
	31 042	297 890	328 932

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

46. Change in estimate

Property, plant and equipment

Ubuntu Local Municipality performed condition assessment on assets which is one of the indicators to determine the remaining useful life of an asset. This has resulted in the subsequent change of depreciation expense in all the respective current financial year. The effect of the change in estimate shall be disclosed as follows:

	Sum of Depreciation before change	Sum of Depreciation after change	Sum of Change in Depreciation
Community assets	3 948 827	1 521 196	2 427 631
Infrastructure assets	24 935 864	12 643 333	12 292 531
Buildings	1 569 249	485 606	1 083 643
	30 453 940	14 650 135	15 803 805

47. Prior period errors

The municipality corrected the following prior period errors retrospectively and restated the comparative amounts in terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors.

The correction of the error(s) results in adjustments as follows:

47.1. Prior period error - Overstatement of of landfill rehabilitation provision

During the period under review it was noted that landfill rehabilitation provision was overstated due to incorrect input costs being raised to the provision at 30 June 2021. The comparative statements for 2021/22 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Decrease in provisions	10 275 133
Increase in accumulated surplus	(10 275 133)
	-

47.2. Prior period error - Overstatement of revenue from exchange and non exchange transactions due to billing errors:

During the period under review it was noted that prior years revenue from exchange transactions (service charges and revenue from non-exchange property rates) was overstated due to billing errors, estimates and incorrect meter readings. The comparative statements for 2021/22 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Cash flow statement

Statement of financial position

Decrease receivables from exchange transactions	(4 017 704)
Decrease in statutory receivables from non-exchange transactions	(553 858)
Decrease in accumulated surplus	325 056
	(4 246 506)

Statement of financial performance

Decrease in revenue from exchange transactions (service charges)	3 861 209
Decrease in revenue from non-exchange transactions (property rates)	385 297
	4 246 506

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

47. Prior period errors (continued)

47.3. Prior period error - Misstatement in the Cashflow statement

In the previous financial year the cashflow statement was misstated due to various errors as identified above. The effect of the correction of the error(s) is summarised below. The comparative statements for 2021/22 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in sale of goods and services	4 321
Increase in payments to suppliers	(2 469 550)
Decrease in finance costs	2 687 641
	<hr/>
	222 412

Statement of financial performance

Increase in purchase of property, plant and equipment	(222 416)
	<hr/>

47.4. Prior period error - Misstatement in the Financial instruments disclosure

In the previous financial year the financial instruments disclosure was misstated due to various errors as identified above. The effect of the correction of the error(s) is summarised below. The comparative statements for 2021/22 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in Payables from exchange transactions	109 781 644
Increase in Unspent conditional grants and receipts	5 573 134
Decrease in the Statutory receivables from non-exchange transactions	(19 885 815)
	<hr/>
	95 468 963

47.5. Prior period error - Misstatement on the related party note disclosure

In the previous financial year the related party remuneration of senior management disclosure was omitted from note 37. The effect of the correction of the error(s) is summarised below. The comparative statements for 2021/22 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of financial position

Increase in Senior management remuneration	2 977 359
	<hr/>

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

48. Comparative figures

Certain comparative figures have been reclassified.

During the year under review it was noted that the prior year account balances and totals were misstated due to missmapping of various general ledger accounts. That error has since been rectified in the current year.

The effects of the reclassification are as follows:

Statement of financial position	Comparative figures previously reported	Reclassification	After reclassification
Payables from exchange transactions	(109 785 967)	4 323	(109 781 644)
Consumer deposits	(87 017)	(4 323)	(91 340)
	(109 872 984)	-	(109 872 984)

Statement of financial performance	Comparative figures previously reported	Reclassification	After reclassification
General expenses - convention bureau	840	(840)	-
General expenses - inventory, spares and material consumed	4 285 281	840	4 286 121
General expenses - material job creation	249 691	(249 691)	-
General expenses - pauper funeral	-	22 300	22 300
General expenses - internal audit shared services	-	227 391	227 391
Revenue from exchange transactions - Interest received - investment	-	(501 104)	(501 104)
Revenue from non-exchange transactions - Interest transfer revenue	(501 104)	501 104	-
	4 034 708	-	4 034 708

49. Deviation Section 36(2) Supply Chain Management Regulations

In terms of Section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Accounting Officer and noted by Council.

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

For the period under review there were instances where goods and services were procured via a deviation from the normal Supply Chain Management Regulations.

The reasons for these deviations were documented and reported to the Accounting Officer, who considered them and subsequently approved the deviation from the normal Supply Chain Management Regulations.

Reason for deviation:	Number of deviations 2023	Rand value 2023	Number of deviations 2022	Rand value 2022
Sole supplier	15	571 376	16	700 924
Emergency	3	302 642	6	256 082
Other	-	-	10	196 034
	18	874 018	32	1 153 040

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information

General information

Identification of segments

The municipality is organised according to functions and reports on a monthly basis on their actuals. Decisions are made regularly regarding resources to be allocated to different functions. Segments are therefore identified as the different municipal functions as on Schedule B of the budget.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates throughout the Victoria West, Loxton, Richmond and Hutchinson area. Segments have been aggregated based on the organisational structure as on the budget.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Executive and Council	Governing the municipality
Finance and Administration	Providing support functions to the municipality
Community and Social Services	Providing other services to the community
Planning and Development	Town planning and administration
Road Transport	Economic development and protection services
Energy Sources	Providing basic services to the community such as water, electricity, sewerage and refuse
Waste Management	Providing basic services to the community such as water, electricity, sewerage and refuse
Waste Water Management	Providing basic services to the community such as water, electricity, sewerage and refuse
Water Management	Providing basic services to the community such as water, electricity, sewerage and refuse

Ubuntu Local Municipality

(Registration number NC071)
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

Revenue	Finance and Administration	Community and Social Services	Waste Management	Planning and Development	Energy Sources	Road Transport	Water Management	Waste Water Management	Executive and Council	Total
Revenue from exchange transactions	15 872 771	30 950	6 243 779	528 128	8 082 400	406 562	5 677 970	5 634 164	-	42 476 724
Revenue from non-exchange transactions	76 868 009	5 907 297	9 000 000	-	6 473 040	15 600	13 322 409	-	-	111 586 355
Total segment revenue	92 740 780	5 938 247	15 243 779	528 128	14 555 440	422 162	19 000 379	5 634 164	-	154 063 079
Entity's revenue										154 063 079
Expenditure										
General expenses	15 421 154	5 285 091	2 192 224	2 237 939	2 913 058	132 549	4 051 993	490 853	758 603	31 510 464
Bulk purchases	-	-	-	-	24 494 652	-	-	-	-	24 494 652
Finance costs	6 876 692	-	-	-	-	-	-	-	-	6 876 692
Salaries and wages	6 605 995	7 537 747	2 556 758	8 438 679	1 165 454	3 856 534	1 929 019	2 528 336	1 753 701	36 372 223
Remuneration of Councillors	-	-	-	-	-	-	-	-	4 794 189	4 794 189
Gains and losses	562 007	-	-	-	-	-	1 518 799	-	-	2 080 806
Debt impairment	-	-	-	-	37 508 283	-	-	-	-	37 508 283
Depreciation	-	-	-	-	15 596 187	-	-	-	-	15 596 187
Total segment expenditure	29 465 848	12 822 838	2 775 982	10 676 618	81 677 634	3 989 083	7 499 811	3 019 189	7 306 493	159 233 496
Total segmental surplus/(deficit)	63 274 932	(6 884 591)	12 467 797	(10 148 490)	(67 122 194)	(3 566 921)	11 500 568	2 614 975	(7 306 493)	(5 170 417)

Management does not evaluate the assets and liabilities of the relevant sections, nor makes decisions about allocating resources, therefore assets and liabilities do not meet the definition of a segment in terms of GRAP 18.

Ubuntu Local Municipality

(Registration number NC071)
Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

2022

	Finance and Administration	Community and Social Services	Waste Management	Planning and Development	Energy Sources	Road Transport	Water Management	Waste Water Management	Executive and Council	Total
Revenue										
Revenue from exchange transactions	8 185 575	(63 977)	4 057 719	200 443	14 246 768	413 557	4 790 635	3 619 357	(4 020)	35 446 057
Revenue from non-exchange transactions	70 362 699	1 098 648	-	6 289 895	9 171 683	195 752	4 265 628	-	-	91 384 305
Total segment revenue	78 548 274	1 034 671	4 057 719	6 490 338	23 418 451	609 309	9 056 263	3 619 357	(4 020)	126 830 362
Entity's revenue										126 830 362
Expenditure										
General expenses	15 148 435	346 740	1 958 269	642 570	906 389	219 348	2 032 259	604 893	1 132 459	22 991 362
Bulk purchases	-	-	-	-	22 168 723	-	1 738 860	-	-	23 907 583
Finance costs	2 472 693	-	-	-	-	-	-	2 687 637	276 000	5 436 330
Salaries and wages	13 195 182	1 490 042	2 668 218	8 666 244	1 087 011	4 322 707	1 840 248	2 755 780	261 290	36 286 722
Remuneration of councillors	-	-	-	-	-	36 249	-	-	3 950 222	3 986 471
Gains and losses	(2 014 138)	-	-	338 428	-	-	-	-	(4 024 533)	(5 700 243)
Debt impairment	4 496 397	-	3 888 237	-	1 794 740	-	8 355 590	3 553 156	390 005	22 478 125
Depreciation	950 112	3 947 993	338 288	1 569 249	1 788 869	-	3 395 127	19 524 707	-	31 514 345
Total segment expenditure	34 248 681	5 784 775	8 853 012	11 216 491	27 745 732	4 578 304	17 362 084	29 126 173	1 985 443	140 900 695
Total segmental surplus/(deficit)	44 299 593	(4 750 104)	(4 795 293)	(4 726 153)	(4 327 281)	(3 968 995)	(8 305 821)	(25 506 816)	(1 989 463)	(14 070 333)

Management does not evaluate the assets and liabilities of the relevant sections, nor makes decisions about allocating resources, therefore assets and liabilities do not meet the definition of a segment in terms of GRAP 18.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
-----------------	------	------

51. Compensation received for agency activities

Agent in arrangement

The Ubuntu Local Municipality is the Agent in the Principal-Agent arrangement with Department of Transport, Safety and Liaison. The municipality is responsible for the issuing of vehicle and drivers licences on behalf of Department of Transport, Safety and Liaison in exchange for commission of 12%. No significant judgements are applied in determining that the municipality was the agent in the arrangement. The responsibility of issuing vehicle licences was removed from the municipality effective 01 September 2018.

Ubuntu Local Municipality was paid 12% commission by Department of Transport, Safety and Liaison for acting as an agent on its behalf during the financial year.

Resources under custodianship of agent

There are no resources of the principal under the custodianship of Ubuntu Local Municipality, nor have they been recognised as such.

Commission	<u>70 261</u>	<u>79 103</u>
------------	---------------	---------------

Reconciliation of Agency Funds and Disbursements - 2023

Principal name	Total agency funds received	Amount remitted to the principal	Variance
Department of Transport Safety and Liaison	<u>1 038 042</u>	<u>(618 522)</u>	<u>419 520</u>

The reason for the above variance is due to 12% commission withheld by the municipality and cashflow constraints.

Reconciliation of Agency Funds and Disbursements - 2022

Principal name	Total agency funds received	Amount remitted to the principal	Variance
Department of Transport Safety and Liaison	<u>1 206 908</u>	<u>(696 419)</u>	<u>510 489</u>

The reason for the above variance is due to 12% commission withheld by the municipality and cashflow constraints.

52. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

x1: Budget figure does not include impairment, the service chargers amount includes impairment, availability is included in service chargers.

x2: Budget figure included in service chargers.

x3: Under-anticipated rental revenue for the year.

x4: Increase in debtors that was not anticipated, due to non payment of debtor's accounts.

x5: Actual included in other income.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

52. Budget differences (continued)

x6: Difficult to predict as it is based on the frequency of unpredictable events.

x7: Difficult to predict as it is based on the frequency of unpredictable events.

x8: Management did not anticipate reduction in grant spending resulting in funds kept in investment.

x9: Changes and correction made during the year.

x10: Increase in debtors that was not anticipated, due to non payment of debtor's accounts.

x11: Grant budget did not take into account the funds withheld and increased unspent grants.

x12: Not budget for.

x13: Municipality was unable to a point a service provider for speedcameras and back office support during the year.

x14: Key budgeted vacant posts not filled during the year, a small percentage of staff is on medical aid.

x15: Variance is below 10%.

x16: Due to change in estimate.

x17: Not budgeted for.

x18: Due to low collection rate, the municipality could not settle its Eskom account monthly as anticipated.

x19: Increase in debtors that was not anticipated, due to non payment of debtor's accounts.

x20: Variance is below 10%.

x21: Budget for as part of general expenses.

x22: Cost cutting measure implemented.

x23: Not budgeted for, year end adjustment.

x24: Not budgeted for, year end adjustment.

x25: Not budgeted for, year end adjustment.

x26: Inventory not correctly budgeted for.

x27: Municipality anticipated an increase, which includes an increase in the Eskom deposit.

x28: Included in budget for receivables from exchange transactions.

x29: Budget includes receivable from non-exchange transactions.

x30: No budgeted for individually.

x31: Municipality anticipated an increase in cashflow through collection, resulting in an increase in cash and cash equivalent.

x32: No all the investment property was captured during the budget process.

x33: Below the 10% variance allowance.

x34: Municipality anticipated to purchase more laptops for the financial year, due to the low collection rate the municipality was unable to replace all laptops.

Ubuntu Local Municipality

(Registration number NC071)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

52. Budget differences (continued)

x35: Incorrectly budgeted for.

x36: Increase in outstanding creditors due to the low collection rate.

x37: Not budgeted for.

x38: Below the 10% variance allowance.

x39: Municipality did not anticipate to have any unspent grants.

x40: Incorrectly budgeted for.

x41: Not budgeted for.

x42: Budget does not take into account change in discount factor and additions during the year.