

UBUNTU MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2011

UBUNTU LOCAL MUNICIPALITY

Index

<i>Contents</i>	<i>Page</i>
General Information	1
Approval of the Financial Statements	2
Report of the Auditor General	
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes In Net Assets	5
Cash Flow Statement	6
Accounting Policies	7 - 31
Notes to the Financial Statements	32 - 68
 APPENDICES - Unaudited	
A Schedule of External Loans	69
B Segmental Statement of Financial Performance - Municipal Votes	70
C Segmental Statement of Financial Performance	71
D Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	72

UBUNTU LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

UBUNTU LOCAL MUNICIPALITY

MEMBERS OF THE UBUNTU LOCAL MUNICIPALITY

COUNCILLORS

Ward 1 (Mayor)
Ward 2
Ward 3
Ward 4
Proportional
Proportional
Proportional
Proportional

Cllr K.J Rigard
Cllr J.C Pieterse
Cllr C.C Jantjies
Cllr K.J Arendse
Cllr F.Z Kwengana
Cllr W.Schutz
Cllr A.Verwey
Cllr B.J Bruwer

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 71 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

Mr. M.F Fillis
Municipal Manager

Date

UBUNTU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	2011 R	2010 R
NET ASSETS AND LIABILITIES			
Net Assets		125 583 877	125 996 293
Capital Replacement Reserve	2	1 059 287	1 059 287
Accumulated Surplus/(Deficit)		124 524 590	124 937 006
Non-Current Liabilities		4 772 802	5 708 981
Long-term Liabilities	3	691 526	922 203
Employee benefits	4	3 555 526	3 404 533
Non-Current Provisions	5	525 750	1 382 245
Current Liabilities		15 418 625	12 685 960
Consumer Deposits	6	156 881	150 851
Current Employee benefits	7	1 494 244	921 299
Provisions	8	945 300	-
Payables from exchange transactions	9	5 808 622	6 592 390
Unspent Conditional Government Grants and Receipts	10	4 572 767	2 855 484
Taxes	11.1	627 628	1 942 367
Operating Lease Liability	22.1	1 145	323
Cash and Cash Equivalents	23	1 581 362	25 679
Current Portion of Long-term Liabilities	3	230 677	197 567
Total Net Assets and Liabilities		145 775 304	144 391 234
ASSETS			
Non-Current Assets		132 820 672	131 065 468
Property, Plant and Equipment	12	111 788 242	110 063 574
Investment Property	13	19 480 132	19 484 971
Intangible Assets	14	35 016	43 882
Capitalised Restoration Cost	15	404	1 162
Non-Current Investments	16	1 425 170	1 400 772
Biological Assets	17	87 300	65 500
Long-Term Receivables	18	4 408	5 608
Current Assets		12 954 632	13 325 766
Inventory	19	168 677	301 448
Receivables from exchange transactions	20	1 239 615	1 057 206
Receivables from non-exchange transactions	21	1 020 462	1 163 624
Unpaid Conditional Government Grants and Receipts	10	5 020 825	5 376 362
Operating Lease Asset	22.2	103 304	100 935
Taxes	11	333 273	430 858
Current Portion of Long-term Receivables	18	-	-
Cash and Cash Equivalents	23	5 068 475	4 895 333
Total Assets		145 775 304	144 391 234

UBUNTU LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 (Actual) R	2010 (Restated) R	Correction of error R	2010 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions					
		44 619 496	46 818 686	10 619 876	36 198 810
Taxation Revenue					
		2 644 170	4 142 385	(1 874)	4 144 259
Property taxes	24	2 644 170	4 142 385	(1 874)	4 144 259
Transfer Revenue					
		22 365 009	27 237 285	261 894	26 975 391
Government Grants and Subsidies - Capital	25	5 458 989	13 984 751	234 048	13 750 704
Government Grants and Subsidies - Operating	25	16 527 141	13 251 634	27 846	13 223 788
Public Contributions and Donations		378 880	900	-	900
Other Revenue					
		19 610 317	15 439 016	10 359 857	5 079 159
Actuarial Gains		-	13 890	(68 719)	82 609
Third Party Payments		28 183	276 112	-	276 112
Fines		19 582 134	15 149 014	10 428 576	4 720 439
Revenue from Exchange Transactions					
		15 429 890	14 087 463	(3 136 278)	17 223 741
Service Charges	26	12 286 740	10 241 980	(3 831 254)	14 073 234
Rental of Facilities and Equipment		408 568	410 450	-	410 450
Interest Earned - external investments		350 595	416 265	-	416 265
Interest Earned - outstanding debtors		1 603 694	1 560 977	(177 396)	1 738 373
Licences and Permits		474 987	301 476	-	301 476
Agency Services		14 609	13 568	-	13 568
Other Income	27	243 998	1 140 188	872 371	267 817
Fair Value Adjustments	28	21 800	-	-	-
Gain on disposal of Property, Plant and Equipment		24 900	2 559	-	2 559
Total Revenue		60 049 386	60 906 149	7 483 598	53 422 550
EXPENDITURE					
Employee related costs	29	17 112 053	13 211 038	(368 459)	13 579 497
Remuneration of Councillors	30	1 752 472	1 693 388	-	1 693 388
Debt Impairment	31	2 921 943	11 632 059	8 090 292	3 541 768
Depreciation and Amortisation	32	4 311 228	4 125 236	(399 700)	4 524 936
Impairments	33	424	131	131	-
Repairs and Maintenance		2 154 289	1 553 124	-	1 553 124
Actuarial losses	4	110 881	193 864	193 864	-
Finance Charges	34	797 880	942 691	376 940	565 751
Bulk Purchases	35	7 539 314	5 984 190	(1 774)	5 985 964
Contracted services		11 988 218	9 872 505	9 368 750	503 755
Grants and Subsidies		-	-	(2 658 653)	2 658 653
Stock Adjustments		132 772	55 507	-	55 507
Operating Grant Expenditure		4 564 176	1 287 445	130 650	1 156 795
General Expenses	36	7 076 151	5 903 200	(544 113)	6 447 312
Fair Value Adjustments	28	-	37 500	-	37 500
Total Expenditure		60 461 802	56 491 875	14 187 926	42 303 949
NET SURPLUS/(DEFICIT) FOR THE YEAR		(412 416)	4 414 274	(6 704 328)	11 118 602

UBUNTU LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R
Balance at 1 JULY 2009	1 059 287	108 892 393	109 951 679
Correction of error - Refer to note 37.14	-	11 630 339	11 630 339
Restated Balance at 1 JULY 2009	1 059 287	120 522 732	121 582 018
Net Surplus for the year	-	4 414 274	4 414 274
Balance at 30 JUNE 2010	1 059 287	124 937 006	125 996 292
Net Deficit for the year	-	(412 416)	(412 416)
Balance at 30 JUNE 2011	1 059 287	124 524 590	125 583 876

UBUNTU LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	30 JUNE 2011 R	30 JUNE 2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		39 591 989	26 346 109
Government		16 527 141	28 370 767
Interest		1 954 289	1 977 242
Payments			
Suppliers and employees		(52 270 949)	(34 545 018)
Finance charges	34	(797 880)	(942 691)
Transfers and Grants		-	-
Cash generated by operations	39	5 004 590	21 206 409
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	12	(6 021 858)	(15 659 897)
Proceeds on Disposal of Fixed Assets		24 900	2 559
Purchase of Intangible Assets		-	(44 330)
Increase in Long-term Receivables	18	(174 237)	(23 948)
Decrease/(Increase) in Non-current Investments	16	(24 398)	567 481
Net Cash from Investing Activities		(6 195 592)	(15 158 135)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(197 567)	(169 023)
New loans raised		-	177 073
Increase in Consumer Deposits		6 029	29 734
Net Cash from Financing Activities		(191 537)	37 784
NET INCREASE IN CASH AND CASH EQUIVALENTS		(1 382 541)	6 086 058
Cash and Cash Equivalents at the beginning of the year		4 869 654	(1 216 405)
Cash and Cash Equivalents at the end of the year	40	3 487 113	4 869 654
NET INCREASE IN CASH AND CASH EQUIVALENTS		(1 382 541)	6 086 058

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 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).

The standards are summarised as follows:

GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 101	Agricultural
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447)	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

The municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not yet effective.

Standard	Description	Effective Date
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

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

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

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

In terms of Directive 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 Assets 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. 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 and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not yet effective, however budget information required in terms of GRAP 1 paragraph 14 to 18 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Standard	Description	Effective Date
GRAP 6 (Revised)	Consolidated and Separate Financial Statements No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
GRAP 7 (Revised)	Investments in Associate No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
GRAP 8 (Revised)	Interest in Joint Ventures No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
GRAP 18	Segment Reporting Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 24	Presentation of Budget Information in Financial Statements Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 25	Employee Benefits Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 103	Heritage Assets No adjustments necessary as the municipality has no significant heritage assets.	1 April 2012
GRAP 104	Financial Instruments Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 105	Transfer of Functions Between Entities Under Common Control No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
GRAP 106	Transfer of Functions Between Entities Not Under Common Control No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
GRAP 107	Mergers No significant impact is expected as the municipality does not participate in such business transactions.	Unknown

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

1.7. RESERVES

1.7.1 Capital Replacement Reserve (CRR)

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

1.8. 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. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

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

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

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

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

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

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

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

(d) *Performance Bonuses*

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.

(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.

1.13. BORROWING COSTS

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

1.14. PROPERTY, PLANT AND EQUIPMENT

1.14.1 *Initial Recognition*

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired 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.

1.14.2 *Subsequent Measurement – Cost Model*

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

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

1.14.3 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 an impairment is recognised in the Statement of Financial Performance.

1.14.5 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 sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14.6 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.

1.15. INTANGIBLE ASSETS

1.15.1 *Initial Recognition*

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

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

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

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

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

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired 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.

1.15.2 *Subsequent Measurement – Cost Model*

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

1.15.3 *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:

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

1.15.4 De-recognition

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

1.15.5 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.

1.16. INVESTMENT PROPERTY

1.16.1 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.

1.16.2 Subsequent Measurement – Cost Model

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

1.16.3 De-recognition

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

1.16.4 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.

1.17. NON-CURRENT ASSETS HELD FOR SALE

1.17.1 Initial Recognition

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

1.17.2 Subsequent Measurement

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

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

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

1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.18.1 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 unit's (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.

1.18.2 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 any one of the following approaches:

- *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.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of

the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

1.19. 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.

1.20. INVENTORIES

1.20.1 Initial Recognition

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

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

1.20.2 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 in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

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

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

1.21 BIOLOGICAL ASSETS

1.21.1 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 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.

1.21.2 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.

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

1.22. 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).

1.22.1 Initial Recognition

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

1.22.2 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.

1.22.2.1 Receivables

Receivables are classified as loans and receivables, and 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.

1.22.2.2 Payables and Annuity Loans

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

1.22.2.3 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.

1.22.3 De-recognition of Financial Instruments

1.22.3.1 Financial Assets

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

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

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

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

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

1.22.3.2 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.

1.22.4 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.

1.23. REVENUE

1.23.1 Revenue from Non-Exchange Transactions

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

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

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

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

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

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

After a period of twelve months all unclaimed 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 recognise 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.

1.23.2 Revenue from Exchange Transactions

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

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

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

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.

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

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

1.24. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

(a) Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

(b) Key management personnel include:

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

1.25. 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.

1.26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. 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.

1.28. 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.

1.29. 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. 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.

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.

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.

Provisions and Contingent liabilities

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

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 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 on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

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 is 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.

1.30. 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.

1.31. AMENDED DISCLOSURE POLICY

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

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
2 NET ASSET RESERVES		
Capital Replacement Reserve	1 059 287	1 059 287
Total Net Asset Reserves	1 059 287	1 059 287

	2011 R	2010 R
3 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	749 917	884 786
Capitalised Lease Liability - At amortised cost	172 286	234 983
	922 203	1 119 770
Current Portion transferred to Current Liabilities	230 677	197 567
Annuity Loans - At amortised cost	153 043	134 869
Capitalised Lease Liability - At amortised cost	77 633	62 698
Total Long-term Liabilities - At amortised cost using the effective interest rate method	691 526	922 203

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	247 588	247 588
Payable within two to five years	742 455	990 043
Payable after five years	-	-
	990 043	1 237 631
Less: Future finance obligations	(240 126)	(352 845)
Present value of annuity obligations	749 917	884 786

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

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	93 914	87 690
Payable within two to five years	104 730	198 644
Payable after five years	-	-
	198 644	286 334
Less: Future finance obligations	(26 358)	(51 351)
Present value of lease obligations	172 286	234 983

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

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

4 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 4.1	3 423 779	3 342 644
Long Service Awards - Refer to Note 4.2	131 747	61 889
Total Non-current Employee Benefit Liabilities	3 555 526	3 404 533

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<u>Post Retirement Benefits</u>		
Balance 1 July	3 648 380	3 342 743
Contribution for the year	90 364	79 328
Interest Cost	318 435	295 028
Expenditure for the year	(345 702)	(262 583)
Actuarial Loss	39 966	193 864
Total post retirement benefits 30 June	3 751 443	3 648 380
Less: Transfer of Current Portion - Note 7	(327 664)	(305 736)
Balance 30 June	3 423 779	3 342 644
<u>Long Service Awards</u>		
Balance 1 July	66 978	67 850
Contribution for the year	4 142	7 981
Interest Cost	5 658	5 037
Expenditure for the year	-	-
Actuarial Loss/(Gain)	70 915	(13 890)
Total long service 30 June	147 693	66 978
Less: Transfer of Current Portion - Note 7	(15 946)	(5 089)
Balance 30 June	131 747	61 889
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	3 715 358	3 410 593
Contribution for the year	94 506	87 309
Interest cost	324 093	300 065
Expenditure for the year	(345 702)	(262 583)
Actuarial Loss/(Gain)	110 881	179 974
Total employee benefits 30 June	3 899 136	3 715 358
Less: Transfer of Current Portion - Note 7	(343 610)	(310 825)
Balance 30 June	3 555 526	3 404 533

4.1 Post Retirement Benefits

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

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

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

In-service members	1 478 936	1 438 305
Continuation members	2 272 507	2 210 075
Total Liability	3 751 443	3 648 380

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

	2009 R	2008 R
Total Liability	3 342 743	3 305 656

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

Bonitas;
LA Health
Samwumed; and
Keyhealth.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Key actuarial assumptions used:	2011	2010
	%	%
i) Rate of interest		
Discount rate	9.10%	9.10%
Health Care Cost Inflation Rate	7.17%	7.17%
Net Effective Discount Rate	1.80%	1.80%

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.

	2011	2010
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3 423 779	3 342 644
Net liability/(asset)	3 423 779	3 342 644

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	3 648 380	3 342 743
Total expenses	63 097	111 773
Current service cost	90 364	79 328
Interest Cost	318 435	295 028
Benefits Paid	(345 702)	(262 583)
Actuarial (gains)/losses	39 966	193 864
Present value of fund obligation at the end of the year	3 751 443	3 648 380
Less: Transfer of Current Portion - Note 7	(327 664)	(305 736)
Balance 30 June	3 423 779	3 342 644

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	1.479	2.273	3.751	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	1.669	2.333	4.002	10%
Health care inflation	-1%	1.247	2.100	3.347	-8%
Post-retirement mortality	-1 year	1.499	2.319	3.818	5%
Average retirement age	-1 year	1.568	2.210	3.778	4%
Withdrawal Rate	-50%	1.589	2.210	3.799	4%
				2011	2010

4.2 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.	99	39
---	----	----

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Key actuarial assumptions used:	2011	2010
	%	%
i) Rate of interest		
Discount rate	7.39%	10.99%
General Salary Inflation (long-term)	6.16%	9.29%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.15%	1.55%

	2011	2010
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	147 693	66 978
Net liability	147 693	66 978

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

	2009	2008
	R	R
Total Liability	67 850	67 459

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	66 978	67 850
Total expenses	9 800	13 018
Current service cost	4 142	7 981
Interest Cost	5 658	5 037
Benefits Paid	-	-
Actuarial (gains)/losses	70 915	(13 890)
Present value of fund obligation at the end of the year	147 693	66 978
Less: Transfer of Current Portion - Note 7	(15 946)	(5 089)
Balance 30 June	131 747	61 889

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R m)	% change
Central assumptions		0.148	
General salary inflation	1%	0.155	5%
General salary inflation	-1%	0.140	-5%
Average retirement age	-2 yrs	0.127	-14%
Average retirement age	2 yrs	0.171	16%
Withdrawal rates	-50%	0.171	16%

4.3 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 principles adopted from 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 defined as defined benefit plan, it will be accounted for as defined contribution plan.

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 100.3% (30 June 2009 - 103.3%).

Contributions paid recognised in the Statement of Financial Performance	168 872	102 919
---	---------	---------

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

	2011	2010
	R	R
Municipal Councillors Pension Fund	136 899	179 436
SALA Pension Fund	1 582 637	1 068 688
SAMWU National Provident Fund	38 041	37 105
	<u>1 757 577</u>	<u>1 285 229</u>

5 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	<u>525 750</u>	<u>1 382 245</u>
--	----------------	------------------

Landfill Sites

Balance 1 July	1 382 245	1 315 223
Balance previously reported		-
Correction of error - Refer to note 37.08		1 315 223
Unwinding of discounted interest	88 805	67 022
Balance previously reported		-
Correction of error - Refer to note 37.08		67 022
Total provision 30 June	<u>1 471 050</u>	<u>1 382 245</u>
Less: Transfer of Current Portion to Current Provisions - Refer to note 8	(945 300)	-
Balance 30 June	<u>525 750</u>	<u>1 382 245</u>

The municipality did not measure the rehabilitation costs of the refuse sites in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting period the municipality recognised the following non-current provisions:

1 382 245

The municipality has an obligation to rehabilitate the following landfill sites at the end of the expected useful life of the asset. Details of the sites are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation 2011</u> R
Loxton	2012	367 800
Victoria Wes	2012	577 500
Richmond	2016	525 750
		<u>1 471 050</u>

6 CONSUMER DEPOSITS

Electricity	107 280	106 891
Water	49 601	43 960
Total Consumer Deposits	<u>156 881</u>	<u>150 851</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>-</u>	<u>-</u>

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

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
7 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 4	327 664	305 736
Current Portion of Long-Service Provisions - Note 4	15 946	5 089
Staff Leave	1 150 634	610 474
Total Current Employee Benefits	1 494 244	921 299

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	610 474	653 958
Contribution to current portion	604 355	43 548
Expenditure incurred	(64 195)	(87 031)
Balance at end of year	1 150 634	610 474

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

8 PROVISIONS		
Current Portion of Rehabilitation of Landfill-sites - Refer to note 5	945 300	-
Total Provisions	945 300	-

9 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	2 804 327	3 327 784
Balance previously reported		3 339 398
Correction of error - Refer to note 37.03		(11 614)
Arrear Portion of Long Term Liabilities	648 837	572 745
Sundry Creditors	219 824	702 240
Balance previously reported		724 903
Correction of error - Refer to note 37.03		(22 663)
Payments received in advance	1 389 976	732 899
Retentions	455 736	838 711
Sundry Deposits	31 103	27 903
Traffic Fines Control	258 819	390 109
Balance previously reported		736 054
Correction of error - Refer to note 37.03		(345 946)
Total Trade Payables	5 808 622	6 592 390

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.

Sundry deposits include hall, builders and housing Deposits.

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants	4 572 767	2 855 484
National Government Grants	4 208 676	2 666 485
Provincial Government Grants	175 093	-
Other Grant Providers	188 999	188 999
Less: Unpaid Grants	5 020 825	5 376 362
National Government Grants	4 225 913	3 510 607
Provincial Government Grants	794 912	1 865 755
Total Conditional Grants and Receipts	(448 058)	(2 520 878)

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Reconciliation of total grants and receipts		
Balance previously reported		(4 424 756)
Correction of error - Refer to note 37.01		1 903 878
		<u>(2 520 878)</u>
<p>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.</p>		
11 TAXES		
11.1 VAT PAYABLE		
VAT Payable	19 377	1 689 894
Balance previously reported		1 340 344
Correction of error - Refer to note 37.04		349 550
VAT output in suspense	608 250	252 473
Total Vat payable	<u>627 628</u>	<u>1 942 367</u>
11.2 VAT RECEIVABLE		
VAT input in suspense	333 273	430 858
Balance previously reported		386 503
Correction of error - Refer to note 37.04		44 356
Total VAT receivable	<u>333 273</u>	<u>430 858</u>
11.3 NET VAT RECEIVABLE/(PAYABLE)	<u>(294 355)</u>	<u>(1 511 509)</u>
<p>VAT is receivable/payable on the cash basis.</p>		

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

12 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
13 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	19 484 971	19 489 809
Cost	19 499 500	19 499 500
Balance previously reported		19 984 100
Correction of error - Refer to note 37.13		(484 600)
Accumulated Depreciation	(14 529)	(9 691)
Balance previously reported		-
Correction of error - Refer to note 37.13		(9 691)
Depreciation for the year	(4 839)	(4 839)
Balance previously reported		-
Correction of error - Refer to note 37.13		(4 839)
Net Carrying amount at 30 June	19 480 132	19 484 971
Cost	19 499 500	19 499 500
Accumulated Depreciation	(19 368)	(14 529)

Since the previous reporting date the following Investment Property were measured in accordance with GRAP 16 and restated retrospectively:

Cost	(484 600)
Accumulated Depreciation	(14 529)
Total not previously recognised now restated retrospectively	(499 129)

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.

	2011	2010
	R	R
14 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	43 882	-
Cost	44 330	-
Accumulated Amortisation	(448)	-
Additions	-	44 330
Amortisation	(8 866)	(448)
Net Carrying amount at 30 June	35 016	43 882
Cost	44 330	44 330
Accumulated Amortisation	(9 314)	(448)

Description	Remaining Amortisation Period	Carrying Value	
		2011 R	2010 R
Microsoft Office and Windows software	4	35 016	43 882

No intangible asset were assed 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.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
15 CAPITALISED RESTORATION COST		
Net Carrying amount at 1 July	1 162	1 676
Balance previously reported		-
Correction of error - Refer to note 37.090		1 676
Depreciation	(333)	(383)
Balance previously reported		-
Correction of error - Refer to note 37.090		(383)
Impairment	(424)	(131)
Balance previously reported		-
Correction of error - Refer to note 37.090		(131)
Net Carrying amount at 30 June	404	1 162
Cost	24 286	24 286
Accumulated Depreciation	(23 327)	(22 994)
Accumulated Impairments	(555)	(131)

The municipality did not measure the rehabilitation costs of the refuse sites in the past in terms of Directive 4, issued by the Accounting Standards Board.

Since the previous reporting period the municipality recognised the all rehabilitation cost in line with GRAP 17. Also refer to note for the related provision raised for rehabilitation cost of the refuse sites in the municipal area.

Refuse tip-sites financed by way of a provision recognised previously not recognised - Refer to note

1 162

16 NON-CURRENT INVESTMENTS

Fixed Deposits	1 425 170	1 400 772
Total Non-Current Investments	1 425 170	1 400 772

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

Investments to the value of R 1 400 000 are pledged as security for the overdraft facility at FNB - Refer to note 23

Fixed deposits consist out of the following accounts

FNB - Acc.no.71 26761 8613 - Subsidie Kerkstraat Investment	80 951	76 225
FNB - Acc.no.71 08730 6258 - CRR Investment	1 344 219	1 324 547
	1 425 170	1 400 772

17 BIOLOGICAL ASSETS

	Quantity (Units)	Fair Value R	2011 R	2010 R
Springbuck	87	400	34 800	19 250
Ostrich	5	500	2 500	2 500
Blesbuck	21	600	12 600	11 500
Swart Wildebeest	16	1 000	16 000	18 000
Zebra	2	3 500	7 000	9 000
Rib buck	18	800	14 400	5 250
			87 300	65 500

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

Reconciliation of fair value:

Opening Fair Value	65 500	103 000
Acquisitions	-	-
Fair Value adjustments - Price changes	9 350	-
Fair Value adjustments - Physical changes	12 450	(3 200)
Fair Value adjustments - Disposals	-	(34 300)
Closing Fair Value	87 300	65 500

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the acquisition of biological assets.

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

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

		2011	2010
		R	R
18	LONG-TERM RECEIVABLES		
	Officials' Housing Loans - At amortised cost	59 759	61 509
	Consumers and Rates	421 195	239 808
	Councillors Allowances	62 658	68 058
		<hr/>	<hr/>
		543 612	369 375
	Less: Provision for Impairment	(539 204)	(363 767)
	Balance previously reported		(123 959)
	Correction of error - Refer to note 37.11		(239 808)
		<hr/>	<hr/>
	Total Long Term Receivables	4 408	5 608
		<hr/> <hr/>	<hr/> <hr/>

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, except those balances where payments are still being received on.

19 INVENTORY

Maintenance Materials - At cost	155 423	288 194
Water – at cost	13 254	13 254
Balance previously reported		-
Correction of error - Refer to note 37.10		13 254
	<hr/>	<hr/>
Total Inventory	168 677	301 448
	<hr/> <hr/>	<hr/> <hr/>

Since the previous reporting date the following inventories were measured in accordance with GRAP 12 and restated retrospectively:

Water		<hr/> <hr/>
		13 254

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
20 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	1 715 270	1 501 730
Water	6 340 944	4 690 480
Balance previously reported		4 689 047
Correction of error - Refer to note 37.05		1 433
Refuse	4 371 516	3 609 081
Balance previously reported		3 607 647
Correction of error - Refer to note 37.05		1 433
Sewerage	3 129 755	2 668 015
Balance previously reported		2 666 314
Correction of error - Refer to note 37.05		1 700
Other	536 022	445 887
Total Receivables from Exchange Transactions	16 093 506	12 915 192
Less: Allowance for Doubtful Debts	(14 853 890)	(11 857 986)
Balance previously reported		(8 635 096)
Correction of error - Refer to note 37.05		(3 222 890)
Total Net Receivables from Exchange Transactions	1 239 615	1 057 206

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 498 007 (2010 - R 0) have arranged to settle their account over an re-negotiated period. Total payments to the value of R 344 109 (2010 - R0) have been deferred beyond 12 months after year end and subsequently included as part of long term debtors.

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

Current (0 - 30 days)	573 522	373 390
31 - 60 Days	76 452	82 617
61 - 90 Days	43 224	52 494
+ 90 Days	1 022 072	993 229
Total	1 715 270	1 501 730

(Water): Ageing

Current (0 - 30 days)	360 331	329 454
31 - 60 Days	207 842	180 453
61 - 90 Days	223 605	150 581
+ 90 Days	5 549 166	4 029 992
Total	6 340 944	4 690 480

(Refuse): Ageing

Current (0 - 30 days)	166 098	141 851
31 - 60 Days	119 854	85 764
61 - 90 Days	111 550	81 374
+ 90 Days	3 974 013	3 300 091
Total	4 371 516	3 609 081

(Sewerage): Ageing

Current (0 - 30 days)	164 315	129 698
31 - 60 Days	104 515	84 974
61 - 90 Days	90 525	79 261
+ 90 Days	2 770 400	2 374 082
Total	3 129 755	2 668 015

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<u>(Other): Ageing</u>		
Current (0 - 30 days)	20 592	21 525
31 - 60 Days	8 455	8 282
61 - 90 Days	8 185	7 783
+ 90 Days	498 790	408 297
Total	536 022	445 887

<u>(Total): Ageing</u>		
Current (0 - 30 days)	1 284 859	995 918
31 - 60 Days	517 117	442 090
61 - 90 Days	477 089	371 493
+ 90 Days	13 814 441	11 105 691
Total	16 093 506	12 915 192

Reconciliation of Provision for Bad Debts

Balance at beginning of year	11 857 986	9 709 481
Contribution to provision	2 995 905	5 513 004
Bad Debts Written Off	-	(3 364 499)
Balance at end of year	14 853 890	11 857 986

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

21 **RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	2011 R	2010 R
Rates	6 604 885	6 692 885
Balance previously reported		6 872 155
Correction of error - Refer to note 37.06		(179 270)
Other Receivables	202 239	506 798
Fuel Deposits	51 000	51 000
Electricity Deposit Richmond	16 300	16 300
Payments in advance	-	384 805
Suspense Debtors	47 113	40 484
Balance previously reported		48 110
Correction of error - Refer to note 37.06		(7 627)
Accrued Interest	87 827	14 209
Total Receivables from Non-Exchange Transactions	6 807 124	7 199 683
Less: Allowance for Doubtful Debts	(5 786 661)	(6 036 059)
Balance previously reported		(3 574 237)
Correction of error - Refer to note 37.06		(2 461 822)
Total Net Receivables from Non-Exchange Transactions	1 020 462	1 163 624

Debtors with a total outstanding balance of R 119 626 (2010 - R 469 996) have arranged to settle their account over an re-negotiated period. Total payments to the value of R 77 086 (2010 - R 239 808) have been deferred beyond 12 months after year end and subsequently included as part of long term debtors.

Refer to note 18 for balances deferred beyond 12 months from year end.

Ageing of Receivables from Non-Exchange Transactions:

<u>(Rates): Ageing</u>		
Current (0 - 30 days)	199 886	157 973
31 - 60 Days	153 976	118 017
61 - 90 Days	135 309	113 062
+ 90 Days	6 115 714	6 303 834
Total	6 604 885	6 692 885

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	6 036 059	3 791 615
Contribution to provision/(Reversal of provision)	(249 398)	3 653 167
Bad Debts Written Off	-	(1 408 723)
Balance at end of year	5 786 661	6 036 059

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.

22 OPERATING LEASE ARRANGEMENTS

22.1 The Municipality as Lessee (Liability)

Balance on 1 July	323	270
Movement during the year	821	54
Balance previously reported		(270)
Correction of error - Refer to note 37.12		323
Balance on 30 June	1 145	323

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	6 208	5 748
1 to 5 Years	19 023	25 231
More than 5 Years	-	-
Total Operating Lease Arrangements	25 231	30 979

22.2 The Municipality as Lessor (Asset)

Balance on 1 July	100 935	113 516
Movement during the year	2 369	(12 581)
Balance on 30 June	103 304	100 935

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	146 602	235 236
1 to 5 Years	570 003	568 333
More than 5 Years	81 007	187 557
Total Operating Lease Arrangements	797 612	991 127

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

The leases are in respect of land and buildings being leased out for previous ranging until 2021.

23 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	4 485 611	4 219 398
Bank Accounts	580 114	673 184
Cash Floats	2 750	2 750
Total Cash and Cash Equivalents - Assets	5 068 475	4 895 333

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<u>Liabilities</u>		
Primary Bank Account	1 581 362	25 679
Balance previously reported		28 629
Correction of error - Refer to note 37.14		(2 950)
Total Cash and Cash Equivalents - Liabilities	1 581 362	25 679

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

Bank overdraft facility of R1 400 000 exists at FNB.

The municipality has the following bank accounts:

Current Accounts

Victoria West FNB - Account Number 54 06233 8032 (Primary Bank Account):	(1 581 362)	(25 679)
Richmond Standard Bank - Account Number 18 738 917 9 (Secondary Bank Account)	91 777	18 840
Richmond Standard Bank - Account Number 08 319 266 2 (Traffic Account)	488 337	654 345
	(1 001 249)	647 505

Traffic account is cleared daily to Primary Bank Account.

Victoria West FNB - Account Number 54 06233 8032 (Primary Bank Account):

Cash book balance at beginning of year	(25 679)	(1 450 127)
Cash book balance at end of year	(1 581 362)	(25 679)

Bank statement balance at beginning of year	460 201	(593 316)
Bank statement balance at end of year	(796 641)	460 201

Richmond Standard Bank - Account Number 18 738 917 9 (Secondary Bank Account)

Cash book balance at beginning of year	18 840	37 660
Cash book balance at end of year	91 777	18 840

Bank statement balance at beginning of year	18 840	210 994
Bank statement balance at end of year	70 763	18 840

Richmond Standard Bank - Account Number 08 319 266 2 (Traffic Account)

Cash book balance at beginning of year	654 345	-
Cash book balance at end of year	488 337	654 345

Bank statement balance at beginning of year	665 495	-
Bank statement balance at end of year	489 437	665 495

Call Investment Deposits

Call investment deposits consist out of the following accounts:

FNB - Acc.no.62 04611 0920 - Projek Biblioteek Investment	173 620	5 417
FNB - Acc.no.62 05001 7021 - Equitable Share Investment	22 799	5 019
FNB - Acc.no.62 05698 7088 - Projek Nasionale Tesourie Investment	73 141	45 241
FNB - Acc.no.62 08647 7760 - Own Funds Investment	1 748	2 612
FNB - Acc.no.62 08984 3744 - Project Consolidate MSIG Investment	108 819	433
FNB - Acc.no.62 14251 4894 - High Mast Lighting Investment	10 805	10 670
FNB - Acc.no.62 17405 7680 - Drought Relief Funds Investment	53 576	52 753
FNB - Acc.no.62 18164 4462 - Road Project Loxton Investment	106 771	1 652
FNB - Acc.no.62 18831 8333 - Skills Development Fund	105 311	92 915
FNB - Acc.no.62 20922 9831 - MIG Fund	2 651 887	411 419
FNB - Acc.no.62 24204 3892 - DME Project	205 760	1 056 984
FNB - Acc.no.62 24730 1071 - Rubbish Bins	1 588	1 572
FNB - Acc.no.62 24730 1708 - Playground	3 074	3 044
FNB - Acc.no.62 24730 1964 - Tourism Plan	66 007	64 993
FNB - Acc.no.62 25094 0387 - Insurance Claims	56 993	130 242
FNB - Acc.no.62 25254 5763 - Own Funds	6 546	1 389
FNB - Acc.no.62 25880 8595 - Reservoir Project (Victoria West)	80 399	74 254
FNB - Acc.no.62 25880 9064 - Reservoir Project (Richmond)	97 021	1 461 750
FNB - Acc.no.62 26770 3819 - Oxidation Ponds	479 898	546 349
FNB - Acc.no.62 27128 8188 - Fire Fighting Equipment	23 769	189 350
FNB - Acc.no.74 12728 4318 - Leave Reserve Fund Investment	63 585	61 339
FNB - Acc.no.62 28437 5386 - De Ville Street Project	92 495	-
	4 485 611	4 219 398

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
24 PROPERTY RATES		
<u>Actual</u>		
Rateable Land and Buildings	2 962 828	5 060 888
Residential, Commercial Property, State	2 962 828	5 060 888
Less: Rebates	(318 658)	(918 503)
Total Assessment Rates	2 644 170	4 142 385
	2011 R	2010 R
<u>Valuations - 1 JULY 2009</u>		
Rateable Land and Buildings		
Residential and Vacant Land	170 935 300	171 733 000
Business & Commercial	62 266 700	72 505 100
Government	47 843 200	44 372 100
Exempt Properties	22 387 000	7 594 700
Multiple Use Properties	3 883 300	3 236 000
Agricultural	2 348 276 500	2 334 482 500
Total Assessment Rates	2 655 592 000	2 633 923 400

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

Rates:

Residential	1.167c/R	1.1101c/R
Commercial	1.167c/R	1.1101c/R
Agricultural	0.036c/R	0.2775c/R

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

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

25 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants	13 985 560	11 196 337
Equitable Share	13 985 560	11 196 337
Conditional Grants	8 000 569	16 040 048
Grants and donations	8 000 569	15 981 048
Subsidies	-	59 000
Total Government Grants and Subsidies	21 986 129	27 236 385
Government Grants and Subsidies - Capital	5 458 989	13 984 751
Government Grants and Subsidies - Operating	16 527 141	13 251 634
	21 986 129	27 236 385

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

25.1 Equitable share

Opening balance	-	-
Grants received	13 985 560	11 196 337
Conditions met - Operating	(13 985 560)	(11 196 337)
Conditions met - Capital	-	-
Conditions still to be met	-	-

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.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
25.2 Health Subsidy		
Opening balance	-	-
Grants received	-	59 000
Conditions met - Operating	-	(59 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-
	<u> </u>	<u> </u>
Health subsidies was used fund primary health care services in the municipal area.		
25.3 Local Government Financial Management Grant (FMG)		
Opening balance	-	-
Grants received	1 200 000	750 000
Conditions met - Operating	(1 222 396)	(620 562)
Conditions met - Capital	(14 000)	(129 438)
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).		
25.4 Municipal Systems Improvement Grant		
Opening balance	-	-
Grants received	750 000	850 000
Conditions met - Operating	(394 291)	(850 000)
Conditions met - Capital	(41 597)	-
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.		
25.5 Municipal Infrastructure Grant (MIG)		
Opening balance	(1 496 757)	(1 909 311)
Grants received	4 889 000	12 441 975
Conditions met - Operating	(243 131)	-
Conditions met - Capital	(2 912 711)	(12 029 421)
Grant expenditure to be recovered	-	-
	<u> </u>	<u> </u>
The grant was used to upgrade infrastructure in previously disadvantaged areas.		
25.6 Housing Grants		
Opening balance	(1 865 755)	(4 330 643)
Grants received	1 565 755	360 783
Conditions met - Operating	(188 846)	(61 667)
Conditions met - Capital	-	-
Write off - Irrecoverable grant expenditure	-	2 165 772
Grant expenditure to be recovered	-	-
	<u> </u>	<u> </u>
Housing grants was utilised for the development of erven and the erection of top structures.		
25.7 Integrated National Electrification Grant		
Opening balance	460 868	-
Grants received	-	2 286 760
Conditions met - Operating	-	-
Conditions met - Capital	(1 183 991)	(1 825 892)
Conditions still to be met	-	-
	<u> </u>	<u> </u>
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
25.8 Other Grants		
Opening balance	380 766	418 922
Grants received	1 445 263	425 912
Conditions met - Operating	(269 547)	(464 068)
Conditions met - Capital	(1 306 690)	-
Conditions still to be met	249 792	380 766
<p>Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant and the De Ville Street Road Project)</p>		
25.9 Total Grants		
Opening balance	(2 520 878)	(5 821 031)
Grants received	23 835 578	28 370 767
Conditions met - Operating	(16 303 770)	(13 251 634)
Conditions met - Capital	(5 458 989)	(13 984 751)
Write off - Irrecoverable grant expenditure	-	2 165 772
Conditions still to be met/(Grant expenditure to be recovered)	(448 058)	(2 520 878)
<p><u>Disclosed as follows:</u></p>		
Unspent Conditional Government Grants and Receipts	4 572 767	2 855 484
Unpaid Conditional Government Grants and Receipts	(5 020 825)	(5 376 362)
	(448 058)	(2 520 878)
26 SERVICE CHARGES		
Electricity	7 200 473	5 837 884
Water	3 816 221	3 231 884
Refuse removal	2 438 305	2 234 835
Sewerage and Sanitation Charges	2 379 556	1 596 030
	15 834 555	12 900 634
Less: Rebates	(3 547 815)	(2 658 653)
Total Service Charges	12 286 740	10 241 980
<p>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.</p>		
27 OTHER INCOME		
Sundry income	123 998	422 501
Donated Assets	120 000	683 260
Sale of Game	-	34 427
Total Other Income	243 998	1 140 188
<p>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)</p>		
28 FAIR VALUE ADJUSTMENTS		
Biological Assets	(21 800)	37 500
	(21 800)	37 500

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
29 EMPLOYEE RELATED COSTS		
Bargaining Council Levy	6 645	5 336
Bonus	644 100	505 658
Contributions for UIF, pensions and medical aids	2 007 336	1 771 183
Group Life Insurance	5 840	8 922
Housing Subsidy	46 558	47 964
Leave Reserve Fund	604 355	43 548
Long service awards	4 142	7 981
Overtime	1 102 795	624 857
Post Employment Health	90 364	79 328
Salaries and Wages	11 888 813	9 384 206
Travel, motor car, telephone, assistance and other allowances	711 105	732 056
Total Employee Related Costs	17 112 053	13 211 038
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		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	519 805	520 312
Performance Bonuses	103 550	-
Car Allowance	142 597	129 960
Telephone allowance	4 620	4 620
Contributions to UIF, Medical, Pension Funds and Bargaining Council	139 657	140 571
Total	910 228	795 463
<i>Remuneration of the Director Infrastructure and Technical Services 1</i>		
Annual Remuneration	415 227	351 589
Performance Bonuses	74 586	-
Housing Subsidy	12 346	12 346
Travelling Allowance	98 000	120 000
Telephone allowance	4 098	4 092
Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	3 085
Total	604 257	491 112
<i>Remuneration of the Director Infrastructure and Technical Services 2</i>		
Annual Remuneration	92 001	-
Travelling Allowance	31 500	-
Telephone allowance	1 500	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	19 118	-
Total	144 119	-
<i>Remuneration of the Director Corporate Services</i>		
Annual Remuneration	331 179	290 074
Performance Bonuses	70 365	-
Travelling Allowance	78 000	108 000
Telephone allowance	4 093	4 092
Contributions to UIF, Medical, Pension Funds and Bargaining Council	68 942	61 151
Total	552 579	463 317
<i>Remuneration of the Director Financial Services 1</i>		
Annual Remuneration	-	367 115
Car Allowance	-	81 672
Telephone allowance	-	3 780
Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	38 545
Total	-	491 112
<i>Remuneration of the Director Financial Services 2</i>		
Annual Remuneration	293 453	-
Car Allowance	27 000	-
Telephone allowance	3 000	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	15 700	-
Total	339 154	-

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
30 REMUNERATION OF COUNCILLORS		
Mayor	543 581	536 302
Councillors	1 208 891	1 157 085
Total Councillors' Remuneration	1 752 472	1 693 388
<i>In-kind Benefits</i>		
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 18	175 437	300 117
Trade Receivables from exchange transactions - Note 20	2 995 905	5 513 004
Trade Receivables from non-exchange transactions - Note 21	(249 398)	3 653 167
Unpaid Conditional Government Grants and Receipts - Note 10	-	2 165 772
Total Contribution to Debt Impairment	2 921 943	11 632 059
32 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	4 297 190	4 119 565
Investment Property	4 839	4 839
Intangible Assets	8 866	448
Landfill sites	333	383
	4 311 228	4 125 236
33 IMPAIRMENTS		
Landfill Sites	424	131
	424	131
34 FINANCE CHARGES		
Long-term Liabilities	212 780	216 546
DBSA normal	112 719	128 925
DBSA arrears	100 062	87 622
Finance leases	24 993	29 997
Creditors	103 699	264 981
Bank Overdraft	43 511	64 079
Post Employment Health	318 435	295 028
Long service awards	5 658	5 037
Landfill Sites	88 805	67 022
Total finance charges	797 880	942 691
35 BULK PURCHASES		
Electricity	7 113 343	5 554 012
Water	425 971	430 178
Total Bulk Purchases	7 539 314	5 984 190

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
36 GENERAL EXPENSES		
Audit Fees	1 069 743	1 230 012
Bank Charges	425 240	297 487
Professional Fees	1 052 632	500 680
Membership Fees	229 404	120 331
Fuel Cost	997 743	784 342
Legal Cost	34 025	19 589
Insurance	291 805	288 841
Project Expenditure - Own Funds	-	352 168
Printing and stationery	207 437	162 436
Safety clothes	155 170	106 253
Tyres	9 435	162 544
Skills development levy	357 368	102 459
Telephone	226 750	199 376
Training	25 561	102 634
Travel and subsistence	825 018	901 412
Other	1 168 819	572 636
General Expenses	<u>7 076 151</u>	<u>5 903 200</u>
37 CORRECTION OF ERROR IN TERMS OF GRAP 3		2010 R
37.01 Unspent Government Grants and Subsidies		
Balance previously reported		(4 424 756)
Write off of irrecoverable over expenditure on housing grants - Refer to note 38		2 165 772
DME grant expenditure incorrectly not recognised - Refer to note 38		(234 048)
Incorrect allocation between road project and water project		(27 846)
Effect on water project		116 585
Effect on road project		(116 585)
Recognition of revenue resulting from the incorrect allocation above - Refer to note 38		(27 846)
		<u>(2 520 878)</u>

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

37.02 Property plant and equipment	2010 R
Balance previously reported	95 337 532
Allocation errors between classes of property plant and equipment	-
Effect on Infrastructure - Electricity	2 031 407
Effect on Infrastructure - Sewerage and Sanitation	270 009
Effect on Infrastructure - Water	(1 177 041)
Effect on Infrastructure - Roads and Stormwater	(1 174 172)
Effect on Furniture and fittings	18 928
Effect on Electrical Equipment	22 220
Effect on Mechanical Equipment	8 649
Reallocation of maintenance work on oxidation ponds incorrectly capitalised - Refer to note 38	(25 650)
Infrastructure assets previously not recognised on 1 July 2007 - Refer to note 37.14	10 774 340
Effect on Infrastructure - Electricity	869 804
Effect on Infrastructure - Sewerage and Sanitation	5 818 909
Effect on Infrastructure - Water	4 085 627
Removal of infrastructure assets incorrectly included in asset register on 1 July 2009 - Refer to note 37.14	(449 573)
Effect on Infrastructure - Electricity	(122 340)
Effect on Infrastructure - Water	(327 233)
Write off duplicated assets on 1 July 2007 - Refer to note 37.14	(3 512)
Effect on Furniture and fittings	(384)
Effect on Computer Equipment	(3 128)
Measurement of loose assets in line with deemed cost on 30 June 2007 - Refer to note 37.14	2 753 936
Effect on Computer Equipment	(56 162)
Effect on Electrical Equipment	(2 269)
Effect on Furniture and fittings	170 128
Effect on Mechanical Equipment	4 177
Effect on Office Equipment	(120 709)
Effect on Vehicles	2 758 771
Measurement of assets transferred from Department of Sports, Arts and Culture on 30 June 2010 - Refer to note 38	683 260
Effect on Furniture and fittings	105 044
Effect on Computer Equipment	404 313
Effect on Office Equipment	173 903
Land incorrectly classified as infrastructure	-
Effect on Land	402 000
Effect on Roads and Stormwater	(152 000)
Effect on Electricity	(250 000)
Restatement of accumulated depreciation on 30 June 2009 (review of useful lives) - Refer to note 37.14	588 319
Effect on Computer Equipment	59 171
Effect on Electrical Equipment	23 574
Effect on Furniture and fittings	(7 497)
Effect on Lease Assets - Office Equipment	19 607
Effect on Mechanical Equipment	(4 068)
Effect on Office Equipment	48 444
Effect on Vehicles	200 226
Effect on Cemeteries	2 559
Effect on Infrastructure - Electricity	(22 529)
Effect on Infrastructure - Sewerage and Sanitation	639 203
Effect on Infrastructure - Water	978 152
Effect on Infrastructure - Roads and Stormwater	(1 348 523)
Restatement of depreciation for 2009/2010 (review of useful lives) - Refer to note 38	404 922
Effect on Computer Equipment	33 409
Effect on Electrical Equipment	15 162
Effect on Furniture and fittings	(5 111)
Effect on Lease Assets - Office Equipment	24 660
Effect on Mechanical Equipment	(10 164)
Effect on Office Equipment	22 676
Effect on Vehicles	299 545
Effect on Cemeteries	1 315
Effect on Infrastructure - Electricity	27 069
Effect on Infrastructure - Sewerage and Sanitation	345 008
Effect on Infrastructure - Water	332 388
Effect on Infrastructure - Roads and Stormwater	(681 036)
	110 063 574

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**2010
R**

37.03 Payables from exchange transactions

Balance previously reported	6 972 613
Payables incorrectly provided for on 30 June 2010 (Truden)	(11 614)
Effect on General expenditure - Refer to note 38	(10 188)
Effect on Taxes - Refer to note	(1 426)
Incorrect allocation of May 2010 payment made to ANC - Refer to note 37.06	(1 490)
Correction of SDL payments incorrectly allocated to the salary suspense account - Refer to note 38	37 680
Reallocation of donation received from Pixley Ka Seme - Refer to note 38	(189 111)
Correction of payroll suspense balance on 1 July 2009 - Refer to note 37.14	(4 005)
Recognition of the municipality's share of traffic fines included in the traffic control account - Refer to note 38	(345 946)
Reversal of cheques not presented for payment - Refer to note 37.07	2 950
Recognition of interest and penalties levied by SARS on UIF, SDL and PAYE	190 793
Effect on periods commencing prior to 30 June 2009 - Refer to note 37.14	161 966
Effect on 2009/2010 - Refer to note 38	28 827
Correction of salary advances incorrectly not allocated to the payroll suspense account - Refer to note 38	(60 738)
Medical costs recovered incorrectly allocated to continuation members control account for medical - Refer to note 38	(877)
Correction of continuation medical control account on 1 July 2009 - Refer to note 37.14	2 136
	6 592 390

37.04 Taxes

Balance previously reported	(1 206 315)
Payables incorrectly provided for on 30 June 2010 (Truden) - Refer to note 37.03	(1 426)
Reallocation of Max Prof VAT claim to accumulated surplus (transactions relates to periods commencing prior to 30 June 2009 - Refer to note 37.14	13 665
Max prof claim disallowed by SARS	-
Effect on Input Vat in suspense	(32 117)
Effect on Vat payable to SARS	32 117
Interest incorrectly not recognised on VAT returns	(317 433)
Interest charges during 2009/2010 - Refer to note 38	(227 052)
Interest charges during 2008/2009 - Refer to note 37.14	(90 381)
	(1 511 509)

37.05 Receivables from exchange transactions

Balance previously reported	4 275 529
Debtor incorrectly written down as IOT debtors - Refer to note 38	4 567
Effect on Water	1 433
Effect on Refuse	1 433
Effect on Sewerage	1 700
Correction of provision for bad debts - Refer to note 38	(3 222 890)
	1 057 206

37.06 Receivables from non-exchange transactions

Balance previously reported	3 812 342
Incorrect allocation of May 2010 payment made to ANC - Refer to note 37.03	(1 490)
Recognition of cash shortage on cash suspense for 2009/2010 - Refer to note 38	(6 136)
Correction of rates incorrectly levied during 2009/2010 - Refer to note 38	(1 874)
Reversal of interest charges on taxes (agriculture) where payments were received before 30 November 2010 - Refer to note 38	(177 396)
Correction of provision for bad debts - Refer to note 38	(2 461 822)
	1 163 624

37.07 Cash and Cash Equivalents

Balance previously reported	4 866 704
Reversal of cheques not presented for payment	2 950
Effect on payables from exchange transaction - Refer to note 37.03	2 950
	4 869 654

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2010 R
37.08 Non-current Provisions	
Balance previously reported	-
First time recognition of restoration cost provision on 1 July 2009	1 315 223
First time recognition of Capitalised Restoration Cost - At Cost- Refer to note 37.09	24 286
Recognition of Interest Cost on Landfill Site Provisions up to 1 July 2009 - Refer to note 37.14	1 290 937
Unwinding of interest during 2009/2010 - Refer to note 38	67 022
	1 382 245
37.09 Capitalised Restoration Cost	
Balance previously reported	-
First time recognition of restoration cost provision on 1 July 2009	1 676
First time recognition of Capitalised Restoration Cost - At Cost- Refer to note 37.08	24 286
First time recognition of restoration cost provision on 1 July 2009 (Accumulated Depreciation) - Refer to note 37.14	(22 610)
Recognition of impairments on landfill sites during 2009/2010 - Refer to note 38	(131)
Recognition of depreciation on landfill sites during 2009/2010 - Refer to note 38	(383)
	1 162
37.10 Inventory	
Balance previously reported	288 194
First time measurement of water stock - Refer to note 37.14	11 480
Recognition of movement on water stock during 2009/2010 - Refer to note 38	1 774
	301 448
37.11 Long-term receivables	
Balance previously reported	245 416
Re-negotiated debtors incorrectly not impaired in the prior year - Refer to note 38	(239 808)
	5 608
37.12 Operating lease arrangements (Liability)	
Balance previously reported	-
Pixley Ka Seme Rental agreement commencing on 1 March 2010 incorrectly not included in smoothed liability - Refer to note 38	323
	323
37.13 Investment Property	
Balance previously reported	19 984 100
Correction of Investment Property balance on 1 July 2007 - Refer to note 37.14	(484 600)
Recognition of depreciation on investment property up to 30 June 2009 - Refer to note 37.14	(9 691)
Recognition of depreciation on investment property for 2009/2010 - Refer to note 38	(4 839)
	19 484 971
37.14 Accumulated Surplus	
Reallocation of Max Prof VAT claim to accumulated surplus (transactions relates to periods commencing prior to 30 June 2009 - Refer to note 37.04	13 665
Correction of payroll suspense balance on 1 July 2009 - Refer to note 38.7	4 005
First time recognition of restoration cost provision on 1 July 2009 (Accumulated Depreciation) - Refer to note 37.09	(22 610)
Recognition of Interest Cost on Landfill Site Provisions up to 1 July 2009 - Refer to note 37.08	(1 290 937)
Interest incorrectly not recognised on VAT returns - Refer to note 37.04	(90 381)
First time measurement of water stock - Refer to note 37.10	11 480
Recognition of interest and penalties levied by SARS on UIF, SDL and PAYE - Refer to note 37.03	(161 966)
Correction of continuation medical control account on 1 July 2009 - Refer to note 37.03	(2 136)
Write off duplicated assets on 1 July 2009 - Refer to note 37.02	(3 512)
Infrastructure assets previously not recognised on 1 July 2007 - Refer to note 37.02	10 774 340
Removal of infrastructure assets incorrectly included in asset register on 1 July 2009 - Refer to note 37.02	(449 573)
Measurement of loose assets in line with deemed cost on 30 June 2007 - Refer to note 37.02	2 753 936
Restatement of accumulated depreciation on 30 June 2009 (review of useful lives) - Refer to note 37.02	588 319
Correction of Investment Property balance on 1 July 2007 - Refer to note 37.13	(484 600)
Recognition of depreciation on investment property up to 30 June 2009 - Refer to note 37.13	(9 691)
	11 630 339

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2010
R

38

STATEMENT OF FINANCIAL PERFORMANCE

Balance previously reported

11 118 602

Write off of irrecoverable over expenditure on housing grants - Refer to note 37.01

(2 165 772)

Professional Fees incorrectly included as part of contracted services

-

Effect on contracted services

500 680

Effect on general expenses

(500 680)

Medical contributions on behalf of continuation members not transferred to liability

-

Effect on actuarial gains

(68 719)

Effect on actuarial losses

(193 864)

Effect on employee related costs

262 583

Internal audit fees incorrectly included in employee related costs

-

Effect on employee related costs

105 000

Effect on operating grant expenditure

(105 000)

Payables incorrectly provided for on 30 J+C1846une 2010 (Truden) - Refer to note 37.03

10 188

Correction of SDL payments incorrectly allocated to the salary suspense account - Refer to note 37.03

(37 680)

Reallocation of donation received from Pixley Ka Seme - Refer to note 37.03

189 111

Recognition of the municipality's share of traffic fines included in the traffic control account - Refer to note 37.03

345 946

Recognition of cash shortage on cash suspense for 2009/2010 - Refer to note 37.06

(6 136)

Restatement of traffic fine income and expenses (Municipality acts as principle)

-

Effect on traffic fines income

10 082 630

Effect on general expenses

(213 201)

Effect on contracted services

(9 869 429)

Correction of rates incorrectly levied during 2009/2010 - Refer to note 37.06

(1 874)

Reversal of interest charges on taxes (agriculture) where payments were received before 30 November 2010 - Refer to note 37.06

(177 396)

Debtor incorrectly written down as IOT debtors - Refer to note 37.05

4 567

Unwinding of interest during 2009/2010 - Refer to note 37.08

(67 022)

Recognition of impairments on landfill sites during 2009/2010 - Refer to note 37.09

(131)

Recognition of depreciation on landfill sites during 2009/2010 - Refer to note 37.09

(383)

Interest incorrectly not recognised on VAT returns - Refer to note 37.04

(227 052)

Interest on bank overdraft incorrectly disclosed as part of bank charges

-

Effect on finance charges

(64 079)

Effect on general expenses

64 079

Correction of provision for bad debts

(5 924 520)

Effect on receivables from non-exchange - Refer to note 37.06

(2 461 822)

Effect on long-term debtors - Refer to note 37.11

(239 808)

Effect on receivables from exchange - Refer to note 37.05

(3 222 890)

Internal charges incorrectly not netted of against the internal revenue

-

Effect on general expenses

1 177 167

Effect on electricity revenue

(243 180)

Effect on water revenue

(833 456)

Effect on sewerage and sanitation revenue

(54 580)

Effect on refuse revenue

(45 951)

Indigent subsidies disclosed as revenue forgone

-

Effect on service charges

(2 658 653)

Effect on grants and subsidies paid

2 658 653

Recognition of movement on water stock during 2009/2011 - Refer to note 37.10

1 774

Interest and penalties previously not recognised on SARS (PAYE, UIF and SDL) - Refer to note 37.03

(28 827)

Effect on finance charges

(18 787)

Effect on general expenditure (penalties)

(10 040)

DME grant expenditure incorrectly not recognised - Refer to note 37.01

234 048

Recognition of grant income previously where expenditure was previously recognised from own funding - Refer to note 37.01

27 846

Reallocation of maintenance work on oxidation ponds incorrectly capitalised - Refer to note 37.02

(25 650)

Correction of salary advances incorrectly not allocated to the payroll suspense account - Refer to note 37.03

60 738

Medical costs recovered incorrectly allocated to continuation members control account for medical - Refer to note 37.03

877

Pixley Ka Seme Rental agreement commencing on 1 March 2010 incorrectly not included in smoothed liability - Refer to note 37.12

(323)

Measurement of assets transferred from Department of Sports, Arts and Culture on 30 June 2010 - Refer to note 37.02

683 260

Restatement of depreciation for 2009/2010 (review of useful lives) - Refer to note 37.02

404 922

Recognition of depreciation on investment property for 2009/2010 - Refer to note 37.13

(4 839)

Total

4 414 274

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
39 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	(412 416)	4 414 274
Adjustments for:		
Depreciation	4 302 362	4 124 787
Amortisation of Intangible Assets	8 866	448
Gain on disposal of property, plant and equipment	(24 900)	(2 559)
Debt Impairment - Receivables	2 746 506	9 166 171
Debt Impairment - Grants	-	2 165 772
Debt Impairment - Long term receivables	175 437	300 117
Contribution to staff leave	540 160	(43 484)
Contribution to employee benefits	72 897	124 791
Actuarial Gains	110 881	179 974
Contribution to provision - Landfill Site	88 805	67 022
Fair Value Adjustments	(21 800)	37 500
Impairment written off	424	131
Grants Received	24 058 949	28 370 767
Grant Expenditure	(21 986 129)	(27 236 385)
Operating lease income accrued	(2 369)	12 581
Operating lease expenses accrued	821	54
Operating Surplus/(Deficit) before changes in working capital	9 658 495	21 681 961
Changes in working capital	(4 653 905)	(475 552)
Increase/(Decrease) in Payables from exchange transactions	(783 768)	4 852 123
Decrease in Taxes	(1 217 154)	(603 383)
Decrease in Inventory	132 772	53 732
Increase in Receivables from exchange and non-exchange	(2 785 754)	(4 778 025)
Cash generated by operations	5 004 590	21 206 409
40 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 23	4 485 611	4 219 398
Cash Floats - Note 23	2 750	2 750
Bank - Note 23	580 114	673 184
Bank overdraft - Note 23	(1 581 362)	(25 679)
Total cash and cash equivalents	3 487 113	4 869 654
41 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 40	3 487 113	4 869 654
Investments - Note 16	1 425 170	1 400 772
Less:	4 912 282	6 270 425
	5 200 395	4 797 851
Unspent Committed Conditional Grants - Note 10	4 572 767	2 855 484
VAT - Note 11	627 628	1 942 367
Resources available for working capital requirements	(288 112)	1 472 575
42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 3	922 203	1 119 770
Used to finance property, plant and equipment - at cost	(922 203)	(1 119 770)
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.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

43

BUDGET COMPARISONS

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
43.1 Operational				
Revenue by source				
Property Rates	2 644 170	3 570 000	(925 830)	(26%)
Government Grants and Subsidies - Capital	5 458 989	-	5 458 989	100%
Government Grants and Subsidies - Operating	16 527 141	16 625 000	(97 859)	(1%)
Public Contributions and Donations	378 880	308 880	70 000	23%
Third Party Payments	28 183	-	28 183	100%
Fines	19 582 134	11 688 520	7 893 614	68%
Service Charges	12 286 740	10 179 560	2 107 180	21%
Rental of Facilities and Equipment	408 568	541 520	(132 952)	(25%)
Interest Earned - external investments	350 595	290 000	60 595	21%
Interest Earned - outstanding debtors	1 603 694	1 800 000	(196 306)	(11%)
Licences and Permits	474 987	442 500	32 487	7%
Agency Services	14 609	20 000	(5 391)	(27%)
Other Income	243 998	328 820	(84 822)	(26%)
Fair Value Adjustments	21 800	-	21 800	100%
Gain on disposal of Property, Plant and Equipment	24 900	56 100	(31 200)	(56%)
	<u>60 049 386</u>	<u>45 850 900</u>	<u>14 198 486</u>	<u>31%</u>
Expenditure by nature				
Employee Related Costs	17 112 053	19 220 645	2 108 592	(11%)
Remuneration of Councillors	1 752 472	1 780 000	27 528	(2%)
Debt Impairment	2 921 943	560 000	(2 361 943)	422%
Depreciation and Amortisation	4 311 228	221 400	(4 089 828)	1847%
Impairments	424	-	(424)	(100%)
Repairs and Maintenance	2 154 289	3 719 250	1 564 961	(42%)
Actuarial Losses	110 881	-	(110 881)	(100%)
Stock Adjustments	132 772	-	(132 772)	(100%)
Finance Charges	797 880	250 000	(547 880)	219%
Bulk Purchases	7 539 314	8 456 100	916 786	(11%)
Contracted services	11 988 218	5 000	(11 983 218)	239664%
Operating Grant Expenditure	4 564 176	2 277 000	(2 287 176)	100%
General Expenses	7 076 151	7 440 470	364 319	(5%)
Loss on disposal of Property, Plant and Equipment	-	10 000	10 000	(100%)
	<u>60 461 802</u>	<u>43 939 865</u>	<u>(16 521 937)</u>	<u>38%</u>
Net Surplus for the year	<u>(412 416)</u>	<u>1 911 035</u>	<u>(2 323 451)</u>	<u>(122%)</u>
	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
43.2 Expenditure by Vote				
Executive & Council	4 196 769	5 045 650	(848 881)	(17%)
Budget & Treasury	8 697 573	8 526 835	170 738	2%
Planning & Development	9 478 541	6 504 160	2 974 381	46%
Health	149 302	307 370	(158 068)	(51%)
Community & Social Services	18 457 910	6 734 375	11 723 535	174%
Public Safety	163 235	190 300	(27 065)	(14%)
Sport & Recreation	57 986	172 100	(114 114)	(66%)
Waste Management	5 345 049	4 390 925	954 124	22%
Water	6 278 016	3 295 715	2 982 301	90%
Electricity	9 144 019	10 159 025	(1 015 006)	(10%)
Less Inter-Departmental Charges	(1 506 596)	(1 386 590)	(120 006)	9%
	<u>60 461 802</u>	<u>43 939 865</u>	<u>16 521 937</u>	<u>38%</u>

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
43.3 Capital expenditure by vote				
Executive & Council	674 045	-	674 045	100%
Budget & Treasury	48 769	312 000	(263 231)	(84%)
Planning & Development	1 967 955	1 696 000	271 955	16%
Community & Social Services	265 281	1 292 000	(1 026 719)	(79%)
Housing	-	3 033 956	(3 033 956)	(100%)
Sport & Recreation	-	200 000	(200 000)	(100%)
Waste Management	609 688	800 000	(190 312)	(24%)
Waste Water Management	-	984 900	(984 900)	(100%)
Water	1 146 484	3 493 100	(2 346 616)	(67%)
Electricity	1 189 635	-	1 189 635	100%
Donated assets	120 000	-	120 000	
	6 021 858	11 811 956	(5 790 098)	(49%)

	2011 R	2010 R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
44.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	6 281 701	-
Unauthorised expenditure current year - capital	2 135 635	1 651 710
Unauthorised expenditure current year - operating	18 805 078	4 629 990
	27 222 414	6 281 701

Unauthorised expenditure on operating votes is mainly as a result of the restatement of traffic fine income and expenses where the municipality discloses the full amount of fines received and the full expenditure incurred. The municipality only budgeted for the nett amount. Also refer to fines income where the actual income exceeds the budget figure with a material amount..

Unauthorised expenditure on capital votes is mainly due to the electricity project (DME) not budgeted for in the current year. Furthermore, no budgeted figure were allocated to the upgrading of the municipal offices.

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

	2011 R	2010 R
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUE)		
44.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	503 939	125 839
Fruitless and wasteful expenditure current year	285 338	426 721
Written off by council	-	(48 621)
Transfer to receivables for recovery	-	-
	789 277	503 939

Incident	Disciplinary steps/criminal proceedings	2011 R	2010 R
Interest on late payment of creditors and bank overdraft	None	147 210	329 060
SARS penalties	None	38 067	10 040
Interest on arrear portion of long term liabilities	None	100 062	87 622
		285 338	426 721

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

44.3 <u>Irregular expenditure</u>	2011 R	2010 R
Reconciliation of irregular expenditure:		
Opening balance	6 179 764	812 955
Irregular expenditure current year	582 744	5 366 809
Written off by council	-	-
Transfer to receivables for recovery	-	-
	<u>6 762 508</u>	<u>6 179 764</u>

Incident	Disciplinary steps/criminal proceedings	
Purchases made without tax clearance certificates	None	1 218 917
Preferential point system not applied in tender process.	None	3 139 665
Non-compliance with Supply Chain Management Policy	None	1 008 227
	582 744	5 366 809
	<u>582 744</u>	<u>5 366 809</u>

44.4 Material Losses

Water distribution losses

- Kilo litres disinfected/purified/purchased	804 903	827 775
- Kilo litres lost during distribution	21 347	9 781
- Percentage lost during distribution	2.65%	1.18%

Electricity distribution losses

- Units purchased (Kwh)	12 490 045	11 116 861
- Units lost during distribution (Kwh)	3 573 045	3 206 685
- Percentage lost during distribution	28.61%	28.85%

45 **ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

45.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Opening balance	-	-
Council subscriptions	100 000	101 500
Amount paid - current year	-	(101 500)
Balance unpaid (included in creditors)	<u>100 000</u>	<u>-</u>

45.2 Audit fees - [MFMA 125 (1)(b)]

Opening balance	103 870	-
Current year audit fee	1 069 743	1 430 225
External Audit - Auditor-General	965 322	1 230 012
Internal Audit	104 421	200 212
Amount paid - current year	(606 700)	(1 326 355)
Amount paid - previous year	(103 870)	-
Balance unpaid (included in creditors)	<u>463 043</u>	<u>103 870</u>

45.3 VAT - [MFMA 125 (1)(b)]

Opening balance	(1 689 894)	589 493
Amounts received - current year	1 296 147	(892 243)
Amounts received - previous years	-	(628 829)
Amounts paid - Previous years	1 472 501	-
Amounts claimed - current year	(1 098 131)	(758 315)
Closing balance - Receivable/(Payable)	<u>(19 377)</u>	<u>(1 689 894)</u>
Vat in suspense due to cash basis of accounting		
Input VAT	333 273	430 858
Output VAT	(608 250)	(252 473)
Receivable	<u>(274 977)</u>	<u>178 385</u>

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.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
45.4		
<u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>		
Opening balance	165 306	-
Current year payroll deductions and Council Contributions	2 052 455	1 622 520
Amount paid - current year	(2 217 761)	(1 457 214)
Balance unpaid (included in creditors)	-	165 306
45.5		
<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>		
Opening balance	266 345	-
Current year payroll deductions and Council Contributions	3 688 794	2 942 809
Amount paid - current year	(3 955 140)	(2 676 464)
Balance unpaid (included in creditors)	-	266 345
45.6		
<u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u>		
The following Councillors had arrear accounts for more than 90 days as at 30 June 2011:		
	2011 R Outstanding more than 90 days	2010 R Outstanding more than 90 days
Councillor LL Adams	4 380	43
Councillor SC Jordaan	3 580	5 823
Councillor K Riegert	503	3 652
Councillor E Fatyela	2 614	-
Councillor CJ Arends	6 517	-
Total Councillor Arrear Consumer Accounts	17 595	9 518
45.7		
<u>Other non-compliance (MFMA 125(2)(e))</u>		
None		
46		
<u>CAPITAL COMMITMENTS</u>		
Commitments in respect of capital expenditure:		
Approved and contracted for:	3 745 000	2 931 665
Total commitments consist out of the following:		
- Victoria Wes Reservoir	-	791 665
- Richmond Reservoir	200 000	706 174
- Loxton Road	-	339 301
- External Water Draining	-	35 000
- Oxidation Pond	-	1 059 524
- Stormwater Project	2 250 000	-
- Loxton Refuse Sites	900 000	-
- De Ville Street Road Project	395 000	-
	3 745 000	2 931 665
This expenditure will be financed from:		
Government Grants	3 745 000	2 931 665
	3 745 000	2 931 665

FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% (2010 - 0.5%) Increase in interest rates	12 581	18 828
0.5% (2010 - 0.5%) Decrease in interest rates	(12 581)	(18 828)

(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.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 20 and 21 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 20 and 21 for balances included in receivables that were re-negotiated for the period under review.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Balances past due not impaired:

	2011 %	2011 R	2010 %	2010 R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	773 341	100.00%	681 514
<u>Exchange Receivables</u>				
Electricity	22.24%	70 594	18.49%	62 446
Water	25.73%	81 702	27.09%	91 465
Refuse	11.20%	35 550	11.77%	39 739
Sewerage	24.93%	79 137	28.53%	96 323
Other	15.91%	50 497	14.12%	47 685
	100.00%	317 481	100.00%	337 658

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 20 and 21 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:

	2011 %	2011 R	2010 %	2010 R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	5 863 748	100.00%	6 275 867
<u>Exchange Receivables</u>				
Electricity	7.56%	1 149 060	9.51%	1 127 672
Water	40.84%	6 207 070	36.98%	4 385 331
Refuse	28.56%	4 340 835	29.37%	3 482 261
Sewerage	19.99%	3 037 401	20.97%	2 486 930
Other	3.05%	463 634	3.17%	375 793
	100.00%	15 197 999	100.00%	11 857 986

	2011 %	2011 R	2010 %	2010 R
Bad debts written off per debtor class:				
<u>Non-Exchange Receivables</u>				
Rates	-	-	100.00%	1 408 723
<u>Exchange Receivables</u>				
Electricity	-	-	0.47%	15 809
Water	-	-	49.00%	1 648 477
Refuse	-	-	25.46%	856 473
Sewerage	-	-	24.81%	834 786
Other	-	-	0.27%	8 955
	-	-	100.00%	3 364 499

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

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

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

	2011 R	2010 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	4 408	5 608
Receivables from exchange transactions	1 239 615	1 057 206
Receivables from non-exchange transactions	202 239	506 798
Cash and Cash Equivalents	5 068 475	4 895 333
Non-Current Investments	1 425 170	1 400 772
Unpaid conditional grants and subsidies	5 020 825	5 376 362
	<u>12 960 733</u>	<u>13 242 078</u>

(e) Liquidity Risk

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

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

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

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Long Term liabilities - Annuity Loans	247 588	742 455	-	-
Capital repayments	153 043	596 874	-	-
Interest	94 545	145 581	-	-
Long Term liabilities - Finance Lease Liability	93 914	104 730	-	-
Capital repayments	77 633	94 652	-	-
Interest	16 280	10 078	-	-
Provisions - Landfill Sites	992 565	671 005	-	-
Capital repayments	945 300	525 750	-	-
Interest	47 265	145 255	-	-
Payables from exchange transactions	4 418 646	-	-	-
Unspent conditional government grants and receipts	4 572 767	-	-	-
Cash and Cash Equivalents	1 581 362	-	-	-
	<u>11 906 842</u>	<u>847 185</u>	<u>-</u>	<u>-</u>
2010				
Long Term liabilities - Annuity Loans	247 588	990 043	-	-
Capital repayments	134 869	749 917	-	-
Interest	112 719	240 126	-	-
Long Term liabilities - Finance Lease Liability	87 690	198 644	-	-
Capital repayments	62 698	172 286	-	-
Interest	24 993	26 358	-	-
Provisions - Landfill Sites	-	979 278	662 023	-
Capital repayments	-	888 234	494 011	-
Interest	-	91 044	168 011	-
Payables from exchange transactions	5 859 491	-	-	-
Unspent conditional government grants and receipts	2 855 484	-	-	-
Cash and Cash Equivalents	25 679	-	-	-
	<u>9 075 932</u>	<u>2 167 965</u>	<u>662 023</u>	<u>-</u>

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
48	FINANCIAL INSTRUMENTS		
	In accordance with the principles of GRAP 104 the financial instruments of the municipality are classified as follows:		
48.1	<u>Financial Assets</u>		
	<u>Classification</u>		
	Investments		
	Fixed Deposits	1 425 170	1 400 772
	Long-term Receivables		
	Councillor Allowances	4 408	5 608
	Receivables		
	Receivables from exchange transactions	1 239 615	1 057 206
	Receivables from non-exchange transactions	202 239	506 798
	Other Receivables		
	Government Subsidies and Grants	5 020 825	5 376 362
	Short-term Investment Deposits		
	Call Deposits	4 485 611	4 219 398
	Bank Balances and Cash		
	Bank Balances	580 114	673 184
	Cash Floats and Advances	2 750	2 750
		12 960 733	13 242 078
	SUMMARY OF FINANCIAL ASSETS		
	Financial instruments at amortised cost	12 960 733	13 242 078
	At amortised cost	12 960 733	13 242 078
	FINANCIAL INSTRUMENTS (CONTINUE)		
48.2	<u>Financial Liability</u>		
	<u>Classification</u>		
	Non-Current Liabilities		
	Annuity Loans	596 874	749 917
	Capitalised Lease Liability	94 652	172 286
	Non-Current Provisions - Landfill Sites	525 750	1 382 245
	Payables from exchange transactions		
	Trade creditors	2 804 327	3 327 784
	Arrear portion of long term liabilities	648 837	572 745
	Retentions	455 736	838 711
	Deposits	31 103	27 903
	Other	478 643	1 092 349
	Current Provisions		
	Current Provisions - Landfill Sites	945 300	-
	Other Payables		
	Government Subsidies and Grants	4 572 767	2 855 484
	Current Portion of Long-term Liabilities		
	Annuity Loans	153 043	134 869
	Capitalised Lease Liability	77 633	62 698
		11 384 666	11 216 990
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	11 384 666	11 216 990

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

49 EVENTS AFTER THE REPORTING DATE

The municipality has no events after reporting date during the financial year ended 2010/2011.

50 IN-KIND DONATIONS AND ASSISTANCE

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

51 PRIVATE PUBLIC PARTNERSHIPS

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

52 CONTINGENT LIABILITY

None

53 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.

53.1 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 18 to the Annual Financial Statements.

53.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.

53.3 Other related party transactions

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

None

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

12 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation and Impairment Losses				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
Land and Buildings	5 272 915	487 006	-	5 759 921	-	-	-	-	5 759 921
Land	4 441 980	-	-	4 441 980	-	-	-	-	4 441 980
Buildings	830 935	487 006	-	1 317 941	-	-	-	-	1 317 941
Infrastructure	103 842 060	4 903 317	-	108 745 377	10 934 079	3 810 084	-	14 744 163	94 001 214
Stormwater and Roads	15 037 641	1 967 955	-	17 005 596	3 495 567	1 209 807	-	4 705 374	12 300 222
Sewerage	30 967 931	609 688	-	31 577 619	2 503 428	871 407	-	3 374 835	28 202 784
Electricity	17 293 329	1 179 190	-	18 472 519	1 529 485	588 657	-	2 118 142	16 354 376
Water	40 543 160	1 146 484	-	41 689 644	3 405 599	1 140 213	-	4 545 812	37 143 832
Community Assets	474 397	-	-	474 397	15 863	5 405	-	21 268	453 129
Recreation Grounds	340 000	-	-	340 000	-	-	-	-	340 000
Cemetery	134 397	-	-	134 397	15 863	5 405	-	21 268	113 129
Lease Assets	308 088	-	-	308 088	67 718	36 052	-	103 770	204 318
Office Equipment	308 088	-	-	308 088	67 718	36 052	-	103 770	204 318
Other Assets	11 963 279	631 534	-	12 594 813	779 504	445 649	-	1 225 153	11 369 660
Office Equipment	363 465	-	-	363 465	58 731	47 428	-	106 159	257 305
Furniture & Fittings	1 072 674	465 161	-	1 537 835	146 426	107 623	-	254 049	1 283 786
Electrical Equipment	346 853	-	-	346 853	40 235	49 029	-	89 264	257 589
Motor vehicles	5 220 330	120 000	-	5 340 330	424 668	166 751	-	591 419	4 748 911
Mechanical Equipment	138 467	10 445	-	148 912	30 682	23 563	-	54 245	94 667
Computer equipment	441 491	35 928	-	477 419	78 763	51 255	-	130 018	347 402
Abattoir	4 380 000	-	-	4 380 000	-	-	-	-	4 380 000
	121 860 739	6 021 858	-	127 882 597	11 797 165	4 297 190	-	16 094 355	111 788 242

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

30 JUNE 2010

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation and Impairment Losses				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
Land and Buildings	4 204 400	1 068 515	-	5 272 915	-	-	-	-	5 272 915
Land	4 204 400	237 580	-	4 441 980	-	-	-	-	4 441 980
Balance previously reported	3 802 400	237 580	-	4 039 980	-	-	-	-	4 039 980
Correction of error - Refer to note 37.02	402 000	-	-	402 000	-	-	-	-	402 000
Buildings	-	830 935	-	830 935	-	-	-	-	830 935
Infrastructure	90 469 889	13 372 171	-	103 842 060	7 168 399	3 765 680	-	10 934 079	92 907 981
Stormwater and Roads	13 259 739	1 777 903	-	15 037 641	2 328 334	1 167 233	-	3 495 567	11 542 074
Balance previously reported	14 585 911	1 777 903	-	16 363 814	979 811	486 197	-	1 466 008	14 897 806
Correction of error - Refer to note 37.02	(1 326 172)	-	-	(1 326 172)	1 348 523	681 036	-	2 029 559	(3 355 731)
Sewerage	30 333 210	634 721	-	30 967 931	1 632 022	871 407	-	2 503 428	28 464 502
Balance previously reported	24 323 143	581 520	-	24 904 663	2 271 224	1 216 414	-	3 487 639	21 417 025
Correction of error - Refer to note 37.02	6 010 067	53 201	-	6 063 267	(639 203)	(345 008)	-	(984 210)	7 047 478
Electricity	14 877 879	2 415 450	-	17 293 329	942 198	587 287	-	1 529 485	15 763 844
Balance previously reported	12 226 324	2 538 134	-	14 764 458	919 669	614 356	-	1 534 025	13 230 433
Correction of error - Refer to note 37.02	2 651 555	(122 684)	-	2 528 871	22 529	(27 069)	-	(4 540)	2 533 411
Water	31 999 062	8 544 098	-	40 543 160	2 265 846	1 139 753	-	3 405 599	37 137 561
Balance previously reported	29 416 063	8 545 743	-	37 961 806	3 243 998	1 472 141	-	4 716 139	33 245 667
Correction of error - Refer to note 37.02	2 582 999	(1 645)	-	2 581 354	(978 152)	(332 388)	-	(1 310 540)	3 891 894
Community Assets	474 397	-	-	474 397	10 458	5 405	-	15 863	458 534
Recreation Grounds	340 000	-	-	340 000	-	-	-	-	340 000
Cemetery	134 397	-	-	134 397	10 458	5 405	-	15 863	118 534
Balance previously reported	134 397	-	-	134 397	13 017	6 720	-	19 737	114 660
Correction of error - Refer to note 37.02	-	-	-	-	(2 559)	(1 315)	-	(3 874)	3 874
Lease Assets	131 015	177 073	-	308 088	32 799	34 920	-	67 718	240 370
Office Equipment	131 015	177 073	-	308 088	32 799	34 920	-	67 718	240 370
Balance previously reported	131 015	177 073	-	308 088	52 406	59 580	-	111 986	196 102
Correction of error - Refer to note 37.02	-	-	-	-	(19 607)	(24 660)	-	(44 268)	44 268

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Other Assets	10 921 141	1 042 138	-	11 963 279	465 944	313 561	-	779 504	11 183 775
Office Equipment	189 562	173 903	-	363 465	37 082	21 648	-	58 731	304 734
Balance previously reported	310 271	-	-	310 271	85 526	44 324	-	129 851	180 420
Correction of error - Refer to note 37.02	(120 709)	173 903	-	53 194	(48 444)	(22 676)	-	(71 120)	124 313
Furniture & Fittings	625 954	446 720	-	1 072 674	94 265	52 161	-	146 426	926 248
Balance previously reported	451 890	27 798	-	479 689	86 767	47 050	-	133 818	345 871
Correction of error - Refer to note 37.02	174 063	418 922	-	592 985	7 497	5 111	-	12 608	580 377
Electrical Equipment	165 150	181 702	-	346 853	17 741	22 493	-	40 235	306 618
Balance previously reported	167 419	159 482	-	326 902	41 315	37 655	-	78 970	247 931
Correction of error - Refer to note 37.02	(2 269)	22 220	-	19 951	(23 574)	(15 162)	-	(38 736)	58 687
Motor vehicles	5 210 330	10 000	-	5 220 330	259 591	165 077	-	424 668	4 795 662
Balance previously reported	2 451 559	10 000	-	2 461 559	459 817	464 623	-	924 439	1 537 120
Correction of error - Refer to note 37.02	2 758 771	-	-	2 758 771	(200 226)	(299 545)	-	(499 771)	3 258 542
Mechanical Equipment	129 818	8 649	-	138 467	7 954	22 728	-	30 682	107 785
Balance previously reported	125 641	-	-	125 641	3 887	12 564	-	16 451	109 190
Correction of error - Refer to note 37.02	4 177	8 649	-	12 826	4 068	10 164	-	14 231	(1 405)
Computer equipment	220 328	221 164	-	441 491	49 310	29 453	-	78 763	362 728
Balance previously reported	279 617	116 119	-	395 737	108 481	62 862	-	171 343	224 393
Correction of error - Refer to note 37.02	(59 290)	105 044	-	45 754	(59 171)	(33 409)	-	(92 581)	138 335
Abattoir	4 380 000	-	-	4 380 000	-	-	-	-	4 380 000
	106 200 842	15 659 897	-	121 860 739	7 677 599	4 119 565	-	11 797 165	110 063 574

12 PROPERTY, PLANT AND EQUIPMENT

GRAP 17 - Property, Plant and Equipment

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

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

Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:

	2010
	R
Property, Plant and Equipment	13 732 801
Accumulated depreciation on Property, Plant and Equipment	993 241
	<u>14 726 042</u>

**APPENDIX A - Unaudited
UBUNTU LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2010	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2011
ANNUITY LOANS							
DBSA-Sewerage Richmond	13.22%	12692/101	30/06/2015	884 786	-	134 869	749 917
Total Annuity Loans				884 786	-	134 869	749 917
LEASE LIABILITY							
NRB Risk Solutions	14.00%	21387	30/09/2012	86 021	-	31 333	54 688
CANON	11.00%	MTW 05212	30/06/2014	148 962	-	31 364	117 598
Total Lease Liabilities				234 983	-	62 698	172 286
TOTAL EXTERNAL LOANS				1 119 770	-	197 567	922 203

APPENDIX B - Unaudited
UBUNTU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011
MUNICIPAL VOTES CLASSIFICATION

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
68 600	(148 556)	(79 956)	Health Services	8 800	(149 302)	(140 502)
1 978 505	(4 161 183)	(2 182 678)	Public Works	2 173 117	(4 912 928)	(2 739 811)
15 448 198	(11 575 297)	3 872 901	Licences	20 173 445	(15 021 261)	5 152 184
177 858	(1 949 805)	(1 771 946)	Administration	47 745	(2 745 785)	(2 698 040)
2 840	-	2 840	Cemetries	10 951	(1 205)	9 746
-	(1 723 383)	(1 723 383)	Roads and Stormwater Drainage	243 131	(4 560 855)	(4 317 724)
35 602	(111 444)	(75 842)	Nature Reserve	21 800	(1 344)	20 456
-	(16 677)	(16 677)	Aerodome	-	(5 412)	(5 412)
900	(3 543 064)	(3 542 164)	Council General Expenses	378 880	(3 945 488)	(3 566 608)
25 790	(10 759)	15 031	Abattoir	27 478	-	27 478
4 142 385	(3 892 975)	249 410	Property Tax	2 644 170	412 120	3 056 290
61 667	(3 454 652)	(3 392 986)	Management Services	188 846	(1 397 052)	(1 208 206)
15 039 983	(5 784 925)	9 255 058	Finance	17 659 347	(7 711 297)	9 948 050
190 479	(14 896)	175 583	Fire Brigade	7 789	(163 235)	(155 445)
949 552	(638 316)	311 236	Library	370 583	(684 247)	(313 664)
21 280	(69 734)	(48 454)	Parks and Recreation	15 105	(57 986)	(42 881)
903 095	(3 371 947)	(2 468 852)	Sewerage and Sanitation	2 012 414	(3 090 212)	(1 077 798)
300 796	(260 970)	39 826	Buildings and Offices	308 875	(251 281)	57 595
13 654	(18 683)	(5 030)	Commonage	13 150	(4 509)	8 641
1 471 977	(3 015 952)	(1 543 975)	Cleansing	1 384 795	(2 254 836)	(870 041)
7 861 537	(7 872 546)	(11 010)	Electricity	8 123 145	(9 144 019)	(1 020 874)
13 387 872	(6 033 275)	7 354 597	Water Distribution	5 738 171	(6 278 016)	(539 844)
745	-	745	Municipal Staff Housing	4 245	-	4 245
62 083 316	(57 669 042)	4 414 274	Sub Total	61 555 982	(61 968 398)	(412 416)
(1 177 167)	1 177 167	-	Internal Charges	(1 506 596)	1 506 596	-
60 906 149	(56 491 875)	4 414 274	Total	60 049 386	(60 461 802)	(412 416)

APPENDIX C - Unaudited
UBUNTU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
302 442	(3 804 034)	(3 501 593)	Executive & Council	692 000	(4 196 769)	(3 504 769)
19 279 637	(13 243 997)	6 035 640	Budget & Treasury	20 514 162	(8 697 573)	11 816 589
1 992 159	(5 903 250)	(3 911 091)	Planning & Development	2 429 398	(9 478 541)	(7 049 143)
68 600	(148 556)	(79 956)	Health	8 800	(149 302)	(140 502)
16 604 239	(14 190 854)	2 413 385	Community & Social Services	20 630 202	(18 457 910)	2 172 292
190 479	(14 896)	175 583	Public Safety	7 789	(163 235)	(155 445)
21 280	(69 734)	(48 454)	Sport & Recreation	15 105	(57 986)	(42 881)
2 375 072	(6 387 899)	(4 012 827)	Waste Management	3 397 210	(5 345 049)	(1 947 839)
13 387 872	(6 033 275)	7 354 597	Water	5 738 171	(6 278 016)	(539 844)
7 861 537	(7 872 546)	(11 010)	Electricity	8 123 145	(9 144 019)	(1 020 874)
						-
62 083 316	(57 669 042)	4 414 274	Sub Total	61 555 982	(61 968 398)	(412 416)
(1 177 167)	1 177 167	-	Internal Charges	(1 506 596)	1 506 596	-
60 906 149	(56 491 875)	4 414 274	Total	60 049 386	(60 461 802)	(412 416)

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 2010	Correction of error	Balance 1 JULY 2010	Grants Received	Transfers	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 1 JULY 2010
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS								
	R	R	R	R		R	R	R
National Government Grants								
Equitable Share	-	-	-	13 985 560	-	13 985 560	-	-
Local Government Financial Management Grant	-	-	-	1 200 000	-	1 222 396	14 000	(36 396)
Integrated National Electrification Programme (Eskom)	1 003 268	-	1 003 268	-	-	-	1 183 991	(414 771)
- Electricity Project Richmond	-	-	-	-	-	-	-	-
- DME Projects	1 003 268	(234 048)	769 220	-	-	-	1 183 991	(414 771)
Municipal Infrastructure Grant	(1 496 757)	-	(1 496 757)	4 889 000	-	243 131	2 912 711	119 817
- General MIG Fund	834 085	-	834 085	4 889 000	(2 210 000)	243 131	-	3 269 955
- Project High mass Lightning	(1 349 265)	-	(1 349 265)	-	-	-	-	(1 349 265)
- Project Road Loxton	(162 321)	(116 585)	(278 906)	-	910 000	-	960 959	(329 866)
- Richmond Reservoir Project	270 899	-	270 899	-	(600 000)	-	306 416	(635 517)
- Victoria West Reservoir Project	(1 882 435)	-	(1 882 435)	-	1 400 000	-	977 663	(1 460 099)
- External Water Draining Project	210 000	-	210 000	-	-	-	-	210 000
- Oxidation Pond Project	582 280	-	582 280	-	500 000	-	667 672	414 609
Municipal Systems Improvement Grant	-	-	-	750 000	-	394 291	41 597	314 112
Skills Development Fund	-	-	-	37 737	-	37 737	-	-
Total National Government Grants	(493 489)	-	(493 489)	20 862 297	-	15 883 114	4 152 299	(17 238)
Provincial Government Grants								
Project Library	-	-	-	542 000	-	231 810	135 097	175 093
De Ville Street Road Project	-	-	-	865 527	-	-	1 171 593	(306 066)
Project Housing Victoria West	(1 916 068)	1 021 910	(894 158)	744 158	-	-	-	(150 000)
Project Housing Richmond	(2 115 459)	1 143 862	(971 597)	821 597	-	-	-	(150 000)
Low Cost Housing - Victoria West	-	-	-	-	-	65 298	-	(65 298)
Low Cost Housing - Richmond	-	-	-	-	-	61 472	-	(61 472)
Low Cost Housing - Loxton	-	-	-	-	-	62 075	-	(62 075)
Total Provincial Government Grants	(4 031 527)	2 165 772	(1 865 755)	2 973 282	-	420 656	1 306 690	(619 819)
Other Grant Providers								
Project Survey of Land	1 248	-	1 248	-	-	-	-	1 248
Project Water Loxton	-	88 739	88 739	-	-	-	-	88 739
Water Project	-	-	-	223 370	-	223 370	-	-
Solid Waste Site Victoria West	99 012	-	99 012	-	-	-	-	99 012
Total Other Grant Providers	100 260	88 739	188 999	223 370	-	223 370	-	188 999
Total	(4 424 756)	2 254 510	(2 170 245)	24 058 949	-	16 527 141	5 458 989	(448 058)