

UBUNTU

MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2010

UBUNTU LOCAL MUNICIPALITY

Index

<i>Contents</i>	<i>Page</i>
General Information	1
Approval of the Financial Statements	2
Report of the Auditor General	
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes In Net Assets	5
Cash Flow Statement	6
Accounting Policies	7 - 25
Notes to the Financial Statements	26 - 63
 APPENDICES - Unaudited	
A Schedule of External Loans	64
B Segmental Statement of Financial Performance - Municipal Votes	65
C Segmental Statement of Financial Performance	66
D Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	67

UBUNTU LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GENERAL INFORMATION

NATURE OF BUSINESS

Ubuntu Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Ubuntu Municipality includes the following areas:

*Victoria West
Richmond
Loxton*

MUNICIPAL MANAGER

Mr. M.F Fillis

CHIEF FINANCIAL OFFICER

Mr. M.F Fillis

REGISTERED OFFICE

78 Church Street, Victoria West, 7070

AUDITORS

Office of the Auditor General (NC)

PRINCIPLE BANKERS

First National Bank, Victoria West

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
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, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

UBUNTU LOCAL MUNICIPALITY

MEMBERS OF THE UBUNTU LOCAL MUNICIPALITY

COUNCILLORS

Ward	<i>Mr. K. Arends</i>
Ward	<i>L.Adams</i>
Proportional	<i>B.Fatyelwa</i>
Ward	<i>E.Le Fleur</i>
Proportional	<i>S.Jordaan</i>
Ward	<i>K.Riegert</i>
Proportional	<i>W.Schutz</i>
Proportional	<i>A.Verwey</i>

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 67 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

Mr. M.F Fillis
Municipal Manager

Date

UBUNTU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Notes	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Net Assets		121 070 281	109 951 679
Capital Replacement Reserve	2	1 059 287	1 059 287
Accumulated Surplus/(Deficit)		120 010 994	108 892 392
Non-Current Liabilities		4 326 736	4 086 897
Long-term Liabilities	3	922 203	970 808
Employee benefits	4	3 404 533	3 116 089
Non-Current Provisions	5	-	-
Current Liabilities		12 864 569	7 106 449
Consumer Deposits	6	150 851	121 117
Current Employee benefits	7	921 299	948 462
Provisions	8	-	-
Trade and other payables	9	6 972 613	1 580 170
Unspent Conditional Government Grants and Receipts	10	3 000 792	492 757
Taxes	11.1	1 592 817	2 038 176
Operating Lease Liability	21.1	-	270
Cash and Cash Equivalents	22	28 629	1 784 586
Current Portion of Long-term Liabilities	3	197 567	140 912
Total Net Assets and Liabilities		138 261 586	121 145 025
ASSETS			
Non-Current Assets		117 077 202	107 196 863
Property, Plant and Equipment	12	95 337 533	84 859 733
Investment Property	13	19 984 100	19 984 100
Intangible Assets	14	43 882	-
Non-Current Investments	15	1 400 772	1 968 253
Biological Assets	16	65 500	103 000
Long-Term Receivables	17	245 416	281 777
Current Assets		21 184 384	13 948 162
Inventory	18	288 194	343 701
Trade Receivables from exchange transactions	19	4 275 529	4 460 257
Other Receivables from non-exchange transactions	20	3 812 342	2 148 720
Unpaid Conditional Government Grants and Receipts	10	7 425 548	6 313 789
Operating Lease Asset	21.2	100 935	113 516
Taxes	11	386 503	-
Cash and Cash Equivalents	22	4 895 333	568 181
Total Assets		138 261 586	121 145 025

UBUNTU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 (Actual) R	2009 (Restated) R	Correction of error R	2009 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		36 198 810	44 095 583	26 172 236	17 923 347
Taxation Revenue		4 144 259	2 889 952	-	2 889 952
Property taxes	23	4 144 259	2 889 952	-	2 889 952
Transfer Revenue		26 975 391	35 703 846	26 224 647	9 479 198
Government Grants and Subsidies - Capital	24	13 750 704	6 593 235	6 593 235	-
Government Grants and Subsidies - Operating	24	13 223 788	29 097 541	19 631 412	9 466 128
Public Contributions and Donations		900	13 070	-	13 070
Other Revenue		5 079 159	5 501 785	(52 412)	5 554 197
Actuarial Gains		82 609	404 409	404 409	-
Third Party Payments		276 112	72 954	72 954	-
Fines		4 720 439	4 441 817	(1 112 380)	5 554 197
Reversal of Debt Impairment	30	-	238 904	238 904	-
Stock Adjustments		-	343 701	343 701	-
Revenue from Exchange Transactions		17 221 182	26 073 563	(457 488)	26 531 051
Service Charges	25	14 073 234	12 272 005	(2 173)	12 274 178
Rental of Facilities and Equipment		410 450	347 574	12 409	335 165
Interest Earned - external investments		416 265	864 019	625 743	238 276
Interest Earned - outstanding debtors		1 738 373	1 520 977	-	1 520 977
Licences and Permits		301 476	235 340	-	235 340
Agency Services		13 568	40 785	-	40 785
Other Income	26	267 817	10 792 863	(1 093 467)	11 886 330
Total Revenue		53 419 992	70 169 146	25 714 747	44 454 399
EXPENDITURE					
Employee related costs	28	13 579 497	11 824 406	397 748	11 426 657
Remuneration of Councillors	29	1 693 388	1 583 008	-	1 583 008
Debt Impairment	30	3 541 768	-	(260 000)	260 000
Depreciation and Amortisation		4 524 936	4 025 721	1 645 440	2 380 281
Repairs and Maintenance		1 553 124	1 133 566	(22 430)	1 155 996
Finance Charges	31	565 751	601 016	109 057	491 959
Bulk Purchases	32	5 985 964	4 344 688	-	4 344 688
Contracted services		503 755	1 300 074	(31 944)	1 332 018
Grants and Subsidies Paid	33	2 658 653	3 404 608	-	3 404 608
Stock Adjustments		55 507	-	-	-
Other Operating Grant Expenditure		1 156 795	17 582 320	17 582 320	-
General Expenses	34	6 447 312	5 119 649	(9 978 840)	15 098 489
Total Expenditure		42 266 449	50 919 057	9 441 352	41 477 704
Operating Surplus for the Year		11 153 543	19 250 089	16 273 395	2 976 695
Loss on disposal of Property, Plant and Equipment		-	(11 748)	(11 748)	-
Gain on disposal of Property, Plant and Equipment		2 559	9 466	-	9 466
Fair Value Adjustments	27	(37 500)	38 850	38 850	-
NET SURPLUS/(DEFICIT) FOR THE YEAR		11 118 602	19 286 658	16 300 497	2 986 161

UBUNTU LOCAL MUNICIPALITY

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

	Government Grant Reserve	Capital Replacement Reserve	Capitalisation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R
Balance at 1 JULY 2008	19 784 686	2 731 344	75 304 352	(1 267 715)	96 552 667
2007/2008 figures incorrectly not restated with 2009 correction of errors	-	-	1 561 250	(588 086)	973 164
Correction of error - See Note 36.22, 36.13 and 36.14	(19 784 686)	-	(76 865 602)	89 900 285	(6 750 003)
Restated Balance at 1 JULY 2008	-	2 731 344	-	88 044 484	90 775 828
Net Surplus/(Deficit) for the year	-	-	-	19 286 658	19 286 658
Transfer from CRR	-	(1 561 250)	-	1 561 250	-
Balance at 30 JUNE 2009	-	1 170 094	-	108 892 392	110 062 486
Correction of error - See Note 36.15	-	(110 807)	-	-	(110 807)
Restated Balance at 30 JUNE 2009	-	1 059 287	-	108 892 392	109 951 679
Net Surplus/(Deficit) for the year	-	-	-	11 118 602	11 118 602
Balance at 30 JUNE 2010	-	1 059 287	-	120 010 994	121 070 281

UBUNTU LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Notes	30 JUNE 2010 R	30 JUNE 2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		46 869 145	56 997 896
Cash paid to suppliers and employees		(27 912 182)	(45 926 989)
Cash generated by operations	38	18 956 963	11 070 907
Interest Received		2 154 637	2 384 996
Interest Paid	31	(565 751)	(601 016)
Net Cash from Operating Activities		20 545 850	12 854 887
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	12	(15 002 287)	(7 711 862)
Purchase of Investment property		-	(9 100 000)
Proceeds on Disposal of Fixed Assets		2 559	9 466
Purchase of Intangible Assets		(44 330)	-
Increase in Long-term Receivables	17	(23 948)	(219 784)
Decrease/(Increase) in Non-current Investments	15	567 481	(174 086)
Net Cash from Investing Activities		(14 500 525)	(17 196 266)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(169 023)	(390 960)
New loans raised		177 073	-
Increase in Consumer Deposits		29 734	19 387
Net Cash from Financing Activities		37 784	(371 573)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		6 083 109	(4 712 952)
Cash and Cash Equivalents at the beginning of the year		(1 216 405)	3 496 546
Cash and Cash Equivalents at the end of the year	39	4 866 704	(1 216 405)
NET INCREASE IN CASH AND CASH EQUIVALENTS		6 083 109	(4 712 952)

**ACCOUNTING PRINCIPLES AND POLICIES NOTES APPLIED IN THE
FINANCIAL STATEMENTS**

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Directive 5 “Determining the GRAP Reporting Framework”, issued by the Accounting Standards Board.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC144)	Financial Instruments: Disclosure
IAS 12 (AC102)	Income Taxes

IAS 19 (AC116)	Employee Benefits
IAS 32 (AC125)	Financial Instruments: Presentation
IAS 39 (AC133)	Recognition and Measurement
SIC – 20 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards (Refer to correction of error note as transitions was not utilised in the prior year):

- GRAP 12 – Inventories
- GRAP 16 – Investment Property
- GRAP 17 – Property, Plant and Equipment
- GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
- GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations
- GRAP 102 – Intangible Assets

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors 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.

1.5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

These standards, amendments and interpretations will not have a significant impact on the municipality once implemented.

Principles of GRAP 23 were applied in formulating the accounting treatment of non-exchange revenue, where the application of only GAMAP 9, as required by GRAP 9 until GRAP 23 is effective, is insufficient.

1.6. RESERVES

1.6.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property,

plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

1.7. LEASES

1.7.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.7.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.8. UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and contributions from the public.

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

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

- The cash which backs up the creditor is invested separately or as part of the municipality's Cash and Cash Equivalents until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.9. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The municipality 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.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

1.10. EMPLOYEE BENEFITS

(a) Post Retirement Medical obligations

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with IAS 19 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The unrecognised liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

(c) Accrued Leave Pay

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

1.11. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.12. PROPERTY, PLANT AND EQUIPMENT

1.12.1 Initial Recognition

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

acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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 assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

1.12.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.12.3 Depreciation and Impairment

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of property, plant and equipment. Only provisional amounts is included in the financial statements.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. 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. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	30	Buildings	30

Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Buildings	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	20-30	Landfill sites	15
Libraries	20-30	Quarries	25
Parks and gardens	15-20	Emergency equipment	10
Other assets	15-20	Computer equipment	3
<u>Finance lease assets</u>			
Office equipment	5		
Other assets	5		

1.12.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13. INTANGIBLE ASSETS

1.13.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

Where an intangible asset 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, it's deemed cost is the carrying amount of the asset(s) given up.

1.13.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.13.3 Amortisation and Impairment

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of intangible assets. Only provisional amounts are included in the financial statements.

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5
Computer Software Licenses	5

1.13.4 De-recognition

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

1.14. INVESTMENT PROPERTY

1.14.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

1.14.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.14.3 Depreciation and Impairment

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of investment property.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. 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. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	Years
Buildings	30
Land	Not depreciated

1.14.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15. NON-CURRENT ASSETS HELD FOR SALE

1.15.1 Initial Recognition

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of non-current assets held for sale.

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

1.15.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

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

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

1.16. IMPAIRMENT OF NON-FINANCIAL ASSETS

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of non-financial assets.

1.17. INVENTORIES

1.17.1 Initial Recognition

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

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

1.17.2 Subsequent Measurement

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of water and land held for sale.

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they

arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

In general, the basis of allocating cost to inventory items is the weighted average method.

1.18. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

1.18.1 Initial Recognition

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.18.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.18.2.1 Trade and Other Receivables

Trade and other receivables are classified as loans and receivables, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use

of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.18.2.2 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.18.2.3 Cash and Cash Equivalents

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

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.18.3 *De-recognition of Financial Instruments*

1.18.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.18.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.18.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.19. REVENUE

1.19.1 Revenue from Non-Exchange Transactions

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

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

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a 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 present 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 will be recognised as revenue.

1.19.2 Revenue from Exchange Transactions

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

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

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

Service charges relating to sewerage are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property.

Service charges from sewerage are based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

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

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue and in accordance with the relevant Standards of GRAP on Financial Instruments.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.19.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised. To qualify as a conditional grant, the conditions of the grant must be clearly stipulated including:

- 1) The required outputs and outcomes; and
- 2) That any unspent portion must be repaid to the grantor.

1.20. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.21. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality'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.

1.23. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

1.24. CONTINGENT LIABILITIES

All known contingent liabilities are reflected in the financial statements.

1.25. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – the Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of trade receivables

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

Property, plant and equipment

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Provisions and contingent liabilities

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

Revenue Recognition

Accounting Policy 1.19.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.19.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation note 1.19 above). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.26. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

1.27. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
2 NET ASSET RESERVES		
RESERVES	1 059 287	1 059 287
Capital Replacement Reserve	1 059 287	1 059 287
Total Net Asset Reserve and Liabilities	1 059 287	1 059 287
3 LONG TERM LIABILITIES		
Annuity Loans - At amortised cost	884 786	1 003 450
Balance previously reported		1 535 173
Correction of error. Refer note 36.08		(531 723)
Capitalised Lease Liability - At amortised cost	234 983	108 270
Balance previously reported		-
Correction of error. Refer note 36.08		108 270
	1 119 770	1 111 719
Current Portion transferred to Current Liabilities	197 567	140 912
Annuity Loans - At amortised cost	134 869	118 664
Balance previously reported		99 382
Correction of error. Refer note 36.09		19 282
Capitalised Lease Liability - At amortised cost	62 698	22 248
Balance previously reported		-
Correction of error. Refer note 36.09		22 248
	922 203	970 808

Annuity loans at amortised cost is calculated at 13.22% interest rate, with a maturity date of 30 June 2015. The schedule of contractual maturity analysis for Annuity Loans:

The obligations under annuity loans are scheduled below

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	247 588	247 588
Payable within two to five years	990 043	990 352
Payable after five years	-	247 279
	1 237 631	1 485 219
Less: Future finance obligations	(352 845)	(481 769)
Present value of annuity obligations	884 786	1 003 450

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	87 690	36 078
Payable within two to five years	198 644	101 534
Payable after five years	-	-
	286 334	137 613
Less: Future finance obligations	(51 351)	(29 343)
Present value of lease obligations	234 983	108 270

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Leases are secured by property, plant and equipment - Note 12

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
4 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 4.1	3 342 644	3 071 975
Balance previously reported		-
Correction of error - Refer note 36.17		3 071 975
Long Service Awards - Refer to Note 4.2	61 889	44 114
Balance previously reported		-
Correction of error - Refer note 36.17		44 114
Total Non-current Employee Benefit Liabilities	3 404 533	3 116 089

Post Retirement Benefits

Balance 1 July	3 342 743	3 305 656
Contribution for the year	79 328	74 603
Interest Cost	295 028	349 201
Expenditure for the year	-	-
Actuarial Loss/(Gain)	(68 719)	(386 717)
Total post retirement benefits 30 June	3 648 380	3 342 743
Less: Transfer of Current Portion - Note 7	(305 736)	(270 768)
Balance 30 June	3 342 644	3 071 975

Long Service Awards

Balance 1 July	67 850	67 459
Contribution for the year	7 981	11 323
Interest Cost	5 037	6 760
Expenditure for the year	-	-
Actuarial Loss/(Gain)	(13 890)	(17 692)
Total long service 30 June	66 978	67 850
Less: Transfer of Current Portion - Note 7	(5 089)	(23 736)
Balance 30 June	61 889	44 114

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	3 410 593	3 373 115
Contribution for the year	87 309	85 926
Interest cost	300 065	355 961
Expenditure for the year	-	-
Actuarial Loss/(Gain)	(82 609)	(404 409)
Total employee benefits 30 June	3 715 358	3 410 593
Less: Transfer of Current Portion - Note 7	(310 825)	(294 504)
Balance 30 June	3 404 533	3 116 089

4 EMPLOYEE BENEFITS (CONTINUE)

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	20	20
In-service (employee) non-members	80	80
Continuation members (e.g. Retirees, widows, orphans)	12	12
Total Members	112	112

**2010
R**

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

In-service members	1 438 305
Continuation members	2 210 075
Total Liability	3 648 380

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Samwumed; and
Keyhealth.

The Future-service Cost for the ensuing year is estimated to be R90 364, whereas the Interest- Cost for the next year is estimated to be R 318 435.

Key actuarial assumptions used:	2010 %	2009 %
i) Rate of interest		
Discount rate	9.10%	9.19%
Health Care Cost Inflation Rate	7.17%	7.33%
Net Effective Discount Rate	1.80%	1.74%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:	2010 R	2009 R
Present value of fund obligations	3 342 644	3 071 975
Net liability/(asset)	3 342 644	3 071 975

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	3 342 743	3 305 656
Total expenses	374 356	423 804
Current service cost	79 328	74 603
Interest Cost	295 028	349 201
Benefits Paid	-	-
Actuarial (gains)/losses	(68 719)	(386 717)
Present value of fund obligation at the end of the year	3 648 380	3 342 743
Less: Transfer of Current Portion - Note 7	(305 736)	(270 768)
Balance 30 June	3 342 644	3 071 975

4 EMPLOYEE BENEFITS (CONTINUE)

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	1.438	2.21	3.648	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	1.669	2.333	4.002	10%
Health care inflation	-1%	1.247	2.100	3.347	-8%
Post-retirement mortality	-1 year	1.499	2.319	3.818	5%
Average retirement age	-1 year	1.568	2.210	3.778	4%
Withdrawal Rate	-50%	1.589	2.210	3.799	4%

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 39 employees were eligible for Long Service Bonuses.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The Future-service Cost for the ensuing year is estimated to be R 4 142, whereas the Interest cost for the next year is estimated to be R 5 658..

Key actuarial assumptions used:	2010	2009
	%	%
i) Rate of interest		
Discount rate	10.99%	8.86%
General Salary Inflation (long-term)	9.29%	6.62%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.55%	2.19%

	2010	2009
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	61 889	44 114
Net liability/(asset)	61 889	44 114

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	67 850	67 459
Total expenses	13 018	18 083
Current service cost	7 981	11 323
Interest Cost	5 037	6 760
Benefits Paid	-	-
Actuarial (gains)/losses	(13 890)	(17 692)
Present value of fund obligation at the end of the year	66 978	67 850
Less: Transfer of Current Portion - Note 7	(5 089)	(23 736)
Balance 30 June	61 889	44 114

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		66 978	
General salary inflation	1%	70 312	5%
General salary inflation	-1%	63 885	-5%
Average retirement age	-2 yrs	63 178	-6%
Average retirement age	2 yrs	82 377	23%
Withdrawal rates	-50%	76 099	14%

4.3 Retirement funds

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2009 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2008 - 106.5%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2009 financial year.

CAPE JOINT RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2009 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2008 - 103.3%).

MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members is sufficient to fund the benefits accruing from the fund in the future.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
5 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	-	-
Total Non-current Employee Benefit Liabilities	<u>-</u>	<u>-</u>
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 53.1		
6 CONSUMER DEPOSITS		
Electricity	106 891	89 126
Water	43 960	31 991
Total Consumer Deposits	<u>150 851</u>	<u>121 117</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>-</u>	<u>-</u>
The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.		
7 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 4	305 736	270 768
Balance previously reported		-
Correction of error - Refer note 36.17		270 768
Current Portion of Long-Service Provisions - Note 4	5 089	23 736
Balance previously reported		-
Correction of error - Refer note 36.17		23 736
Staff Leave	610 474	653 958
Balance previously reported		-
Change in accounting policy - refer note 35.02		453 210
Correction of error - refer note 36.17		200 748
Total Current Employee Benefits	<u>921 299</u>	<u>948 462</u>
The movement in current employee benefits are reconciled as follows:		
<u>Staff Leave</u>		
Balance at beginning of year	653 958	376 447
Contribution to current portion	43 548	288 866
Expenditure incurred	(87 031)	(11 355)
Balance at end of year	<u>610 474</u>	<u>653 958</u>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.		
8 PROVISIONS		
Leave Provision	-	-
Balance previously reported		453 210
Change in accounting policy - refer to notes 7 and 35.01		(453 210)
Total Provisions	<u>-</u>	<u>-</u>

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

9	TRADE AND OTHER PAYABLES	2010	2009
		R	R
	Trade Payables	3 339 398	394 175
	Balance previously reported		331 675
	Correction of error - Refer note 36.07		62 500
	Arrear Portion of Long Term Liabilities	572 745	509 093
	Balance previously reported		-
	Correction of error - Refer note 36.07		509 093
	Sundry Creditors	724 903	8 627
	Payments received in advance	732 899	652 236
	Balance previously reported		477 835
	Correction of error - Refer note 36.07		174 401
	Retentions	838 711	-
	VAT in Suspense	-	-
	Balance previously reported		467 022
	Correction of error - Refer note 36.07		-467 022
	Sundry Deposits	27 903	16 039
	Traffic Fines Control	736 054	-
	Total Trade Payables	6 972 613	1 580 170

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

Sundry deposits include Hall, Builders and Housing Deposits.

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	3 000 792	492 757
National and Provincial Government Grants	3 000 792	492 757
Less: Unpaid Grants	7 425 548	6 313 789
National and Provincial Government Grants	7 425 548	6 313 789
Total Conditional Grants and Receipts	(4 424 756)	(5 821 031)

Reconciliation of Total conditional government grants and receipts

Balance previously reported (Unspent)	1 390 174
Correction of error - Refer note 36.02	(7 211 205)
	<u>(5 821 031)</u>

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

11 TAXES

11.1 VAT PAYABLE

VAT Payable	1 340 344	1 570 500
Balance previously reported		(589 493)
Correction of error. Refer note 36.16		2 159 993
VAT output in suspense	252 473	467 676
Balance previously reported		-
Correction of error. Refer note 36.16		467 676
Total Vat payable	1 592 817	2 038 176

11.2 VAT RECEIVABLE

VAT input in suspense	386 503	-
Total VAT receivable	386 503	-

11.3 NET VAT PAYABLE

(1 206 315)	(2 038 176)
-------------	-------------

VAT is receivable on the cash basis.

12 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
13 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	19 984 100	10 884 100
Cost	19 984 100	10 884 100
Balance previously reported		-
Correction of error. Refer to note 36.12		10 884 100
Accumulated Depreciation	-	-
Acquisitions	-	9 100 000
Balance previously reported		-
Correction of error. Refer to note 36.12		9 100 000
Net Carrying amount at 30 June	19 984 100	19 984 100
Cost	19 984 100	19 984 100
Accumulated Depreciation	-	-

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 53.3

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

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

	2010 R	2009 R
14 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	-	-
Cost	-	-
Accumulated Amortisation	-	-
Acquisitions	44 330	-
Amortisation	(448)	-
Net Carrying amount at 30 June	43 882	-
Cost	44 330	-
Accumulated Amortisation	(448)	-

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 53.4

The following material intangible assets are included in the carrying value above

<u>Description</u>	<u>Remaining Amortisation Period</u>	<u>Carrying Value</u>	
		2010 R	2009 R
Microsoft Office and Windows software	5	43 882	-

No intangible asset were assed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual contractual commitments for the acquisition of intangible assets.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

15	NON-CURRENT INVESTMENTS	2010	2009
		R	R
	Fixed Deposits	1 400 772	1 968 253
	Balance previously reported		-
	Correction of error - refer note 36.06		1 968 253
	Total Non-Current Investments	1 400 772	1 968 253

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 6.5% % to 8.34 % per annum. (2009 - 12.94% to 13.2%)

Investments to the value of R 1 400 000 are pledged as security for the overdraft facility at FNB - Refer to note 22

Fixed deposits consist out of the following accounts

FNB - Acc.no.71 08814 7792 - Subsidie Kerkstraat Investment	-	798 159
FNB - Acc.no.71 26761 8613 - Subsidie Kerkstraat Investment	76 225	-
FNB - Acc.no.71 08730 6258 - CRR Investment	1 324 547	1 170 094
	1 400 772	1 968 253

Included in Non-Current investments are balances ring-fenced for the following specific purposes:

Capital replacement reserve	1 324 547	1 170 094
	1 324 547	1 170 094

16 BIOLOGICAL ASSETS

	Quantity (Units)	Fair Value R	2010 R	2009 R
Springbuck	55	350	19 250	56 000
Ostrich	5	500	2 500	2 500
Blesbuck	23	500	11 500	10 500
Swart Wildebeest	15	1 200	18 000	18 000
Zebra	2	4 500	9 000	9 000
Rib buck	15	350	5 250	7 000
			65 500	103 000

Fair value of biological assets is based on selling prices less costs to sell in an open active market.

Reconciliation of fair value:

Opening Fair Value	103 000	64 150
Acquisitions	-	-
Fair Value adjustments - Price	-	-
Fair Value adjustments - Physical changes	(3 200)	38 850
Fair Value adjustments - Disposals	(34 300)	-
Closing Fair Value	65 500	103 000

Reconciliation of closing balance:

Balance previously reported		-
Correction of error - Refer note 36.11		103 000
		103 000

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the acquisition of biological assets.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring of game quantities by municipal staff.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
17 LONG TERM RECEIVABLES		
Officials' Housing Loans - At amortised cost	61 509	61 509
Rates	239 808	213 568
Balance previously reported		-
Correction of error - Refer note 36.04		213 568
Councillors Allowances	68 058	70 350
	369 375	345 427
Less: Provision for Impairment of Long Term Receivables	(123 959)	(63 650)
Total Long Term Receivables	245 416	281 777
HOUSING LOANS		
The housing loan is receivable from P Minies. Due to the lack of payments received, a council resolution was passed to institute legal actions against P Minies to collect the outstanding debt or possible eviction from the property. The entire balance have been impaired.		
RATES		
Rates included under debtors represent all balances for which the debtors has made arrangements to settle their balances beyond normal credit terms. No provision for impairment has been made for these debtors.		
COUNCILLORS ALLOWANCES		
Outstanding balances relates mainly to former councillors. All balances relating to these councillors have been impaired.		
18 INVENTORY		
Maintenance Materials - At cost	288 194	343 701
Water – at cost	-	-
Total Inventory	288 194	343 701
<u>Reconciliation of inventory</u>		
Balance previously reported		-
Correction of error - Refer note 36.19		343 701
Total Inventory		343 701
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 53.5		
19 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	1 501 730	1 373 632
Water	4 689 047	5 221 318
Refuse	3 607 647	3 681 168
Sewerage	2 666 314	3 524 813
Other	445 887	368 807
Balance previously reported		360 624
Correction of error - Refer note 36.18		8 183
Total Receivables from Exchange Transactions	12 910 625	14 169 737
Less: Allowance for Doubtful Debts	(8 635 096)	(9 709 481)
Balance previously reported		(10 035 200)
Correction of error - refer note 36.18		325 719
Total Net Receivables from Exchange Transactions	4 275 529	4 460 257
Ageing of Receivables from Exchange Transactions		
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	373 390	333 450
31 - 60 Days	82 617	68 465
61 - 90 Days	52 494	58 612
+ 90 Days	993 229	913 105
Total	1 501 730	1 373 632
	2010	2009
	R	R
<u>(Water): Ageing</u>		
Current (0 - 30 days)	329 454	281 116
31 - 60 Days	180 453	165 044
61 - 90 Days	150 581	153 559
+ 90 Days	4 028 558	4 621 598

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Total	4 689 047	5 221 318
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	141 851	113 887
31 - 60 Days	85 764	74 235
61 - 90 Days	81 374	73 525
+ 90 Days	3 298 658	3 419 520
Total	3 607 647	3 681 168
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	129 698	149 173
31 - 60 Days	84 974	81 073
61 - 90 Days	79 261	78 287
+ 90 Days	2 372 382	3 216 280
Total	2 666 314	3 524 813
<u>(Other): Ageing</u>		
Current (0 - 30 days)	21 525	14 015
31 - 60 Days	8 282	8 300
61 - 90 Days	7 783	8 300
+ 90 Days	408 297	338 193
Total	445 887	368 807
<u>(Total): Ageing</u>		
Current (0 - 30 days)	995 918	891 641
31 - 60 Days	442 090	397 117
61 - 90 Days	371 493	372 283
+ 90 Days	11 101 124	12 508 697
Total	12 910 625	14 169 737
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	9 709 481	9 825 200
Contribution to provision/(Reversal of provision)	2 290 114	(115 719)
Bad Debts Written Off	(3 364 499)	-
Balance at end of year	8 635 096	9 709 481

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

20

TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2010 R	2009 R
Rates	6 872 155	5 420 012
Balance previously reported		5 459 180
Correction of error - refer note 36.03		(39 167)
Other Receivables	514 425	520 322
Fuel Deposits	51 000	51 000
Electricity Deposit Richmond	16 300	16 300
Payments in advance	384 805	-
Suspense Debtors	48 110	212 666
Balance previously reported		11 600
Correction of error - refer note 36.03		201 066
Accrued Interest	14 209	240 356
Balance previously reported		-
Correction of error - refer note 36.03		240 356
Grants receivable		-
Balance previously reported		3 944 137
Correction of error - refer note 36.03		(3 944 137)
Total Receivables from Non-Exchange Transactions	7 386 580	5 940 335
Less: Allowance for Doubtful Debts	(3 574 237)	(3 791 615)
Balance previously reported		(3 964 800)
Correction of error - refer note 36.03		173 185
Total Net Receivables from Non-Exchange Transactions	3 812 342	2 148 720

Debtors with a total outstanding balance of R469 996 (2009 - R 437 659) have arranged to settle their account over an re-negotiated period. Total payments to the value of R 239 808 (2009 - R 213 568) have been deferred beyond 12 months after year end and subsequently included as part of long term debtors.

Refer to note 17 for balances deferred beyond 12 months from year end

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

Current (0 - 30 days)	157 973	169 541
31 - 60 Days	118 017	123 841
61 - 90 Days	113 062	112 304
+ 90 Days	6 483 104	5 014 327
Total	6 872 155	5 420 012

Reconciliation of Provision for Bad Debts

Balance at beginning of year	3 791 615	3 914 800
Contribution to provision/(Reversal of provision)	1 191 346	(123 185)
Bad Debts Written Off	(1 408 723)	-
Balance at end of year	3 574 237	3 791 615

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

21 OPERATING LEASE ARRANGEMENTS

21.1 The Municipality as Lessee (Liability)

Balance on 1 July	270	398
Balance previously reported		-
Correction of error - Refer note 36.2		398
Movement during the year	(270)	(128)
Balance previously reported		-
Correction of error - Refer note 36.2		(128)
Balance on 30 June	-	270

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows		
Up to 1 Year	-	3 732
1 to 5 Years	-	-
More than 5 Years	-	-
Total Operating Lease Arrangements	-	3 732

Operating leases consist only out of an agreement with Pixley ka Seme District Municipality for the rental of a municipal building

21.2 The Municipality as Lessor (Asset)

Balance on 1 July	113 516	99 515
Balance previously reported		-
Correction of error - Refer note 36.21		99 515
Movement during the year	(12 581)	14 001
Balance previously reported		-
Correction of error - Refer note 36.21		14 001
Balance on 30 June	100 935	113 516

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	235 236	232 315
1 to 5 Years	568 333	492 597
More than 5 Years	187 557	315 196
Total Operating Lease Arrangements	991 127	1 040 108

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for previous ranging until 2017

22 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	4 219 398	354 737
Balance previously reported		2 322 990
Correction of error - Refer note 36.05		(1 968 253)
Bank Accounts	673 184	210 994
Cash Floats	2 750	2 450
Total Cash and Cash Equivalents - Assets	4 895 333	568 181

Liabilities

Primary Bank Account	28 629	1 784 586
Balance previously reported		1 795 043
Correction of error - Refer note 36.05		(10 457)
Total Cash and Cash Equivalents - Liabilities	28 629	1 784 586

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Bank overdraft facility of R1 400 000 exists at FNB.

The municipality has the following bank accounts:

Current Accounts

Victoria West FNB - Account Number 54 06233 8032 (Primary Bank Account):	(28 629)	(1 784 586)
Richmond Standard Bank - Account Number 18 738 917 9 (Secondary Bank Account)	18 840	210 994
Richmond Standard Bank - Account Number 18 319 266 2 (Traffic Account)	654 345	-
	644 555	210 994

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Victoria West FNB - Account Number 54 06233 8032 (Primary Bank Account):		
Cash book balance at beginning of year	(1 784 586)	(1 450 127)
Cash book balance at end of year	(28 629)	(1 784 586)
Bank statement balance at beginning of year	(593 316)	(218 795)
Bank statement balance at end of year	460 201	(593 316)
Richmond Standard Bank - Account Number 18 738 917 9 (Secondary Bank Account)		
Cash book balance at beginning of year	210 994	37 660
Cash book balance at end of year	18 840	210 994
Bank statement balance at beginning of year	210 994	25 154
Bank statement balance at end of year	18 840	210 994
Richmond Standard Bank - Account Number 18 319 266 2 (Traffic Account)		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	654 345	-
Bank statement balance at beginning of year	-	561 778
Bank statement balance at end of year	665 495	-
Call Investment Deposits		
Call investment deposits consist out of the following accounts:		
FNB - Acc.no.62 04611 0920 - Projek Biblioteek Investment	5 417	30 786
FNB - Acc.no.62 05001 7021 - Equitable Share Investment	5 019	1 017
FNB - Acc.no.62 05698 7088 - Projek Nasionale Tesourie Investment	45 241	1 056
FNB - Acc.no.62 07015 8574 - Survey of plot Investment	-	1 552
FNB - Acc.no.62 07521 0973 - Water Loxton Investment	-	1 135
FNB - Acc.no.62 08647 7760 - Own Funds Investment	2 612	1 089
FNB - Acc.no.62 08984 3744 - Project Consolidate MSIG Investment	433	10 369
FNB - Acc.no.62 10289 8519 - Housing Project Victoria West Investment	-	1 155
FNB - Acc.no.62 11957 3477 - Housing Project Richmond Investment	-	11 387
FNB - Acc.no.62 12481 9262 - Water Meters Investment	-	2 346
FNB - Acc.no.62 14251 4894 - High Mast Lighting Investment	10 670	10 435
FNB - Acc.no.62 17213 8797 - Sport Development Investment	-	1 035
FNB - Acc.no.62 17405 7680 - Drought Relief Funds Investment	52 753	51 357
FNB - Acc.no.62 18164 4462 - Road Project Loxton Investment	1 652	2 126
FNB - Acc.no.62 18831 8333 - Skills Development Fund	92 915	93 870
FNB - Acc.no.62 18925 5625 - Eradication of Buckets	-	1 467
FNB - Acc.no.62 18925 8372 - EIA Solid Waste	-	6 344
FNB - Acc.no.62 20178 3744 - Electricity Project Richmond	-	17 133
FNB - Acc.no.62 20922 9831 - MIG Func	411 419	1 823
FNB - Acc.no.62 22039 8235 - Renovation & Repair Sport	-	48 749
FNB - Acc.no.62 24204 3892 - DME Project	1 056 984	-
FNB - Acc.no.62 24730 1071 - Rubbish Bins	1 572	-
FNB - Acc.no.62 24730 1708 - Playground	3 044	-
FNB - Acc.no.62 24730 1964 - Tourism Plan	64 993	-
FNB - Acc.no.62 25094 0387 - Insurance Claims	130 242	-
FNB - Acc.no.62 25254 5763 - Own Funds	1 389	-
FNB - Acc.no.62 25880 8595 - Reservoir Project (Victoria West)	74 254	-
FNB - Acc.no.62 25880 9064 - Reservoir Project (Richmond)	1 461 750	-
FNB - Acc.no.62 26770 3819 - Oxidation Ponds	546 349	-
FNB - Acc.no.62 27128 8188 - Fire Fighting Equipment	189 350	-
FNB - Acc.no.74 12728 4318 - Leave Reserve Fund Investment	61 339	58 506
	4 219 398	354 737

23

PROPERTY RATES

Actual

Rateable Land and Buildings

Residential, Commercial Property, State

Less: Rebates

Total Assessment Rates

5 062 762	2 889 952
5 062 762	2 889 952
(918 503)	-
4 144 259	2 889 952

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<u>Valuations - 1 JULY 2009</u>		
Rateable Land and Buildings		
Residential	171 733 000	59 232 086
Business & Commercial	72 505 100	324 600
Government	44 372 100	23 051 860
Exempt Properties	7 594 700	11 450 980
Multiple Use Properties	3 236 000	-
Agricultural	2 334 482 500	-
Total Assessment Rates	2 633 923 400	94 059 526

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009.

Rates:

Residential	1.1101c/R	3.607c/R
Commercial	1.1101c/R	3.607c/R
Agricultural	0.2775c/R	-

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

24 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants	11 196 337	8 588 695
Equitable Share	11 196 337	8 588 695
Conditional Grants	15 778 154	27 102 081
Grants and donations	15 719 154	26 974 081
Subsidies	59 000	128 000
Total Government Grants and Subsidies	26 974 491	35 690 776
Government Grants and Subsidies - Capital	13 750 704	6 593 235
Government Grants and Subsidies - Operating	13 223 788	29 097 541
	26 974 491	35 690 776

The municipality does not expect any significant changes to the level of grants

24.1 Equitable share

Opening balance	-	-
Grants received	11 196 337	8 588 695
Conditions met - Operating	(11 196 337)	(8 588 695)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

24.2 Health Subsidy

Opening balance	-	-
Grants received	59 000	128 000
Conditions met - Operating	(59 000)	(128 000)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

Health subsidies was used fund primary health care services in the municipal area.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
24.3 Finance Management Grant (FMG)		
Opening balance	-	-
Grants received	750 000	500 000
Conditions met - Operating	(620 562)	(500 000)
Conditions met - Capital	(129 438)	-
	<hr/>	<hr/>
Conditions still to be met/(Grant expenditure to be recovered)	-	-
	<hr/> <hr/>	<hr/> <hr/>
<p>The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).</p>		
24.4 Municipal Systems Improvement Grant (MSIG)		
Opening balance	-	73 659
Grants received	850 000	735 000
Conditions met - Operating	(850 000)	(808 659)
	<hr/>	<hr/>
Conditions still to be met/(Grant expenditure to be recovered)	-	-
	<hr/> <hr/>	<hr/> <hr/>
<p>The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.</p>		
24.5 Municipal Infrastructure Grant (MIG)		
Opening balance	(1 909 311)	393 486
Grants received	12 441 975	1 000 000
Conditions met - Capital	(12 029 421)	(3 302 797)
	<hr/>	<hr/>
Conditions still to be met/(Grant expenditure to be recovered)	(1 496 757)	(1 909 311)
	<hr/> <hr/>	<hr/> <hr/>
<p>The grant was used to upgrade infrastructure in previously disadvantaged areas.</p>		
24.6 Housing Grants		
Opening balance	(4 330 643)	1 821 827
Grants received	360 783	10 608 171
Conditions met - Operating	(61 667)	(16 760 640)
	<hr/>	<hr/>
Conditions still to be met/(Grant expenditure to be recovered)	(4 031 527)	(4 330 643)
	<hr/> <hr/>	<hr/> <hr/>
<p>Housing grants was utilised for the development of erven and the erection of top structures.</p>		
24.7 Integrated National Electrification Grant		
Opening balance	-	-
Grants received	2 286 760	-
Conditions met - Capital	(1 591 845)	-
	<hr/>	<hr/>
Conditions still to be met/(Grant expenditure to be recovered)	694 915	-
	<hr/> <hr/>	<hr/> <hr/>
<p>The National Electrification Grant was used for electrical connections in previously disadvantaged areas.</p>		
24.8 Other Grants		
Opening balance	418 922	1 403 175
Grants received	425 912	4 617 732
Conditions met - Operating	(436 222)	(2 311 546)
Conditions met - Capital	-	(3 290 438)
	<hr/>	<hr/>
Conditions still to be met/(Grant expenditure to be recovered)	408 612	418 922
	<hr/> <hr/>	<hr/> <hr/>
<p>Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)</p>		
24.9 Total Grants		
Opening balance	(5 821 031)	3 692 146
Grants received	28 370 767	26 177 598
Conditions met - Operating	(13 223 788)	(29 097 541)
Conditions met - Capital	(13 750 704)	(6 593 235)
	<hr/>	<hr/>
Conditions still to be met/(Grant expenditure to be recovered)	(4 424 756)	(5 821 031)
	<hr/> <hr/>	<hr/> <hr/>
	2010	2009
	R	R
25 SERVICE CHARGES		
Electricity	6 081 064	4 997 575
Water	4 063 906	3 007 306
Refuse removal	2 280 787	1 996 840

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Sewerage and Sanitation Charges	1 647 477	2 270 284
Total Service Charges	14 073 234	12 272 005

26 OTHER INCOME

Sundry income	233 390	332 117
Sale of Game	34 427	-
Donated assets	-	10 460 746
Total Other Income	267 817	10 792 863

Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) and fees for items not included under service charges (camping, fire brigade and impounding fees)

27 FAIR VALUE ADJUSTMENTS

Biological Assets	(37 500)	38 850
	(37 500)	38 850

28 EMPLOYEE RELATED COSTS

Bargaining Council Levy	5 336	5 206
Bonus	505 658	429 180
Post Employment Health	79 328	74 603
Long service awards	7 981	11 323
Employee related costs - Salaries and Wages	9 384 206	8 265 917
Group Life Insurance	113 922	9 383
Housing Subsidy	47 964	46 878
Leave Reserve Fund	43 548	288 866
Overtime	624 857	532 322
Employee related costs - Contributions for UIF, pensions and medical aids	2 034 642	1 507 603
Travel, motor car, telephone, assistance and other allowances	732 056	653 125
Total Employee Related Costs	13 579 497	11 824 406

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

Annual Remuneration	520 312	454 816
Performance Bonuses	-	76 565
Car Allowance	129 960	129 960
Telephone allowance	4 620	4 620
Contributions to UIF, Medical, Pension Funds and Bargaining Council	140 571	114 554
Total	795 463	780 515

Remuneration of the Director Infrastructure and Technical Services

Annual Remuneration	351 589	275 981
Performance Bonuses	-	50 709
Housing Subsidy	12 346	12 346
Travelling Allowance	120 000	90 972
Telephone allowance	4 092	4 098
Contributions to UIF, Medical, Pension Funds and Bargaining Council	3 085	51 215
Total	491 112	485 321

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Remuneration of the Director Corporate Services		
Annual Remuneration	290 074	267 175
Performance Bonuses	-	39 108
Travelling Allowance	108 000	81 683
Telephone allowance	4 092	4 099
Contributions to UIF, Medical, Pension Funds and Bargaining Council	61 151	57 058
Total	463 317	449 123
Remuneration of the Director Financial Services		
Annual Remuneration	367 115	327 486
Performance Bonuses	-	46 099
Car Allowance	81 672	81 683
Telephone allowance	3 780	3 780
Contributions to UIF, Medical, Pension Funds and Bargaining Council	38 545	18 459
Total	491 112	477 506
29	REMUNERATION OF COUNCILLORS	
Mayor	536 302	498 959
Councillors	1 157 085	1 084 049
Total Councillors' Remuneration	1 693 388	1 583 008
	In-kind Benefits	
	The Executive Mayor and all the committee members are part-time. The Mayor are provided with secretarial support and an office at the cost of the Council.	
30	DEBT IMPAIRMENT	
Long term Receivables - Note 17	60 309	-
Trade Receivables from exchange transactions - Note 19	2 290 114	(115 719)
Trade Receivables from non-exchange transactions - Note 20	1 191 346	(123 185)
Total Contribution to/(Reversal of) Impairment Provision	3 541 768	(238 904)
31	FINANCE CHARGES	
Long-term Liabilities	216 546	220 401
Finance leases	29 997	16 946
Creditors	19 142	7 708
Post Employment Health	295 028	349 201
Long service awards	5 037	6 760
Total finance charges	565 751	601 016
32	BULK PURCHASES	
Electricity	5 554 012	3 920 740
Water	431 952	423 949
Total Bulk Purchases	5 985 964	4 344 688
33	GRANTS AND SUBSIDIES	
Indigent Subsidies	2 658 653	3 404 608
Total Grants and Subsidies	2 658 653	3 404 608

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
34 GENERAL EXPENSES		
Audit Fees	1 230 012	855 242
Bank Charges	148 366	169 027
Membership Fees	120 331	263 133
Fuel Cost	784 342	863 778
Legal Cost	19 589	30 270
Insurance	288 841	242 394
Project Expenditure - Own Funds	352 168	658 755
Printing and stationery	162 436	130 215
Safety clothes	106 253	69 144
Tyres	162 544	30 586
Skills development levy	64 779	97 846
Telephone	209 564	250 676
Training	102 634	38 340
Travel and subsistence	901 412	704 543
Departmental Charges	1 177 167	308 422
Other	616 874	407 278
General Expenses	<u><u>6 447 312</u></u>	<u><u>5 119 649</u></u>
		2009 R
35 CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3		
35.01 Provisions		
Balance previously reported:		
Staff Leave		453 210
Transferred to Current Employee Benefits - refer notes 7 and 8		<u>(453 210)</u>
Total		<u><u>-</u></u>
35.02 Current Employee Benefits		
Balance previously reported:		-
Transferred from Provisions - refer notes 7 and 8		453 210
Staff Leave		<u>453 210</u>
Total		<u><u>453 210</u></u>
36 CORRECTION OF ERROR IN TERMS OF GRAP 3		
36.01 Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities"		

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has transitional provisions for the following GRAP Standards:

- GRAP 12 – Inventories
- GRAP 16 – Investment Property
- GRAP 17 – Property, Plant and Equipment
- GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
- GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations
- GRAP 102 – Intangible Assets

These provisions were adopted in the prior year but no adequate disclosure were made in the financial statements. Refer to relevant sections in financial statements for improved disclosures regarding the transitional provisions taken.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2009
	R
36.02 Conditional grants and receipts	
Balance previously reported	(1 390 174)
Transfer from other receivables from non-exchange transactions - Refer note 36.03 and 15	3 944 137
Interest on project funds (2008/2009) incorrectly not recognised in statement of financial performance - Refer note 37	430 709
Interest on project funds (2007/2008) incorrectly not recognised in statement of financial performance - Refer note 36.21	356 805
Transfer of unspent grants to accumulated surplus where conditions have been met in 2007/2008 - Refer note 36.22	37 309
VAT on grant expenditure (2007/2008) not treated in line with Circular 48 of MFMA - Refer note 36.22	1 081 705
VAT on grant expenditure (2008/2009) not treated in line with Circular 48 of MFMA - Refer note 37	2 755 388
Reallocation of non-recoverable overspending on projects to statement of financial performance - Refer note 37	(658 755)
Reallocation of non-recoverable overspending on projects to statement of financial performance - Refer note 36.22	(289 807)
Realllocation of capital expenditure on grants to own funding - Refer note 36.02	(473 691)
Reallocation of unspent portion relating to completed project to surplus - Refer note 37	27 405
Allocation error - MIG funds incorrectly allocated to Eradication of buckets - Transferred to High Mast Lightning	300 000
Allocation error - MIG funds incorrectly allocated to Eradication of buckets - Transferred from Eradication of Buckets	(300 000)
Total	5 821 031
36.03 Other Receivables from non-exchange transactions	
Balance previously reported	5 517 417
Transfer to unpaid conditional grants and receipts - Refer note 36.02 and 10	(3 944 137)
Recognition of 2009 interest accrual on non-current investments - Refer note 37	240 356
Transfer of debtors with credit balances to payables - Refer note 9 and 36.07	174 401
Reallocation of re-negotiated balances to long term debtors - Refer note 36.04	(213 568)
Recognition of escalation on staff rental agreement - Refer note 37	607
Reversal of bad debt impairment (prior year contribution) - Refer note 37	50 000
Reversal of bad debt impairment (beyond prior year contribution) - Refer note 37	123 185
Correction of cash suspense account - Refer note 36.22	12 568
Traffic fines incorrectly not accrued for on 30 June 2009 - Refer note 37	171 286
Rental income not accrued for on 30 June 2008 (Viscas) - Refer note 36.22	5 000
Rental income not accrued for 2008/2009 (Viscas, Dept of Welsyn and Roode) - Refer note 37	11 605
Total	2 148 720
36.04 Long-Term Receivables	
Balance previously reported	68 209
Transfer from other receivables from non-exchange transactions (Rates) - Refer note 36.03	213 568
Total	281 777
36.05 Cash and cash equivalents	
Balance previously reported	741 391
Transfer to non-current investments - Refer note 36.06 and 15	(1 968 253)
Cancellation of tjeK 5899 - Refer note 37	10 457
Total	(1 216 405)
36.06 Non Current Investments	
Balance previously reported	-
Transfer from cash and cash equivalents - Refer note 36.05 and 22	1 968 253
Total	1 968 253
36.07 Trade and Other Payables	
Transfer of arrear portion of long term liabilities to payables - Refer note 36.06	509 093
Reallocation of insurance receipts - Refer note 9	(14 725)
Transfer of debtors with credit balances to payables - Refer note 36.03 and 20	174 401
Recognition of SALA payment incorrectly recognised as a contingent liability - Refer note 37	75 884
Recognition of pro rata bonus for DI Janes - Refer note 37	385
SALA Pension fund contributions and interest for period 1 December 2007 to 30 December - Refer note 36.22	957
Transfer of VAT output in suspense to Taxes - Refer note 36.16	(467 022)
Total	278 972

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2009
	R
36.08 Long Term Liabilities	
Transfer of arrear portion of long term liabilities to payables - Refer note 36.07	(509 093)
Correction of balance on 1 July 2008 - Refer note 36.07	(22 630)
Recognition of finance leases on 1 July 2008 - Refer note 36.1 and 36.22	123 267
Recognition of movement on finance lease liability during 2008/2009 - Refer note 37	(14 997)
Total	(423 454)
36.09 Current Portion of long term liabilities	
Correction of current portion - Refer note 36.08	19 282
Recognition of finance lease liability	22 248
Total	41 530
36.10 Property, Plant and Equipment	
Balance previously reported	109 342 999
Incorrect recognition of donated assets only received in 2008/2009 and not in the year ending 30 June 2008 - Refer to note 36.22 and 12	(86 746)
Recognition of donated assets - Refer note and 12	86 746
Transfer of investment property from Property Plant and Equipment on 30 June 2008 - Note 12 and 36.12	(11 852 600)
Transfer of Investment Property from Property Plant and Equipment acquired during 2008/2009 - Refer note 12 and 36.12	(9 100 000)
VAT incorrectly captured as part of water infrastructure - Note 12 and 36.22	(9 414)
Reallocation of fixed assets (drainage pump) incorrectly captured against repairs and maintenance vote - Refer note 12 and 37	22 430
Recognition of assets acquired on finance leases - Refer note 12	131 015
Assets acquired from insurance receipts not recognised - Refer note 12	68 443
Mechanical equipment incorrectly capitalised against infrastructure. Transfer to mechanical equipment - Refer note 12	(75 000)
Mechanical equipment incorrectly capitalised against infrastructure. Transfer from infrastructure - Refer note 12	75 000
Replaced water pumps incorrectly not removed from asset register - Note 12 and 37	(11 748)
Reallocation of barcodes incorrectly capitalised (Transfer to surplus) - Refer not 36.22	(32 813)
Land removed from asset register - Not the property of municipality - Refer note 36.22	(291 000)
Reallocation between classes of assets	-
Furniture & Fittings	37 192
Computer equipment	(46 373)
Electrical Equipment	9 180
Correction of accumulated depreciation on 30 June 2008 - Refer note 36.22	(1 762 140)
Storm water and Roads	167 230
Sewerage	(655 489)
Electricity	(157 441)
Water	(1 018 455)
Cemetery	(1 261)
Office Equipment - Leased	(26 203)
Office Equipment	3 171
Furniture & Fittings	19 747
Electrical Equipment	(5 451)
Motor vehicles	(86 143)
Computer equipment	(1 844)
Correction of depreciation on 30 June 2009 - Refer note 37	(1 645 440)
Storm water and Roads	194 047
Sewerage	(754 744)
Electricity	(165 888)
Water	(813 625)
Cemetery	(1 119)
Office Equipment - Leased	(26 203)
Office Equipment	3 898
Furniture & Fittings	21 303
Electrical Equipment	(6 223)
Motor vehicles	(95 383)
Mechanical Equipment	(2 401)
Computer equipment	897
Total	84 859 733

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2009 R
36.11 Biological Assets	
Balance previously reported	-
First time recognition of Game - Note 36.22	64 150
Fair value adjustment for 2008/2009 - Note 37	38 850
Total	103 000
36.12 Investment Property	
Balance previously reported	-
Transfer of investment property from Property Plant and Equipment on 30 June 2008 - Note 12 and 36.1	11 852 600
Transfer of Investment Property from Property Plant and Equipment acquired during 2008/2009 - Refer note 12 and 36.1	9 100 000
Removal of investment property not owned by the municipality (Victoria West) - Refer note 36.22	(968 500)
Total	19 984 100
36.13 Government Grant Reserve	
Balance previously reported on 30 June 2009	34 416 377
Transfer of reserve balance on 1 July 2008 to accumulated surplus - Refer note 36.22	(19 784 686)
Reallocation of transaction incorrectly allocated directly to reserve - Refer note 36.22	(15 073 000)
Reversal of transactions 2008/2009	441 309
Total	-
36.14 Capitalisation Reserve	
Balance previously reported on 30 June 2009	74 926 630
Transfer of reserve balance on 1 July 2008 to accumulated surplus - Refer note 36.22	(76 865 602)
Reversal of transactions 2008/2009	1 938 972
Total	-
36.15 Capital Replacement Reserve	
Interest received incorrectly not recognised in statement of financial performance - Note 37	(103 491)
Interest received on long term debtor (P Minies) incorrectly credited against reserve - Note 37	(7 316)
Total	(110 807)
36.16 Taxes	
Balance previously reported	589 493
Incorrect treatment of VAT on grant received from Department of Water and Forestry - Refer to note 11	44 238
VAT incorrectly not paid over on insurance receipt - Refer to note 11	(10 214)
Recognition of VAT in suspense due to debtor recognised for the escalation in the abattoir lease agreement - Refer note 36.22 and 37	(633)
VAT incorrectly not paid over on abattoir rental receipts - Refer note 36.22 and 37	(8 842)
Transfer of VAT output in suspense to Taxes - Refer note 36.07	(467 022)
VAT on rental agreements not recognised up to 30 June 2008 (receipts) - Refer note 36.22	(19 476)
VAT on rental agreements not recognised 2008/2009 - Refer note 37	(17 520)
VAT on rental agreements not recognised 2008/2009 (suspense) - Refer note 37	(21)
Correction of VAT incorrectly claimed on expenditure relating to traffic fines (2008/2009) - Refer to note 37	(1 283 666)
Correction of VAT incorrectly claimed on expenditure relating to traffic fines (2007/2008) - Refer to note 36.22	(864 513)
Total	(2 038 176)

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2009 R
36.17 Employee benefits	
Recognition of long service awards on 30 June 2008 - Refer note 36.22	67 459
Recognition of post retirement health on 30 June 2008 - Refer note 36.22	3 305 656
Recognition of movement on long service awards for 2008/2009 - Refer note 37	391
Recognition of movement on post retirement health 2008/2009 - Refer note 37	37 087
Recognition of current portion of post retirement health on 30 June 2009 - Refer note 36.17	(270 768)
Recognition of current portion of long service awards on 30 June 2009 - Refer note 36.17	(23 736)
Total	<u>3 116 089</u>
36.17 Current Employee Benefits	
Incorrect recognition of interest directly against leave fund - Refer Note 37	(4 828)
Restatement of leave accrual on 1 July 2008 - Refer note 36.22	(71 935)
Restatement of leave accrual on 30 June 2009 - Refer note 37	277 510
Recognition of current portion of post retirement health on 30 June 2009 - Refer note 36.17	270 768
Recognition of current portion of long service awards on 30 June 2009 - Refer note 36.17	23 736
Total	<u>495 252</u>
36.18 Trade Receivables from exchange transactions	
Prior year rent received incorrectly not recognised - Refer note 37	3 025
Escalation in abbatoir rental agreement up until 30 June 2008 received in 2010 - Refer note 36.22	1 680
Escalation in abbatoir rental agreement incorrectly not recognised for 2008/2009 - Refer note 37	3 478
Reversal of bad debt impairment (prior year contribution) - Refer note 37	210 000
Reversal of bad debt impairment (beyond prior year contribution) - Refer note 37	115 719
Total	<u>333 902</u>
36.19 Inventory	
Recognition of inventory on hand at 30 June 2009 - Refer to 37	343 701
	<u>343 701</u>
36.20 Operating lease liability	
Recognition of operating lease liability on 30 June 2008 - Refer to 36.22	398
Recognition of movement on operating lease liability during 2008/2009 - Refer to 37	(128)
	<u>270</u>
36.21 Operating lease asset	
Recognition of operating lease asset on 30 June 2008 - Refer to 36.22	99 515
Recognition of movement on operating lease asset during 2008/2009 - Refer to 37	14 001
	<u>113 516</u>

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2009
	R
36.22 Accumulated Surplus/(Deficit)	
First time recognition of Game - Note 36.11	64 150
Transfer opening balance on government grant reserve to accumulated surplus - Refer note 36.11	19 784 686
Transfer of transaction incorrectly recognised directly against government grant reserve to accumulated surplus - Refer note 36.13	15 073 000
Transfer from capitalisation reserve to accumulated surplus - Refer note 36.15	76 865 602
Assets capitalised incorrectly credited against reserves - Note 37	(10 661 259)
Incorrect recognition of donated assets only received in 2008/2009 and not in the year ending 30 June 2008 - Refer to note 36.1 and 12	(86 746)
Recognition of Pixley Ka Seme in correct financial period - Note 37	866 400
Transfer of unspent grants to accumulated surplus where conditions have been met in 2007/2008 - Refer note 36.02	37 309
Correction of Long Term Liabilities balance on 1 July 2008 - Refer note 36.05	22 630
Correction of finance charges on long term liabilities - Refer note 37	(271 558)
Interest on project funds (2007/2008) incorrectly not recognised in statement of financial performance - Refer note 36.01	356 805
Correction of VAT treatment on grant expenditure (circular 48) - Refer note 36.02	1 081 705
Grant expenditure (Capital). Assets incorrectly raised against surplus - Refer note 37	(5 973 001)
Reallocation of non-recoverable grant expenditure to surplus (2007/2008) - Refer note 36.02	(289 807)
VAT incorrectly captured as part of water infrastructure - Note 12 and 36.1	(9 414)
2008 interest accrual on non-current investments incorrectly reversed against accumulated surplus - Refer note 37	160 957
Recognition of finance leases on 1 July 2008 - Refer note 36.1 and 36.05	7 748
Restatement of leave accrual on 1 July 2008 - Refer note 36.17	71 935
SALA Pension fund contributions and interest for period 1 December 2007 to 30 December - Refer note 36.07	(957)
Escalation in abattoir rental agreement up until 30 June 2008 received in 2010 - Refer note 36.18	1 680
VAT incorrectly not recognised on rental agreement (abattoir) - Refer note 36.16 and 36.07	(6 101)
Reallocation of rental received (M Maans) for July 2008, incorrectly recognised in 2008 financial year - Refer 37	(609)
Recognition of long service awards on 30 June 2008 - Refer note 36.17	(67 459)
Recognition of post retirement health on 30 June 2008 - Refer note 36.17	(3 305 656)
Land removed from asset register - Not the property of municipality - Refer note 36.1	(291 000)
Removal of investment property not owned by the municipality - Refer note 36.12	(968 500)
Correction of cash suspense account - Refer note 36.03	12 568
Reallocation of barcodes incorrectly capitalised (Transfer to surplus) - Refer not 36.1	(32 813)
Correction of accumulated depreciation on 30 June 2008 - Refer note 36.1	(1 762 140)
Correction of VAT incorrectly claimed on traffic fine expenses - Refer note 36.15	(864 513)
Recognition of operating lease liability on 30 June 2008 - Refer to 36.2	(398)
Recognition of operating lease asset on 30 June 2008 - Refer to 36.21	99 515
VAT on rental agreements not recognised up to 30 June 2008 (receipts) - Refer note 36.16	(19 476)
Rental income not accrued for on 30 June 2008 (Viscas) - Refer note 36.03	5 000
Total	89 900 285

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

37	Statement of financial performance	2009 R
		2 986 161
	Recognition of revenue relating to donated assets - Refer note 36.1	86 746
	Incorrect recognition of grants received to sundry income	(315 986)
	Recognition of grant income relating to grant expenditure	360 224
	Capital expenditure incorrectly recognised in statement of financial performance - Refer note 36.2	10 661 259
	Recognition of interest received on project funds in statement of financial performance - Refer note 36.02	430 709
	Recognition of interest received Capital Replacement Reserve funds in statement of financial performance - Refer note 36.15	103 491
	Recognition of interest received on leave reserve fund in statement of financial performance - Refer note 36.17	4 828
	Recognition of Pixley Ka Seme in correct financial period - Note 36.22	(866 400)
	Interest received on long term debtor (P Minies) incorrectly credited against capital replacement reserve - Note 36.15	7 316
	Correction of finance charges on long term liabilities - Refer note 36.22	271 558
	Recognition of operating grant expenditure in statement of financial performance	(17 582 320)
	Recognition of income relating to grant expenditure (Capital) - Refer note 36.22	5 468 937
	Recognition of VAT on grant expenditure (Capital) - Circular 48	764 074
	Recognition of income relating to grant expenditure (Operating)	19 604 007
	Reallocation of non-recoverable project expenditure to statement of financial performance - Refer note 36.02	(658 755)
	Reallocation of fixed assets incorrectly captured against repairs and maintenance vote - Refer note 12 and 36.1	22 430
	Insurance receipt incorrectly recognised against a creditor vote - Refer note 36.07	72 954
	2008 interest accrual on non-current investments incorrectly reversed against accumulated surplus - Refer note 36.22	(160 957)
	Recognition of 2009 interest accrual on non-current investments - Refer note 36.03	240 356
	Reallocation of capital redemption of finance lease liability for 2008/2009 - Refer note 36.02	14 997
	Reallocation of finance charges on finance leases from contracted services to finance charges	(16 946)
	Reallocation of finance charges from contracted services	16 946
	Replaced water pumps incorrectly not removed from asset register (scrapped) - Note 12 and 36.1	(11 748)
	Fair value adjustment of game - Refer note 36.11	38 850
	Cancellation of tjeK 5899 (leave payment) - Refer note 36.05	10 457
	Recognition of SALA payment incorrectly recognised as a contingent liability - Refer note 36.07	
	Legal charges	(23 792)
	Interest	(7 708)
	Pension fund contribution	(44 384)
	Restatement of leave accrual on 30 June 2009 - Refer note 36.17	(277 510)
	Recognition of pro rata bonus for DI Janes - Refer note 36.07	(385)
	Rent received incorrectly not recognised - Refer note 36.12	3 025
	Escalation in abattoir rental agreement incorrectly not recognised for 2008/2009 - Refer note 36.12	3 478
	VAT incorrectly not recognised on rental agreement (abattoir) - Refer note 36.07 and 36.12	(3 374)
	Reallocation of rental received (M Maans) for July 2008, incorrectly recognised in 2008 financial year - Refer 36.22	609
	Recognition of escalation on staff rental agreement - Refer note 36.03	607
	Recognition of long service awards - Refer note 36.17	(391)
	Contribution to long service awards	(11 323)
	Finance charges	(6 760)
	Actuarial Gain	17 692
	Recognition of post retirement health - Refer note 36.17	(37 087)
	Contribution to post retirement health	(74 603)
	Finance charges	(349 201)
	Actuarial Gain	386 717
	Reversal of debt impairment (prior year provision)	260 000
	Non-Exchange receivables - Refer note 36.03	50 000
	Exchange receivables - Refer note 36.18	210 000
	Reversal of debt impairment (beyond prior year provision) - Refer note 36.12	238 904
	Non-Exchange receivables - Refer note 36.03	123 185
	Exchange receivables - Refer note 36.18	115 719
	Reallocation of unspent portion relating to completed project to surplus - Refer note 36.02	27 405
	Correction of depreciation on June 2009 - Refer note 36.1	(1 645 440)
	Recognition of inventory on hand at 30 June 2009 - Refer to 36.12	343 701
	Correction of VAT incorrectly claimed on traffic fine expenses - Refer note 36.12	(1 283 666)
	Fines not accrued for on 30 June 2009 - Refer note 36.03	171 286
	Recognition of movement on operating lease liability during 2008/2009 - Refer to 36.2	128
	Recognition of movement on operating lease asset during 2008/2009 - Refer to 36.21	14 001
	VAT on rental agreements not recognised 2008/2009 (receipts) - Refer note 36.16	(17 520)
	VAT on rental agreements not recognised 2008/2009 (suspense) - Refer note 36.16	(21)
	Rental income not accrued for 2008/2009 (Viscas, Dept Welsyn and JD v Roode) - Refer note 36.03	11 605
	Total	19 286 658

38	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	2010 R	2009 R
	Surplus/(Deficit) for the year	11 118 602	19 286 658

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Adjustments for:

Depreciation	4 524 487	4 025 721
Amortisation of Intangible Assets	448	-
Gain on disposal of property, plant and equipment	(2 559)	(9 466)
Loss on disposal of property, plant and equipment	-	11 748
Debt Impairment	3 481 459	(238 904)
Debt Impairment - Long term receivables	60 309	-
Contribution to staff leave	(43 484)	277 510
Contribution from/to employee benefits	387 374	441 887
Actuarial Gains	(82 609)	(404 409)
Fair Value Adjustments	37 500	(38 850)
Operating lease income accrued	12 581	(14 001)
Operating lease expenses accrued	(270)	(128)
Interest income	(2 154 637)	(2 384 996)
Interest expense	565 751	601 016
	<hr/>	<hr/>
Operating Surplus/(Deficit) before changes in working capital	17 904 953	21 553 786
Changes in working capital	1 052 010	(10 482 879)
	<hr/>	<hr/>
Increase/(Decrease) in Trade and Other Payables	5 392 443	646 948
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	2 508 035	(3 199 393)
Increase/(Decrease) in Taxes	(831 861)	1 916 142
(Increase)/Decrease in Inventory	55 507	(343 701)
(Increase)/Decrease in Trade and other receivables	(6 072 114)	(9 502 874)
	<hr/>	<hr/>
Cash generated/(absorbed) by operations	18 956 963	11 070 907

39 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 22	4 219 398	354 737
Cash Floats - Note 22	2 750	2 450
Bank - Note 22	673 184	210 994
Bank overdraft - Note 22	(28 629)	(1 784 586)
	<hr/>	<hr/>
Total cash and cash equivalents	4 866 704	(1 216 405)

40 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 39	4 866 704	(1 216 405)
Investments - Note 15	1 400 772	1 968 253
	<hr/>	<hr/>
	6 267 475	751 848
Less:	4 593 610	2 530 933
	<hr/>	<hr/>
Unspent Committed Conditional Grants - Note 10	3 000 792	492 757
VAT - Note 11	1 592 817	2 038 176
	<hr/>	<hr/>
Resources available for working capital requirements	1 673 866	(1 779 085)

41 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 3	1 119 770	1 111 719
Used to finance property, plant and equipment - at cost	(1 119 770)	(1 111 719)
	<hr/>	<hr/>
	-	-
Cash set aside for the repayment of long-term liabilities	-	-
	<hr/>	<hr/>
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

42

BUDGET COMPARISONS

	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
42.1 Operational				
Revenue by source				
Property Rates	4 144 259	3 545 000	599 259	17%
Government Grants and Subsidies - Capital	13 750 704	-	13 750 704	100%
Government Grants and Subsidies - Operating	13 223 788	11 627 000	1 596 788	14%
Public Contributions and Donations	900	-	900	100%
Actuarial Gains	82 609	-	82 609	100%
Third Party Payments	276 112	-	276 112	100%
Fines	4 720 439	10 381 710	(5 661 272)	-55%
Service Charges	14 073 234	13 957 055	116 179	1%
Rental of Facilities and Equipment	410 450	522 382	(111 932)	-21%
Interest Earned - external investments	416 265	289 000	127 265	44%
Interest Earned - outstanding debtors	1 738 373	1 793 265	(54 892)	-3%
Licences and Permits	301 476	313 900	(12 424)	-4%
Agency Services	13 568	40 000	(26 432)	-66%
Other Revenue	267 817	365 680	(97 863)	-27%
	53 419 992	42 834 992	10 585 000	25%
Expenditure by nature				
Employee Related Costs	13 579 497	15 762 245	(2 182 748)	-14%
Remuneration of Councillors	1 693 388	1 695 585	(2 197)	0%
Debt Impairment	3 541 768	470 000	3 071 768	654%
Depreciation and Amortisation	4 524 936	123 000	4 401 936	3579%
Repairs and Maintenance	1 553 124	3 882 050	(2 328 926)	-60%
Stock Adjustments	55 507	-	55 507	100%
Finance Charges	565 751	553 210	12 541	2%
Bulk Purchases	5 985 964	6 279 980	(294 016)	-5%
Contracted services	503 755	3 554 700	(3 050 945)	-86%
Grants and Subsidies	2 658 653	3 522 390	(863 737)	-25%
Operating Grant Expenditure	1 156 795	-	1 156 795	100%
General Expenses	6 447 312	6 869 270	(421 958)	-6%
	42 266 449	42 712 430	(445 981)	-1%
Other Gains/Losses				
Gains on Disposal of PPE	2 559	6 000	(3 441)	-57%
Fair Value adjustment	(37 500)	-	(37 500)	100%
	(34 941)	6 000	(3 441)	-57%
Net Surplus for the year	11 118 602	128 562	10 135 578	
	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
42.2 Expenditure by Vote				
Health Services	148 556	163 370	(14 814)	-9%
Public Works	4 450 361	3 661 295	789 066	22%
Licences	1 492 667	3 884 595	(2 391 928)	-62%
Administration	2 402 224	2 151 175	251 049	12%
Cemeteries	-	10 000	(10 000)	-100%
Roads and Stormwater Drainage	1 042 348	2 557 360	(1 515 012)	-59%
Nature Reserve	73 944	57 000	16 944	30%
Aerodome	16 677	36 700	(20 023)	-55%
Council General Expenses	3 231 262	3 237 370	(6 108)	0%
Abattoir	10 759	12 295	(1 536)	-12%
Property Tax	1 191 346	70 000	1 121 346	1602%
Management Services	1 288 881	1 213 840	75 041	6%
Finance	5 943 834	6 169 470	(225 636)	-4%
Fire Brigade	14 896	80 660	(65 764)	-82%
Library	638 316	512 310	126 006	25%
Parks and Recreation	69 734	75 745	(6 011)	-8%
Sewerage and Sanitation	3 839 002	4 140 640	(301 638)	-7%
Buildings and Offices	256 131	392 900	(136 769)	-35%
Commonage	18 683	42 420	(23 737)	-56%
Cleansing	2 810 829	2 896 090	(85 261)	-3%
Electricity	7 554 093	7 881 335	(327 242)	-4%
Water Distribution	5 716 399	3 465 860	2 250 539	65%
	42 210 942	42 712 430	(501 488)	-1%
	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
42.3 Capital expenditure by vote				
Public Works	-	1 114 120	(1 114 120)	-100%
Administration	329 598	670 000	(340 402)	-51%

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Cemeteries	-	10 000	(10 000)	-100%
Roads and Stormwater Drainage	1 777 903	1 425 000	352 903	25%
Nature Reserve	-	132 243	(132 243)	-100%
Parks and Recreation	-	200 000	(200 000)	-100%
Sewerage and Sanitation	786 060	1 923 081	(1 137 021)	-59%
Buildings and Offices	1 068 515	1 000 000	68 515	7%
Electricity	2 473 787	2 133 000	340 787	16%
Water Distribution	8 566 425	7 676 919	889 506	12%
	15 002 287	16 284 363	(1 282 076)	-8%

43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

**2010
R**

**2009
R**

43.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	-	-
Unauthorised expenditure current year - capita	1 651 710	-
Unauthorised expenditure current year - operating	4 629 990	-
Written off by council	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	6 281 701	-

Unauthorised expenditure on operating votes is mainly due to provisional amounts recognised for depreciation and amortisation of R 4 524 935.

Incident	Disciplinary steps/criminal proceedings
<i>Over expenditure on votes</i>	<i>None</i>

43.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	125 839	-
Fruitless and wasteful expenditure current year	140 472	125 839
Written off by council	(48 621)	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further actions	217 690	125 839

Incident	Disciplinary steps/criminal proceedings		
<i>Interest paid on late payment - Eskom</i>	<i>None</i>	-	15 002
<i>Interest paid on late payment - CJ Grib & PL Vos (Pty) Ltd.</i>	<i>None</i>	-	26
<i>Interest paid on late payment - KVB</i>	<i>None</i>	-	2 093
<i>Interest and legal expenses on late payment to SALA</i>	<i>None</i>	-	31 500
<i>Interest on late payment of creditors</i>	<i>None</i>	52 850	-
<i>Interest on arrear portion of long term liabilities</i>	<i>None</i>	87 622	77 218
		140 472	125 839

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
43.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	812 955	-
Irregular expenditure current year	4 358 582	812 955
Written off by council	-	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further actions	<u>5 171 537</u>	<u>812 955</u>
Incident	Disciplinary steps/criminal proceedings	
<i>Purchases made without tax clearance certificates</i>	<i>None</i>	1 218 917
<i>Preferential point system not applied in tender process.</i>	<i>None</i>	3 139 665
<i>Non-compliance with Supply Chain Management Policy - 3 Quotations not obtained</i>	<i>None</i>	-
	-	812 955
	<u>4 358 582</u>	<u>812 955</u>
43.4 Material Losses		2010
Water distribution losses		
- Kilo litres disinfected		827 775
- Kilo litres lost during distribution		9 781
- Percentage lost during distribution		1.18%
	2010	2009
	R	R
44 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
44.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	-	12 653
Council subscriptions	101 500	207 056
Amount paid - current year	(101 500)	(219 709)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
44.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year audit fee	1 330 195	953 546
External Audit - Auditor-General	1 229 982	855 242
Internal Audit	100 212	98 304
Amount paid - current year	(1 326 355)	(953 546)
Balance unpaid (included in creditors)	<u>3 840</u>	<u>-</u>
44.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	589 493	995 607
Amounts received - current year	(892 243)	(5 176 756)
Amounts received - previous years	(628 829)	(995 607)
Amounts claimed - current year	2 560 171	5 766 249
Closing balance - Receivable	<u>1 628 593</u>	<u>589 493</u>
Vat in suspense due to cash basis of accounting		
Input VAT	386 503	-
Output VAT	(252 473)	(467 676)
Receivable/(Payable)	<u>134 029</u>	<u>(467 676)</u>

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

VAT receivable on 30 June 2009 amounted to R 589 493, whilst an amount of R 628 829 was incorrectly claimed from SARS. The amount of R 39 336 incorrectly claimed was corrected on the June 2010 return.

All VAT returns have been submitted by the due date throughout the year, except the following returns

- June 2010

	2010 R	2009 R
44.4 <u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	1 622 520	1 355 463
Amount paid - current year	(1 457 214)	(1 355 463)
Balance unpaid (included in creditors)	165 306	-
44.5 <u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	2 942 809	2 519 246
Amount paid - current year	(2 676 464)	(2 519 246)
Balance unpaid (included in creditors)	266 345	-
44.6 <u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u>		
The following Councillors had arrear accounts for more than 90 days as at 30 June 2010:		
	Outstanding more than 90 days	Outstanding more than 90 days
Councillor LL Adams	43	178
Councillor SC Jordaan	5 823	6 030
Councillor K Riegert	3 652	4 574
Total Councillor Arrear Consumer Accounts	9 518	10 782

44.7 Other non-compliance (MFMA 125(2)(e))

Section 9(a) of the MFMA requires the accounting officer of a municipality to submit to the relevant provincial treasury and the Auditor General, in writing within 90 days after the municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account. The following accounts were not submitted as required:

- FNB Account nr 62 242 043 892
- FNB Account nr 62 247 301 071
- FNB Account nr 62 247 301 708
- FNB Account nr 62 247 301 964
- FNB Account nr 62 250 940 387
- FNB Account nr 62 252 545 763
- FNB Account nr 62 258 808 595
- FNB Account nr 62 258 809 064

Section 9(b) of the MFMA requires that annually before the start of a financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account should be submitted to the relevant provincial treasury and the Auditor-General in writing. The municipality did not adhere to this section in the current year.

Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section.

The municipality did not update their website with all relevant documentation as required by Section 75(2) of the MFMA. The matter has only been addressed after year-end.

The municipality did not approve their adjustment budget before 25 January 2010 as required by Section 72 of the MFMA. The budget was approved on 11 February 2010.

Payment to the value of R 866 648.45 was not made within 30 days as required by the MFMA.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
45	CAPITAL COMMITMENTS		
	Commitments in respect of capital expenditure:		
	Approved and contracted for:	2 931 665	-
	Total commitments consist out of the following:		
	- Victoria Wes Reservoir	791 665	-
	- Richmond Reservoir	706 174	-
	- Loxton Road	339 301	-
	- External Water Draining	35 000	-
	- Oxidation Pond	1 059 524	-
		2 931 665	-
	This expenditure will be financed from:		
	External Loans	-	-
	Government Grants	2 931 665	-
		2 931 665	-
46	FINANCIAL RISK MANAGEMENT		
	The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.		
	(a) Foreign Exchange Currency Risk		
	The municipality does not engage in foreign currency transactions		
	(b) Price risk		
	The municipality is not exposed to price risk.		
	(c) Interest Rate Risk		
	As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.		
	The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.		
	The municipality did not hedge against any interest rate risks during the current year		
	The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:		
	0.5% (2009 - 0.5%) Increase in interest rates	24 778	(1 812)
	0.5% (2009 - 1%) Decrease in interest rates	(24 778)	3 623

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(d) 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.

Trade and other debtors 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 19 and 20 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 19 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

	2010	2010	2009	2009
	%	R	%	R
<u>Non-Exchange Debtors</u>				
Rates	100.00%	2 839 208	100.00%	1 781 799
<u>Exchange Debtors</u>				
Electricity	18.87%	635 044	5.00%	485 952
Water	37.21%	1 251 858	12.99%	1 261 227
Refuse	28.86%	971 077	9.57%	929 237
Sewerage	32.61%	1 097 027	10.57%	1 026 034
Other	3.59%	120 717	2.37%	230 291
	<u>121.14%</u>	<u>4 075 722</u>	<u>40.50%</u>	<u>1 781 799</u>

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 19 and 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2010	2010	2009	2009
	%	R	%	R
<u>Non-Exchange Debtors</u>				
Rates	100.00%	3 574 237	100.00%	3 791 615
<u>Exchange Debtors</u>				
Electricity	5.31%	515 806	6.37%	618 030
Water	32.93%	3 196 957	39.44%	3 829 358
Refuse	26.11%	2 535 141	28.02%	2 720 413
Sewerage	21.47%	2 084 884	24.93%	2 420 681
Other	3.11%	302 307	1.25%	120 998
	<u>188.93%</u>	<u>12 209 333</u>	<u>100%</u>	<u>9 709 481</u>

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 %	2010 R	2009 %	2009 R
Bad debts written off per debtor class:				
<u>Non-Exchange Debtors</u>				
Rates	100.00%	1 408 723	-	-
<u>Exchange Debtors</u>				
Electricity	0.47%	15 809	-	-
Water	49.00%	1 648 477	-	-
Refuse	25.46%	856 473	-	-
Sewerage	24.81%	834 786	-	-
Other	0.27%	8 955	-	-
	100.00%	3 364 499	-	-

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting.

	2010 R	2009 R
Financial assets exposed to credit risk at year end are as follows		
Long term receivables	245 416	281 777
Trade receivables and other receivables	8 087 871	6 608 976
Cash and Cash Equivalents	4 895 333	568 181
Non-Current Investments	1 400 772	1 968 253
Unpaid conditional grants and subsidies	7 425 548	6 313 789
	<u>22 054 940</u>	<u>15 740 975</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end 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.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2010				
Long Term liabilities	335 278	1 188 687	-	-
Capital repayments	197 567	922 203	-	-
Interest	137 711	266 484	-	-
Trade and Other Payables	6 239 714	-	-	-
Unspent conditional government grants and receipts	3 000 792	-	-	-
Cash and Cash Equivalents	28 629	-	-	-
	<u>9 939 692</u>	<u>2 377 374</u>	-	-

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2009				
Long Term liabilities	283 666	1 091 886	247 279	-
Capital repayments	140 912	746 101	224 706	-
Interest	142 755	345 785	22 572	-
Trade and Other Payables	927 934	-	-	-
Unspent conditional government grants and receipts	492 757	-	-	-
Cash and Cash Equivalents	1 784 586			
	<u>3 488 944</u>	<u>1 091 886</u>	<u>247 279</u>	<u>-</u>

47 FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

47.1 Financial Assets	Classification	2010 R	2009 R
Long-term Receivables			
Officials Housing Loans	Loans and receivables	61 509	61 509
Rates (Re-negotiated terms)	Loans and receivables	239 808	213 568
Councillor Allowances	Loans and receivables	68 058	70 350
Consumer Debtors			
Trade receivables from exchange transactions	Loans and receivables	4 275 529	4 460 257
Other receivables from non-exchange transactions	Loans and receivables	3 812 342	2 148 720
Short-term Investment Deposits			
Call Deposits	Held to Maturity	4 219 398	354 737
Bank Balances and Cash			
Bank Balances	Loans and receivables	673 184	210 994
Cash Floats and Advances	Loans and receivables	2 750	2 450
		<u>13 352 579</u>	<u>7 522 584</u>

SUMMARY OF FINANCIAL ASSETS

Loans and receivables	9 133 180	7 167 847
Held to Maturity	4 219 398	354 737
At amortised cost	<u>13 352 579</u>	<u>7 522 584</u>

FINANCIAL INSTRUMENTS (CONTINUE)

47.2 Financial Liability	Classification		
Long-term Liabilities			
Annuity Loans	At amortised cost	749 917	884 786
Capitalised Lease Liability	At amortised cost	172 286	86 021
Trade Payables			
Trade creditors	At amortised cost	3 339 398	394 175
Arrear portion of long term liabilities	At amortised cost	572 745	509 093
Retentions	At amortised cost	838 711	-
Deposits	At amortised cost	27 903	16 039
Other	At amortised cost	1 460 957	8 627
Unspent Conditional Grants and Receipts			
Other Spheres of Government	At amortised cost	3 000 792	492 757
Current Portion of Long-term Liabilities			
Annuity Loans	At amortised cost	134 869	118 664
Capitalised Lease Liability	At amortised cost	62 698	22 248
		<u>10 360 276</u>	<u>2 532 411</u>

FINANCIAL INSTRUMENTS (CONTINUE)

SUMMARY OF FINANCIAL LIABILITY	2010 R	2009 R
At amortised cost	<u>10 360 276</u>	<u>2 532 411</u>

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

48 EVENTS AFTER THE REPORTING DATE

The municipality has no events after reporting date during the financial year ended 2009/2010.

49 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

50 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

51 CONTINGENT LIABILITY

None

52 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

52.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 17 to the Annual Financial Statements.

52.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements

52.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest

None

53 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

53.1 GRAP 19 - Provisions, contingent liabilities and contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure provisions, contingent liabilities or contingent assets relating to Refuse tip-sites.

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

53.2 GRAP 100 - Non-current assets and discontinued operations

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not measured in terms of the transitional provisions relating to those standards.

53.3 GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Investment Properties.

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

53.4 GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Intangible Assets in accordance with the standard, including the following:

- * Computer Software;
- * Intangible assets financed by way of finance leases
- * Intangible assets transferred as a result of the transfer of functions; and
- * Servitudes.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The municipality is currently in the process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2011 financial statements. It is possible that certain intangible assets are currently being measured as Property, Plant and Equipment.

53.5 GRAP 12 - Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the following inventories:

Land held for sale
Water

The municipality is currently in the process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

12 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2010

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	R
Land and Buildings	3 802 400	1 068 515	-	4 870 915	-	-	-	-	4 870 915
Land	3 802 400	237 580	-	4 039 980	-	-	-	-	4 039 980
Buildings	-	830 935	-	830 935	-	-	-	-	830 935
Infrastructure	80 551 441	13 443 299	-	93 994 740	7 414 701	3 789 109	-	11 203 810	82 790 930
Stormwater and Roads	14 585 911	1 777 903	-	16 363 814	979 811	486 197	-	1 466 008	14 897 806
Sewerage	24 323 143	581 520	-	24 904 663	2 271 224	1 216 414	-	3 487 639	21 417 025
Electricity	12 226 324	2 538 134	-	14 764 458	919 669	614 356	-	1 534 025	13 230 433
Water	29 416 063	8 545 743	-	37 961 806	3 243 998	1 472 141	-	4 716 139	33 245 667
Community Assets	474 397	-	-	474 397	13 017	6 720	-	19 737	454 660
Recreation Grounds	340 000	-	-	340 000	-	-	-	-	340 000
Cemetery	134 397	-	-	134 397	13 017	6 720	-	19 737	114 660
Lease Assets	131 015	177 073	-	308 088	52 406	59 580	-	111 986	196 102
Office Equipment	131 015	177 073	-	308 088	52 406	59 580	-	111 986	196 102
Other Assets	8 166 398	313 400	-	8 479 798	785 794	669 079	-	1 454 872	7 024 926
Office Equipment	310 271	-	-	310 271	85 526	44 324	-	129 851	180 420
Furniture & Fittings	451 890	27 798	-	479 689	86 767	47 050	-	133 818	345 871
Electrical Equipment	167 419	159 482	-	326 902	41 315	37 655	-	78 970	247 931
Motor vehicles	2 451 559	10 000	-	2 461 559	459 817	464 623	-	924 439	1 537 120
Mechanical Equipment	125 641	-	-	125 641	3 887	12 564	-	16 451	109 190
Computer equipment	279 617	116 119	-	395 737	108 481	62 862	-	171 343	224 393
Abattoir	4 380 000	-	-	4 380 000	-	-	-	-	4 380 000
	93 125 651	15 002 287	-	108 127 938	8 265 918	4 524 487	-	12 790 406	95 337 533

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

30 JUNE 2009

Reconciliation of Carrying Value

	Cost			Accumulated Depreciation			Closing Balance R	Carrying Value R
	Opening Balance R	Additions R	Disposals R	Opening Balance R	Additions R	Disposals R		
Land and Buildings	3 802 400	-	-	3 802 400	-	-	-	3 802 400
Land	3 802 400	-	-	3 802 400	-	-	-	3 802 400
Balance previously reported	15 946 000	9 100 000	-	25 046 000	-	-	-	25 046 000
Correction of error. Refer note 36.1	-12 143 600	-9 100 000	-	-21 243 600	-	-	-	-21 243 600
Buildings	-	-	-	-	-	-	-	-
Infrastructure	74 579 515	5 984 743	-12 817	80 551 441	3 854 659	3 561 112	-1 069	7 414 701
Stormwater and Roads	13 676 945	908 966	-	14 585 911	523 727	456 084	-	979 811
Balance previously reported	13 676 945	983 966	-	14 660 911	690 957	650 131	-	1 341 088
Correction of error. Refer note 36.1	-	-75 000	-	-75 000	-167 230	-194 047	-	-361 277
Sewerage	23 658 673	664 470	-	24 323 143	1 082 313	1 188 911	-	2 271 224
Balance previously reported	23 668 087	664 470	-	24 332 557	426 824	434 167	-	860 991
Correction of error. Refer note 36.1	-9 414	-	-	-9 414	655 489	754 744	-	1 410 233
Electricity	8 494 731	3 731 593	-	12 226 324	457 567	462 101	-	919 669
Balance previously reported	8 494 731	3 731 593	-	12 226 324	300 126	296 213	-	596 339
Correction of error. Refer note 36.1	-	-	-	-	157 441	165 888	-	323 330
Water	28 749 166	679 714	-12 817	29 416 063	1 791 051	1 454 016	-1 069	3 243 998
Balance previously reported	28 835 913	592 967	-	29 428 880	772 596	640 391	-	1 412 987
Correction of error. Refer note 36.1	-86 747	86 747	-12 817	-12 817	1 018 455	813 625	-1 069	1 831 011
Community Assets	474 397	-	-	474 397	6 299	6 719	-	13 017
Recreation Grounds	340 000	-	-	340 000	-	-	-	340 000
Cemetery	134 397	-	-	134 397	6 299	6 719	-	13 017
Balance previously reported	134 397	-	-	134 397	5 038	5 600	-	10 638
Correction of error. Refer note 36.1	-	-	-	-	1 261	1 119	-	2 379
Lease Assets	131 015	-	-	131 015	26 203	26 203	-	52 406
Office Equipment	131 015	-	-	131 015	26 203	26 203	-	52 406
Balance previously reported	-	-	-	-	-	-	-	-
Correction of error. Refer note 36.1	131 015	-	-	131 015	26 203	26 203	-	52 406

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Other Assets	6 439 279	1 727 119	-	8 166 398	354 107	431 686	-	785 794	7 380 604
Office Equipment	310 271	-	-	310 271	41 210	44 316	-	85 526	224 745
Balance previously reported	310 271	-	-	310 271	44 381	48 214	-	92 595	217 676
Correction of error. Refer note 36.1	-	-	-	-	-3 171	-3 898	-	-7 069	7 069
Furniture & Fittings	432 584	19 306	-	451 890	42 728	44 040	-	86 767	365 123
Balance previously reported	428 205	19 306	-	447 511	62 475	65 343	-	127 818	319 693
Correction of error. Refer note 36.1	4 379	-	-	4 379	-19 747	-21 303	-	-41 051	45 430
Electrical Equipment	114 090	53 329	-	167 419	19 931	21 384	-	41 315	126 104
Balance previously reported	104 910	-	-	104 910	14 480	15 161	-	29 641	75 269
Correction of error. Refer note 36.1	9 180	53 329	-	62 509	5 451	6 223	-	11 674	50 835
Motor vehicles	916 112	1 535 447	-	2 451 559	199 497	260 320	-	459 817	1 991 742
Balance previously reported	916 112	1 535 447	-	2 451 559	113 354	164 937	-	278 291	2 173 268
Correction of error. Refer note 36.1	-	-	-	-	86 143	95 383	-	181 526	-181 526
Mechanical Equipment	6 604	119 037	-	125 641	-	3 887	-	3 887	121 754
Balance previously reported	6 604	6 493	-	13 097	-	1 486	-	1 486	11 611
Correction of error. Refer note 36.1	-	112 544	-	112 544	-	2 401	-	2 401	110 143
Computer equipment	279 617	-	-	279 617	50 741	57 740	-	108 481	171 136
Balance previously reported	325 990	-	-	325 990	48 897	58 637	-	107 534	218 456
Correction of error. Refer note 36.1	-46 373	-	-	-46 373	1 844	-897	-	947	-47 320
Abattoir	4 380 000	-	-	4 380 000	-	-	-	-	4 380 000
	85 426 606	7 711 862	-12 817	93 125 651	4 241 268	4 025 720	-1 069	8 265 918	84 859 733

12 PROPERTY, PLANT AND EQUIPMENT

GRAP 17 - Property, Plant and Equipment

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

- Land;
- Property, Plant and Equipment financed by way of finance leases
- Property, Plant and Equipment financed by way of provisions
- Property, Plant and Equipment transferred as a result of the transfer of functions; and
- Componentised infrastructure assets.

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

The municipality therefore did not utilise the transitional provision in the following areas

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

APPENDIX A - Unaudited
UBUNTU LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2009	Correction	Balance at 30 JUNE 2009 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2010
ANNUITY LOANS									
DBSA-Sewerage Richmond	13.22%	12692/101	30/06/2015	1 026 080	-22 630	1 003 450	-	118 664	884 786
Total Annuity Loans				1 026 080	(22 630)	1 003 450	-	118 664	884 786
LEASE LIABILITY									
NRB Risk Solutions	14.00%	21387	30/09/2012	-	108 270	108 270	-	22 248	86 021
CANON	11.00%	MTW 05212	30/06/2014	-	-	-	177 073	28 111	148 962
Total Lease Liabilities				-	108 270	108 270	177 073	50 359	234 983
TOTAL EXTERNAL LOANS				1 026 080	85 640	1 111 719	177 073	169 023	1 119 770

APPENDIX B - Unaudited
UBUNTU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010
MUNICIPAL VOTES CLASSIFICATION

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
137 600	(139 844)	(2 244)	Health Services	68 600	(148 556)	(79 956)
1 481 075	(4 012 168)	(2 531 093)	Public Works	1 978 505	(4 505 867)	(2 527 363)
4 675 344	(1 012 311)	3 663 033	Licences	5 019 623	(1 492 667)	3 526 956
10 428 257	(1 778 711)	8 649 546	Administration	177 858	(2 402 224)	(2 224 365)
3 795	(1 069)	2 726	Cemetries	2 840	-	2 840
-	(764 448)	(764 448)	Roads and Stormwater Drainage	-	(1 042 348)	(1 042 348)
38 850	-	38 850	Nature Reserve	35 602	(111 444)	(75 842)
8 800	(39 081)	(30 281)	Aerodome	-	(16 677)	(16 677)
13 070	(2 751 651)	(2 738 581)	Council General Expenses	900	(3 231 262)	(3 230 362)
24 103	(11 158)	12 945	Abattoir	25 790	(10 759)	15 031
2 889 952	123 185	3 013 137	Property Tax	4 144 259	(1 191 346)	2 952 913
16 760 640	(16 168 592)	592 048	Management Services	61 667	(1 288 881)	(1 227 214)
12 990 334	(5 947 659)	7 042 675	Finance	15 436 789	(5 943 834)	9 492 955
-	(28 630)	(28 630)	Fire Brigade	1 368	(14 896)	(13 528)
438 212	(833 414)	(395 202)	Library	266 292	(638 316)	(372 024)
492 424	(512 696)	(20 272)	Parks and Recreation	21 280	(69 734)	(48 454)
2 475 726	(3 118 107)	(642 381)	Sewerage and Sanitation	1 794 712	(3 839 002)	(2 044 290)
250 473	(694 763)	(444 290)	Buildings and Offices	300 796	(256 131)	44 665
12 214	(11 161)	1 053	Commonage	13 654	(18 683)	(5 030)
1 997 303	(2 066 728)	(69 425)	Cleansing	2 281 511	(2 810 829)	(529 319)
9 356 402	(5 834 377)	3 522 025	Electricity	7 893 832	(7 554 093)	339 739
5 503 981	(5 088 515)	415 466	Water Distribution	13 895 928	(5 716 399)	8 179 528
-	-	-	Municipal Staff Housing	746	-	746
69 978 556	(50 691 898)	19 286 658	Total	53 422 551	(42 303 949)	11 118 602

APPENDIX C - Unaudited
UBUNTU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
13 070	(2 751 651)	(2 738 581)	Executive & Council	900	(3 231 262)	(3 230 362)
48 033 850	(25 478 852)	22 554 998	Budget & Treasury	25 177 340	(12 686 527)	12 490 813
1 493 289	(4 787 777)	(3 294 487)	Planning & Development	1 992 159	(5 566 899)	(3 574 740)
137 600	(139 844)	(2 244)	Health	68 600	(148 556)	(79 956)
474 910	(884 723)	(409 812)	Community & Social Services	294 922	(665 752)	(370 830)
-	(28 630)	(28 630)	Public Safety	1 368	(14 896)	(13 528)
492 424	(512 696)	(20 272)	Sport & Recreation	21 280	(69 734)	(48 454)
4 473 029	(5 184 835)	(711 806)	Waste Management	4 076 223	(6 649 831)	(2 573 609)
5 503 981	(5 088 515)	415 466	Water	13 895 928	(5 716 399)	8 179 528
9 356 402	(5 834 377)	3 522 025	Electricity	7 893 832	(7 554 093)	339 739
69 978 556	(50 691 898)	19 286 658	Total	53 422 551	(42 303 949)	11 118 603

APPENDIX D - Unaudited
UBUNTU LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2009	Correction of error	Restated balance 01-Jul-09	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2010
	R	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS							
Project Library	11 154	(11 154)	-	264 000	264 000	-	-
Project Water Victoria West	8 155	(8 155)	-	-	-	-	-
Project Survey of Land	1 552	(304)	1 248	-	-	-	1 248
Project Electricity Richmond	22 042	(22 042)	-	-	-	-	-
Project Electricity Victoria West	6 589	(6 589)	-	-	-	-	-
Project Water Loxton	200 539	(190 229)	10 310	-	10 310	-	-
Project Sanitation Mandela Square	51 221	(51 221)	-	-	-	-	-
Equitable Share	-	-	-	11 196 337	11 196 337	-	-
Financial Management Grant	-	-	-	750 000	620 562	129 438	-
Health Subsidy	-	-	-	59 000	59 000	-	-
Skills Development Fund	-	-	-	51 291	51 291	-	-
Renovations and Repair of Sport	26 596	(26 596)	-	-	-	-	-
Project Environmental	523	(523)	-	-	-	-	-
MIG Fund	114 998	(41 162)	73 835	860 000	-	99 750	834 085
Project Ubuntu Water service Plan	111 188	(111 188)	-	110 621	110 621	-	-
Electricity Project Richmond	611 736	(303 383)	308 352	330 986	-	639 339	-
Drought Relief Fund	51 357	(51 357)	-	-	-	-	-
Sport Development	685	(685)	-	-	-	-	-
Solid Waste Site Victoria West	106 344	(7 332)	99 012	-	-	-	99 012
MSIG Grant	65 498	(65 498)	-	850 000	850 000	-	-
Project Housing Victoria West	-	(1 885 178)	(1 885 178)	-	30 889	-	(1 916 068)
Project Housing Richmond	-	(2 445 464)	(2 445 464)	360 783	30 777	-	(2 115 459)
Project High mass Lightning	-	(1 241 548)	(1 241 548)	-	-	107 717	(1 349 265)
Eradication of Buckets	-	-	-	-	-	-	-
O & M Sewerage Pipe	-	-	-	-	-	-	-
Project Road Loxton	-	(741 598)	(741 598)	2 539 975	-	1 960 699	(162 321)
Project Access Road Victoria West	-	-	-	-	-	-	-
Project Sanitation Pump station	-	-	-	-	-	-	-
DME Projects	-	-	-	1 955 774	-	952 506	1 003 268
Richmond Reservoir Project	-	-	-	3 659 644	-	3 388 745	270 899
Victoria West Reservoir Project	-	-	-	4 241 000	-	6 123 435	(1 882 435)
External Water Draining Project	-	-	-	400 000	-	190 000	210 000
Oxidation Pond Project	-	-	-	741 356	-	159 076	582 280
Total	1 390 176	(7 211 207)	(5 821 031)	28 370 767	13 223 788	13 750 704	(4 424 756)