

UBUNTU

MUNICIPALITY

[These financial statements have been audited]

FINANCIAL STATEMENTS

30 JUNE 2013

UBUNTU LOCAL MUNICIPALITY

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UBUNTU LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

Me. L. Plaatjies

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, 2011
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

UBUNTU LOCAL MUNICIPALITY

MEMBERS OF THE UBUNTU LOCAL MUNICIPALITY

COUNCILLORS

Ward 1	<i>Cllr K.J Rigard</i>
Ward 2	<i>Cllr J.C Pieterse</i>
Ward 3	<i>Cllr C.C Jantjies</i>
Ward 4	<i>Cllr K.J Arens</i>
Proportional	<i>Cllr K.V De Bruin</i>
Proportional	<i>Cllr S.C Jordaan</i>
Proportional	<i>Cllr A. Verwey</i>
Proportional	<i>Cllr B.J Bruwer</i>

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2013, which are set out on pages 1 to 80 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2013 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

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

Mr. M.F Fillis
Municipal Manager

Date

UBUNTU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	2013 (Actual) R	2012 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		124 760 063	126 105 874
Accumulated Surplus		124 760 063	126 105 874
Non-Current Liabilities		8 468 575	8 208 079
Annuity Loans	2.1	224 943	422 809
Capitalised Lease Liability	2.2	604 097	826 727
Employee benefits	3	6 749 755	6 159 388
Non-Current Provisions	4	889 780	799 155
Current Liabilities		21 380 791	16 111 375
Consumer Deposits	5	203 351	172 219
Current Employee benefits	6	2 489 383	1 698 787
Provisions	7	2 227 800	1 998 117
Payables from exchange transactions	8	9 859 507	5 528 159
Unspent Conditional Government Grants and Receipts	9	3 810 214	4 482 977
Taxes	10.1	1 156 868	925 206
Operating Lease Liability	21.1	1 369	1 505
Cash and Cash Equivalents	22	1 211 708	926 683
Current Portion of Annuity Loans	2.1	197 961	174 186
Current Portion of Capitalised Lease Liability	2.2	222 629	203 536
Total Net Assets and Liabilities		154 609 429	150 425 329
ASSETS			
Non-Current Assets		149 810 494	146 391 965
Property, Plant and Equipment	11	121 350 344	118 203 949
Investment Property	12	26 447 383	26 473 412
Intangible Assets	13	34 043	34 821
Capitalised Restoration Cost	14	54 839	582
Non-Current Investments	15	1 616 786	1 521 901
Biological Assets	16	307 100	157 300
Long-Term Receivables	17	-	-
Current Assets		4 798 935	4 033 363
Inventory	18	8 285	9 575
Receivables from exchange transactions	19	1 691 363	1 383 993
Receivables from non-exchange transactions	20	1 765 579	914 674
Unpaid Conditional Government Grants and Receipts	9	446 968	204 296
Operating Lease Asset	21.2	98 256	105 752
Cash and Cash Equivalents	22	788 484	1 415 073
Total Assets		154 609 429	150 425 329

UBUNTU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 (Actual) R	2012 (Restated) R	Correction of error R	2012 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		54 757 054	52 794 493	-	52 794 493
Taxation Revenue		6 007 352	3 232 328	-	3 232 328
Property taxes	23	6 007 352	3 232 328	-	3 232 328
Transfer Revenue		30 688 369	30 286 148	-	30 286 148
Government Grants and Subsidies - Capital	24	8 718 417	8 943 734	2 399	8 941 335
Government Grants and Subsidies - Operating	24	21 969 951	19 576 680	(2 399)	19 579 079
Public Contributions and Donations		-	1 765 734	-	1 765 734
Other Revenue		18 061 333	19 276 017	-	19 276 017
Actuarial Gains		136 682	32 239	-	32 239
Third Party Payments		510 001	207 687	-	207 687
Fines		17 414 650	19 036 091	-	19 036 091
Revenue from Exchange Transactions		19 999 432	18 166 805	-	18 166 805
Service Charges	26	15 861 336	14 038 971	-	14 038 971
Rental of Facilities and Equipment		458 059	370 754	-	370 754
Interest Earned - external investments		228 417	304 627	-	304 627
Interest Earned - outstanding debtors		2 112 202	1 624 433	-	1 624 433
Licences and Permits		874 438	745 442	-	745 442
Agency Services		9 904	10 146	-	10 146
Bad Debts Recovered		-	798 456	-	798 456
Other Income	27	305 277	184 981	-	184 981
Fair Value Adjustments	28	149 800	70 000	-	70 000
Gain on disposal of Property, Plant and Equipment		-	18 995	-	18 995
Total Revenue		74 756 486	70 961 298	-	70 961 298
EXPENDITURE					
Employee related costs	29	23 347 269	20 075 765	16 278	20 059 487
Remuneration of Councillors	30	2 194 166	1 827 763	(29 562)	1 857 325
Debt Impairment	31	8 322 367	4 800 847	-	4 800 847
Depreciation and Amortisation	32	5 845 953	5 233 881	(50 323)	5 284 204
Impairments	33	139 301	11	-	11
Repairs and Maintenance		1 357 785	1 896 581	-	1 896 581
Actuarial losses	3	471 087	1 957 405	-	1 957 405
Finance Charges	34	971 516	851 034	-	851 034
Bulk Purchases	35	10 915 455	8 873 131	-	8 873 131
Contracted services		10 595 932	12 322 959	-	12 322 959
Stock Adjustments		-	165 546	-	165 546
Operating Grant Expenditure		1 317 211	2 214 530	(2 399)	2 216 929
General Expenses	36	10 530 804	8 165 487	-	8 165 487
Loss on disposal of Property, Plant and Equipment		93 452	204 065	-	204 065
Total Expenditure		76 102 297	68 589 006	(66 005)	68 655 010
NET SURPLUS/(DEFICIT) FOR THE YEAR		(1 345 811)	2 372 292	66 005	2 306 288

UBUNTU LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Accumulated Surplus/ (Deficit)	Total
	R	R
Balance at 1 JULY 2011	122 034 456	122 034 456
Correction of error - Refer to note 37.05	1 699 126	1 699 126
Restated Balance at 1 JULY 2011	123 733 582	123 733 582
Net Surplus for the year	2 372 292	2 372 292
Balance at 30 JUNE 2012	126 105 874	126 105 874
Net Deficit for the year	(1 345 811)	(1 345 811)
Balance at 30 JUNE 2013	124 760 063	124 760 063

UBUNTU LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	30 JUNE 2013 R	30 JUNE 2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		28 475 470	36 710 605
Government		33 980 933	28 532 395
Interest		2 340 619	1 929 060
Payments			
Suppliers and employees		(54 882 006)	(56 885 087)
Finance charges	34	(971 516)	(851 034)
Cash generated by operations	39	8 943 500	9 435 939
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(9 049 365)	(12 986 408)
Proceeds on Disposal of Fixed Assets		2 068	154 498
Purchase of Intangible Assets		(11 550)	(10 445)
Increase in Long-term Receivables	17	(354 888)	(215 216)
Increase in Non-current Investments	15	(94 885)	(96 731)
Net Cash from Investing Activities		(9 508 619)	(13 154 303)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(377 627)	(451 106)
New loans raised		-	1 156 161
Increase in Consumer Deposits		31 133	15 336
Net Cash from Financing Activities		(346 495)	720 391
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(911 614)	(2 997 973)
Cash and Cash Equivalents at the beginning of the year		488 390	3 486 363
Cash and Cash Equivalents at the end of the year	40	(423 224)	488 390
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(911 614)	(2 997 973)

UBUNTU LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Final Budget)	2013 R (Actual)	2013 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash and Cash Equivalents	-	788 484	(788 484)	Under spending of total budget due to cash flow constraints resulting in a higher than expected cash balance
Consumer debtors	1 360 964	3 456 942	(2 095 978)	Slight decrease in impairment ratio, resulting in a higher than anticipated carrying value of receivables
Other Receivables	611 604	545 224	66 380	
Inventory	80 000	8 285	71 715	
Total current assets	2 052 569	4 798 935	(2 746 366)	
Non current assets				
Long-term receivables	4 407	-	4 407	
Investments	1 485 000	1 616 786	(131 786)	Budget not adequately adjusted for interest on non-current investment.
Investment property	15 887 979	26 447 383	(10 559 404)	Total restructuring of investment property register retrospectively on 30 June 2007.
Property, plant and equipment	129 194 651	121 405 183	7 789 469	Total restructuring of property register retrospectively on 30 June 2007. Under spending of capital budget by R3.7 million
Biological Assets	87 300	307 100	(219 800)	Increase in game numbers on 30 June 2013
Intangible Assets	26 216	34 043	(7 827)	
Total non current assets	146 685 553	149 810 494	(3 124 941)	
TOTAL ASSETS	148 738 122	154 609 429	(5 871 307)	
LIABILITIES				
Current liabilities				
Bank overdraft	25 238 947	1 211 708	24 027 239	Under spending of total budget due to cash flow constraints resulting in a slightly higher than expected cash balance
Borrowing	197 978	420 591	(222 613)	Budget not adjusted for finance leases acquired in 2011/2012
Consumer deposits	177 934	203 351	(25 417)	
Trade and other payables	12 060 863	14 827 958	(2 767 095)	Increase mainly as a result of the roll over of grant funding to 2013/2014
Provisions and Employee Benefits	2 871 807	4 717 183	(1 845 376)	Budget not aligned with closing balance of provisions on 30 June 2012.
Total current liabilities	40 547 530	21 380 791	19 166 738	
Non current liabilities				
Borrowing	243 841	829 040	(585 198)	Budget not adjusted for finance leases acquired in 2011/2012
Provisions and Employee Benefits	5 214 117	7 639 535	(2 425 418)	Budget not aligned with closing balance of provisions on 30 June 2012.
Total non current liabilities	5 457 958	8 468 575	(3 010 617)	
TOTAL LIABILITIES	46 005 488	29 849 366	16 156 121	
NET ASSETS	102 732 634	124 760 063	(22 027 429)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	101 673 347	124 760 063	(23 086 716)	Under spending of total budget due to cash flow constraints resulting in a higher than expected accumulated balance on 30 June 2013.
Reserves	1 059 287	-	1 059 287	Reserves not adjusted in line with 2012 closing balances
TOTAL COMMUNITY WEALTH/EQUITY	102 732 634	124 760 063	(22 027 429)	

Only one budget was approved by Council during the year under review.

UBUNTU LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Final Budget)	2013 R (Actual)	2013 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	6 196 106	6 007 352	188 754	
Service charges	16 408 533	15 861 336	547 198	Lower income indicative of poverty in municipal area
Rental of facilities and equipment	621 205	458 059	163 146	
Interest earned - external investments	380 000	228 417	151 583	
Interest earned - outstanding debtors	1 800 000	2 112 202	(312 202)	
Fines	19 089 500	17 414 650	1 674 850	Income is budgeted for using past trends. Income did not realise as expected
Licences and permits	419 000	874 438	(455 438)	
Agency services	12 000	9 904	2 096	
Government Grants and Subsidies - Operating	20 785 000	21 969 951	(1 184 951)	Municipality did not budget for the incentive grant of R 1 m received in current year.
Other revenue	274 750	1 101 760	(827 010)	Higher than expected insurance claims in the current year.
Gains on disposal of PPE	225 000	-	225 000	
Total Operating Revenue	66 211 094	66 038 069	173 025	
EXPENDITURE BY TYPE				
Employee related costs	28 605 521	23 347 269	5 258 252	Certain vacancies were not filled due to cash flow constraints
Remuneration of councillors	2 030 463	2 194 166	(163 703)	
Debt impairment	3 174 054	8 322 367	(5 148 312)	High debt impairment charge indicative of poverty in municipal area
Depreciation & asset impairment	5 723 969	5 985 253	(261 285)	
Finance charges	650 360	971 516	(321 156)	
Bulk purchases	9 317 470	10 915 455	(1 597 985)	Increase in Eskom charges due to increase in demands
Contracted services	10 710 000	10 595 932	114 068	
Other expenditure	21 093 124	13 676 887	7 416 237	Under spending of total budget due to cash flow constraints
Loss on disposal of PPE	7 000	93 452	(86 452)	
Total Operating Expenditure	81 311 961	76 102 297	5 209 664	
Operating Surplus/(Deficit) for the year	(15 100 867)	(10 064 228)	(5 036 639)	
Government Grants and Subsidies - Capital	11 510 000	8 718 417	2 791 583	The municipality applied for the roll-over of funds due to the fact that all grant conditions were not met on 30 June 2013
Net Surplus/(Deficit) for the year	(3 590 867)	(1 345 811)	(2 245 056)	

Only one budget was approved by Council during the year under review.

Indigent subsidies budgeted for under transfers and grants in the approved budget are disclosed in the comparison above as a revenue foregone in line with GRAP.

UBUNTU LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2013 R (Final Beget)	2013 R (Actual)	2013 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	39 823 918	28 475 470	11 348 447	Low recovery rate of debtors resulting in lower than expected income. Municipality did not budget for the incentive grant of R 1 m received in current year.
Government	32 295 000	33 980 933	(1 685 933)	
Interest	2 180 000	2 340 619	(160 619)	
Payments				
Suppliers and Employees	(70 730 411)	(54 882 006)	(15 848 404)	Under spending of total budget due to cash flow constraints
Finance charges	(650 360)	(971 516)	321 156	Insufficient budget allocation for finance charges
NET CASH FROM/(USED) OPERATING ACTIVITIES	<u>2 918 147</u>	<u>8 943 500</u>	<u>(6 025 353)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	225 000	2 068	222 932	Proceeds on expected disposal did not materialise. Increase in debtors with arrangements where debt is structured to be repaid over a period longer than 12 months.
Decrease/(increase) in non-current receivables	-	(354 888)	354 888	
Decrease/(increase) in non-current investments	(59 830)	(94 885)	35 055	
Payments				
Capital assets	(12 965 000)	(9 060 915)	(3 904 085)	Under spending of capital budget, resulting in the roll-over of grant funding to 2013/2014
NET CASH FROM/(USED) INVESTING ACTIVITIES	<u>(12 799 830)</u>	<u>(9 508 619)</u>	<u>(3 291 211)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Increase/(decrease) in consumer deposits	11 641	31 133	(19 492)	
Payments				
Repayment of borrowing	(235 510)	(377 627)	142 118	Budget not adjusted for finance leases acquired in 2011/2012
NET CASH FROM/(USED) FINANCING ACTIVITIES	<u>(223 869)</u>	<u>(346 495)</u>	<u>122 625</u>	
NET INCREASE/(DECREASE) IN CASH HELD	(10 105 552)	(911 614)	(9 193 938)	
Cash and Cash Equivalents at the beginning of the year	(15 133 397)	488 390	(15 621 787)	
Cash and Cash Equivalents at the end of the year	(25 238 949)	(423 224)	(24 815 725)	

Only one budget was approved by Council during the year under review.

Indigent subsidies budgeted for under transfers and grants in the approved budget are disclosed in the comparison above as a revenue foregone in line with GRAP.

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

A summary of the significant accounting policies, which have been consistently applied except where an exemption 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 otherwise. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. 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

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, amount and reason for the reclassification are 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. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

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

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

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	Unknown
GRAP 7 (Revised – Mar 2012)	<p>Investments in Associate</p> <p>This Standard prescribes the accounting treatment for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality does have any interest in associates.</p>	1 April 2013
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	Unknown
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the</p>	Unknown

	audited financial statements.	
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	Unknown

<p>IGRAP 12</p>	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	<p>Unknown</p>
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These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.7. RESERVES

1.7.1 Accumulated Surplus

The accumulated surplus, representing the net difference between total assets and total liabilities, is utilised to fund any future operating expenditure to be incurred. Any surpluses and shortages realised during a specific financial year are credited/debited against accumulated surplus. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

1.7.2 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.

1.8. LEASES

1.8.1 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. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments, and the unguaranteed residual value to be equal to the sum of: the fair value of the leased asset, and any initial direct costs of the lessor.

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 payments are recognised on a straight-line basis over the term of the relevant lease.

Where the actual lease payment is more than the straight-line lease payment the difference is accounted for as operating lease asset. Where the actual lease payment is less than the straight-line lease payment the difference is accounted for as an operating lease liability.

1.8.2 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.

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

Operating lease revenue is disclosed in the Statement of Financial Performance in the line item "Rental of Facilities and Equipment".

1.9. GOVERNMENT GRANTS AND RECEIPTS

1.9.1 Unspent Conditional Government Grants and Receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

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

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

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

1.9.2 Unpaid Conditional Government Grants and Receipts

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

The following provisions are set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.10. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent 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 public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution 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.

1.11. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential 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 of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall not reflect risks for which future cash flow estimates have been adjusted.

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 or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential 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 shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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 shall be reversed.

1.12. 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 70% as contribution and the remaining 30% is 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 GRAP 25 – 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 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. Payments made by the municipality 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.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are 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. Defined benefit plans are post-employment plans other than defined contribution plans.

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

(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.

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

Accumulated leave is vesting.

(d) *Performance Bonuses*

A performance bonus is only recognised when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

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

Performance bonuses are subject to Council approval.

(e) *Pension and Retirement Fund Obligations*

The municipality provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The municipality contributes to both defined benefit plans and defined contribution plans. However, based on the inability of the municipality to obtain the necessary information to comply with the disclosure requirements of a defined benefit plan

(refer to note 4.3), all retirement funds are accounted for as defined contribution plans.

(f) Other Short Term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.13. PROPERTY, PLANT AND EQUIPMENT

1.13.1 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 reporting period. 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 shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. 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.

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 are 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.

1.13.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less any accumulated depreciation and any 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 or service potential associated with the asset.

1.13.3 Depreciation and Impairment

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>	
Streets and Stormwater	10-120	Buildings	100
Electricity	20-50	Office Equipment	4-35
Water	10-55	Furniture and Fittings	1-35
Sewerage and sanitation	10-55	Electrical Equipment	2-14
		Motor Vehicles	5-44
<u>Community</u>		Mechanical Equipment	4-10
Recreational Facilities	100	Computer equipment	5-12
Cemetery	23-25		
		Landfill Sites	70
<u>Finance lease assets</u>			
Office equipment	8-9		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.13.5 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 net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13.6 Land and Buildings and Other Assets – Application of Deemed Cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator

was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.14. INTANGIBLE ASSETS

1.14.1 Initial Recognition

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

An asset meets the identifiable 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 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, the deemed cost is the carrying amount of the asset(s) given up.

1.14.2 Subsequent Measurement – Cost Model

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

1.14.3 Amortisation and Impairment

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:

Intangible Assets	Years
Computer Software	5

1.14.4 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 net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14.5 Application of deemed cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.15. INVESTMENT PROPERTY

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

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

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.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less any accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Buildings are depreciated over 100 years.

1.15.3 De-recognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.4 Application of deemed cost - Directive 7

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.16. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.16.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the

asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.16.2 Non-cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using the following approach:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.17. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.18. INVENTORIES

1.18.1 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, unless they are to be distributed at no or nominal charge or consumed in the production process of goods to be distributed at no charge or for a nominal charge.

Water inventory is measured at every reporting period and recognised at cost.

1.18.2 Subsequent Measurement

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 as previously mentioned. 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.

Cost of land held for sale is assigned by using specific identification of their individual costs

1.19 BIOLOGICAL ASSETS

1.19.1 Initial Recognition

A biological asset or agricultural produce is recognised when, and only when:

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality;

- and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less estimated point-of-sale costs.

1.19.2 Subsequent Measurement

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry. Game is considered to be consumable biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

1.20. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1.20.1 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 subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.20.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. , Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.20.2.1 Receivables

Receivables are subsequently measured at 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 Statement of Financial Performance.

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.

1.20.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and 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.

1.20.2.3 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 carried at amortised cost.

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.

1.20.3 De-recognition of Financial Instruments

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

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer

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

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.

1.20.3.2 *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.

1.20.4 *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.

1.21. REVENUE

1.21.1 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.

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 recognised 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.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. 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. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset

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.

Unidentified deposits are initially recognised as a payable. When any such deposits are claimed, the deposit is transferred to the specific consumers account or other appropriate account. Deposits made in error are refunded when the source of the transaction becomes known.

After a period of twelve months all unidentified deposits into the municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue.

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.

1.21.2 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.

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

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

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. The majority of meters are read on a monthly basis and are recognised as revenue when invoiced. In exceptional instances, provisional estimates of consumption are made when meter readings have not been performed (due to the inability of the municipality to access the specific meter). 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. An adjustment is made at year-end for unused units.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

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 and the following conditions are met -

- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor
- effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

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.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by

reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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.

Accounting Policy 1.9 describes the conditions under which revenue will be recognised by management derived from Government Grants and Receipts.

Accounting Policy 1.10 describes the conditions under which revenue will be recognised by management derived from Public Contributions.

1.22. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.

- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related

parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.23. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted or is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or is expenditure in the 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.

1.24. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, 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.

1.25. 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.

1.26. CONTINGENT LIABILITIES

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

Management judgement is required when recognising and measuring contingent liabilities.

1.27. 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:

Post Retirement Medical Obligations and Long Service Awards

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are 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. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of 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 property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings 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.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Management referred to the following when making assumptions regarding useful lives, deemed cost and residual values of property plant and equipment.

- Active selling prices in the market to determine residual values and deemed cost of movable assets.
- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- Municipal Valuations were used to determine the cost of land and buildings
- The municipality referred to buildings in other municipal areas to determine the useful life of buildings. The municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

Intangible Assets

The useful lives of intangible 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.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the municipality and other municipalities to determine the useful life of the assets.

Investment Property

The useful lives of investment property 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 economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- Municipal Valuations were used to determine the cost of land and buildings
- The municipality referred to buildings in other municipal areas to determine the useful life of buildings. The municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

Provisions and Contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 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 GRAP 23: Revenue from Non-Exchange Transactions.). 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 when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by council.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. 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.

Componentisation of infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.28. 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 Statement of Financial Position.

1.29. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.30. 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 errors, and the treatment of assets financed by external grants.

1.31. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
2	LONG-TERM LIABILITIES		
2.1	ANNUITY LOANS		
	Annuity Loans - At amortised cost	422 904	596 995
	Less: Current portion of Annuity Loans - At amortised cost	(197 961)	(174 186)
	Total	224 943	422 809

The obligations under annuity loans are scheduled below:

		Minimum annuity payments
Amounts payable under annuity loans:		
Payable within one year	247 601	247 601
Payable within two to five years	247 547	495 024
Payable after five years	-	-
	495 148	742 625
Less: Future finance obligations	(72 244)	(145 631)
Present value of annuity obligations	422 904	596 995

Annuity loans at amortised cost is calculated at 13.22% interest rate, with a maturity date of 30 June 2015. The loan is unsecured.

The municipality resolved to restructure is DBSA liability after year-end whereby 20 quarterly payments will be made to settle their liability (including the arrear portion disclosed under payables). An interest rate of 8% will be charged on the restructured loan.

2.2 CAPITALISED LEASE LIABILITY

Capitalised Lease Liability - At amortised cost	826 727	1 030 263
Less: Current portion of capitalised Lease Liability - At amortised cost	(222 629)	(203 536)
Total	604 097	826 727

The obligations under finance leases are scheduled below:

		Minimum lease payments
Amounts payable under finance leases:		
Payable within one year	288 000	288 000
Payable within two to five years	672 000	960 000
Payable after five years	-	-
	960 000	1 248 000
Less: Future finance obligations	(133 273)	(217 737)
Present value of lease obligations	826 727	1 030 263

Leases are secured by lease assets included in property, plant and equipment - Note 11

The capitalised lease liability consist out of the following contracts:

<u>Supplier</u>	<u>Description of leased item</u>	<u>Effective Interest rate</u>	<u>Annual Escalation</u>	<u>Lease Term</u>	<u>Maturity Date</u>
Nashua	Copiers and Telephone System	9%	0%	5 Years	31/10/2016

Refer to Appendix A for further detail

		2013 R	2012 R
3	EMPLOYEE BENEFITS		
	Post Retirement Benefits - Refer to Note 4.1	6 038 561	5 432 543
	Long Service Awards - Refer to Note 4.2	711 194	726 845
	Total Non-current Employee Benefit Liabilities	6 749 755	6 159 388

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Post Retirement Benefits

Balance 1 July	5 804 231	3 751 443
Contribution for the year	164 691	98 588
Interest Cost	414 182	326 839
Expenditure for the year	(309 446)	(330 044)
Actuarial Loss	471 087	1 957 405
Total post retirement benefits 30 June	6 544 745	5 804 231
Less: Transfer of Current Portion - Note 6	(506 184)	(371 688)
Balance 30 June	6 038 561	5 432 543

Long Service Awards

Balance 1 July	820 789	722 790
Contribution for the year	99 583	77 617
Interest Cost	48 382	52 621
Actuarial Gain	(136 682)	(32 239)
Total long service 30 June	832 072	820 789
Less: Transfer of Current Portion - Note 6	(120 878)	(93 944)
Balance 30 June	711 194	726 845

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	6 625 020	4 474 233
Contribution for the year	264 274	176 205
Interest cost	462 564	379 460
Expenditure for the year	(309 446)	(330 044)
Actuarial Loss	334 405	1 925 166
Total employee benefits 30 June	7 376 817	6 625 020
Less: Transfer of Current Portion - Note 6	(627 062)	(465 632)
Balance 30 June	6 749 755	6 159 388

3.1 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	21	24
In-service (employee) non-members	91	89
Continuation members (e.g. Retirees, widows, orphans)	15	12
Total Members	127	125

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

In-service members	2 034 435	2 687 112
Continuation members	4 510 310	3 117 119
Total Liability	6 544 745	5 804 231

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2011	2010 R	2009 R
Total Liability	3 751 443	3 648 380	3 342 743

Experience adjustments were calculated as follows:

	2013 Rm	2012 Rm	2011 Rm
Liabilities: (Gain) / loss	0.483	1.085	-
Assets: Gain / (loss)	-	-	-
			2014 R

The following are estimates for the 2013/2014 financial year:

Future Service Cost	230 140
Interest Cost	510 402

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

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Bonitas;
Discovery
Samwumed; and
Keyhealth.

Key actuarial assumptions used:

i) Rate of interest

	2013 %	2012 %
Discount rate	8.11%	7.37%
Health Care Cost Inflation Rate	7.69%	6.98%
Net Effective Discount Rate	0.36%	0.36%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

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.

	2013 R	2012 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	6 038 561	5 804 231
Net liability	6 038 561	5 804 231

The fund is not supported by any plan assets

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	5 804 231	3 751 443
Total expenses	269 427	95 383
Current service cost	164 691	98 588
Interest Cost	414 182	326 839
Benefits Paid	(309 446)	(330 044)
Actuarial losses	471 087	1 957 405
Present value of fund obligation at the end of the year	6 544 745	5 804 231
Less: Transfer of Current Portion - Note 6	(506 184)	(371 688)
Balance 30 June	6 038 561	5 432 543

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	2.034	4.510	6.545

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%	2.439	4.796	7.235	11%
Health care inflation	-1%	1.705	4.259	5.964	-9%
Post-retirement mortality	-1 year	2.127	4.737	6.864	5%
Average retirement age	-1 year	2.274	4.510	6.784	4%
Withdrawal Rate	-50%	2.319	4.510	6.829	4%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
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UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Central Assumption		164 700	414 200	578 900	
The effect of movements in the assumptions are as follows:					
Health care inflation	1%	200 500	463 300	663 800	15%
Health care inflation	-1%	136 000	373 000	509 000	-12%
Post-retirement mortality	-1 year	172 200	435 100	607 300	5%
Average retirement age	-1 year	181 700	430 200	611 900	6%
Withdrawal Rate	-50%	198 400	436 400	634 800	10%
				2013	2012

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.		105	95
			2014
			R

The following are estimates for the 2013/2014 financial year:

Future Service Cost			75 483
Interest Cost			54 360

Key actuarial assumptions used:

i) Rate of interest		2013	2012
		%	%
Discount rate		7.04%	6.25%
General Salary Inflation (long-term)		6.72%	5.98%
Net Effective Discount Rate applied to salary-related Long Service Bonuses		0.30%	0.25%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

The amounts recognised in the Statement of Financial Position are as follows:		2013	2012
		R	R
Present value of fund obligations		832 072	820 789
Net liability		832 072	820 789

The fund is not supported by any plan assets

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2011	2010	2009
		R	R
Total Liability	722 790	66 978	67 850

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year		820 789	722 790
Total expenses		147 965	130 238
Current service cost		99 583	77 617
Interest Cost		48 382	52 621
Actuarial gains		(136 682)	(32 239)
Present value of fund obligation at the end of the year		832 072	820 789
Less: Transfer of Current Portion - Note 6		(120 878)	(93 944)
Balance 30 June		711 194	726 845

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R m)	% change
Central assumptions		0.832	
The effect of movements in the assumptions are as follows:			
General salary inflation	1%	0.879	6%
General salary inflation	-1%	0.789	-5%

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Average retirement age	-2 yrs	0.730	-12%
Average retirement age	2 yrs	0.940	13%
Withdrawal rates	-50%	0.978	18%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		99 600	48 400	148 000	

The effect of movements in the assumptions are as follows:

General Salary Inflation	1%	104 800	51 200	156 000	5%
General Salary Inflation	-1%	94 900	45 800	140 700	-5%
Average retirement age	-2 years	90 300	41 800	132 100	-11%
Average retirement age	+2 years	107 200	56 400	163 600	11%
Withdrawal Rate	-50%	121 100	56 900	178 000	20%

3.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE 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 2010 revealed that the fund is in a sound financial position with a funding level of 108.0% (30 June 2011 - 116.9%).

Contributions paid recognised in the Statement of Financial Performance

2013 R	2012 R
363 694	354 302

DEFINED CONTRIBUTION FUNDS

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

Contributions paid recognised in the Statement of Financial Performance

Municipal Councillors Pension Fund	54 427	32 809
SALA Pension Fund	2 203 569	1 721 981
SAMWU National Provident Fund	73 026	66 416
	2 331 023	1 821 207

4 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

889 780	799 155
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Landfill Sites

Balance 1 July	2 797 273	2 664 069
Additions	193 702	-
Unwinding of discounted interest	126 605	133 203
Total provision 30 June	3 117 580	2 797 273
Less: Transfer of Current Portion to Current Provisions - Refer to note 7	(2 227 800)	(1 998 117)
Balance 30 June	889 780	799 155

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs (30 June 2013). The assumptions used are as follows:

	Loxton	Victoria West	Richmond
Area (m ²)	22 800	30 000	22 500
Rehabilitation area (m ²)	15 960	24 000	18 000
Fence (m)	620	800	750

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Cost of fence (Rand)	217 000	280 000	262 500
Shape, Trim and compact Dump (R5/m ²)	133 380	175 500	131 625
Excavation cost (150mm @ R40/m ³)	112 000	168 480	126 360
Placing cover material (150mm @ R20/m ³)	-	-	63 180
Capping Layer (200mm @ R30/m ³)	112 000	168 480	-
Re-vegetation (R2.55/m ²)	47 880	72 000	-
Drainage System R4.22/m ²)	79 000	118 800	89 100
Preliminary and general (Rand)	105 200	147 490	100 915
Fees and expenses (Rand)	120 970	169 620	116 100
	927 430	1 300 370	889 780

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

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation 2013</u> R	<u>Cost of rehabilitation 2012</u> R
Loxton	2012 (Overdue)	927 430	830 546
Victoria Wes	2012 (Overdue)	1 300 370	1 167 572
Richmond	2016	889 780	799 155
		3 117 580	2 797 273

	2013 R	2012 R
5 CONSUMER DEPOSITS		
Electricity	128 698	113 144
Water	74 654	59 075
Total Consumer Deposits	203 351	172 219
Guarantees held in lieu of Electricity and Water Deposits	-	-

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

	2013	2012
6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 3	506 184	371 688
Current Portion of Long-Service Provisions - Note 3	120 878	93 944
Staff Leave Accrual	1 496 185	927 104
Bonus Accrual	366 136	306 051
Total Current Employee Benefits	2 489 383	1 698 787

The movement in current employee benefits are reconciled as follows:

Staff Leave Accrual

Balance at beginning of year	927 103	821 338
Contribution to current portion	766 089	144 645
Expenditure incurred	(197 008)	(38 879)
Balance at end of year	1 496 184	927 103

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. All leave is vesting, as all employee's will be compensated for unused leave at the end of their employment term.

Bonus Accrual

Balance at beginning of year	306 050	266 427
Contribution to current portion	883 823	731 505
Expenditure incurred	(823 738)	(691 882)
Balance at end of year	366 135	306 050

Bonuses are being paid to all permanent municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

7 PROVISIONS

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Current Portion of Rehabilitation of Landfill-sites - Refer to note 4	2 227 800	1 998 117
Total Provisions	2 227 800	1 998 117

8 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	4 587 014	2 679 976
Arrear Portion of Long Term Liabilities	848 687	739 987
Pre-paid electricity	66 490	53 263
Sundry Creditors	399 500	270 984
Balance Previously Reported		218 676
Correction of error - Refer to note 37.01		52 308
Payments received in advance	1 527 434	1 222 644
Retentions	-	148 080
National Treasury	2 104 000	-
Sundry Deposits	44 205	38 672
Traffic Fines Control	282 178	374 553
Total Trade Payables	9 859 507	5 528 159

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include hall, builders and housing Deposits.

The arrear portion of long term liabilities originated as a result of the municipality not settling in full the current portion of the annuity loan as disclosed in note 3.1.

Refer to note 43.2 where all finance charges on this arrear portion have been disclosed as fruitless and wasteful expenditure.

9 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	2013 R	2012 R
Unspent Grants	3 810 214	4 482 977
National Government Grants	3 530 585	4 117 545
Provincial Government Grants	-	176 433
District Municipality	90 630	-
Other Grant Providers	188 999	188 999
Less: Unpaid Grants	446 968	204 296
National Government Grants	31 067	204 296
Provincial Government Grants	415 901	-
Total Conditional Grants and Receipts	3 363 246	4 278 681

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

10 TAXES

10.1 VAT PAYABLE

VAT Payable	-	-
VAT output in suspense	1 639 083	1 046 962
Total Vat payable	1 639 083	1 046 962

10.2 VAT RECEIVABLE

VAT Receivable	418 662	39 148
VAT input in suspense	63 554	82 608
Total VAT receivable	482 216	121 756

10.3 NET VAT PAYABLE

1 156 868	925 206
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VAT is receivable/payable on the cash basis.

11 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
12 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	26 473 412	26 499 513
Cost	26 603 700	26 603 700
Balance Previously Reported		16 321 200
Correction of error - Refer to note 37.03		10 282 500
Accumulated Depreciation	(130 288)	(104 187)
Balance Previously Reported		(91 658)
Correction of error - Refer to note 37.03		(12 529)
Depreciation for the year	(26 029)	(26 100)
Balance Previously Reported		(22 962)
Correction of error - Refer to note 37.03		(3 139)
Net Carrying amount at 30 June	26 447 383	26 473 412
Cost	26 603 700	26 603 700
Accumulated Depreciation	(156 317)	(130 288)

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.

	2013	2012
13 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	34 821	35 016
Cost	54 775	44 330
Accumulated Amortisation	(19 954)	(9 314)
Additions	11 550	10 445
Amortisation	(12 328)	(10 640)
Net Carrying amount at 30 June	34 043	34 821
Cost	66 325	54 775
Accumulated Amortisation	(32 282)	(19 954)

<u>Description</u>	<u>Remaining Amortisation Period</u>	<u>Carrying Value</u>	
		2013 R	2012 R
Microsoft Office, Windows software and system software	3 - 5 years	34 043	34 821

No intangible assets were assessed to having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

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

	2013 R	2012 R
14 CAPITALISED RESTORATION COST		
Net Carrying amount at 1 July	582	776
Additions	193 702	-
Depreciation	(145)	(182)

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Impairment	(139 301)	(11)
Net Carrying amount at 30 June	54 839	582
Cost	237 684	43 982
Accumulated Depreciation	(42 755)	(42 610)
Accumulated Impairments	(140 090)	(790)

15 **NON-CURRENT INVESTMENTS**

Fixed Deposits	1 616 786	1 521 901
Total Non-Current Investments	1 616 786	1 521 901

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 5% % to 5.45% per annum. (2012 - 5.35% to 6.27%). The carrying amount of these assets approximates their fair value.

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 26761 8613 - Subsidie Kerkstraat Investment	89 900	85 334
FNB - Acc.no.71 08730 6258 - Security Investment	1 526 886	1 436 567
	1 616 786	1 521 901

16 **BIOLOGICAL ASSETS**

	Quantity (Units)	Fair Value R	2013 R	2012 R
Springbuck	386	500	193 000	76 000
Ostrich	3	1 500	4 500	4 500
Blesbuck	48	1 200	57 600	40 000
Swart Wildebeest	16	2 500	40 000	28 800
Zebra	2	6 000	12 000	8 000
			307 100	157 300

Fair value of biological assets is based on selling prices less costs to sell in an open active market. These prices were obtained from commercial hunters in the municipal area.

Reconciliation of fair value:

Opening Fair Value	157 300	87 300
Fair Value adjustments - Price changes	82 520	21 800
Fair Value adjustments - Physical changes	67 280	48 200
Closing Fair Value	307 100	157 300

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.

All biological assets are located in the Victoria West Nature Reserve. The primary activities revolving around biological assets are as follows:

- Ensure that the game life of the municipal area are conserved for future generations.
- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the purchase game, resulting in an inflow of resources to the municipality.

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.

17 **LONG-TERM RECEIVABLES**

Officials' Housing Loans - At amortised cost	55 409	57 409
Consumers and Rates	1 000 849	642 363
Councillors Allowances	57 458	59 057
	1 113 716	758 829
Less: Provision for Impairment	(1 113 717)	(758 829)
Total Long Term Receivables	-	-

The carrying amount of these assets approximates their fair value.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The provision for Impairment could be allocated to the different classes of Long Term Receivables as follows:

Officials' Housing Loans - At amortised cost	55 409	57 409
Consumers and Rates	1 000 849	642 363
Councillors Allowances	57 459	59 057
Provision for impairment	1 113 717	758 829

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.

CONSUMER AND RATES

Consumer and rates receivables included under long-term debtors represent all balances for which the debtors has made arrangements to settle their balances beyond normal credit terms. Balances included in long term receivables were deferred for more than 12 months past year-end and the balances are fully impaired

COUNCILLORS ALLOWANCES

Outstanding balances relates mainly to former councillors. All balances relating to these councillors have been impaired.

18 INVENTORY

Water – at cost	8 285	9 575
Total Inventory	8 285	9 575

Inventory recognised as an expense in the current year	-	165 546
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19 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity	1 796 198	1 710 058
Water	12 855 631	9 073 778
Refuse	6 182 566	5 207 777
Sewerage	4 570 640	3 740 112
Other	688 114	628 777
Total Receivables from Exchange Transactions	26 093 149	20 360 502
Less: Allowance for Doubtful Debts	(24 401 786)	(18 976 509)
Total Net Receivables from Exchange Transactions	1 691 363	1 383 993

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary

Debtors with a total outstanding balance of R 1 339 822 (2012 - R 1 095 745) have arranged to settle their account over an re-negotiated period. Total payments to the value of R 740 863 (2012 - R 534 626) have been deferred beyond 12 months after year end and subsequently included as part of long term debtors.

Interest on overdue balances are included at prime lending rate plus 1% where applicable

	2013 R	2012 R
Ageing of Receivables from Exchange Transactions:		
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	643 126	643 359
31 - 60 Days	92 716	84 509
61 - 90 Days	70 187	39 931
+ 90 Days	990 169	942 260
Total	1 796 198	1 710 058
<u>(Water): Ageing</u>		
Current (0 - 30 days)	864 808	616 983
31 - 60 Days	332 207	235 684
61 - 90 Days	308 223	215 402
+ 90 Days	11 350 393	8 005 709
Total	12 855 631	9 073 778
<u>(Refuse): Ageing</u>		

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Current (0 - 30 days)	181 425	169 056
31 - 60 Days	134 360	117 657
61 - 90 Days	124 374	112 163
+ 90 Days	5 742 407	4 808 900
Total	6 182 566	5 207 777

(Sewerage): Ageing

Current (0 - 30 days)	172 940	160 803
31 - 60 Days	127 972	99 569
61 - 90 Days	108 673	94 698
+ 90 Days	4 161 055	3 385 042
Total	4 570 640	3 740 112

(Other): Ageing

Current (0 - 30 days)	17 857	20 592
31 - 60 Days	7 747	10 592
61 - 90 Days	7 747	8 303
+ 90 Days	654 761	589 290
Total	688 114	628 777

(Total): Ageing

Current (0 - 30 days)	1 880 156	1 610 794
31 - 60 Days	695 003	548 011
61 - 90 Days	619 205	470 497
+ 90 Days	22 898 786	17 731 200
Total	26 093 149	20 360 502

Reconciliation of Provision for Bad Debts

Balance at beginning of year	18 976 509	14 828 816
Contribution to provision	5 561 825	4 402 365
Bad Debts Written Off	(136 549)	(254 672)
Balance at end of year	24 401 786	18 976 509

2013
R

2012
R

The Provision for Impairment could be allocated between the different classes of receivables as follows:

Electricity	1 016 550	1 048 656
Water	12 164 126	8 581 302
Refuse	6 104 295	5 114 510
Sewerage	4 446 021	3 638 763
Other	670 794	593 278
	24 401 786	18 976 509

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.

20 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Rates	9 618 928	6 448 321
Other Receivables	320 444	259 206
Fuel Deposits	58 827	51 000
Electricity Deposit Richmond	30 718	16 300
Suspense Debtors	151 929	106 218
Balance Previously reported		87 689
Correction of error - Refer to note 37.04		18 529
Accrued Interest	78 969	85 688
Total Receivables from Non-Exchange Transactions	9 939 372	6 707 527
Less: Allowance for Doubtful Debts	(8 173 793)	(5 792 853)

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Total Net Receivables from Non-Exchange Transactions	1 765 579	914 674
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Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of the principles adopted of GRAP 104 on initial recognition.

Debtors with a total outstanding balance of R 432 497 (2012 - R 267 985) have arranged to settle their account over an re-negotiated period. Total payments to the value of R 259 986 (2012 - R 107 737) have been deferred beyond 12 months after year end and subsequently included as part of long term debtors.

Interest on overdue balances are included at prime lending rate plus 1% where applicable

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)	405 020	232 703
31 - 60 Days	327 922	118 823
61 - 90 Days	309 745	110 194
+ 90 Days	8 576 242	5 986 602
Total	9 618 928	6 448 321

Reconciliation of Provision for Bad Debts

Balance at beginning of year	5 792 853	5 657 538
Contribution to provision/(Reversal of provision)	2 405 654	178 856
Bad Debts Written Off	(24 714)	(43 542)
Balance at end of year	8 173 793	5 792 853

Concentrations of credit risk with respect to receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of 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.

		2013 R		2012 R
21	OPERATING LEASE ARRANGEMENTS			
21.1	The Municipality as Lessee (Liability)			
	Balance on 1 July	1 505		1 144
	Movement during the year	(135)		361
	Balance on 30 June	1 369		1 505

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:

	2013 R	2012 R
Up to 1 Year	7 241	6 705
1 to 5 Years	5 078	12 319
More than 5 Years	-	-
Total Operating Lease Arrangements	12 319	19 023

The total lease liability consist out of one agreement entered into with Pixley Ka Seme District Municipality. The municipality leases office space. The latest agreement was entered into on 1 March 2010 and expires on 28 February 2015. The initial rental amount in the contract is R 466.56 (Excluding VAT) with an escalation clause of 8% per annum.

21.2	The Municipality as Lessor (Asset)		
	Balance on 1 July	105 752	103 304
	Movement during the year	(7 496)	2 448
	Balance on 30 June	98 256	105 752

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	153 242	142 958
1 to 5 Years	346 869	495 411

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

More than 5 Years	615 547	21 248
Total Operating Lease Arrangements	516 659	659 617

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 periods ranging until 2021.

22 CASH AND CASH EQUIVALENTS

Assets		
Call Investments Deposits	615 379	915 877
Bank Accounts	170 604	496 696
Cash Floats	2 500	2 500
Total Cash and Cash Equivalents - Assets	788 484	1 415 073
Liabilities		
Primary Bank Account	1 211 708	926 683
Total Cash and Cash Equivalents - Liabilities	1 211 708	926 683

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.

	2013 R	2012 R
The municipality has the following bank accounts:		
Current Accounts		
Victoria West FNB - Account Number 54 06233 8032 (Primary Bank Account):	(1 211 708)	(926 683)
Richmond Standard Bank - Account Number 18 738 917 9 (Secondary Bank Account)	54 120	33 664
Richmond Standard Bank - Account Number 08 319 266 2 (Traffic Account)	116 485	463 032
	(1 041 104)	(429 988)
Victoria West FNB - Account Number 54 06233 8032 (Primary Bank Account):		
Cash book balance at beginning of year	(926 683)	(1 581 362)
Cash book balance at end of year	(1 211 708)	(926 683)
Bank statement balance at beginning of year	715 730	(796 641)
Bank statement balance at end of year	913 367	715 730
Richmond Standard Bank - Account Number 18 738 917 9 (Secondary Bank Account)		
Cash book balance at beginning of year	33 664	91 777
Cash book balance at end of year	54 120	33 664
Bank statement balance at beginning of year	7 737	70 763
Bank statement balance at end of year	37 143	7 737
Richmond Standard Bank - Account Number 08 319 266 2 (Traffic Account)		
Cash book balance at beginning of year	463 032	488 337
Cash book balance at end of year	116 485	463 032
Bank statement balance at beginning of year	464 432	489 437
Bank statement balance at end of year	118 985	464 432
Call Investment Deposits		
Call investment deposits consist out of the following accounts:		
FNB - Acc.no.62 04611 0920 - Projek Biblioteek Investment	31 873	38 287
FNB - Acc.no.62 05001 7021 - Equitable Share Investment	1 179	3 695
FNB - Acc.no.62 05698 7088 - Projek Nasionale Tesourie Investment	1 461	1 647
FNB - Acc.no.62 08647 7760 - Own Funds Investment	3 139	1 009
FNB - Acc.no.62 08984 3744 - Project Consolidate MSIG Investment	10 840	10 592
FNB - Acc.no.62 14251 4894 - High Mast Lighting Investment	11 024	10 914
FNB - Acc.no.62 17405 7680 - Drought Relief Funds Investment	1 692	54 251
FNB - Acc.no.62 18164 4462 - Road Project Loxton Investment	1 204	1 192
FNB - Acc.no.62 18831 8333 - Skills Development Fund	2 059	202 208
FNB - Acc.no.62 20922 9831 - MIG Fund	167 169	3 435

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

FNB - Acc.no.62 24204 3892 - DME Project	1 385	1 371
FNB - Acc.no.62 24730 1071 - Rubbish Bins	1 620	1 604
FNB - Acc.no.62 24730 1708 - Playground	302 769	3 105
FNB - Acc.no.62 24730 1964 - Tourism Plan	1 379	66 839
FNB - Acc.no.62 25094 0387 - Insurance Claims	1 592	268 881
FNB - Acc.no.62 25254 5763 - Own Funds	1 015	1 005
FNB - Acc.no.62 25880 8595 - Reservoir Project (Victoria West)	1 097	81 412
FNB - Acc.no.62 25880 9064 - Reservoir Project (Richmond)	1 087	71 707
FNB - Acc.no.62 26770 3819 - Oxidation Ponds	1 922	1 903
FNB - Acc.no.62 27128 8188 - Fire Fighting Equipment	1 166	24 009
FNB - Acc.no.74 12728 4318 - Leave Reserve Fund Investment	67 606	65 721
FNB - Acc.no.62 28437 5386 - De Ville Street Project	1 101	1 090
	<u>615 379</u>	<u>915 877</u>

23 PROPERTY RATES

Actual

Rateable Land and Buildings

Residential, Commercial Property, State	6 496 296	3 981 926
	<u>6 496 296</u>	<u>3 981 926</u>
Less: Rebates	(488 943)	(749 598)
Total Assessment Rates	<u>6 007 352</u>	<u>3 232 328</u>

Valuations - 1 JULY 2009

Rateable Land and Buildings

	2013 R	2012 R
Residential and Vacant Land	169 323 400	168 734 700
Business & Commercial	51 745 000	51 744 100
Government	54 235 500	56 086 500
Exempt Properties	32 224 000	30 185 300
Multiple Use Properties	1 374 000	2 151 900
Agricultural	2 349 642 700	2 350 942 700
Total Assessment Rates	<u>2 658 544 600</u>	<u>2 659 845 200</u>

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

Rates:

Residential	1.3110 c/R	1.1237c/R
Commercial	1.1337 c/R	1.1237c/R
Agricultural	0.1200 c/R	0.0380c/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

Equitable Share	17 705 000	15 157 000
	<u>17 705 000</u>	<u>15 157 000</u>

Conditional Grants

Grants and donations	12 983 369	13 363 414
	<u>12 983 369</u>	<u>13 363 414</u>

Total Government Grants and Subsidies

	<u>30 688 369</u>	<u>28 520 414</u>
--	--------------------------	--------------------------

Government Grants and Subsidies - Capital	8 718 417	8 943 734
Government Grants and Subsidies - Operating	21 969 951	19 576 680
	<u>30 688 369</u>	<u>28 520 414</u>

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share	17 705 000	15 157 000
Budget & Treasury	1 986 000	2 804 682
Planning & Development	8 618 861	4 244 461
Community & Social Services	651 130	822 287
Sport & Recreation	208 570	-
Waste Management	-	3 996 192
Water	518 807	823 368
Electricity	-	672 423

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		<u>30 688 369</u>	<u>28 520 414</u>
	The municipality does not expect any significant changes to the level of grants.		
24.01	Equitable share		
	Opening balance	-	-
	Grants received	17 705 000	15 157 000
	Conditions met - Operating	(17 705 000)	(15 157 000)
	Conditions still to be met	-	-
		<u> </u>	<u> </u>
	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.		
		2013	2012
		R	R
24.02	Local Government Financial Management Grant (FMG)		
	Opening balance	-	-
	Grants received	1 500 000	1 450 000
	Conditions met - Operating	(1 500 000)	(1 443 860)
	Conditions met - Capital	-	(6 140)
	Conditions still to be met	-	-
		<u> </u>	<u> </u>
	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).		
24.03	Municipal Systems Improvement Grant		
	Opening balance	-	314 112
	Grants received	800 000	790 000
	Paid Back to National Treasury	(314 000)	-
	Conditions met - Operating	(244 543)	(872 994)
	Conditions met - Capital	(241 457)	(231 119)
	Conditions still to be met	-	-
		<u> </u>	<u> </u>
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
24.04	Municipal Infrastructure Grant (MIG)		
	Opening balance	4 117 545	3 894 563
	Grants received	11 510 000	9 488 000
	Paid Back to National Treasury	(3 894 000)	-
	Conditions met - Operating	(871 903)	(945 979)
	Conditions met - Capital	(7 331 057)	(8 319 039)
	Conditions still to be met	3 530 586	4 117 545
		<u> </u>	<u> </u>
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		
24.05	Department of Water Affairs		
	Opening balance	(204 296)	-
	Grants received	692 036	489 293
	Conditions met - Operating	(63 713)	(471 417)
	Conditions met - Capital	(455 094)	(222 172)
	Grant expenditure to be recovered	(31 067)	(204 296)
		<u> </u>	<u> </u>
	The grant is utilised to promote the access to high quality water in the municipal area.		
24.06	Skills Development Fund		
	Opening balance	-	-
	Grants received	95 697	100 628
	Conditions met - Operating	(95 697)	(100 628)
	Conditions still to be met	-	-
		<u> </u>	<u> </u>
	These funds are utilised to develop skills within the municipality.		
24.07	Library Fund		
	Opening balance	176 434	175 093

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Grants received	379 000	723 000
Conditions met - Operating	(466 180)	(584 802)
Conditions met - Capital	(89 254)	(136 857)
	<hr/>	<hr/>
Conditions still to be met	-	176 434
	<hr/>	<hr/>

The grant was used to fund the operations and sundry capital requirements of the Libraries in the municipal area.

	2013 R	2012 R
24.08 De Ville Street Road Project		
Opening balance	-	(306 066)
Grants received	-	334 473
Conditions met - Capital	-	(28 407)
	<hr/>	<hr/>
Grant expenditure to be recovered	-	-
	<hr/>	<hr/>

The grant was used to upgrade road infrastructure in the municipal area.

24.09 Expanded Public Works Program (EPWP)		
Opening balance	-	-
Grants received	1 000 000	-
Conditions met - Operating	(1 000 000)	-
	<hr/>	<hr/>
Conditions still to be met	-	-
	<hr/>	<hr/>

This program is aimed at providing poverty and income relief through the creation of temporary work opportunities.

24.10 Housing Grants		
Opening balance	-	-
Conditions met - Capital	(415 901)	-
	<hr/>	<hr/>
Conditions still to be met	(415 901)	-
	<hr/>	<hr/>

This expenditure relates to a project funded by the department of Human Settlements and is aimed at providing services to 36 houses in Loxton. The funds relating to this project have not been received on 30 June 2013

24.10 Other Grants		
Opening balance	188 999	188 999
Grants received	299 200	-
Conditions met - Operating	(22 916)	-
Conditions met - Capital	(185 655)	-
	<hr/>	<hr/>
Conditions still to be met	279 629	188 999
	<hr/>	<hr/>

Various grants were received from other spheres of government.

24.11 Total Grants		
Opening balance	4 278 681	4 266 700
Grants received	33 980 933	28 532 395
Paid Back to National Treasury	(4 208 000)	-
Conditions met - Operating	(21 969 951)	(19 576 680)
Conditions met - Capital	(8 718 417)	(8 943 734)
	<hr/>	<hr/>
Conditions still to be met	3 363 246	4 278 681
	<hr/>	<hr/>

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	3 810 214	4 482 977
Unpaid Conditional Government Grants and Receipts	(446 968)	(204 296)
	<hr/>	<hr/>
	3 363 246	4 278 681
	<hr/>	<hr/>

25 FINES		
Traffic Fines	17 366 684	18 984 149
Court Fines	44 050	47 980
Library Fines	3 916	3 962
	<hr/>	<hr/>
	17 414 649	19 036 091
	<hr/>	<hr/>

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26 SERVICE CHARGES		
Electricity	8 318 106	7 935 261
Water	5 614 016	4 579 135
Refuse removal	2 888 271	2 834 143
Sewerage and Sanitation Charges	2 653 366	2 553 369
	<u>19 473 759</u>	<u>17 901 908</u>
Less: Rebates	(3 612 423)	(3 862 937)
Total Service Charges	<u>15 861 336</u>	<u>14 038 971</u>

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.

27 OTHER INCOME		
Sundry income	305 277	184 981
Total Other Income	<u>305 277</u>	<u>184 981</u>

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)

28 FAIR VALUE ADJUSTMENTS		
Biological Assets	(149 800)	(70 000)
	<u>(149 800)</u>	<u>(70 000)</u>

29 EMPLOYEE RELATED COSTS		
Bargaining Council Levy	13 233	7 302
Bonus	883 823	731 505
Contributions for UIF, pensions and medical aids	3 052 097	2 444 526
Group Life Insurance	6 056	7 361
Housing Subsidy	37 091	44 715
Leave Reserve Fund	766 089	144 645
Long service awards	99 583	77 617
Overtime	1 213 679	1 187 749
Post Employment Health	164 691	98 588
Salaries and Wages	15 854 403	14 241 349
Travel, motor car, telephone, assistance and other allowances	1 256 523	1 090 408
Total Employee Related Costs	<u>23 347 269</u>	<u>20 075 765</u>

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 - Mr M F Fillis

Annual Remuneration	589 722	627 549
Car Allowance	163 530	148 065
Telephone allowance	5 206	4 714
Contributions to UIF, Medical, Pension Funds and Bargaining Council	168 083	152 587
Total	<u>926 541</u>	<u>932 915</u>

Remuneration of the Director Infrastructure and Technical Services - Mr Zingange

Annual Remuneration	470 690	482 318
Travelling Allowance	141 981	128 554
Telephone allowance	6 761	6 122
Contributions to Medical and Pension Funds	97 153	90 753
Total	<u>716 584</u>	<u>707 746</u>

	2013 R	2012 R
Remuneration of the Director Corporate Services - Mr Jacobs		
Annual Remuneration	382 105	391 000
Travelling Allowance	81 132	73 459
Telephone allowance	4 611	4 175
Contributions to Medical and Pension Funds	78 801	73 610

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Total	546 649	542 244
	Remuneration of the Director Financial Services - Me Plaatjies		
	Annual Remuneration	563 104	620 298
	Car Allowance	162 824	119 581
	Telephone allowance	6 761	6 122
	Contributions to Medical and Pension Funds	162 951	132 366
	Total	895 640	878 366
30	REMUNERATION OF COUNCILLORS		
	Mayor	620 888	599 204
	Councillors	1 573 278	1 228 559
	Total Councillors' Remuneration	2 194 166	1 827 763
	Remuneration per Councillor		
	Cllr K.J Rigard (Mayor)	620 888	588 394
	Cllr K.J Arens	246 028	182 613
	Cllr W Schutz	-	155 786
	Cllr A.Verwey	198 855	182 713
	Cllr J.C Pieterse	246 028	182 614
	Cllr C.C Jantjies	246 028	182 614
	Cllr FZ Kwengana	-	152 183
	Cllr B.J Bruwer	191 375	170 171
	Cllr S.C Jordaan	248 326	15 215
	Cllr K.V De Bruin	196 638	15 461
	Total	2 194 166	1 827 763
	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.		
31	DEBT IMPAIRMENT		
	Long term Receivables - Note 17	354 888	219 625
	Trade Receivables from exchange transactions - Note 19	5 561 825	4 402 365
	Trade Receivables from non-exchange transactions - Note 20	2 405 654	178 856
	Total Contribution to Debt Impairment	8 322 367	4 800 847
32	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	5 807 450	5 196 959
	Investment Property	26 029	26 100
	Intangible Assets	12 328	10 640
	Landfill sites	145	182
	Total	5 845 953	5 233 881
33	IMPAIRMENTS		
	Landfill Sites	139 301	11
		139 301	11
34	FINANCE CHARGES	2013 R	2012 R
	Long-term Liabilities	206 168	209 786
	DBSA normal	73 511	94 679
	DBSA arrears	132 657	115 107
	Finance leases	84 464	75 471
	Creditors	62 715	20 236
	Bank Overdraft	29 000	32 878
	Post Employment Health	414 182	326 839
	Long service awards	48 382	52 621
	Landfill Sites	126 605	133 203
	Total finance charges	971 516	851 034

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

35	BULK PURCHASES		
	Electricity	10 363 315	8 424 823
	Water	552 140	448 308
	Total Bulk Purchases	10 915 455	8 873 131
36	GENERAL EXPENSES		
	Audit Fees	1 846 840	1 288 603
	Advertising	72 226	79 704
	Bank Charges	337 114	413 522
	Job Creation	1 079 274	115 080
	Entertainment Expenses	96 036	2 093
	Professional Fees	1 300 500	1 285 900
	Membership Fees	410 596	115 546
	Fuel Cost	1 206 679	1 367 390
	Free Paraffin Hampers	141 466	101 436
	Legal Cost	3 869	20 971
	License Fees	82 115	437 540
	Insurance	314 529	326 502
	Penalties	20 919	58 201
	Paupers Funerals	28 650	38 450
	Printing and stationery	299 734	226 779
	Safety clothes	205 173	130 889
	Tyres	123 328	20 118
	Skills development levy	213 157	170 269
	Telephone	300 982	275 839
	Training	297 372	208 927
	Travel and subsistence	1 813 940	1 201 211
	Water Research	96 177	62 507
	Other	240 127	218 010
	General Expenses	10 530 804	8 165 487

2012
R

37 CORRECTION OF ERROR IN TERMS OF GRAP 3

37.01 Payables from Exchange Transactions

Balance previously reported

Recognition of short payment made to the SAMWU provident

Effect on 30 June 2011 - Refer to note 37.05

Effect on 30 June 2012 - Refer to note 38

5 475 849

66 557

50 279

16 278

During the year under review, the municipality identified a short payment made to the SAMWU provident fund. Periods ranging from August 2009 to January 2012 were affected with this correction.

2012
R

Recognition of over payment made to Pension Funds

Effect on 30 June 2011 - Refer to note 37.05

Effect on 30 June 2012 - Refer to note 38

(32 777)

(3 216)

(29 562)

During the year under review, the municipality identified an over payment made to the Municipal Councillors Pension Fund and Cape Joint Pension Fund. Periods ranging from May 2011 to February 2013 were affected. Over Payments to the Municipal Councillors Pension fund were recovered in full from the pension fund, while the overpayments to the Cape Joint Pension fund should still be recovered from the affected councillors.

Correction of debit balance incorrectly included under payables - Refer to note 37.04

18 529

During the review of the classification of transactions it was identified that receivables outstanding from post retirement medical aid members were incorrectly included under payables.

5 528 157

37.02 Property Plant and Equipment

Balance previously reported

Infrastructure assets previously not recognised on 30 June 2007 - Refer to note 37.05

126 671 871

1 005 195

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Effect on Infrastructure - Electricity (Cost)	842 718
Effect on Infrastructure - Water (Cost)	162 477
Effect on Accumulated depreciation up to 30 June 2011 - Refer to note 37.05	(137 274)
Effect on Infrastructure - Electricity	(96 377)
Effect on Infrastructure - Water	(40 897)
Effect on Depreciation during 2011/2012 - Refer to note 38	(34 389)
Effect on Infrastructure - Electricity	(10 245)
Effect on Infrastructure - Water	(24 144)
<p>During the review of infrastructure assets, the municipality identified underground cable and telemetry previously not recognised. This adjustment was included retrospectively also taking into account the effect on depreciation.</p>	
Correction of allocation errors between various classes of Infrastructure and on 30 June 2011	-
Effect on Infrastructure - Electricity (Cost)	(196 437)
Effect on Infrastructure - Water (Cost)	196 437
Effect on Infrastructure - Sewerage (Accumulated Depreciation)	(13 288)
Effect on Infrastructure - Electricity (Accumulated Depreciation)	(13 898)
Effect on Infrastructure - Water (Accumulated Depreciation)	27 186
<p>During the review of infrastructure assets, the municipality identified allocation errors between the fixed asset register and the financial statement. These differences originated in periods commencing before 30 June 2011 and the adjustment had no effect on infrastructure assets in total.</p>	
Correction of allocation errors between various classes of loose assets and on 30 June 2012	-
Effect on Other Assets - Office Equipment (Cost)	4 710
Effect on Other Assets - Electrical Equipment (Cost)	(4 710)
Effect on Other Assets - Office Equipment (Accumulated Depreciation)	(86)
Effect on Other Assets - Electrical Equipment (Accumulated Depreciation)	86
<p>During the review of the fixed asset register, the municipality identified an UPS incorrectly recognised as electrical equipment rather than Office Equipment, The error was subsequently corrected retrospectively.</p>	
Recognise loose assets previously not recognised as additions during 2011/2012 - Refer to note 38	2 363
Effect on Other Assets - Furniture and Fittings (Cost)	2 399
Effect on Other Assets - Furniture and Fittings (Depreciation)	(36)
<p>During the review of loose assets, the municipality identified asset additions previously not recognised.</p>	
	2012
	R
Remove loose assets incorrectly recognised in asset register - Refer to note 37.05	(683 260)
Effect on Other Assets - Furniture and Fittings (Cost)	(404 313)
Effect on Other Assets - Office Equipment (Cost)	(173 903)
Effect on Other Assets - Computer Equipment (Cost)	(105 044)
Effect on Accumulated depreciation up to 30 June 2011 - Refer to note 37.05	66 786
Effect on Other Assets - Furniture and Fittings	29 345
Effect on Other Assets - Office Equipment	25 780
Effect on Other Assets - Computer Equipment	11 661
Effect on Depreciation during 2011/2012 - Refer to note 38	66 927
Effect on Other Assets - Furniture and Fittings	29 412
Effect on Other Assets - Office Equipment	25 829
Effect on Other Assets - Computer Equipment	11 686
<p>The municipality identified in the current year that they incorrectly took ownership of assets belonging to the Department of Sports and Agriculture. These assets were recognised in the records of the municipality on 30 June 2010. These assets were subsequently removed from the asset register retrospectively from 30 June 2010.</p>	
Restatement of land and buildings	(8 754 271)
Recognition of Land previously not recognised - Refer to note 37.05	(8 593 170)
Recognition of buildings previously not recognised - Refer to note 37.05	(2 086 600)
Recognition of cemeteries previously not recognised - Refer to note 37.05	518 000
Recognition of recreational facilities previously not recognised - Refer to note 37.05	(365 500)
Recognition of public open spaces previously not recognised - Refer to note 37.05	1 668 374
Correction of accumulated depreciation on buildings up to 30 June 2011 - Refer to note 37.05	83 521
Correction of accumulated depreciation on recreational facilities up to 30 June 2011 - Refer to note 37.05	144
Correction of depreciation on buildings during 2011/2012 - Refer to note 38	20 923

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Correction of depreciation on recreational facilities during 2011/2012 - Refer to note 38	36
<p>During the current year the municipality reviewed all properties to be recognised as part of land and buildings, cemeteries and recreational facilities. This resulted in a restructured asset register with all costs and accumulated depreciation charges restated retrospectively.</p>	
	<u><u>118 203 949</u></u>
37.03 Investment Property	
Balance previously reported	16 206 580
Restatement of investment properties	10 266 833
Recognition of Investment Property previously not recognised on 30 June 2007 - Refer to note 37.05	10 282 500
Correction of accumulated depreciation on investment property up to 30 June 2011 - Refer to note 37.05	(12 529)
Correction of depreciation on investment property during 2011/2012 - Refer to note 38	(3 139)
<p>During the current year the municipality reviewed all properties to be recognised as part of investment property. This resulted in a restructured asset register with all costs and accumulated depreciation charges restated retrospectively.</p>	
	<u><u>26 473 412</u></u>
37.04 Receivables from non-exchange transactions	
Balance previously reported	896 146
Correction of debit balance incorrectly included under payables - Refer to note 37.01	18 529
<p>During the review of the classification of transactions it was identified that receivables outstanding from post retirement medical aid members were incorrectly included under payables.</p>	
	<u><u>914 674</u></u>
	2012
	R
37.05 Accumulated Surplus	
Recognition of short payment made to the SAMWU provident - Refer to note 37.01	(50 279)
<p>During the year under review, the municipality identified a short payment made to the SAMWU provident fund. Periods ranging from August 2009 to January 2012 were affected with this correction.</p>	
Recognition of over payment made to Pension Funds - Refer to note 37.01	3 216
<p>During the year under review, the municipality identified an over payment made to the Municipal Councillors Pension Fund and Cape Joint Pension Fund. Periods ranging from May 2011 to February 2013 were affected. Over Payments to the Municipal Councillors Pension fund were recovered in full from the pension fund, while the overpayments to the Cape Joint Pension fund should still be recovered from the affected councillors.</p>	
Infrastructure assets previously not recognised on 30 June 2007 - Refer to note 37.02	867 922
Effect on Cost	1 005 195
Effect on Accumulated Depreciation	(137 274)
<p>During the review of infrastructure assets, the municipality identified underground cable and telemetry previously not recognised. This adjustment was included retrospectively also taking into account the effect on depreciation.</p>	
Remove loose assets incorrectly recognised in asset register - Refer to note 37.02	(683 260)
Effect on Accumulated depreciation up to 30 June 2011 - Refer to note 37.02	66 786
<p>The municipality identified in the current year that they incorrectly took ownership of assets belonging to the Department of Sports and Agriculture. These assets were recognised in the records of the municipality on 30 June 2010. These assets were subsequently removed from the asset register retrospectively from 30 June 2010.</p>	
Restatement of investment properties	10 269 971
Recognition of Investment Property previously not recognised on 30 June 2007 - Refer to note 37.03	10 282 500
Correction of accumulated depreciation on investment property up to 30 June 2011 - Refer to note 37.03	(12 529)
<p>During the current year the municipality reviewed all properties to be recognised as part of investment property. This resulted in a restructured asset register with all costs and accumulated depreciation charges restated retrospectively.</p>	

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Restatement of land and buildings	(8 775 230)
Recognition of Land previously not recognised - Refer to note 37.02	(8 593 170)
Recognition of buildings previously not recognised - Refer to note 37.02	(2 086 600)
Recognition of cemeteries previously not recognised - Refer to note 37.02	518 000
Recognition of recreational facilities previously not recognised - Refer to note 37.02	(365 500)
Recognition of public open spaces previously not recognised - Refer to note 37.02	1 668 374
Correction of accumulated depreciation on buildings up to 30 June 2011 - Refer to note 37.02	83 521
Correction of accumulated depreciation on recreational facilities up to 30 June 2011 - Refer to note 37.02	144

During the current year the municipality reviewed all properties to be recognised as part of land and buildings, cemeteries and recreational facilities. This resulted in a restructured asset register with all costs and accumulated depreciation charges restated retrospectively.

1 699 126

38 STATEMENT OF FINANCIAL PERFORMANCE

Balance previously reported	2 306 288
Recognition of short payment made to the SAMWU provident - Refer to note 37.01	(16 278)

During the year under review, the municipality identified a short payment made to the SAMWU provident fund. Periods ranging from August 2009 to January 2012 were affected with this correction.

Recognition of over payment made to Pension Funds - Refer to note 37.01	29 562
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During the year under review, the municipality identified an over payment made to the Municipal Councillors Pension Fund and Cape Joint Pension Fund. Periods ranging from May 2011 to February 2013 were affected. Over Payments to the Municipal Councillors Pension fund were recovered in full from the pension fund, while the overpayments to the Cape Joint Pension fund should still be recovered from the affected councillors.

**2012
R**

Infrastructure assets previously not recognised on 30 June 2007 - Refer to note 37.02	(34 389)
Effect on Depreciation	(34 389)

During the review of infrastructure assets, the municipality identified underground cable and telemetry previously not recognised. This adjustment was included retrospectively also taking into account the effect on depreciation.

Remove loose assets incorrectly recognised in asset register - Refer to note 37.02	66 927
Effect on Depreciation	66 927

The municipality identified in the current year that they incorrectly took ownership of assets belonging to the Department of Sports and Agriculture. These assets were recognised in the records of the municipality on 30 June 2010. These assets were subsequently removed from the asset register retrospectively from 30 June 2010.

Recognise loose assets previously not recognised as additions during 2011/2012 - Refer to note 37.02	2 363
Effect on Operating Grant Expenditure	2 399
Effect on Depreciation	(36)
Effect on Government Grants and Subsidies - Capital	2 399
Effect on Government Grants and Subsidies - Operating	(2 399)

During the review of loose assets, the municipality identified asset additions previously not recognised.

Restatement of investment properties	(3 139)
Correction of depreciation on investment property during 2011/2012 - Refer to note 37.03	(3 139)

During the current year the municipality reviewed all properties to be recognised as part of investment property. This resulted in an restructured asset register with all costs and accumulated depreciation charges restated retrospectively.

Restatement of land and buildings	20 959
Correction of depreciation on buildings during 2011/2012 - Refer to note	20 923
Correction of depreciation on recreational facilities during 2011/2012 - Refer to note	36

During the current year the municipality reviewed all properties to be recognised as part of land and buildings, cemeteries and recreational facilities. This resulted in a restructured asset register with all costs and accumulated depreciation charges restated retrospectively.

Total	2 372 292
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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
39 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	(1 345 811)	2 372 292
Adjustments for:		
Depreciation	5 833 624	5 223 241
Amortisation of Intangible Assets	12 328	10 640
Gain on disposal of property, plant and equipment	-	(18 995)
Loss on disposal of property, plant and equipment	93 452	204 065
Debt Impairment - Receivables	7 967 479	4 581 222
Debt Impairment - Long term receivables	354 888	219 625
Contribution to staff leave	569 081	105 765
Contribution to staff bonuses	60 085	39 624
Contribution to employee benefits	417 392	225 621
Actuarial Gains	334 405	1 925 166
Contribution to provision - Landfill Site	126 605	133 203
Fair Value Adjustments	(149 800)	(70 000)
Impairment written off	139 301	11
Grants Received	29 772 933	28 532 395
Grant Expenditure	(30 688 369)	(28 520 414)
Operating lease income accrued	7 496	(2 448)
Operating lease expenses accrued	(135)	361
Operating Surplus before changes in working capital	13 504 955	14 961 374
Changes in working capital	(4 561 454)	(5 525 436)
Increase/(Decrease) in Payables from exchange transactions	4 331 349	(1 982 076)
Movement in Taxes	231 662	714 485
Decrease in Inventory	1 290	169 226
Increase in Receivables from exchange and non-exchange	(9 125 754)	(4 427 070)
Cash generated by operations	8 943 500	9 435 938
40 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 22	615 379	915 877
Cash Floats - Note 22	2 500	2 500
Bank - Note 22	170 604	496 696
Bank overdraft - Note 22	(1 211 708)	(926 683)
Total cash and cash equivalents	(423 224)	488 390
41 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 40	(423 224)	488 390
Investments - Note 15	1 616 786	1 521 901
Less:	1 193 561	2 010 291
Unspent Committed Conditional Grants - Note 9	3 810 214	4 482 977
Resources available/(required) for working capital requirements	(2 616 652)	(2 472 686)
42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Long-term Liabilities - Note 2	1 249 631	1 627 258
Used to finance property, plant and equipment - at cost	(1 249 631)	(1 627 258)
	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

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

	2013 R	2012 R
43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
43.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	35 376 545	29 557 843
Unspent grant funding utilised to fund operating expenditure - refer to note 41	2 616 652	2 472 686
Unauthorised expenditure current year - operating	2 574 843	1 493 365
Unauthorised expenditure current year - capital	4 006 778	1 852 651
Unauthorised expenditure awaiting authorisation	44 574 819	35 376 545

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 R (Unauthorised)
Operating Expenditure by Vote				
Executive & Council	5 952 332	7 277 657	(1 325 325)	-
Budget & Treasury	18 929 318	16 354 474	2 574 843	2 574 843
Planning & Development	8 278 594	12 970 774	(4 692 181)	-
Community & Social Services	20 627 145	22 687 055	(2 059 910)	-
Public Safety	77 986	335 700	(257 714)	-
Sport & Recreation	3 578	148 410	(144 832)	-
Waste Management	6 153 126	8 042 123	(1 888 997)	-
Water	3 455 785	4 382 582	(926 797)	-
Electricity	12 624 432	14 099 011	(1 474 579)	-
	76 102 295	86 297 787	(10 195 492)	2 574 843

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 R (Unauthorised)
Capital expenditure by vote				
Executive & Council	11 193	460 000	(448 807)	-
Budget & Treasury	172 920	150 000	22 920	22 920
Planning & Development	8 411 903	4 613 700	3 798 203	3 798 203
Community & Social Services	235 528	2 405 000	(2 169 472)	-
Sport & Recreation	185 655	-	185 655	185 655
Waste Management	237 418	5 336 300	(5 098 882)	-
	9 254 617	12 965 000	(3 710 383)	4 006 778

	2013 R	2012 R
43.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	1 215 584	989 162
Fruitless and wasteful expenditure current year	245 292	226 422
Fruitless and wasteful expenditure awaiting further action	1 460 875	1 215 584

Incident	Disciplinary steps/criminal proceedings	2013 R	2012 R
Interest on late payment of creditors and bank overdraft	None	91 715	53 114
SARS penalties	None	20 919	58 201
Interest on arrear portion of long term liabilities	None	132 657	115 107

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

245 292 226 422

	2013 R	2012 R
43.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	20 202 690	10 762 348
Irregular expenditure current year	3 864 659	9 440 342
Irregular expenditure awaiting further action	24 067 349	20 202 690

Incident	Disciplinary steps/criminal proceedings		
Non-compliance with Supply Chain Management Policy - Sufficient Quotations MBD forms and tax clearance certificates not obtained.	None	3 316 210	3 414 373
Non-compliance with Supply Chain Management Policy (Tender related non-compliance)	None	-	5 471 833
Appointment of Director Corporate Services (Mr Jacobs) not in line with section 56 (3) & (4) of the Municipal System Act.	None	546 649	533 165
Non-compliance with Supply Chain Management Regulations - Required procedures not followed to procure the services of legal advisors.	None	1 800	20 971
		3 864 659	9 440 342

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

	2013	2012
43.4 Material Losses		
Water distribution losses		
- Kilo litres disinfected/purified/purchased	741 489	956 179
- Kilo litres lost during distribution	91 018	184 587
- Percentage lost during distribution	12.28%	19.30%
Electricity distribution losses		
- Units purchased (Kwh)	12 423 429	11 749 190
- Units lost during distribution (Kwh)	9 291 436	2 998 802
- Percentage lost during distribution	25.21%	25.52%

43.5 Other Non-Compliance (MFMA 125(2)(e) and (f))

- The municipality did not comply with section 65 (2) (e) of the MFMA. All reasonable steps to ensure, that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure, was not taken.
- 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.
- Amounts outstanding regarding organs of state for periods exceeding 30 days are not reported to National Treasury on an individual debtors basis, therefore it is not reported immediately as required by section 64 (3) of the MFMA.
- The municipality did not comply with the requirements of section 166 of the MFMA regarding the duties and responsibilities of the Audit Committee.
- The municipality did not comply with the requirements of section 64 (3) of the MFMA. The accounting officer must immediately inform the National Treasury of any payments due by an organ of state to the municipality in respect of municipal tax or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.
- The municipality did not fully disclosed zero rated supplies on the VAT 201 forms during the year under review, resulting in non-compliance with the VAT Act. This non-compliance did not result in any discrepancies with regards to the amount payable to/refundable from SARS.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 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	-	100 000
Council subscriptions	400 000	107 000
Amount paid - current year	(400 000)	(107 000)
Amount paid - previous years	-	(100 000)
Balance unpaid (included in creditors)	-	-
44.2 Audit fees - [MFMA 125 (1)(c)]		
Opening balance	100 000	463 043
Current year audit fee	1 838 004	1 288 602
External Audit - Auditor-General	1 722 331	1 078 960
Internal Audit	115 673	209 642
Amount paid - current year	(1 774 037)	(1 188 602)
Amount paid - previous year	(100 000)	(463 043)
Balance unpaid (included in creditors)	63 966	100 000
44.3 VAT - [MFMA 125 (1)(c)]		
Opening balance	31 896	(19 377)
Amounts received - current year	(1 487 862)	(2 415 549)
Amounts received - previous years	(31 896)	(71 842)
Amounts paid - Previous years	-	91 247
Amounts paid - Current year	-	200 000
Amounts claimed - current year	1 911 865	2 309 739
Outstanding penalties and interest	(3 146)	(62 321)
Closing balance - Receivable/(Payable)	420 857	31 896
Vat in suspense due to cash basis of accounting		
Input VAT	63 554	82 608
Output VAT	(1 639 083)	(1 046 962)
Payable	(1 575 530)	(964 354)
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.		
44.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	2 906 147	2 500 141
Amount paid - current year	(2 668 077)	(2 500 141)
Balance unpaid (included in creditors)	238 070	-
44.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	5 016 101	4 148 921
Amount paid - current year	(4 575 724)	(4 148 921)
Balance unpaid (included in creditors)	440 377	-
44.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]	2013 R	2012 R
The following Councillors had arrear accounts for more than 90 days as at 30 June 2013:	Outstanding more than 90 days	Outstanding more than 90 days
Cllr SC Jordaan	-	4 328

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Cllr A.Verwey	341	-
Cllr J.C Pieterse	953	-
Cllr KJ Arens	-	4 746
Cllr FZ Kwengana	-	2 257
Cllr CC Jantjies	173	411
Cllr KV De Bruin	-	2 414
Total Councillor Arrear Consumer Accounts	1 467	14 156

45 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:	10 927 000	11 745 542
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Total commitments consist out of the following:

- High Mast Lightning	1 600 000	-
- Bulk Water Supply	-	1 750 000
- Upgrading of Streets	7 677 000	1 687 399
- Victoria Wes Cemetery	1 650 000	1 382 271
- Victoria West Landfill Site	-	2 150 000
- Stormwater Project	-	3 225 872
- Loxton West Landfill Site	-	1 550 000
	10 927 000	11 745 542

This expenditure will be financed from:

Government Grants	10 927 000	11 745 542
	10 927 000	11 745 542

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, foreign exchange currency 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.

Market Risks

(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.

	2013 R	2012 R
The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:		
1% (2012 - 0.5%) Increase in interest rates	(23 741)	(7 079)
0.5% (2012 - 0.5%) Decrease in interest rates	11 870	7 079

Other Risks

(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.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going 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.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

	2013 %	2013 R	2012 %	2012 R
The debtors per age analysis could be summarised as follows:				
Bad debt	33.10%	12 152 657	20.92%	5 742 088
Deceased	3.74%	1 373 485	0.92%	252 345
Good Payers	1.46%	537 016	2.19%	600 052
Municipal Worker	0.32%	116 211	0.85%	233 600
Slow Payers	1.23%	452 985	4.51%	1 237 938
Government Departments	4.39%	1 613 487	4.33%	1 189 815
Debtors with arrangements	2.64%	970 695	4.77%	1 310 694
Indigents	37.14%	13 634 224	31.91%	8 759 914
Handed over to Attorneys	6.53%	2 395 570	13.66%	3 749 894
Untraceable accounts	7.44%	2 730 773	13.99%	3 839 922
Unmetered Consumption	2.00%	735 824	1.95%	534 925
	<u>100.00%</u>	<u>36 712 926</u>	<u>100.00%</u>	<u>27 451 187</u>

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

Balances past due not impaired:

	2013 %	2013 R	2012 %	2012 R
<u>Non-Exchange Receivables (including long term receivables)</u>				
Rates	100.00%	1 087 345	100.00%	939 393
<u>Exchange Receivables (including long term receivables)</u>				
Electricity	50.88%	167 809	50.51%	113 748
Water	28.38%	93 594	20.19%	45 480
Refuse	5.38%	17 754	11.17%	25 157
Sewerage	15.27%	50 377	11.28%	25 394
Other	0.09%	289	6.85%	15 436
	<u>100.00%</u>	<u>329 823</u>	<u>100.00%</u>	<u>225 215</u>

No receivables are pledged as security for financial liabilities.

Due to the short term nature of 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:

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 %	2013 R	2012 %	2012 R
<u>Non-Exchange Receivables (including long term receivables)</u>				
Rates	100.00%	8 433 779	100.00%	5 900 590
<u>Exchange Receivables (including long term receivables)</u>				
Electricity	4.27%	1 073 617	5.77%	1 125 115
Water	49.56%	12 461 130	44.96%	8 772 187
Refuse	25.12%	6 315 803	26.95%	5 258 050
Sewerage	18.38%	4 621 306	19.28%	3 762 505
Other	2.67%	670 794	3.04%	593 278
	100.00%	25 142 649	100.00%	19 511 135
	2013 %	2013 R	2012 %	2012 R
Bad debts written off per debtor class:				
<u>Non-Exchange Receivables</u>				
Rates	100.00%	24 714	100.00%	43 542
<u>Exchange Receivables</u>				
Electricity	0.00%	-	2.34%	5 953
Water	52.06%	71 083	41.55%	105 827
Refuse	25.62%	34 984	27.79%	70 764
Sewerage	22.32%	30 482	28.32%	72 128
	100.00%	136 549	100.00%	254 672

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 entity only enters into non-current investment transactions with major banks with high quality credit standing. Investments to the value of R 1 400 000 were held as security for the overdraft facility at FNB. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

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.

	2013 R	2012 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	-	-
Receivables from exchange transactions	1 691 363	1 383 993
Receivables from non-exchange transactions	320 444	259 206
Cash and Cash Equivalents	788 484	1 415 073
Non-Current Investments	1 616 786	1 521 901
Unpaid conditional grants and subsidies	446 968	204 296
	4 864 044	4 784 469

(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 on-going review of future commitments and credit facilities.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Short-term Investment Deposits

Call Deposits	Financial instruments at amortised cost	615 379	915 877
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Bank Balances and Cash

Bank Balances	Financial instruments at amortised cost	170 604	496 696
Cash Floats and Advances	Financial instruments at amortised cost	2 500	2 500
		4 864 044	4 784 469

SUMMARY OF FINANCIAL ASSETS

Financial instruments at amortised cost		4 864 044	4 784 469
At amortised cost		4 864 044	4 784 469

		2013 R	2012 R
47.2	<u>Financial Liability</u>		
	<u>Classification</u>		
	Non-Current Liabilities		
	Annuity Loans	224 943	422 809
	Capitalised Lease Liability	604 097	826 727
	Non-Current Provisions - Landfill Sites	889 780	799 155
	Payables from exchange transactions		
	Trade creditors	4 587 014	2 679 976
	Arrear portion of long term liabilities	848 687	739 987
	Retentions	-	148 080
	Deposits	44 205	38 672
	Other	681 677	645 537
	Current Provisions		
	Current Provisions - Landfill Sites	2 227 800	1 998 117
	Other Payables		
	Government Subsidies and Grants	3 810 214	4 482 977
	Current Portion of Long-term Liabilities		
	Annuity Loans	197 961	174 186
	Capitalised Lease Liability	222 629	203 536
	Bank Overdraft		
	Primary Bank account	1 211 708	926 683
		14 339 008	14 086 443
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	14 339 008	14 086 443

48 EVENTS AFTER THE REPORTING DATE

The municipality resolved to restructure their long term liability outstanding to DBSA - Refer to note 2.1

49 IN-KIND DONATIONS AND ASSISTANCE

None

50 PRIVATE PUBLIC PARTNERSHIPS

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

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

51 CONTINGENT LIABILITY

The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

A Claim was lodged against the municipality by Mr AM Conroy, due to an dispute over an account for the provision of water. If successful, the municipality will be liable for an amount of R 316 741 (2012 - R94 144) plus interest.

A Claim was lodged against the municipality by Mr D Meyer. The plaintiff made a hall booking at the municipality, but due to unforeseen circumstances, the municipality was not able to meet its obligation on date of the booking. The plaintiff claimed that he incurred losses and that the municipality should be held liable for an amount of R 11 669 plus interest.

Guarantee in favour of Mineral Resources amounting to R 4 000 (2012 - R 4 000)

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 29 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 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

Current Liabilities exceeds current assets with the current ration being 0.22:1 (2012 - 0.25:1)

The debtors' impairment ratio decreased to 90% from the previous year's 92%. This is still considered to be very high

The municipality have budgeted for a deficit of R 1 214 674 for the 2013/2014 financial year. The municipality is also budgeting for negative cash flows during 2013/2014, 2014/2015 and 2015/2016 amounting to R 3 569 349, R 9 758 404 and R 9 164 619 respectively.

A bank overdraft facility is utilised amounting to R 1 400 000.

The municipality is in arrears with the Development Bank of South Africa to an amount of R 848 687 (2012 - R 739 987)

Other Indicators

Possible outflow of resources due the contingent liabilities disclosed in note 51

Actions taken by Council

Council is continuously exploring avenues to increase the revenue base and improve the credit control measures of the municipality to address the negative indicators above and cash flow challenges.

These actions during 2013/2014 includes, but is not limited, to the following:

- Restructuring of its DBSA annuity loan to ensure the repayments are affordable.

UBUNTU LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2013

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation and Impairment Losses				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Depreciation			Closing Balance R	
					Opening Balance R	for the year R	Disposals R		
Land and Buildings	9 007 150	60 026	-	9 067 176	289 967	68 479	-	358 446	8 708 730
Land	2 192 810	-	-	2 192 810	-	-	-	-	2 192 810
Buildings	6 814 340	60 026	-	6 874 366	289 967	68 479	-	358 446	6 515 920
Infrastructure	121 580 467	8 442 999	(138 071)	129 885 396	23 157 007	4 953 082	(53 454)	28 056 635	101 828 761
Stormwater and Roads	33 990 666	7 184 295	-	41 174 961	11 715 077	2 176 248	-	13 891 325	27 283 635
Sewerage	33 112 268	506 691	(2 537)	33 616 423	3 911 618	918 651	(2 075)	4 828 194	28 788 228
Electricity	19 532 447	-	-	19 532 447	3 011 351	718 587	-	3 729 938	15 802 509
Water	34 456 761	708 297	(135 534)	35 029 524	4 518 961	1 139 595	(51 379)	5 607 177	29 422 347
Solid Waste	488 325	43 716	-	532 041	-	-	-	-	532 041
Community Assets	2 919 720	197 910	-	3 117 630	36 199	7 305	-	43 504	3 074 126
Recreation Grounds	377 500	185 655	-	563 155	9 510	1 900	-	11 410	551 744
Public Open Spaces	1 668 374	-	-	1 668 374	-	-	-	-	1 668 374
Cemetery	873 846	12 255	-	886 101	26 688	5 405	-	32 093	854 008
Lease Assets	1 156 161	-	-	1 156 161	151 410	231 232	-	382 642	773 519
Office Equipment	1 156 161	-	-	1 156 161	151 410	231 232	-	382 642	773 519
Other Assets	8 804 239	348 430	(14 744)	9 137 925	1 629 206	547 352	(3 841)	2 172 717	6 965 208
Office Equipment	769 536	127 568	(3 077)	894 026	151 979	125 348	(2 155)	275 172	618 854
Furniture & Fittings	1 254 998	45 985	-	1 300 983	320 595	98 094	-	418 689	882 293
Electrical Equipment	364 295	12 486	-	376 781	139 409	45 168	-	184 577	192 204
Motor vehicles	5 577 458	-	-	5 577 458	770 074	163 785	-	933 859	4 643 599
Mechanical Equipment	448 314	1 678	-	449 992	85 094	52 732	-	137 826	312 166
Computer equipment	389 638	160 713	(11 667)	538 684	162 055	62 224	(1 686)	222 594	316 091
	143 467 737	9 049 365	(152 815)	152 364 288	25 263 788	5 807 450	(57 294)	31 013 943	121 350 344

UBUNTU LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30 JUNE 2012

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation and Impairment Losses				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Depreciation				
					Opening Balance R	for the year R	Disposals R	Closing Balance R	
Land and Buildings	8 862 251	144 899	-	9 007 150	222 778	67 188	-	289 967	8 717 183
Land	2 192 810	-	-	2 192 810	-	-	-	-	2 192 810
Buildings	6 669 441	144 899	-	6 814 340	222 778	67 188	-	289 967	6 524 373
Infrastructure	111 639 031	10 204 540	(263 103)	121 580 467	18 782 530	4 484 157	(109 680)	23 157 007	98 423 460
Stormwater and Roads	29 775 279	4 268 889	(53 502)	33 990 666	9 824 954	1 935 094	(44 971)	11 715 077	22 275 589
Sewerage	28 852 233	4 427 840	(167 805)	33 112 268	3 126 180	844 451	(59 013)	3 911 618	29 200 650
Electricity	18 734 886	797 561	-	19 532 447	2 329 410	681 942	-	3 011 351	16 521 096
Water	34 276 633	221 924	(41 796)	34 456 761	3 501 986	1 022 670	(5 696)	4 518 961	29 937 800
Other	-	488 325	-	488 325	-	-	-	-	488 325
Community Assets	2 698 271	221 449	-	2 919 720	28 874	7 325	-	36 199	2 883 521
Recreation Grounds	377 500	-	-	377 500	7 605	1 905	-	9 510	367 990
Public Open Spaces	1 668 374	-	-	1 668 374	-	-	-	-	1 668 374
Cemetery	652 397	221 449	-	873 846	21 268	5 420	-	26 688	847 157
Lease Assets	308 088	1 156 161	(308 088)	1 156 161	103 770	169 584	(121 944)	151 410	1 004 751
Office Equipment	308 088	1 156 161	(308 088)	1 156 161	103 770	169 584	(121 944)	151 410	1 004 751
Other Assets	7 544 879	1 259 360	-	8 804 239	1 160 501	468 705	-	1 629 206	7 175 033
Office Equipment	189 562	579 974	-	769 536	80 379	71 600	-	151 979	617 557
Furniture & Fittings	1 146 847	108 151	-	1 254 998	226 837	93 758	-	320 595	934 403
Electrical Equipment	346 853	17 442	-	364 295	89 264	50 145	-	139 409	224 886
Motor vehicles	5 340 330	237 128	-	5 577 458	591 419	178 655	-	770 074	4 807 384
Mechanical Equipment	148 912	299 402	-	448 314	54 245	30 849	-	85 094	363 220
Computer equipment	372 375	17 263	-	389 638	118 357	43 699	-	162 055	227 583
	131 052 520	12 986 408	(571 191)	143 467 737	20 298 453	5 196 959	(231 624)	25 263 788	118 203 949
Balance previously reported	139 589 480	12 984 009	(571 191)	152 002 298	20 311 630	5 250 420	(231 624)	25 330 427	126 671 871
Correction of error - Refer to note 37.02	(8 536 960)	2 399	-	(8 534 561)	(13 177)	(53 461)	-	(66 639)	(8 467 922)
	131 052 520	12 986 408	(571 191)	143 467 737	20 298 453	5 196 959	(231 624)	25 263 788	118 203 949

**APPENDIX A - Unaudited
UBUNTU LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2012	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2013
ANNUITY LOANS							
DBSA-Sewerage Richmond	13.22%	12692/101	30/06/2015	596 995	-	174 091	422 904
Total Annuity Loans				596 995	-	174 091	422 904
LEASE LIABILITY							
Nashua	9.00%	Nashua	31/10/2016	1 030 263	-	203 536	826 726
Total Lease Liabilities				1 030 263	-	203 536	826 726
TOTAL EXTERNAL LOANS				1 627 258	-	377 627	1 249 630

APPENDIX B - Unaudited
UBUNTU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
MUNICIPAL VOTES CLASSIFICATION

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
9 600	(61 365)	(51 765)	Health Services	3 200	-	3 200
4 292 012	(5 956 416)	(1 664 404)	Public Works	8 638 215	(5 747 065)	2 891 151
19 807 181	(15 907 928)	3 899 253	Licences	18 352 612	(15 211 237)	3 141 375
108 578	(3 597 704)	(3 489 126)	Administration	100 334	(4 498 166)	(4 397 832)
10 813	(243)	10 570	Cemetries	12 568	-	12 568
-	(2 481 470)	(2 481 470)	Roads and Stormwater Drainage	-	(2 531 529)	(2 531 529)
70 742	-	70 742	Nature Reserve	151 120	-	151 120
-	(56)	(56)	Aerodome	-	-	-
1 765 734	(5 200 464)	(3 434 730)	Council General Expenses	1 000 000	(5 829 897)	(4 829 897)
27 478	-	27 478	Abattoir	-	-	-
3 232 328	(4 800 847)	(1 568 519)	Property Tax	6 007 352	(8 322 366)	(2 315 014)
1 049 046	(1 317 246)	(268 200)	Management Services	2	(1 433 422)	(1 433 420)
20 048 967	(9 195 774)	10 853 192	Finance	22 935 982	(9 173 530)	13 762 452
-	(66 836)	(66 836)	Fire Brigade	-	(77 986)	(77 986)
725 621	(1 065 109)	(339 488)	Library	559 349	(917 743)	(358 393)
4 339	-	4 339	Parks and Recreation	216 974	(3 578)	213 397
4 766 596	(2 968 241)	1 798 355	Sewerage and Sanitation	1 501 179	(3 469 506)	(1 968 327)
223 376	(506 636)	(283 260)	Buildings and Offices	307 801	(122 434)	185 367
34 124	(109)	34 015	Commonage	52 443	-	52 443
-	-	-	Sunrise	-	-	-
2 156 825	(1 759 033)	397 792	Cleansing	1 726 844	(2 683 620)	(956 776)
7 917 393	(10 673 221)	(2 755 828)	Electricity	7 709 174	(12 624 432)	(4 915 258)
4 707 277	(3 030 308)	1 676 969	Water Distribution	5 481 336	(3 455 785)	2 025 551
3 268	-	3 268	Municipal Staff Housing	-	-	-
70 961 298	(68 589 006)	2 372 292	Total	74 756 485	(76 102 296)	(1 345 811)

APPENDIX C - Unaudited
UBUNTU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
1 992 378	(5 707 100)	(3 714 722)	Executive & Council	1 307 801	(5 952 332)	(4 644 531)
24 401 083	(15 313 867)	9 087 215	Budget & Treasury	29 094 457	(18 929 318)	10 165 138
4 326 136	(8 437 995)	(4 111 859)	Planning & Development	8 690 658	(8 278 594)	412 064
9 600	(61 365)	(51 765)	Health	3 200	-	3 200
20 679 671	(20 571 040)	108 631	Community & Social Services	19 024 863	(20 627 145)	(1 602 283)
-	(66 836)	(66 836)	Public Safety	-	(77 986)	(77 986)
4 339	-	4 339	Sport & Recreation	216 974	(3 578)	213 397
6 923 421	(4 727 274)	2 196 147	Waste Management	3 228 023	(6 153 126)	(2 925 103)
4 707 277	(3 030 308)	1 676 969	Water	5 481 336	(3 455 785)	2 025 551
7 917 393	(10 673 221)	(2 755 828)	Electricity	7 709 174	(12 624 432)	(4 915 258)
70 961 298	(68 589 006)	2 372 292	Total	74 756 485	(76 102 295)	(1 345 811)

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 2012	Correction of error	Balance 1 JULY 2012	Grants Received	Transfers	Paid back to NT	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2013
	R	R	R	R	R	R	R	R	R
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS									
National Government Grants									
Equitable Share	-	-	-	17 705 000	-	-	17 705 000	-	-
Local Government Financial Management Grant	-	-	-	1 500 000	-	-	1 500 000	-	-
Municipal Infrastructure Grant	4 117 545	-	4 117 545	11 510 000	-	(3 894 000)	871 903	7 331 057	3 530 585
- General MIG Fund	3 095 753	-	3 095 753	11 510 000	(11 022 130)	(3 479 392)	104 230	-	-
- Project Road Loxton	41 426	-	41 426	-	(25 734)	-	-	15 692	-
- Project Road Noorder Street	-	-	-	-	1 977 219	-	226 434	1 750 786	-
- Project Road New Bright Street	-	-	-	-	5 265 723	-	231 864	1 732 206	3 301 653
- Victoria West Cemetery	49 430	-	49 430	-	-	-	1 716	12 255	35 459
- Victoria West Solid Waste	172 258	-	172 258	-	-	-	4 510	32 216	135 532
- Loxton Solid Waste	71 051	-	71 051	-	-	-	1 610	11 500	57 941
- Oxidation Pond Loxton	160 499	-	160 499	-	(56 998)	-	12 711	90 790	-
- King Street Road Project	97 593	-	97 593	-	283 817	-	12 978	368 432	-
- External Water Draining Project (Stormwater)	14 927	-	14 927	-	3 578 103	-	275 851	3 317 180	-
- Oxidation Pond Richmond	414 608	-	414 608	-	-	(414 608)	-	-	-
Municipal Systems Improvement Grant	-	-	-	800 000	-	(314 000)	244 543	241 457	-
Expanded Public Works Program (EPWP)	-	-	-	1 000 000	-	-	1 000 000	-	-
Department of Water Affairs	(204 296)	-	(204 296)	692 036	-	-	63 713	455 094	(31 067)
- Installation of Bulk meters	(204 296)	-	(204 296)	692 036	-	-	63 713	455 094	(31 067)
Skills Development Fund	-	-	-	95 697	-	-	95 697	-	-
Total National Government Grants	3 913 249	-	3 913 249	33 302 733	-	(4 208 000)	21 480 856	8 027 607	3 499 518
Provincial Government Grants									
Project Library	176 434	-	176 434	379 000	-	-	466 180	89 254	-
Department of Human Settlements (Services 36 Erven Loxton)	-	-	-	-	-	-	-	415 901	(415 901)
Total Provincial Government Grants	176 434	-	176 434	379 000	-	-	466 180	505 155	(415 901)
District Municipality Grants									
Upgrading of Sportsgrounds	-	-	-	299 200	-	-	22 916	185 655	90 630
Total District Municipality Grants	-	-	-	299 200	-	-	22 916	185 655	90 630
Other Grant Providers									
Project Survey of Land	1 248	-	1 248	-	-	-	-	-	1 248
Project Water Loxton	88 739	-	88 739	-	-	-	-	-	88 739
Solid Waste Site Victoria West	99 012	-	99 012	-	-	-	-	-	99 012
Total Other Grant Providers	188 999	-	188 999	-	-	-	-	-	188 999
Total	4 278 682	-	4 278 682	33 980 933	-	(4 208 000)	21 969 951	8 718 417	3 363 246