

# UBUNTU MUNICIPALITY

## Ubuntu Municipality



*menswaardigheid • hoop • erfenis  
ubuntu • ithemba • izithethe  
humanity • hope • heritage*

[These financial statements have not been audited]

## FINANCIAL STATEMENTS

**30 JUNE 2014**

# UBUNTU LOCAL MUNICIPALITY

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# UBUNTU LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## GENERAL INFORMATION

### NATURE OF BUSINESS

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

### COUNTRY OF ORIGIN AND LEGAL FORM

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

### JURISDICTION

The Ubuntu Municipality includes the following areas:

*Victoria West  
Richmond  
Loxton*

### MUNICIPAL MANAGER

*Mr. M.F Fillis*

### CHIEF FINANCIAL OFFICER

*Me. L. Plaatjies*

### REGISTERED OFFICE

*78 Church Street, Victoria West, 7070*

### AUDITORS

*Office of the Auditor General (NC)*

### PRINCIPLE BANKERS

*First National Bank, Victoria West*

### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2011  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

# UBUNTU LOCAL MUNICIPALITY

## MEMBERS OF THE UBUNTU LOCAL MUNICIPALITY

### COUNCILLORS

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

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2013, which are set out on pages 1 to 85 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2014 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

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

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*Mr. M.F Fillis*  
**Municipal Manager**

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**Date**

**UBUNTU LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014**

	Notes	2014 (Actual) R	2013 (Restated) R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>138 598 476</b>	<b>134 696 555</b>
Accumulated Surplus		138 598 476	134 696 555
<b>Non-Current Liabilities</b>		<b>9 466 689</b>	<b>8 468 575</b>
Annuity Loans	2.1	802 619	224 943
Capitalised Lease Liability	2.2	360 583	604 097
Employee benefits	3	7 281 407	6 749 755
Non-Current Provisions	4	1 022 079	889 780
<b>Current Liabilities</b>		<b>25 818 985</b>	<b>21 378 299</b>
Consumer Deposits	5	217 591	203 351
Current Employee benefits	6	2 531 560	2 489 383
Provisions	7	2 558 527	2 227 800
Payables from exchange transactions	8	9 420 766	9 859 506
Unspent Conditional Government Grants and Receipts	9	7 396 155	3 810 214
Taxes	10.1	2 175 208	1 154 376
Operating Lease Liability	21.1	698	1 369
Cash and Cash Equivalents	22	1 047 083	1 211 708
Current Portion of Annuity Loans	2.1	227 883	197 961
Current Portion of Capitalised Lease Liability	2.2	243 514	222 629
<b>Total Net Assets and Liabilities</b>		<b>173 884 150</b>	<b>164 543 429</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>152 209 467</b>	<b>146 514 407</b>
Property, Plant and Equipment	11	126 756 293	121 317 270
Investment Property	12	23 159 854	23 184 370
Intangible Assets	13	20 778	34 043
Capitalised Restoration Cost	14	360 189	54 839
Non-Current Investments	15	1 704 724	1 616 786
Biological Assets	16	207 630	307 100
Long-Term Receivables	17	-	-
<b>Current Assets</b>		<b>21 674 682</b>	<b>18 029 022</b>
Inventory	18	10 066	8 285
Receivables from exchange transactions	19	1 776 806	1 753 494
Receivables from non-exchange transactions	20	18 538 474	14 933 536
Unpaid Conditional Government Grants and Receipts	9	438 221	446 968
Operating Lease Asset	21.2	62 415	98 256
Cash and Cash Equivalents	22	848 700	788 484
<b>Total Assets</b>		<b>173 884 150</b>	<b>164 543 429</b>

**UBUNTU LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 (Actual) R	2013 (Restated) R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>97 187 812</b>	<b>53 353 314</b>
<b>Taxation Revenue</b>		<b>2 441 770</b>	<b>6 007 352</b>
Property taxes	23	2 441 770	6 007 352
<b>Transfer Revenue</b>		<b>42 185 075</b>	<b>30 688 369</b>
Government Grants and Subsidies - Capital	24	12 069 660	8 521 415
Government Grants and Subsidies - Operating	24	30 114 716	22 166 953
Public Contributions and Donations		699	-
<b>Other Revenue</b>		<b>52 560 967</b>	<b>16 657 593</b>
Actuarial Gains		-	136 682
Third Party Payments		87 376	510 001
Reversal of Impairments	33	75	-
Fines		52 473 517	16 010 910
<b>Revenue from Exchange Transactions</b>		<b>22 092 871</b>	<b>20 035 253</b>
Service Charges	26	18 438 376	15 861 336
Rental of Facilities and Equipment		437 956	493 880
Interest Earned - external investments		189 124	228 417
Interest Earned - outstanding debtors		1 782 380	2 112 202
Licences and Permits		988 021	874 438
Agency Services		12 855	9 904
Other Income	27	244 160	305 277
Fair Value Adjustments	28	-	149 800
<b>Total Revenue</b>		<b>119 280 684</b>	<b>73 388 567</b>
<b>EXPENDITURE</b>			
Employee related costs	29	24 732 334	23 347 269
Remuneration of Councillors	30	2 359 485	2 194 166
Debt Impairment	31	44 825 633	8 322 367
Depreciation and Amortisation	32	5 948 666	5 849 184
Impairments	33	-	139 301
Repairs and Maintenance		1 255 587	1 554 411
Actuarial losses	3	83 676	471 087
Finance Charges	34	900 353	971 516
Bulk Purchases	35	12 782 651	10 915 455
Contracted services		7 142 222	10 595 932
Operating Grant Expenditure		6 849 946	1 317 211
General Expenses	36	7 745 783	10 530 804
Loss on disposal of Property, Plant and Equipment		652 957	93 452
Fair Value Adjustments	28	99 470	-
<b>Total Expenditure</b>		<b>115 378 763</b>	<b>76 302 155</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>3 901 921</b>	<b>(2 913 588)</b>

## UBUNTU LOCAL MUNICIPALITY

### STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	<b>Accumulated Surplus</b>	<b>Total</b>
	<b>R</b>	<b>R</b>
<b>Balance at 1 JULY 2012</b>	<b>126 105 874</b>	<b>126 105 874</b>
Correction of error - Refer to note 37.07	11 504 269	11 504 269
<b>Restated Balance at 1 JULY 2012</b>	<b>137 610 143</b>	<b>137 610 143</b>
Net Deficit for the year	(2 913 588)	(2 913 588)
<b>Balance at 30 JUNE 2013</b>	<b>134 696 555</b>	<b>134 696 555</b>
Net Surplus for the year	3 901 921	3 901 921
<b>Balance at 30 JUNE 2014</b>	<b>138 598 476</b>	<b>138 598 476</b>

**UBUNTU LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	30 JUNE 2014 R	30 JUNE 2013 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		24 433 310	28 475 470
Government		49 311 063	33 980 933
Interest		1 971 504	2 340 619
<b>Payments</b>			
Suppliers and employees		(62 635 753)	(55 078 634)
Finance charges	34	(900 353)	(971 516)
<b>Cash generated by operations</b>	<b>39</b>	<b>12 179 772</b>	<b>8 746 872</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	11	(12 196 104)	(8 852 739)
Proceeds on Disposal of Fixed Assets		204 207	2 068
Purchase of Intangible Assets		-	(11 550)
Increase in Long-term Receivables	17	(274 304)	(354 888)
Increase in Non-current Investments	15	(87 938)	(94 885)
<b>Net Cash from Investing Activities</b>		<b>(12 354 139)</b>	<b>(9 311 993)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(482 256)	(377 627)
New loans raised/restructured		867 225	-
Increase in Consumer Deposits		14 240	31 133
<b>Net Cash from Financing Activities</b>		<b>399 209</b>	<b>(346 494)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>224 841</b>	<b>(911 615)</b>
Cash and Cash Equivalents at the beginning of the year		(423 224)	488 391
Cash and Cash Equivalents at the end of the year	40	(198 383)	(423 224)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>224 841</b>	<b>(911 615)</b>



**UBUNTU LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2014 R (Final Budget)	2014 R (Actual)	2014 R (Variance)	Explanations for material variances
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and Cash Equivalents	11 000 000	848 700	10 151 300	Projected balance in budget to optimistic.
Consumer debtors	3 381 976	20 315 280	(16 933 305)	Material Variance due to the prospective implementation of IGRAP 1 relating to Fines receivable recognised.
Other Receivables	346 429	500 636	(154 207)	Decrease in unpaid grants not taken into account in budget.
Inventory	9 575	10 066	(491)	Variance not considered material
<b>Total current assets</b>	<u>14 737 980</u>	<u>21 674 682</u>	<u>(6 936 703)</u>	
<b>Non current assets</b>				
Investments	1 693 876	1 704 724	(10 848)	Increase in interest rates from January 2014 not taken into account in budget
Investment property	16 169 152	23 159 854	(6 990 702)	Budget not aligned with actual balance on 30 June 2013
Property, plant and equipment	138 632 440	127 116 482	11 515 958	Budget not aligned with actual balance on 30 June 2013
Biological Assets	157 300	207 630	(50 330)	Decrease due to lower than expected market values of biological assets.
Intangible Assets	17 221	20 778	(3 557)	Variance not considered material
<b>Total non current assets</b>	<u>156 669 989</u>	<u>152 209 467</u>	<u>4 460 522</u>	
<b>TOTAL ASSETS</b>	<u>171 407 969</u>	<u>173 884 150</u>	<u>(2 476 181)</u>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	1 400 000	1 047 083	352 917	Outstanding EFT's transferred to payables
Borrowing	468 348	471 397	(3 049)	Variance not considered material
Consumer deposits	199 016	217 591	(18 575)	Variance not considered material
Trade and other payables	7 389 608	18 992 827	(11 603 218)	Increase due to cash constraints.
Provisions and Employee Benefits	4 192 000	5 090 087	(898 087)	Budget allocation not sufficient
<b>Total current liabilities</b>	<u>13 648 972</u>	<u>25 818 985</u>	<u>(12 170 013)</u>	
<b>Non current liabilities</b>				
Borrowing	360 584	1 163 202	(802 619)	Restructuring of DBSA loan not taken into account in budget.
Provisions and Employee Benefits	7 932 952	8 303 486	(370 535)	Budget allocation not sufficient
<b>Total non current liabilities</b>	<u>8 293 535</u>	<u>9 466 689</u>	<u>(1 173 154)</u>	
<b>TOTAL LIABILITIES</b>	<u>21 942 507</u>	<u>35 285 674</u>	<u>(13 343 167)</u>	
<b>NET ASSETS</b>	<u>149 465 462</u>	<u>138 598 476</u>	<u>10 866 986</u>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	149 465 462	138 598 476	10 866 986	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<u>149 465 462</u>	<u>138 598 476</u>	<u>10 866 986</u>	

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

**UBUNTU LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2014 R (Final Budget)	2014 R (Actual)	2014 R (Variance)	Explanations for material variances
<b>REVENUE BY SOURCE</b>				
Property rates	6 457 011	2 441 770	4 015 241	Reduction in rates granted by council on certain properties
Service charges	16 351 576	18 438 376	(2 086 800)	Budget allocation not sufficient
Rental of facilities and equipment	539 097	437 956	101 141	
Interest earned - external investments	380 000	189 124	190 876	Decrease in cash balance.
Interest earned - outstanding debtors	1 908 000	1 782 380	125 620	
Fines	19 568 500	52 473 517	(32 905 017)	Material Variance due to the prospective implementation of IGRAP 1
Licences and permits	554 500	988 021	(433 521)	Budget allocation not sufficient
Agency services	12 000	12 855	(855)	
Government Grants and Subsidies - Operating	23 785 000	30 114 716	(6 329 716)	No budget allocation for housing top structures
Other revenue	571 208	332 235	238 973	
Gains on disposal of PPE	225 000	-	225 000	
<b>Total Operating Revenue</b>	<u>70 351 892</u>	<u>107 210 949</u>	<u>(36 859 057)</u>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	30 796 640	24 732 334	6 064 306	All vacancies not filled
Remuneration of councillors	2 586 932	2 359 485	227 447	
Debt impairment	3 654 884	44 825 633	(41 170 749)	Material Variance due to the prospective implementation of IGRAP 1
Depreciation & asset impairment	6 263 072	5 948 666	314 406	
Finance charges	648 662	900 353	(251 691)	
Bulk purchases	9 847 510	12 782 651	(2 935 141)	Increase in cost of Electricity not fully budgeted for
Contracted services	12 003 000	7 142 222	4 860 778	
Other expenditure	19 891 806	16 034 462	3 857 344	Material decline in actual fines received during the year.
Loss on disposal of PPE	1 060	652 957	(651 897)	Loss on disposal of Abattoir not accounted for in budget
<b>Total Operating Expenditure</b>	<u>85 693 566</u>	<u>115 378 763</u>	<u>(29 685 196)</u>	
<b>Operating Surplus/(Deficit) for the year</b>	<u>(15 341 674)</u>	<u>(8 167 814)</u>	<u>(7 173 860)</u>	
Government Grants and Subsidies - Capital	14 127 000	12 069 660	2 057 340	Projects not completed on 30 June 2014 rolled over to 2014/2015
<b>Net Surplus/(Deficit) for the year</b>	<u><u>(1 214 674)</u></u>	<u><u>3 901 846</u></u>	<u><u>(5 116 521)</u></u>	

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

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

**UBUNTU LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2014 R (Final Budget)	2014 R (Actual)	2014 R (Variance)	Explanations for material variances
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	41 912 378	24 433 310	17 479 068	Variance indicative of poverty in municipal area.
Government	37 912 000	49 311 063	(11 399 063)	Budget did not include Housing and Paving Project.
Interest	2 288 000	1 971 504	316 497	Decrease in cash reserves
<b>Payments</b>				
Suppliers and Employees	(73 843 482)	(62 635 753)	(11 207 730)	Decrease in payments due to cash constraints
Finance charges	(648 662)	(900 353)	251 691	Increase in landfill site interest as well as interest on late payment of creditors
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<u>7 620 234</u>	<u>12 179 772</u>	<u>(4 559 538)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of Assets	223 940	204 207	19 733	
Increase in non-current receivables	-	(274 304)	274 304	Increase in debtors with long term arrangements not budgeted for.
Increase in non-current investments	(80 661)	(87 938)	7 278	
<b>Payments</b>				
Capital assets	(10 927 000)	(12 196 104)	1 269 104	Combination of projects not completed at year-end as well as projects not budgeted for (eg. paving project)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<u>(10 783 721)</u>	<u>(12 354 139)</u>	<u>1 570 418</u>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Borrowing	-	867 225	(867 225)	Restructuring of DBSA loan not budgeted for.
Increase/(decrease) in consumer deposits	14 742	14 240	502	
<b>Payments</b>				
Repayment of borrowing	(420 604)	(482 256)	61 652	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<u>(405 862)</u>	<u>399 209</u>	<u>(805 071)</u>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<u>(3 569 349)</u>	<u>224 841</u>	<u>(3 794 191)</u>	
Cash and Cash Equivalents at the beginning of the year	5 900 000	(423 224)	6 323 224	
Cash and Cash Equivalents at the end of the year	(25 238 949)	(198 383)	(25 040 566)	

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

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

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

**1.1. BASIS OF PREPARATION**

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

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

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

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

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised – Feb 2013)	Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations)	1 April 2014

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

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

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

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

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

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

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

**1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

**1.3. GOING CONCERN ASSUMPTION**

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

**1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature, amount and reason for the reclassification are disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5. PRESENTATION OF BUDGET INFORMATION**

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

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

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

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

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

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

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

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

Standard	Description	Effective Date
<p><b>GRAP 6</b> <b>(Revised – Nov 2010)</b></p>	<p><b>Consolidated and Separate Financial Statements</b></p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	<p><b>Unknown</b></p>
<p><b>GRAP 8</b> <b>(Revised – Nov 2010)</b></p>	<p><b>Interest in Joint Ventures</b></p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	<p><b>Unknown</b></p>
<p><b>GRAP 18</b> <b>(Original – Feb 2011)</b></p>	<p><b>Segment Reporting</b></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	<p><b>1 April 2015</b></p>
<p><b>GRAP 20</b> <b>(Original – June 2011)</b></p>	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<p><b>Unknown</b></p>

<p><b>GRAP 32</b> <b>(Original – Aug 2013)</b></p>	<p><b>Service Concession Arrangements: Grantor</b> The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<p><b>Unknown</b></p>
<p><b>GRAP 105</b> <b>(Original – Nov 2010)</b></p>	<p><b>Transfer of Functions Between Entities Under Common Control</b> The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p><b>1 April 2015</b></p>
<p><b>GRAP 106</b> <b>(Original – Nov 2010)</b></p>	<p><b>Transfer of Functions Between Entities Not Under Common Control</b> The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p><b>1 April 2015</b></p>
<p><b>GRAP 107</b> <b>(Original – Nov 2010)</b></p>	<p><b>Mergers</b> The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p><b>1 April 2015</b></p>
<p><b>GRAP 108</b> <b>(Original – Sept 2013)</b></p>	<p><b>Statutory Receivables</b> The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality’s current treatment is already in line with the Standards treatment.</p>	<p><b>Unknown</b></p>
<p><b>IGRAP 11</b></p>	<p><b>Consolidation - Special Purpose Entities (SPE)</b> The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE’s at this stage.</p>	<p><b>Unknown</b></p>

<p><b>IGRAP 12</b></p>	<p><b>Jointly Controlled Entities non-monetary contributions</b></p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	<p><b>Unknown</b></p>
<p><b>IGRAP 17</b></p>	<p><b>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</b></p> <p>The objective of this Interpretation of the Standard is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Municipality does not have any Concession Arrangements at this stage.</p>	<p><b>Unknown</b></p>

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

**1.7. RESERVES**

**1.7.1 Accumulated Surplus**

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

**1.7.2 Capital Replacement Reserve (CRR)**

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



## 1.8. LEASES

### 1.8.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments, and the unguaranteed residual value to be equal to the sum of: the fair value of the leased asset, and any initial direct costs of the lessor.

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

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

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

### 1.8.2 *Municipality as Lessor*

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

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

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

## 1.9. GOVERNMENT GRANTS AND RECEIPTS

### 1.9.1 *Unspent Conditional Government Grants and Receipts*

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

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

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

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

### 1.9.2 *Unpaid Conditional Government Grants and Receipts*

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

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

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

## 1.10. UNSPENT PUBLIC CONTRIBUTIONS

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

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

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

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.

- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

#### **1.11. PROVISIONS**

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

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

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

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

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

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

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

**1.12. EMPLOYEE BENEFITS**

**(a) Post-Retirement Medical Obligations**

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

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

**(b) Long Service Awards**

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

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

**(c) Accrued Leave Pay**

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

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

Accumulated leave is vesting.

**(d) Performance Bonuses**

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

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

Performance bonuses are subject to Council approval.

**(e) Pension and Retirement Fund Obligations**

The municipality provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The municipality contributes to both defined benefit plans and defined contribution plans. However, based on the inability of the municipality to obtain the necessary information to comply with the disclosure requirements of a defined benefit plan (refer to note 4.3), all retirement funds are accounted for as defined contribution plans.

**(f) Staff Bonuses**

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

**(g) Other Short Term Employee Benefits**

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

## **1.13. PROPERTY, PLANT AND EQUIPMENT**

### **1.13.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

### **1.13.2 Subsequent Measurement – Cost Model**

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

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

### **1.13.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	<b>Years</b>	<b>Other</b>	<b>Years</b>
<b><u>Infrastructure</u></b>			
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
<b><u>Community</u></b>		Mechanical Equipment	4-10
Recreational Facilities	100	Computer equipment	5-12
Cemetery	23-25		
		Landfill Sites	70
<b><u>Finance lease assets</u></b>			
Office equipment	8-9		

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

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

#### **1.13.5 De-recognition**

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

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

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

### **1.14. INTANGIBLE ASSETS**

#### **1.14.1 Initial Recognition**

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

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

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

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

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

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

Intangible assets are initially recognised at cost.

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

#### **1.14.2 Subsequent Measurement – Cost Model**

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

#### **1.14.3 Amortisation and Impairment**

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

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

#### **1.14.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is



determined as the difference between the net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.14.5 Application of deemed cost (Directive 7)**

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

**1.15. INVESTMENT PROPERTY**

**1.15.1 Initial Recognition**

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

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

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

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

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

**1.15.2 Subsequent Measurement – Cost Model**

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

**1.15.3 De-recognition**

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

**1.15.4 Application of deemed cost - Directive 7**

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

**1.16. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.16.1 Cash-generating assets**

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

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

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

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

**1.16.2 Non-cash-generating assets**

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

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

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

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

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

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

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

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

#### **1.17. NON CURRENT INVESTMENTS**

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

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

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

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

#### **1.18. INVENTORIES**

##### **1.18.1 Initial Recognition**

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

includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired, unless they are to be distributed at no or nominal charge or consumed in the production process of goods to be distributed at no charge or for a nominal charge.

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

### **1.18.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down as previously mentioned. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

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

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

## **1.19 BIOLOGICAL ASSETS**

### **1.19.1 Initial Recognition**

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

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality;
- and the fair value or cost of the asset can be measured reliably.

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

### **1.19.2 Subsequent Measurement**

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

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

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

## 1.20. FINANCIAL INSTRUMENTS

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

### 1.20.1 *Initial Recognition*

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

### 1.20.2 *Subsequent Measurement*

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

#### 1.20.2.1 Receivables

Receivables are subsequently measured at amortised cost using the effective interest rate method.

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

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

rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.20.2.2 Payables and Annuity Loans

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

1.20.2.3 Cash and Cash Equivalents

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

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

**1.20.3 De-recognition of Financial Instruments**

1.20.3.1 Financial Assets

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

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

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

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

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

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

#### **1.20.3.2 *Financial Liabilities***

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

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

#### **1.20.4 *Offsetting of Financial Instruments***

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

### **1.21. REVENUE**

#### **1.21.1 *Revenue from Non-Exchange Transactions***

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

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Fine revenue is recognised on the date when event occurred relating to the fine being imposed (ie date of offence). In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as

the Municipality does not have any control over fines issued by other government institutes.

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

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

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

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

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

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

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

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

### **1.21.2 Revenue from Exchange Transactions**

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

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

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.



- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. The majority of meters are read on a monthly basis and are recognised as revenue when invoiced. In exceptional instances, provisional estimates of consumption are made when meter readings have not been performed (due to the inability of the municipality to access the specific meter). The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units.

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

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

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

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

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

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

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

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

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

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

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

**1.22. BORROWING COST**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

**1.23. RELATED PARTIES**

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

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

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

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

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

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

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

Management personnel include:

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

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

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm’s length and not on normal commercial terms are disclosed.

#### **1.24. 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.

#### **1.25. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the municipality’s Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.26. 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.

**1.27. 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.

**1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

***Post Retirement Medical Obligations and Long Service Awards***

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

***Impairment of Receivables***

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

***Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

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

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

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

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

### ***Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

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

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

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

### ***Investment Property***

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

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

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

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

### ***Provisions and Contingent liabilities***

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

Management referred to the following when making assumptions regarding provisions:

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

### ***Revenue Recognition***

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the

conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

***Provision for Landfill Sites***

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

***Provision for Performance bonuses***

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

***Provision for Staff leave***

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

***Componentisation of infrastructure assets***

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

**1.29. 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.

**1.30. CAPITAL COMMITMENTS**

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



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

**1.32. EVENTS AFTER REPORTING DATE**

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

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

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

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
2	<b>LONG-TERM LIABILITIES</b>		
2.1	<b>ANNUITY LOANS</b>		
	Annuity Loans - At amortised cost	1 030 502	422 904
	Less: Current portion of Annuity Loans - At amortised cost	(227 883)	(197 961)
	<b>Total</b>	<b>802 619</b>	<b>224 943</b>

The obligations under annuity loans are scheduled below:

	<b>Minimum annuity payments</b>	
Amounts payable under annuity loans:		
Payable within one year	303 641	247 601
Payable within two to five years	910 890	247 547
Payable after five years	-	-
	<b>1 214 531</b>	<b>495 148</b>
<b>Less:</b> Future finance obligations	(184 029)	(72 244)
<b>Present value of annuity obligations</b>	<b>1 030 502</b>	<b>422 904</b>

Annuity loans at amortised cost is calculated at 8% interest rate, with a maturity date of 30 June 2018. The loan is unsecured.

The municipality restructured the DBSA liability on 1 August 2014.

2.2 **CAPITALISED LEASE LIABILITY**

Capitalised Lease Liability - At amortised cost	604 097	826 727
Less: Current portion of capitalised Lease Liability - At amortised cost	(243 514)	(222 629)
<b>Total</b>	<b>360 583</b>	<b>604 097</b>

The obligations under finance leases are scheduled below:

	<b>Minimum lease payments</b>	
Amounts payable under finance leases:		
Payable within one year	288 000	288 000
Payable within two to five years	384 000	672 000
Payable after five years	-	-
	<b>672 000</b>	<b>960 000</b>
<b>Less:</b> Future finance obligations	(67 903)	(133 273)
<b>Present value of lease obligations</b>	<b>604 097</b>	<b>826 727</b>

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

The capitalised lease liability consist out of the following contracts:

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

Refer to Appendix A for further detail

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3	EMPLOYEE BENEFITS	2014 R	2013 R
	Post Retirement Benefits - Refer to Note 4.1	6 423 260	6 038 561
	Long Service Awards - Refer to Note 4.2	858 147	711 194
	<b>Total Non-current Employee Benefit Liabilities</b>	<b>7 281 407</b>	<b>6 749 755</b>
	<b><u>Post Retirement Benefits</u></b>		
	Balance 1 July	6 544 745	5 804 231
	Contribution for the year	230 140	164 691
	Interest Cost	510 402	414 182
	Expenditure for the year	(373 117)	(309 446)
	Actuarial Loss	78 606	471 087
	<b>Total post retirement benefits 30 June</b>	<b>6 990 776</b>	<b>6 544 745</b>
	<b>Less:</b> Transfer of Current Portion - Note 6	(567 516)	(506 184)
	<b>Balance 30 June</b>	<b>6 423 260</b>	<b>6 038 561</b>
	<b><u>Long Service Awards</u></b>		
	Balance 1 July	832 072	820 789
	Contribution for the year	75 483	99 583
	Interest Cost	54 360	48 382
	Actuarial Loss/(Gain)	5 070	(136 682)
	<b>Total long service 30 June</b>	<b>966 985</b>	<b>832 072</b>
	<b>Less:</b> Transfer of Current Portion - Note 6	(108 838)	(120 878)
	<b>Balance 30 June</b>	<b>858 147</b>	<b>711 194</b>
	<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>		
	Balance 1 July	7 376 817	6 625 020
	Contribution for the year	305 623	264 274
	Interest cost	564 762	462 564
	Expenditure for the year	(373 117)	(309 446)
	Actuarial Loss	83 676	334 405
	<b>Total employee benefits 30 June</b>	<b>7 957 761</b>	<b>7 376 817</b>
	<b>Less:</b> Transfer of Current Portion - Note 6	(676 354)	(627 062)
	<b>Balance 30 June</b>	<b>7 281 407</b>	<b>6 749 755</b>
3.1	<b>Post Retirement Benefits</b>		
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	In-service (employee) members	14	21
	In-service (employee) non-members	85	91
	Continuation members (e.g. Retirees, widows, orphans)	16	15
	<b>Total Members</b>	<b>115</b>	<b>127</b>
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	2 079 882	2 034 435
	Continuation members	4 910 894	4 510 310
	<b>Total Liability</b>	<b>6 990 776</b>	<b>6 544 745</b>
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2012	2011 R
			2010 R
	<b>Total Liability</b>	<b>5 804 231</b>	<b>3 751 443</b>
			<b>3 648 380</b>

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Experience adjustments were calculated as follows:

	2014 R	2013 Rm	2012 Rm	2011 Rm	2010 Rm
Liabilities: (Gain) / loss	0.326	0.483	1.085	-	-
Assets: Gain / (loss)	-	-	-	-	-

There were no experience adjustments during 2010 and 2010.

The following are estimates for the 2014/2015 financial year:

	2015 R
Future Service Cost	171 727
Interest Cost	565 014

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

Bonitas;  
Discovery  
Samwumed; and  
Keyhealth.

Key actuarial assumptions used:

	2014 %	2013 %
<b>i) Rate of interest</b>		
Discount rate	8.42%	8.11%
Health Care Cost Inflation Rate	7.84%	7.69%
Net Effective Discount Rate	0.53%	0.39%

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

**ii) Mortality rates**

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

**iii) Normal retirement age**

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

	2014 R	2013 R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	6 423 260	6 544 745
<b>Net liability</b>	<b>6 423 260</b>	<b>6 544 745</b>

The fund is not supported by any plan assets

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	6 544 745	5 804 231
Total expenses	367 425	269 427
Current service cost	230 140	164 691
Interest Cost	510 402	414 182
Benefits Paid	(373 117)	(309 446)
Actuarial losses	78 606	471 087
Present value of fund obligation at the end of the year	6 990 776	6 544 745
<b>Less:</b> Transfer of Current Portion - Note 6	(567 516)	(506 184)
<b>Balance 30 June</b>	<b>6 423 260</b>	<b>6 038 561</b>

**UBUNTU MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**Sensitivity Analysis on the Accrued Liability**

<b>Assumption</b>	<b>In-service members liability (Rm)</b>	<b>Continuation members liability (Rm)</b>	<b>Total liability (Rm)</b>
Central Assumptions	2.080	4.911	6.991

The effect of movements in the assumptions are as follows:

<b>Assumption</b>	<b>Change</b>	<b>In-service members liability (Rm)</b>	<b>Continuation members liability (Rm)</b>	<b>Total liability (Rm)</b>	<b>% change</b>
Health care inflation	1%	2.488	5.226	7.714	10%
Health care inflation	-1%	1.748	4.634	6.382	-9%
Discount Rate	1%	1.752	4.637	6.390	-9%
Discount Rate	-1%	2.490	5.227	7.717	10%
Post-retirement mortality	-1 year	2.172	5.158	7.330	5%
Average retirement age	-1 year	2.277	4.911	7.188	3%
Continuation of membership at retirement	-10%	1.569	4.911	6.480	-7%

<b>Assumption</b>	<b>Change</b>	<b>Current-service Cost (R)</b>	<b>Interest Cost (R)</b>	<b>Total (R)</b>	<b>% change</b>
Central Assumption		230 100	510 400	740 500	

The effect of movements in the assumptions are as follows:

	<b>Change</b>	<b>Current-service Cost (R)</b>	<b>Interest Cost (R)</b>	<b>Total (R)</b>	<b>% change</b>
Health care inflation	1%	275 400	566 400	841 800	14%
Health care inflation	-1%	193 500	463 300	656 800	-11%
Post-retirement mortality	-1 year	240 700	536 200	776 900	5%
Average retirement age	-1 year	223 400	529 800	753 200	2%
Withdrawal Rate	-50%	271 900	533 500	805 400	9%

**2014**                      **2013**

**3.2 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans.

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

99	105
----	-----

**2015  
R**

The following are estimates for the 2014/2015 financial year:

Future Service Cost	91 190
Interest Cost	72 065

Key actuarial assumptions used:

	<b>2014 %</b>	<b>2013 %</b>
<b>i) Rate of interest</b>		
Discount rate	7.89%	7.04%
General Salary Inflation (long-term)	7.09%	6.72%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.74%	0.30%

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

<b>The amounts recognised in the Statement of Financial Position are as follows:</b>	<b>2014 R</b>	<b>2013 R</b>
Present value of fund obligations	966 985	832 072
<b>Net liability</b>	<b>966 985</b>	<b>832 072</b>

The fund is not supported by any plan assets

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

	2012	2011 R	2010 R
<b>Total Liability</b>	820 789	722 790	66 978

Experience adjustments were calculated as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Liabilities: (Gain) / loss	157 011	(17 831)	(20 034)	640 602	492 099
Assets: Gain / (loss)	-	-	-	-	-
				<b>2014 R</b>	<b>2013 R</b>

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	832 072	820 789
Total expenses	129 843	147 965
Current service cost	75 483	99 583
Interest Cost	54 360	48 382
Actuarial loss/(gain)	5 070	(136 682)
Present value of fund obligation at the end of the year	966 985	832 072
<b>Less:</b> Transfer of Current Portion - Note 6	(108 838)	(120 878)
<b>Balance 30 June</b>	<b>858 147</b>	<b>711 194</b>

**Sensitivity Analysis on the Unfunded Accrued Liability**

Assumption	Change	Liability (R m)	% change
Central assumptions		0.967	

The effect of movements in the assumptions are as follows:

General salary inflation	1%	1.026	6%
General salary inflation	-1%	0.914	-6%
Discount Rate	1%	0.910	-6%
Discount Rate	-1%	1.030	7%
Average retirement age	-2 yrs	0.860	-11%
Average retirement age	2 yrs	1.076	11%
Withdrawal rates	-50%	1.167	21%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		75 500	54 400	129 900	

The effect of movements in the assumptions are as follows:

General Salary Inflation	1%	81 700	57 600	139 300	7%
General Salary Inflation	-1%	69 900	51 400	121 300	-7%
Average retirement age	-2 years	65 700	47 200	112 900	-13%
Average retirement age	+2 years	83 500	62 000	145 500	12%
Withdrawal Rate	-50%	101 300	64 600	165 900	28%

**3.3 Retirement funds**

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

**UBUNTU MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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

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

**CAPE RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 105.1% (30 June 2012 - 108.0%).

Contributions paid recognised in the Statement of Financial Performance

2014 R	2013 R
433 067	363 694

**DEFINED CONTRIBUTION FUNDS**

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

Contributions paid recognised in the Statement of Financial Performance

Municipal Councillors Pension Fund	57 089	54 427
SALA Pension Fund	2 356 039	2 203 569
SAMWU National Provident Fund	75 286	73 026
	<u>2 488 415</u>	<u>2 331 023</u>

**4 NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Landfill-sites

<b>1 022 079</b>	<b>889 780</b>
------------------	----------------

**Landfill Sites**

Balance 1 July	3 117 580	2 797 273
Additions	316 244	193 702
Unwinding of discounted interest	146 783	126 605
<b>Total provision 30 June</b>	<b>3 580 606</b>	<b>3 117 580</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Refer to note 7	<b>(2 558 527)</b>	<b>(2 227 800)</b>
<b>Balance 30 June</b>	<b>1 022 079</b>	<b>889 780</b>

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs (30 June 2014). The assumptions used are as follows:

	<u>Loxton</u>	<u>Victoria West</u>	<u>Richmond</u>
Area (m <sup>2</sup> )	22 800	30 000	22 500
Rehabilitation area (m <sup>2</sup> )	15 960	24 000	18 000
Fence (m)	620	800	750
Cost of fence (Rand)	238 700	308 000	288 750
Shape, Trim and compact Dump (R5/m <sup>2</sup> )	147 060	193 500	145 125
Excavation cost (150mm @ R40/m <sup>3</sup> )	123 292	185 280	139 050
Placing cover material (150mm @ R20/m <sup>3</sup> )	-	-	69 525
Capping Layer (200mm @ R30/m <sup>3</sup> )	123 211	185 280	-
Re-vegetation (R2.55/m <sup>2</sup> )	52 668	79 200	-
Drainage System R4.22/m <sup>2</sup> )	86 982	130 800	98 100
Preliminary and general (Rand)	154 382	216 436	148 110
Fees and expenses (Rand)	138 944	194 792	133 299
	<u><b>1 065 239</b></u>	<u><b>1 493 288</b></u>	<u><b>1 021 959</b></u>

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

<u>Location</u>	<u>Reviewed Estimated decommission date</u>	<u>Cost of rehabilitation 2014 R</u>	<u>Cost of rehabilitation 2013 R</u>
Loxton	2015	1 065 239	927 430
Victoria Wes	2015	1 493 288	1 300 370
Richmond	2018	1 021 959	889 780
		<b>3 580 486</b>	<b>3 117 580</b>

5 CONSUMER DEPOSITS

	<u>2014 R</u>	<u>2013 R</u>
Electricity	133 889	128 698
Water	83 702	74 654
<b>Total Consumer Deposits</b>	<b>217 591</b>	<b>203 351</b>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>-</b>	<b>-</b>

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

6 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 3	567 516	506 184
Current Portion of Long-Service Provisions - Note 3	108 838	120 878
Staff Leave Accrual	1 449 419	1 496 185
Bonus Accrual	405 787	366 136
<b>Total Current Employee Benefits</b>	<b>2 531 560</b>	<b>2 489 383</b>

The movement in current employee benefits are reconciled as follows:

**Staff Leave Accrual**

Balance at beginning of year	1 496 185	927 103
Contribution to current portion	138 784	766 089
Expenditure incurred	(185 549)	(197 008)
Balance at end of year	<b>1 449 419</b>	<b>1 496 185</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement. All leave is vesting, as all employee's will be compensated for unused leave at the end of their employment term.

**Bonus Accrual**

Balance at beginning of year	366 136	306 050
Contribution to current portion	938 431	883 823
Expenditure incurred	(898 780)	(823 738)
Balance at end of year	<b>405 787</b>	<b>366 136</b>

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

7 PROVISIONS

Current Portion of Rehabilitation of Landfill-sites - Refer to note 4	2 558 527	2 227 800
<b>Total Provisions</b>	<b>2 558 527</b>	<b>2 227 800</b>



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

8	<b>PAYABLES FROM EXCHANGE TRANSACTIONS</b>	<b>2014 R</b>	<b>2013 R</b>
	Trade Payables	5 898 715	3 997 006
	Balance previously reported		4 587 014
	Correction of error - Refer to note 37.06		(590 007)
	Salary Accruals	631 631	590 007
	Balance previously reported		-
	Correction of error - Refer to note 37.06		590 007
	Arrear Portion of Long Term Liabilities	10 640	848 687
	Pre-paid electricity	75 931	66 490
	Sundry Creditors	256 604	399 500
	Payments received in advance	2 233 313	1 527 434
	National Treasury	-	2 104 000
	Sundry Deposits	92 444	44 205
	Traffic Fines Control	221 488	282 178
	<b>Total Trade Payables</b>	<b>9 420 766</b>	<b>9 859 506</b>

Payables are being recognised net of any discounts.

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

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

All payables are unsecured.

Sundry deposits include hall, builders and housing Deposits.

The arrear portion of long term liabilities originated as a result of the municipality not settling in full the current portion of the annuity loan as disclosed in note 3.1. This amount reduced significantly in the current year due the restructuring of the DBSA loan on 1 August 2013.

9 **UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

<b>Unspent Grants</b>	7 396 155	3 810 214
National Government Grants	6 643 678	3 530 585
Provincial Government Grants	563 478	-
District Municipality	-	90 630
Other Grant Providers	188 999	188 999
<b>Less: Unpaid Grants</b>	<b>438 221</b>	<b>446 968</b>
National Government Grants	31 067	31 067
Provincial Government Grants	400 500	415 901
District Municipality	6 654	-
<b>Total Conditional Grants and Receipts</b>	<b>6 957 934</b>	<b>3 363 246</b>

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

10 **TAXES**

10.1 **VAT PAYABLE**

VAT Payable	162 154	-
VAT output in suspense	2 470 038	1 636 591
<b>Total Vat payable</b>	<b>2 632 192</b>	<b>1 636 591</b>

10.2 **VAT RECEIVABLE**

VAT Receivable	-	418 662
VAT input in suspense	456 985	63 554
<b>Total VAT receivable</b>	<b>456 985</b>	<b>482 216</b>

10.3 **NET VAT PAYABLE**

	<b>2 175 208</b>	<b>1 154 376</b>
Balance previously reported		1 156 868
Correction of error - Refer to note 37.05		(2 492)
		<b>1 154 376</b>

VAT is receivable/payable on the cash basis.

UBUNTU LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

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	Depreciation		Closing Balance R	
						for the year R	Disposals R		
<b>Land and Buildings</b>	<b>9 202 176</b>	-	<b>(880 000)</b>	<b>8 322 176</b>	<b>372 769</b>	<b>64 903</b>	<b>(46 315)</b>	<b>391 357</b>	<b>7 930 820</b>
Land	2 089 310	-	(130 000)	1 959 310	-	-	-	-	1 959 310
Buildings	7 112 866	-	(750 000)	6 362 866	372 769	64 903	(46 315)	391 357	5 971 509
<b>Infrastructure</b>	<b>129 688 394</b>	<b>11 105 490</b>	<b>(44 970)</b>	<b>140 748 914</b>	<b>28 056 635</b>	<b>5 104 837</b>	<b>(26 335)</b>	<b>33 135 137</b>	<b>107 613 777</b>
Stormwater and Roads	41 174 961	6 778 321	-	47 953 282	13 891 325	2 315 943	-	16 207 268	31 746 014
Sewerage	33 616 423	296 389	-	33 912 812	4 828 194	927 416	-	5 755 610	28 157 202
Electricity	19 532 447	1 904 988	-	21 437 435	3 729 938	718 587	-	4 448 525	16 988 910
Water	34 832 522	2 125 792	(44 970)	36 913 344	5 607 177	1 142 892	(26 335)	6 723 734	30 189 610
Solid Waste	532 041	-	-	532 041	-	-	-	-	532 041
<b>Community Assets</b>	<b>3 150 630</b>	<b>1 019 350</b>	-	<b>4 169 979</b>	<b>43 504</b>	<b>7 305</b>	-	<b>50 809</b>	<b>4 119 170</b>
Recreation Grounds	593 155	87 546	-	680 701	11 410	1 900	-	13 310	667 390
Public Open Spaces	1 671 374	-	-	1 671 374	-	-	-	-	1 671 374
Cemetery	886 101	931 804	-	1 817 905	32 093	5 405	-	37 499	1 780 406
<b>Lease Assets</b>	<b>1 156 161</b>	-	-	<b>1 156 161</b>	<b>382 642</b>	<b>231 232</b>	-	<b>613 874</b>	<b>542 287</b>
Office Equipment	1 156 161	-	-	1 156 161	382 642	231 232	-	613 874	542 287
<b>Other Assets</b>	<b>9 162 349</b>	<b>71 265</b>	<b>(5 106)</b>	<b>9 228 507</b>	<b>2 186 890</b>	<b>491 641</b>	<b>(262)</b>	<b>2 678 268</b>	<b>6 550 239</b>
Office Equipment	894 389	-	-	894 389	275 357	119 830	-	395 186	499 202
Furniture & Fittings	1 317 295	17 713	(5 106)	1 329 902	426 469	100 333	(262)	526 539	803 362
Electrical Equipment	376 781	9 332	-	386 114	184 577	45 805	-	230 382	155 732
Motor vehicles	5 577 458	-	-	5 577 458	933 859	116 147	-	1 050 005	4 527 453
Mechanical Equipment	449 992	7 325	-	457 317	137 826	52 824	-	190 650	266 667
Computer equipment	546 433	36 895	-	583 328	228 803	56 703	-	285 506	297 823
	<b>152 359 710</b>	<b>12 196 104</b>	<b>(930 076)</b>	<b>163 625 738</b>	<b>31 042 440</b>	<b>5 899 918</b>	<b>(72 912)</b>	<b>36 869 445</b>	<b>126 756 293</b>

UBUNTU LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30 JUNE 2013

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation and Impairment Losses				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Depreciation for the year R	Disposals R	Closing Balance R	
<b>Land and Buildings</b>	<b>9 142 150</b>	<b>60 026</b>	<b>-</b>	<b>9 202 176</b>	<b>301 905</b>	<b>70 864</b>	<b>-</b>	<b>372 769</b>	<b>8 829 407</b>
Land	2 089 310	-	-	2 089 310	-	-	-	-	2 089 310
Buildings	7 052 840	60 026	-	7 112 866	301 905	70 864	-	372 769	6 740 097
<b>Infrastructure</b>	<b>121 580 467</b>	<b>8 245 997</b>	<b>(138 071)</b>	<b>129 688 394</b>	<b>23 157 007</b>	<b>4 953 082</b>	<b>(53 454)</b>	<b>28 056 635</b>	<b>101 631 759</b>
Stormwater and Roads	33 990 666	7 184 295	-	41 174 961	11 715 077	2 176 248	-	13 891 325	27 283 635
Sewerage	33 112 268	506 691	(2 537)	33 616 423	3 911 618	918 651	(2 075)	4 828 194	28 788 228
Electricity	19 532 447	-	-	19 532 447	3 011 351	718 587	-	3 729 938	15 802 509
Water	34 456 761	511 295	(135 534)	34 832 522	4 518 961	1 139 595	(51 379)	5 607 177	29 225 345
Other	488 325	43 716	-	532 041	-	-	-	-	532 041
<b>Community Assets</b>	<b>2 952 720</b>	<b>197 910</b>	<b>-</b>	<b>3 150 630</b>	<b>36 199</b>	<b>7 305</b>	<b>-</b>	<b>43 504</b>	<b>3 107 126</b>
Recreation Grounds	407 500	185 655	-	593 155	9 510	1 900	-	11 410	581 744
Public Open Spaces	1 671 374	-	-	1 671 374	-	-	-	-	1 671 374
Cemetery	873 846	12 255	-	886 101	26 688	5 405	-	32 093	854 008
<b>Lease Assets</b>	<b>1 156 161</b>	<b>-</b>	<b>-</b>	<b>1 156 161</b>	<b>151 410</b>	<b>231 232</b>	<b>-</b>	<b>382 642</b>	<b>773 519</b>
Office Equipment	1 156 161	-	-	1 156 161	151 410	231 232	-	382 642	773 519
<b>Other Assets</b>	<b>8 828 288</b>	<b>348 805</b>	<b>(14 744)</b>	<b>9 162 349</b>	<b>1 641 019</b>	<b>549 712</b>	<b>(3 841)</b>	<b>2 186 890</b>	<b>6 975 459</b>
Office Equipment	769 898	127 568	(3 077)	894 389	152 133	125 379	(2 155)	275 357	619 032
Furniture & Fittings	1 270 935	46 360	-	1 317 295	327 406	99 063	-	426 469	890 826
Electrical Equipment	364 295	12 486	-	376 781	139 409	45 168	-	184 577	192 204
Motor vehicles	5 577 458	-	-	5 577 458	770 074	163 785	-	933 859	4 643 599
Mechanical Equipment	448 314	1 678	-	449 992	85 094	52 732	-	137 826	312 166
Computer equipment	397 387	160 713	(11 667)	546 433	166 904	63 585	(1 686)	228 803	317 631
	<b>143 659 786</b>	<b>8 852 739</b>	<b>(152 815)</b>	<b>152 359 710</b>	<b>25 287 539</b>	<b>5 812 195</b>	<b>(57 294)</b>	<b>31 042 440</b>	<b>121 317 270</b>
Balance previously reported	143 467 737	9 049 365	(152 815)	152 364 288	25 263 788	5 807 450	(57 294)	31 013 943	121 350 344
Correction of error - Refer to note 37.01	192 049	(196 627)	-	(4 578)	23 751	4 745	-	28 496	(33 074)
	<b>143 659 786</b>	<b>8 852 739</b>	<b>(152 815)</b>	<b>152 359 710</b>	<b>25 287 539</b>	<b>5 812 195</b>	<b>(57 294)</b>	<b>31 042 440</b>	<b>121 317 270</b>

The following work in progress balances are included in Property, Plant and Equipment

	2014 R	2013 R
Infrastructure - Stormwater and Roads	3 683 893	4 588 860
Infrastructure - Sewerage	1 409 478	1 113 089
Infrastructure - Electricity	2 694 716	789 729
Infrastructure - Water	2 070 613	-
Infrastructure - Other	532 041	532 041
Community Assets - Recreation Grounds	273 201	185 655
Community Assets - Cemetery	1 165 508	233 704
	<b>11 829 450</b>	<b>7 443 079</b>



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>12 INVESTMENT PROPERTY</b>		
<b>Net Carrying amount at 1 July</b>	<b>23 184 370</b>	<b>23 208 886</b>
Cost	23 331 600	23 331 600
Balance Previously Reported		26 603 700
Correction of error - Refer to note 37.02		(3 272 100)
Accumulated Depreciation	(147 230)	(122 714)
Balance Previously Reported		(130 288)
Correction of error - Refer to note 37.02		7 573
Depreciation for the year	(24 516)	(24 516)
Balance Previously Reported		(26 029)
Correction of error - Refer to note 37.02		1 513
<b>Net Carrying amount at 30 June</b>	<b>23 159 854</b>	<b>23 184 370</b>
Cost	23 331 600	23 331 600
Accumulated Depreciation	(171 746)	(147 230)

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.

	2014 R	2013 R
<b>13 INTANGIBLE ASSETS</b>		
<b>Computer Software</b>		
<b>Net Carrying amount at 1 July</b>	<b>34 043</b>	<b>34 821</b>
Cost	66 325	54 775
Accumulated Amortisation	(32 282)	(19 954)
Additions	-	11 550
Amortisation	(13 265)	(12 328)
<b>Net Carrying amount at 30 June</b>	<b>20 778</b>	<b>34 043</b>
Cost	66 325	66 325
Accumulated Amortisation	(45 547)	(32 282)

<u>Description</u>	<u>Remaining Amortisation Period</u>	<u>Carrying Value</u>	
		2014 R	2013 R
Microsoft Office, Windows software and system software	3 - 5 years	20 778	34 043

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

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

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

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>14 CAPITALISED RESTORATION COST</b>		
<b>Net Carrying amount at 1 July</b>	<b>54 839</b>	<b>582</b>
Additions	316 244	193 702
Depreciation	(10 968)	(145)
Impairment	-	(139 301)
Reversal of Impairment due to an increase in discount rate	75	-
<b>Net Carrying amount at 30 June</b>	<b>360 189</b>	<b>54 839</b>
Cost	553 928	237 684
Accumulated Depreciation	(53 723)	(42 755)
Accumulated Impairments	(140 016)	(140 090)

**15 NON-CURRENT INVESTMENTS**

Fixed Deposits	1 704 724	1 616 786
<b>Total Non-Current Investments</b>	<b>1 704 724</b>	<b>1 616 786</b>

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 5.7% % to 5.90 % per annum (2013 - 5% to 5.45%). The carrying amount of these assets approximates their fair value.

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

Fixed deposits consist out of the following accounts

FNB - Acc.no.71 26761 8613 - Subsidie Kerkstraat Investment	94 395	89 900
FNB - Acc.no.71 08730 6258 - Security Investment	1 610 329	1 526 886
	<b>1 704 724</b>	<b>1 616 786</b>

**16 BIOLOGICAL ASSETS**

	Quantity (Units)	Fair Value R	2014 R	2013 R
Springbuck	397	390	154 830	193 000
Ostrich	3	450	1 350	4 500
Blesbuck	48	650	31 200	57 600
Swart Wildebeest	17	950	16 150	40 000
Zebra	2	2 050	4 100	12 000
			<b>207 630</b>	<b>307 100</b>

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

Reconciliation of fair value:

Opening Fair Value	307 100	157 300
Fair Value adjustments - Price changes	(107 470)	82 520
Fair Value adjustments - Physical changes	8 000	67 280
Closing Fair Value	<b>207 630</b>	<b>307 100</b>

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.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

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

	2014 R	2013 R
<b>17 LONG-TERM RECEIVABLES</b>		
Officials' Housing Loans - At amortised cost	55 409	55 409
Consumers and Rates	1 276 753	1 000 849
Councillors Allowances	55 858	57 459
	<hr/>	<hr/>
	1 388 020	1 113 717
<b>Less:</b> Provision for Impairment	(1 388 021)	(1 113 717)
<b>Total Long Term Receivables</b>	<hr/> <b>-</b> <hr/>	<hr/> <b>-</b> <hr/>

The carrying amount of these assets approximates their fair value.

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

Officials' Housing Loans - At amortised cost	55 409	55 409
Consumers and Rates	1 276 753	1 000 849
Councillors Allowances	55 859	57 459
Provision for impairment	<hr/> <b>1 388 021</b> <hr/>	<hr/> <b>1 113 717</b> <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.

<b>18 INVENTORY</b>		
Water – at cost	10 066	8 285
<b>Total Inventory</b>	<hr/> <b>10 066</b> <hr/>	<hr/> <b>8 285</b> <hr/>

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

19 RECEIVABLES FROM EXCHANGE TRANSACTIONS	2014 R	2013 R
Electricity	2 209 605	1 796 198
Water	17 666 267	12 855 631
Refuse	7 541 538	6 182 566
Sewerage	5 796 888	5 181 311
Balance previously reported		4 570 640
Correction of error - Refer to note 37.04		610 671
Other	789 467	750 244
Balance previously reported		688 114
Correction of error - Refer to note 37.04		62 131
<b>Total Receivables from Exchange Transactions</b>	<b>34 003 765</b>	<b>26 765 950</b>
Less: Allowance for Doubtful Debts	(32 226 958)	(25 012 456)
Balance previously reported		(24 401 786)
Correction of error - Refer to note 37.04		(610 671)
<b>Total Net Receivables from Exchange Transactions</b>	<b>1 776 806</b>	<b>1 753 494</b>

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

Debtors with a total outstanding balance of R 1 561 494 (2013 - R 1 339 822) have arranged to settle their account over an re-negotiated period. Total payments to the value of R 1 025 450 (2013 - R 740 863) have been deferred beyond 12 months after year end and subsequently included as part of long term debtors.

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

Ageing of Receivables from Exchange Transactions:

**(Electricity): Ageing**

Current (0 - 30 days)	698 836	643 126
31 - 60 Days	152 246	92 716
61 - 90 Days	83 619	70 187
+ 90 Days	1 274 904	990 169
<b>Total</b>	<b>2 209 605</b>	<b>1 796 198</b>

**(Water): Ageing**

Current (0 - 30 days)	811 085	864 808
31 - 60 Days	366 568	332 207
61 - 90 Days	337 063	308 223
+ 90 Days	16 151 551	11 350 393
<b>Total</b>	<b>17 666 267</b>	<b>12 855 631</b>

**(Refuse): Ageing**

Current (0 - 30 days)	210 116	181 425
31 - 60 Days	163 928	134 360
61 - 90 Days	157 341	124 374
+ 90 Days	7 010 153	5 742 407
<b>Total</b>	<b>7 541 538</b>	<b>6 182 566</b>

**(Sewerage): Ageing**

Current (0 - 30 days)	183 731	172 940
31 - 60 Days	136 180	127 972
61 - 90 Days	132 342	108 673
+ 90 Days	5 344 635	4 771 726
<b>Total</b>	<b>5 796 888</b>	<b>5 181 311</b>



UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b><u>(Other): Ageing</u></b>		
Current (0 - 30 days)	8 387	17 857
31 - 60 Days	8 312	7 747
61 - 90 Days	8 312	7 747
+ 90 Days	764 455	716 892
<b>Total</b>	<b>789 467</b>	<b>750 244</b>
<b><u>(Total): Ageing</u></b>		
Current (0 - 30 days)	1 912 155	1 880 156
31 - 60 Days	827 234	695 003
61 - 90 Days	718 678	619 205
+ 90 Days	30 545 698	23 571 587
<b>Total</b>	<b>34 003 765</b>	<b>26 765 950</b>
<b>Reconciliation of Provision for Bad Debts</b>		
Balance at beginning of year	25 012 456	19 587 180
Contribution to provision	7 400 076	5 561 825
Bad Debts Written Off	(185 575)	(136 549)
<b>Balance at end of year</b>	<b>32 226 958</b>	<b>25 012 456</b>
The Provision for Impairment could be allocated between the different classes of receivables as follows:		
Electricity	1 220 573	1 016 550
Water	17 086 301	12 164 126
Refuse	7 453 119	6 104 295
Sewerage	5 684 928	4 446 021
Other	782 038	670 794
	<b>32 226 958</b>	<b>24 401 786</b>

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

**20 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Rates	9 278 834	9 673 015
Balance previously reported		9 618 928
Correction of error - Refer to note 37.03		54 087
Other Receivables	54 621 988	13 488 400
Accrued Fines	53 943 968	13 178 915
Balance previously reported		-
Correction of error - Refer to note 37.03		13 178 915
Fuel Deposits	56 000	58 827
Electricity Deposit Richmond	30 718	30 718
Payments in advance	282 680	-
Other Debtors	221 695	140 970
Balance previously reported		151 929
Correction of error - Refer to note 37.03		(10 958)
Accrued Interest	86 927	78 969
<b>Total Receivables from Non-Exchange Transactions</b>	<b>63 900 821</b>	<b>23 161 415</b>
Less: Allowance for Doubtful Debts	(45 362 347)	(8 227 880)
Balance previously reported		(8 173 793)
Correction of error - Refer to note 37.03		(54 087)
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>18 538 474</b>	<b>14 933 536</b>

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Due to the prospective application of the revised IGRAP 1, the municipality raised a receivable as well as an impairment charge on unpaid fines in the current year. This also resulted in a significant increase in fines revenue recognised in the statement of financial performance when compared to the comparative year.

Debtors with a total outstanding balance of R 455 423 (2013 - R 432 497) have arranged to settle their account over an re-negotiated period. Total payments to the value of R 251 303 (2013 - R 259 986) have been deferred beyond 12 months after year end and subsequently included as part of long term debtors.

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

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

Ageing of Receivables from Non-Exchange Transactions:

	2014 R	2013 R
<b><i>(Rates): Ageing</i></b>		
Current (0 - 30 days)	391 066	405 020
31 - 60 Days	311 072	327 922
61 - 90 Days	297 728	309 745
+ 90 Days	8 278 967	8 630 329
<b>Total</b>	<b>9 278 834</b>	<b>9 673 015</b>

**Reconciliation of Provision for Bad Debts**

Balance at beginning of year	8 227 880	5 846 940
Contribution to provision	37 151 253	2 405 654
Bad Debts Written Off	(16 785)	(24 714)
<b>Balance at end of year</b>	<b>45 362 347</b>	<b>8 227 880</b>

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

Rates	7 623 496	8 173 793
Accrued Fines	37 738 851	-
	<b>45 362 347</b>	<b>8 173 793</b>

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.

**21 OPERATING LEASE ARRANGEMENTS**

**21.1 The Municipality as Lessee (Liability)**

<b>Balance on 1 July</b>	1 369	1 505
Movement during the year	(672)	(135)
<b>Balance on 30 June</b>	<b>698</b>	<b>1 369</b>

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:

	2014 R	2013 R
Up to 1 Year	5 078	7 241
1 to 5 Years	-	5 078
<b>Total Operating Lease Arrangements</b>	<b>5 078</b>	<b>12 319</b>

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

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>21.2 The Municipality as Lessor (Asset)</b>		
<b>Balance on 1 July</b>	98 256	105 752
Movement during the year	(35 841)	(7 496)
<b>Balance on 30 June</b>	<b>62 415</b>	<b>98 256</b>

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	108 985	153 242
1 to 5 Years	165 361	346 869
More than 5 Years	11 376	16 547
<b>Total Operating Lease Arrangements</b>	<b>285 723</b>	<b>516 659</b>

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

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

**22 CASH AND CASH EQUIVALENTS**

**Assets**

Call Investments Deposits	24 615	615 379
Bank Accounts	821 685	170 604
Cash Floats	2 400	2 500
<b>Total Cash and Cash Equivalents - Assets</b>	<b>848 700</b>	<b>788 484</b>

**Liabilities**

Primary Bank Account	1 047 083	1 211 708
<b>Total Cash and Cash Equivalents - Liabilities</b>	<b>1 047 083</b>	<b>1 211 708</b>

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):	(1 047 083)	(1 211 708)
Richmond Standard Bank - Account Number 18 738 917 9 (Secondary Bank Account)	89 163	54 120
Richmond Standard Bank - Account Number 08 319 266 2 (Traffic Account)	732 522	116 485
	<b>(225 398)</b>	<b>(1 041 104)</b>

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

Cash book balance at beginning of year	(1 211 708)	(926 683)
Cash book balance at end of year	(1 047 083)	(1 211 708)

Bank statement balance at beginning of year	913 367	715 730
Bank statement balance at end of year	(781 276)	913 367

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

Cash book balance at beginning of year	54 120	33 664
Cash book balance at end of year	89 163	54 120

Bank statement balance at beginning of year	37 143	7 737
Bank statement balance at end of year	89 163	37 143

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b><i>Richmond Standard Bank - Account Number 08 319 266 2 (Traffic Account)</i></b>		
Cash book balance at beginning of year	116 485	463 032
Cash book balance at end of year	732 522	116 485
Bank statement balance at beginning of year	118 985	464 432
Bank statement balance at end of year	739 572	118 985
<b><u>Call Investment Deposits</u></b>		
Call investment deposits consist out of the following accounts:		
FNB - Acc.no.62 04611 0920 - Projek Biblioteek Investment	1 024	31 873
FNB - Acc.no.62 05001 7021 - Equitable Share Investment	1 008	1 179
FNB - Acc.no.62 05698 7088 - Projek Nasionale Tesourie Investment	1 167	1 461
FNB - Acc.no.62 08647 7760 - Own Funds Investment	7 702	3 139
FNB - Acc.no.62 08984 3744 - Project Consolidate MSIG Investment	10 293	10 840
FNB - Acc.no.62 14251 4894 - High Mast Lighting Investment	-	11 024
FNB - Acc.no.62 17405 7680 - Drought Relief Funds Investment	-	1 692
FNB - Acc.no.62 18164 4462 - Road Project Loxton Investment	-	1 204
FNB - Acc.no.62 18831 8333 - Skills Development Fund	-	2 059
FNB - Acc.no.62 20922 9831 - MIG Fund	1 008	167 169
FNB - Acc.no.62 24204 3892 - DME Project	1 399	1 385
FNB - Acc.no.62 24730 1071 - Rubbish Bins	-	1 620
FNB - Acc.no.62 24730 1708 - Playground	1 016	302 769
FNB - Acc.no.62 24730 1964 - Tourism Plan	-	1 379
FNB - Acc.no.62 25094 0387 - Insurance Claims	-	1 592
FNB - Acc.no.62 25254 5763 - Own Funds	-	1 015
FNB - Acc.no.62 25880 8595 - Reservoir Project (Victoria West)	-	1 097
FNB - Acc.no.62 25880 9064 - Reservoir Project (Richmond)	-	1 087
FNB - Acc.no.62 26770 3819 - Oxidation Ponds	-	1 922
FNB - Acc.no.62 27128 8188 - Fire Fighting Equipment	-	1 166
FNB - Acc.no.74 12728 4318 - Leave Reserve Fund Investment	-	67 606
FNB - Acc.no.62 28437 5386 - De Ville Street Project	-	1 101
	24 615	615 379

23

**PROPERTY RATES**

**Actual**

**Rateable Land and Buildings**

Residential, Commercial Property, State

Less: Rebates

**Total Assessment Rates**

**Valuations - 1 JULY 2009**

**Rateable Land and Buildings**

Residential and Vacant Land

Business & Commercial

Government

Exempt Properties

Multiple Use Properties

Agricultural

**Total Assessment Rates**

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

**Rates:**

Residential

Commercial

Agricultural

1.390 c/R

1.417 c/R

0.127 c/R

1.3110 c/R

1.1337 c/R

0.1200 c/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.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>24 GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Unconditional Grants</b>	<b>19 400 000</b>	<b>17 705 000</b>
Equitable Share	19 400 000	17 705 000
<b>Conditional Grants</b>	<b>22 784 376</b>	<b>12 983 369</b>
Grants and donations	22 784 376	12 983 369
<b>Total Government Grants and Subsidies</b>	<b>42 184 376</b>	<b>30 688 369</b>
Government Grants and Subsidies - Capital	12 069 660	8 521 415
Government Grants and Subsidies - Operating	30 114 716	22 166 953
	<b>42 184 376</b>	<b>30 688 369</b>
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Equitable share	19 400 000	17 705 000
Executive & Council	-	1 000 000
Budget & Treasury	2 540 000	1 986 000
Planning & Development	17 375 140	8 618 861
Community & Social Services	636 139	651 130
Sport & Recreation	97 284	208 570
Water	-	518 807
Electricity	2 135 813	-
	<b>42 184 376</b>	<b>30 688 369</b>
The municipality does not expect any significant changes to the level of grants.		
<b>24.01 Equitable share</b>		
Opening balance	-	-
Grants received	19 400 000	17 705 000
Conditions met - Operating	(19 400 000)	(17 705 000)
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.		
<b>24.02 Local Government Financial Management Grant (FMG)</b>		
Opening balance	-	-
Grants received	1 650 000	1 500 000
Conditions met - Operating	(1 650 000)	(1 500 000)
Conditions still to be met	-	-
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).		
<b>24.03 Municipal Systems Improvement Grant</b>		
Opening balance	-	-
Grants received	890 000	800 000
Paid Back to National Treasury	-	(314 000)
Conditions met - Operating	(890 000)	(244 543)
Conditions met - Capital	-	(241 457)
Conditions still to be met	-	-
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>24.04 Municipal Infrastructure Grant (MIG)</b>		
Opening balance	3 530 586	4 117 546
Grants received	13 995 000	11 510 000
Paid Back to National Treasury	(3 532 000)	(3 894 000)
Conditions met - Operating	(787 335)	(871 903)
Conditions met - Capital	(7 248 553)	(7 331 057)
Conditions still to be met	<u>5 957 699</u>	<u>3 530 586</u>

The grant was used to upgrade infrastructure in previously disadvantaged areas.

**24.05 Department of Water Affairs**

Opening balance	(31 067)	(204 296)
Grants received	-	692 036
Conditions met - Operating	-	(260 715)
Conditions met - Capital	-	(258 092)
Grant expenditure to be recovered	<u>(31 067)</u>	<u>(31 067)</u>

The grant is utilised to promote the access to high quality water in the municipal area.

**24.06 Skills Development Fund**

Opening balance	-	-
Grants received	82 303	95 697
Conditions met - Operating	(82 303)	(95 697)
Conditions still to be met	<u>-</u>	<u>-</u>

These funds are utilised to develop skills within the municipality.

**24.07 Library Fund**

Opening balance	-	176 434
Grants received	766 000	379 000
Conditions met - Operating	(553 836)	(466 180)
Conditions met - Capital	-	(89 254)
Conditions still to be met	<u>212 164</u>	<u>-</u>

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

**24.08 Expanded Public Works Program (EPWP)**

Opening balance	-	-
Grants received	4 000 000	1 000 000
Conditions met - Operating	(1 246 022)	(1 000 000)
Conditions still to be met	<u>221 793</u>	<u>-</u>

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

**24.09 Housing Grants**

Opening balance	(415 901)	-
Grants received	5 927 760	1 000 000
Conditions met - Operating	(5 264 656)	(1 000 000)
Conditions met - Capital	(296 389)	(415 901)
Conditions still to be met	<u>(49 186)</u>	<u>(415 901)</u>

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

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>24.10 National Electrification Programme (INEP)</b>		
Opening balance	-	-
Grants received	2 600 000	-
Conditions met - Operating	(230 826)	-
Conditions met - Capital	(1 904 988)	-
Conditions still to be met	<u>464 187</u>	<u>-</u>
The grant is utilised to upgrade electrical Infrastructure in the Municipal Area.		
<b>24.11 Other Grants</b>		
Opening balance	279 629	188 999
Grants received	-	299 200
Conditions met - Operating	(9 738)	(22 916)
Conditions met - Capital	(87 546)	(185 655)
Conditions still to be met	<u>182 345</u>	<u>279 629</u>
Various grants were received from other spheres of government.		
<b>24.12 Total Grants</b>		
Opening balance	3 363 246	4 278 682
Grants received	49 311 063	34 980 933
Paid Back to National Treasury	(3 532 000)	(4 208 000)
Conditions met - Operating	(30 114 716)	(23 166 953)
Conditions met - Capital	(12 069 660)	(8 521 415)
Conditions still to be met	<u>6 957 934</u>	<u>3 363 246</u>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	7 396 155	3 810 214
Unpaid Conditional Government Grants and Receipts	(438 221)	(446 968)
	<u>6 957 934</u>	<u>3 363 246</u>
<b>25 FINES</b>		
Traffic Fines	52 442 385	15 962 944
Court Fines	26 420	44 050
Library Fines	4 712	3 916
	<u>52 473 517</u>	<u>16 010 910</u>
<b>26 SERVICE CHARGES</b>		
Electricity	9 783 338	8 318 106
Water	6 418 488	5 614 016
Refuse removal	3 097 238	2 888 271
Sewerage and Sanitation Charges	2 764 800	2 653 366
	22 063 864	19 473 759
Less: Rebates	(3 625 488)	(3 612 423)
<b>Total Service Charges</b>	<u>18 438 376</u>	<u>15 861 336</u>
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
<b>27 OTHER INCOME</b>		
Sundry income	244 160	305 277
<b>Total Other Income</b>	<u>244 160</u>	<u>305 277</u>
Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) an fees for items not included under service charges (camping, fire brigade and impounding fees)		

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>28 FAIR VALUE ADJUSTMENTS</b>		
Biological Assets	99 470	(149 800)
	<u>99 470</u>	<u>(149 800)</u>
<b>29 EMPLOYEE RELATED COSTS</b>		
Bargaining Council Levy	13 290	13 233
Bonus	938 431	883 823
Performance Bonus	416 291	-
Contributions for UIF, pensions and medical aids	3 298 944	3 052 097
Group Life Insurance	2 247	6 056
Housing Subsidy	30 477	37 091
Leave Reserve Fund	138 784	766 089
Long service awards	75 483	99 583
Overtime	1 489 401	1 213 679
Post Employment Health	230 140	164 691
Salaries and Wages	16 760 700	15 854 403
Travel, motor car, telephone, assistance and other allowances	1 338 145	1 256 523
<b>Total Employee Related Costs</b>	<u><b>24 732 334</b></u>	<u><b>23 347 269</b></u>
<b>KEY MANAGEMENT PERSONNEL</b>		
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.		
<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
<b>Remuneration of the Municipal Manager - Mr M F Fillis</b>		
Annual Remuneration	641 035	589 722
Performance Bonuses	127 140	-
Travelling Allowance	176 044	163 530
Telephone allowance	5 605	5 206
Contributions to UIF, Medical, Pension Funds and Bargaining Council	181 289	168 083
<b>Total</b>	<u><b>1 131 112</b></u>	<u><b>926 541</b></u>
<b>Remuneration of the Director Infrastructure and Technical Services - Mr Zingange</b>		
Annual Remuneration	503 308	470 690
Performance Bonuses	93 406	-
Travelling Allowance	152 846	141 981
Telephone allowance	7 278	6 761
Contributions to Medical and Pension Funds	104 587	97 153
<b>Total</b>	<u><b>861 425</b></u>	<u><b>716 584</b></u>
<b>Remuneration of the Director Corporate Services - Mr Jacobs</b>		
Annual Remuneration	417 022	382 105
Performance Bonuses	85 357	-
Travelling Allowance	86 427	81 132
Telephone allowance	4 918	4 611
Contributions to Medical and Pension Funds	77 762	78 801
<b>Total</b>	<u><b>671 487</b></u>	<u><b>546 649</b></u>
<b>Remuneration of the Director Financial Services - Me Plaatjies</b>		
Annual Remuneration	602 175	563 104
Performance Bonuses	110 389	-
Travelling Allowance	175 285	162 824
Telephone allowance	7 278	6 761
Contributions to Medical and Pension Funds	168 120	162 951
<b>Total</b>	<u><b>1 063 247</b></u>	<u><b>895 640</b></u>



UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>30 REMUNERATION OF COUNCILLORS</b>		
Mayor	669 254	620 888
Councillors	1 690 231	1 573 278
<b>Total Councillors' Remuneration</b>	<b>2 359 485</b>	<b>2 194 166</b>
<b>Remuneration per Councillor</b>		
Cllr K.J Rigard (Mayor)	669 254	620 888
Cllr K.J Arens	264 524	246 028
Cllr A.Verwey	211 481	198 855
Cllr J.C Pieterse	264 524	246 028
Cllr C.C Jantjies	264 524	246 028
Cllr B.J Bruwer	246 311	191 375
Cllr S.C Jordaan	232 886	248 326
Cllr K.V De Bruin	205 981	196 638
	<b>2 359 485</b>	<b>2 194 166</b>
<b>In-kind Benefits</b>		
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.		
<b>31 DEBT IMPAIRMENT</b>		
Long term Receivables - Note 17	274 304	354 888
Trade Receivables from exchange transactions - Note 19	7 400 076	5 561 825
Trade Receivables from non-exchange transactions - Note 20	37 151 253	2 405 654
<b>Total Contribution to Debt Impairment</b>	<b>44 825 633</b>	<b>8 322 367</b>
<b>32 DEPRECIATION AND AMORTISATION</b>		
Property Plant and Equipment	5 899 918	5 812 195
Investment Property	24 516	24 516
Intangible Assets	13 265	12 328
Landfill sites	10 968	145
	<b>5 948 666</b>	<b>5 849 184</b>
<b>33 IMPAIRMENTS</b>		
Landfill Sites	(75)	139 301
	(75)	139 301
<b>34 FINANCE CHARGES</b>		
Long-term Liabilities	69 338	206 168
DBSA normal	69 338	73 511
DBSA arrears	-	132 657
Finance leases	65 371	84 464
Creditors	18 339	62 715
Bank Overdraft	35 760	29 000
Post Employment Health	510 402	414 182
Long service awards	54 360	48 382
Landfill Sites	146 783	126 605
<b>Total finance charges</b>	<b>900 353</b>	<b>971 516</b>
<b>35 BULK PURCHASES</b>		
Electricity	12 169 045	10 363 315
Water	613 606	552 140
<b>Total Bulk Purchases</b>	<b>12 782 651</b>	<b>10 915 455</b>

**UBUNTU MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

		2014 R	2013 R
<b>36</b>	<b>GENERAL EXPENSES</b>		
	Audit Fees	775 394	1 846 840
	Advertising	78 252	72 226
	Bank Charges	333 694	337 114
	Job Creation	987 808	1 079 274
	Entertainment Expenses	102 612	96 036
	Professional Fees	-	1 300 500
	Membership Fees	707 066	410 596
	Fuel Cost	1 175 310	1 206 679
	Free Paraffin Hampers	195 115	141 466
	Legal Cost	10 112	3 869
	License Fees	315 617	82 115
	Insurance	288 318	314 529
	Penalties	6 253	20 919
	Paupers Funerals	23 650	28 650
	Printing and stationery	347 133	299 734
	Safety clothes	129 378	205 173
	Tyres	19 671	123 328
	Skills development levy	491 667	213 157
	Telephone	253 468	300 982
	Training	131 610	297 372
	Travel and subsistence	1 051 010	1 813 940
	Water Research	121 611	96 177
	Other	201 035	240 127
	General Expenses	<u><u>7 745 783</u></u>	<u><u>10 530 804</u></u>
			<b>2013</b>
<b>37</b>	<b>CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		<b>R</b>
<b>37.01</b>	<b>Property Plant and Equipment</b>		
	<b>Balance previously reported</b>		<b>121 350 344</b>
	Recognise loose assets previously not recognised as additions during 2012/2013 - Refer to note 38		<b>375</b>
	Effect on Other Assets - Furniture and Fittings (Cost)		375
	During the review of loose assets, the municipality identified asset additions previously allocated to repairs and maintenance.		
	Recognise loose assets previously not recognised on 30 June 2007		<b>9 876</b>
	Effect on cost - Refer to note 37.07		24 049
	Furniture and Fittings		15 937
	Computer Equipment		7 749
	Office Equipment		363
	Effect on accumulated depreciation up to 30 June 2012 - Refer to note 37.07		(11 813)
	Furniture and Fittings		(6 811)
	Computer Equipment		(4 848)
	Office Equipment		(154)
	Effect on Depreciation during 2013 - Refer to note 38		(2 360)
	Furniture and Fittings		(969)
	Computer Equipment		(1 361)
	Office Equipment		(31)
	During the review of loose assets, the municipality identified assets previously not recognised on 30 June 2007.		
	Remove maintenance materials incorrectly capitalised on 30 June 2013 - Refer to note 38		<b>(197 002)</b>
	Effect on Infrastructure Water (Cost)		(197 002)
	During the review of infrastructure assets, the municipality identified water meteres used for maintenance incorrectly included in the asset register.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2013 R
Restatement of land and buildings	153 677
Recognition of Land previously not recognised - Refer to note 37.07	(103 500)
Recognition of buildings previously not recognised - Refer to note 37.07	238 500
Recognition of recreational facilities previously not recognised - Refer to note 37.07	30 000
Recognition of public open spaces previously not recognised - Refer to note 37.07	3 000
Correction of accumulated depreciation on buildings up to 30 June 2012 - Refer to note 37.07	(11 938)
Correction of depreciation on buildings during 2012/2013 - Refer to note 38	(2 385)
<p>During the current year the municipality reviewed all properties to be recognised as part of land and buildings, cemeteries and recreational facilities. This resulted in a restructured asset register with all costs and accumulated depreciation charges restated retrospectively.</p>	
	<u>121 317 270</u>
<b>37.02 Investment Property</b>	
<b>Balance previously reported</b>	<b>26 447 383</b>
Restatement of investment properties	(3 263 014)
Adjustment of Investment Property previously incorrectly recognised on 30 June 2007 - Refer to note 37.07	(3 272 100)
Correction of accumulated depreciation on investment property up to 30 June 2012 - Refer to note 37.07	7 573
Correction of depreciation on investment property during 2012/2013 - Refer to note 38	1 513
<p>During the current year the municipality reviewed all properties to be recognised as part of investment property. This resulted in a restructured asset register with all costs and accumulated depreciation charges restated retrospectively.</p>	
	<u>23 184 370</u>
<b>37.03 Receivables from non-exchange transactions</b>	
<b>Balance previously reported</b>	<b>1 765 579</b>
Correction of sundry rates balance	-
Effect on Rates Receivable	54 087
Effect on debt impairment provision	(54 087)
<p>During the review of balances, the municipality identified a sundry rates balance recognised during 2010 and 2011 incorrectly not released to revenue during 2012.</p>	
Correction of consumer refunds account	(10 958)
Effect up to 30 June 2012 - Refer to note 37.07	(8 466)
Correction on VAT in suspense incorrectly allocated - Refer to note 37.05	(2 492)
<p>During the review of the review of the consumer refund account, the municipality identified certain VAT allocation errors as well as differences on the account up to 30 June 2012.</p>	
Correction of fines estimate previously not accounted for	13 178 915
Effect up to 30 June 2012 - Refer to note 37.07	14 582 655
Effect up to 30 June 2013 - Refer to note 38	(1 403 739)
<p>The municipality did not provide for an fines estimate up to 30 June 2013 based on the provisions of GRAP 23.</p>	
	<u>14 933 536</u>
<b>37.04 Receivables from exchange transactions</b>	
<b>Balance previously reported</b>	<b>1 691 363</b>
Correction of abattoir rent incorrectly not levied up to 30 June 2013	62 131
Effect up to 30 June 2012 - Refer to note 37.07	26 309
Effect up to 30 June 2013 - Refer to note 38	35 821
<p>The municipality identified in the current year that rent for the abattoir was not correctly levied up to 30 June 2013.</p>	
Correction of sundry sewerage balance - Refer to note 37.07	-
Effect on Sewerage Receivable	610 671
Effect on debt impairment provision	(610 671)
<p>During the review of balances, the municipality identified a sundry sewerage balance recognised during 2010 incorrectly not released to revenue during subsequent years up to 30 June 2012.</p>	
	<u>1 753 494</u>

**UBUNTU MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**2013  
R**

**37.05 Taxes**

**Balance previously reported**

**1 156 868**

Correction of consumer refunds account - Refer to note 37.03

(2 492)

During the review of the review of the consumer refund account, the municipality identified certain VAT allocation errors as well as differences on the account up to 30 June 2012.

**1 154 376**

**37.06 Payables from Exchange Transactions**

**Balance previously reported**

**9 859 507**

Incorrect allocation of salary accruals

-

Effect on Trade Payables

(590 007)

Effect on Salary Accruals

590 007

During the review of payables, the municipality identified salary accruals incorrectly included as part of Trade Payables.

**9 859 507**

**37.07 Accumulated Surplus**

Correction of abbatoir rent incorrectly not levied up to 30 June 2012 - Refer to note 37.04

26 309

The municipality identified in the current year that rent for the abbatoir was not correctly levied up to 30 June 2013.

Correction of consumer refunds account - Refer to note 37.03

(8 466)

During the review of the review of the consumer refund account, the municipality identified certain VAT allocation errors as well as differences on the account up to 30 June 2012.

Recognise loose assets previously not recognised on 30 June 2007

**12 236**

Effect on cost - Refer to note 37.01

24 049

Effect on accumulated depreciation up to 30 June 2012 - Refer to note 37.01

(11 813)

During the review of loose assets, the municipality identified assets previously not recognised on 30 June 2007.

Restatement of investment properties

(3 264 527)

Adjustment of Investment Property previously incorrectly recognised on 30 June 2007 - Refer to note 37.02

(3 272 100)

Correction of accumulated depreciation on investment property up to 30 June 2012 - Refer to note 37.02

7 573

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

Restatement of land and buildings

156 062

Recognition of Land previously not recognised - Refer to note 37.01

(103 500)

Recognition of buildings previously not recognised - Refer to note 37.01

238 500

Recognition of public open spaces previously not recognised - Refer to note 37.01

3 000

Correction of accumulated depreciation on buildings up to 30 June 2012 - Refer to note 37.01

(11 938)

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

Correction of fines estimate previously not accounted for - Refer to note 37.03

14 582 655

The municipality did not provide for an fines estimate up to 30 June 2012 based on the provisions of GRAP 23.

**11 504 269**

**38 STATEMENT OF FINANCIAL PERFORMANCE**

**Balance previously reported**

**(1 345 811)**

Recognise loose assets previously not recognised as additions during 2012/2013 - Refer to note 37.01

375

Effect on Repairs and Maintenance

375

During the review of loose assets, the municipality identified asset additions previously allocated to repairs and maintenance.

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2013 R	
Remove maintenance materials incorrectly capitalised on 30 June 2013 - Refer to note 37.01	<b>(197 002)</b>	
Effect on Repairs and Maintenance	(197 002)	
Effect on Government Grants and Subsidies (Capital)	(197 002)	
Effect on Government Grants and Subsidies (Operating)	197 002	
<p>During the review of infrastructure assets, the municipality identified water meters used for maintenance incorrectly included in the asset register.</p>		
Correction of abattoir rent incorrectly not levied up to 30 June 2012 - Refer to note 37.04	35 821	
<p>The municipality identified in the current year that rent for the abattoir was not correctly levied up to 30 June 2013.</p>		
Recognise loose assets previously not recognised on 30 June 2007	<b>(2 360)</b>	
Effect on Depreciation during 2013 - Refer to note 37.01	(2 360)	
<p>During the review of loose assets, the municipality identified assets previously not recognised on 30 June 2007.</p>		
Restatement of investment properties	<b>1 513</b>	
Correction of depreciation on investment property during 2012/2013 - Refer to note 37.02	1 513	
<p>During the current year the municipality reviewed all properties to be recognised as part of investment property. This resulted in an restructured asset register with all costs and accumulated depreciation charges restated retrospectively.</p>		
Restatement of land and buildings	<b>(2 385)</b>	
Correction of depreciation on buildings during 2012/2013 - Refer to note 37.01	(2 385)	
<p>During the current year the municipality reviewed all properties to be recognised as part of land and buildings, cemeteries and recreational facilities. This resulted in a restructured asset register with all costs and accumulated depreciation charges restated retrospectively.</p>		
Correction of fines estimate previously not accounted for - Refer to note 37.03	(1 403 739)	
<p>The municipality did not provide for an fines estimate up to 30 June 2012 based on the provisions of GRAP 23.</p>		
<b>Total</b>	<b>(2 913 588)</b>	
	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>39 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
Surplus/(Deficit) for the year	3 901 921	(2 913 588)
<b>Adjustments for:</b>		
Depreciation	5 935 401	5 836 856
Amortisation of Intangible Assets	13 265	12 328
Loss on disposal of property, plant and equipment	652 957	93 452
Debt Impairment - Receivables	44 551 329	7 967 479
Debt Impairment - Long term receivables	274 304	354 888
Contribution to staff leave	(46 765)	569 081
Contribution to staff bonuses	39 651	60 086
Contribution to employee benefits	497 268	417 392
Actuarial Gains	83 676	334 405
Contribution to provision - Landfill Site	146 783	126 605
Fair Value Adjustments	99 470	(149 800)
Impairment written off	(75)	139 301
Grants Received	45 779 063	33 980 933
Grant Expenditure	(42 184 376)	(34 896 369)
Operating lease income accrued	35 841	7 496
Operating lease expenses accrued	(672)	(135)
Operating Surplus before changes in working capital	59 779 041	11 940 410
Changes in working capital	(47 599 269)	(3 193 539)
Increase/(Decrease) in Payables from exchange transactions	(438 740)	4 331 346
Movement in Taxes	1 020 832	229 170
Decrease in Inventory	(1 781)	1 290
Increase in Receivables from exchange and non-exchange	(48 179 580)	(7 755 344)
<b>Cash generated by operations</b>	<b>12 179 772</b>	<b>8 746 872</b>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>40 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 22	24 615	615 379
Cash Floats - Note 22	2 400	2 500
Bank - Note 22	821 685	170 604
Bank overdraft - Note 22	(1 047 083)	(1 211 708)
<b>Total cash and cash equivalents</b>	<b>(198 383)</b>	<b>(423 224)</b>
<b>41 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 40	(198 383)	(423 224)
Investments - Note 15	1 704 724	1 616 786
Less:	1 506 341	1 193 561
Unspent Committed Conditional Grants - Note 9	7 396 155	3 810 214
<b>Resources available/(required) for working capital requirements</b>	<b>(5 889 814)</b>	<b>(2 616 653)</b>
<b>42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - Note 2	1 634 599	1 249 631
Used to finance property, plant and equipment - at cost	(1 634 599)	(1 249 631)
Cash set aside for the repayment of long-term liabilities	-	-
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		
<b>43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>		
<b>43.1 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure:		
Opening balance	44 574 819	35 376 545
Unspent grant funding utilised to fund operating expenditure - refer to note 41	5 889 814	2 616 652
Unauthorised expenditure current year - operating	33 938 655	2 574 843
Unauthorised expenditure current year - capital	6 356 943	4 006 778
Unauthorised expenditure awaiting authorisation	90 760 230	44 574 819

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 R (Unauthorised)
<b>Operating Expenditure by Vote</b>				
Executive & Council	5 720 838	10 707 967	(4 987 129)	-
Budget & Treasury	16 745 081	16 478 056	267 025	267 025
Planning & Development	13 311 362	12 210 194	1 101 169	1 101 169
Community & Social Services	55 870 008	24 580 345	31 289 663	31 289 663
Public Safety	50 270	181 700	(131 430)	-
Sport & Recreation	750	10 000	(9 250)	-
Waste Management	6 068 085	8 816 534	(2 748 449)	-
Water	3 574 137	4 441 534	(867 396)	-
Electricity	14 038 232	12 757 434	1 280 798	1 280 798
	<b>115 378 763</b>	<b>90 183 762</b>	<b>25 195 001</b>	<b>33 938 655</b>

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 R (Unauthorised)
<b>Capital expenditure by vote</b>				
Executive & Council	5 815	-	5 815	5 815
Budget & Treasury	48 094	-	48 094	48 094
Planning & Development	8 912 500	3 002 000	5 910 500	5 910 500
Community & Social Services	932 749	1 650 000	(717 251)	-
Sport & Recreation	87 546	-	87 546	87 546
Waste Management	619 957	4 675 000	(4 055 043)	-
Electricity	1 904 988	1 600 000	304 988	304 988
Donated asset	699			
	<b>12 512 347</b>	<b>10 927 000</b>	<b>1 584 648</b>	<b>6 356 943</b>

43.2	<b>Fruitless and wasteful expenditure</b>	2014 R	2013 R
	Reconciliation of fruitless and wasteful expenditure:		
	Opening balance	1 460 875	1 215 584
	Fruitless and wasteful expenditure current year	54 152	245 292
	Fruitless and wasteful expenditure awaiting further action	<b>1 515 027</b>	<b>1 460 875</b>

Incident	Disciplinary steps/criminal proceedings		
<i>Interest on late payment of creditors and bank overdraft</i>	None	54 100	91 715
<i>SARS penalties</i>	None	52	20 919
<i>Interest on arrear portion of long term liabilities</i>	None	-	132 657
		<b>54 152</b>	<b>245 292</b>

43.3	<b>Irregular expenditure</b>	2014 R	2013 R
	Reconciliation of irregular expenditure:		
	Opening balance	24 067 349	20 202 690
	Irregular expenditure current year	12 677 374	3 864 659
	Irregular expenditure awaiting further action	<b>36 744 723</b>	<b>24 067 349</b>

Incident	Disciplinary steps/criminal proceedings		
<i>Non-compliance with Supply Chain Management Policy - Sufficient Quotations MBD forms and tax clearance certificates not obtained.</i>	None	997 412	3 316 210
<i>Shortcomings in personnel resulting in bid committees not complete</i>	None	10 347 187	-
<i>Tenders Awarded in term of Section 32 of Supply Chain Management Act (Mubesko Africa)</i>	None	320 242	-
<i>Appointment of Director Corporate Services (Mr Jacobs) not in line with section 56 (3) &amp; (4) of the Municipal System Act.(Excluding Performance bonus)</i>	None	586 130	546 649
<i>Performance bonuses paid without adequate performance management process in place</i>	None	416 292	-
<i>Non-compliance with Supply Chain Management Regulations - Required procedures not followed to procure the services of legal advisors.</i>	None	10 112	1 800
		<b>12 677 374</b>	<b>3 864 659</b>

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

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

43.4	<b>Material Losses</b>	2014	2013
	<b>Water distribution losses</b>		
	- Kilo litres disinfected/purified/purchased	780 926	741 489
	- Kilo litres lost during distribution	81 824	91 018
	- Percentage lost during distribution	10.48%	12.28%
	<b>Electricity distribution losses</b>		
	- Units purchased (Kwh)	13 142 030	12 423 429
	- Units lost during distribution (Kwh)	3 131 350	3 131 993
	- Percentage lost during distribution	23.83%	25.21%
43.5	<b><u>Other Non-Compliance (MFMA 125(2)(e) and (f))</u></b>		
	-		
	The municipality did not comply with section 65 (2) (e) of the MFMA. All reasonable steps to ensure, that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure, was not taken.		
	- Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section.		
	- Amounts outstanding regarding organs of state for periods exceeding 30 days are not reported to National Treasury on an individual debtors basis, therefore it is not reported immediately as required by section 64 (3) of the MFMA.		
	- The municipality did not comply with the requirements of section 166 of the MFMA regarding the duties and responsibilities of the Audit Committee.		
	- The municipality did not comply with the requirements of section 64 (3) of the MFMA. The accounting officer must immediately inform the National Treasury of any payments due by an organ of state to the municipality in respect of municipal tax or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.		
	- The municipality did not fully disclosed zero rated supplies on the VAT 201 forms during the year under review, resulting in non-compliance with the VAT Act. This non-compliance did not result in any discrepancies with regards to the amount payable to/refundable from SARS.		
		<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>
44	<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
44.1	<b><u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u></b>		
	Opening balance	-	-
	Council subscriptions	312 329	400 000
	Amount paid - current year	(312 329)	(400 000)
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
44.2	<b><u>Audit fees - [MFMA 125 (1)(c)]</u></b>		
	Opening balance	425 984	100 000
	Current year audit fee	775 394	1 846 840
	External Audit - Auditor-General	775 394	1 731 167
	Internal Audit	-	115 673
	Amount paid - current year	(775 394)	(1 420 855)
	Amount paid - previous year	(425 984)	(100 000)
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>425 984</b>
44.3	<b><u>VAT - [MFMA 125 (1)(c)]</u></b>		
	Opening balance	418 662	39 148
	Amounts received - current year	(1 864 622)	(1 484 716)
	Amounts received - previous years	(418 662)	(39 148)
	Amounts claimed - current year	1 870 052	1 906 524
	Amounts payable - current year	(167 584)	-
	Outstanding penalties and interest	-	(3 146)
	<b>Closing balance - Receivable/(Payable)</b>	<b>(162 154)</b>	<b>418 662</b>



UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Vat in suspense due to cash basis of accounting		
Input VAT	456 985	63 554
Output VAT	(2 470 038)	(1 636 591)
Payable	<u>(2 013 054)</u>	<u>(1 573 038)</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.

**44.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]**

Opening balance	238 070	-
Current year payroll deductions and Council Contributions	3 388 184	2 906 147
Amount paid - current year	(3 369 073)	(2 668 077)
<b>Balance unpaid (included in creditors)</b>	<u><b>257 181</b></u>	<u><b>238 070</b></u>

**44.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]**

Opening balance	440 377	-
Current year payroll deductions and Council Contributions	5 478 077	5 016 101
Amount paid - current year	(5 462 078)	(4 575 724)
<b>Balance unpaid (included in creditors)</b>	<u><b>456 376</b></u>	<u><b>440 377</b></u>

**44.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 June 2014:

	Outstanding more than 90 days	Outstanding more than 90 days
Cllr SC Jordaan	262	-
Cllr A.Verwey	-	341
Cllr J.C Pieterse	-	953
Cllr KJ Arens	275	-
Cllr CC Jantjies	298	173
Cllr K.J Rigard (Mayor)	662	-
<b>Total Councillor Arrear Consumer Accounts</b>	<u><b>1 497</b></u>	<u><b>1 467</b></u>

**45 CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure:**

Approved and contracted for:	<u>12 723 000</u>	<u>10 927 000</u>
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Total commitments consist out of the following:

- High Mast Lightning	1 600 000	1 600 000
- Bulk Water Supply	4 083 763	-
- Upgrading of Streets	3 971 237	7 677 000
- Victoria Wes Cemetery	-	1 650 000
- Eradication of Buckets	3 068 000	-
	<u><b>12 723 000</b></u>	<u><b>10 927 000</b></u>

This expenditure will be financed from:

Government Grants	<u>12 723 000</u>	<u>10 927 000</u>
	<u><b>12 723 000</b></u>	<u><b>10 927 000</b></u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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**FINANCIAL RISK MANAGEMENT**

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

**Market Risks**

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

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

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

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

	2014 R	2013 R
The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:		
1% (2013 - 1%) Increase in interest rates	(31 228)	(23 741)
0% (2013 - 0.5%) Decrease in interest rates	-	11 870

Due to the fact that the South African economy is in an upward interest rate cycle, there are no expectation for a decrease in interest rates on 30 June 2014.

**Other Risks**

**(d) Credit Risk**

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

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

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

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

**UBUNTU MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 %	2014 R	2013 %	2013 R
The debtors per age analysis could be summarised as follows:				
Bad debt	29.95%	13 347 126	34.29%	12 817 414
Deceased	6.40%	2 850 933	3.67%	1 373 485
Good Payers	1.58%	703 099	1.44%	537 016
Municipal Worker	0.55%	246 153	0.31%	116 211
Slow Payers	1.61%	718 685	1.21%	452 985
Government Departments	4.45%	1 985 114	4.32%	1 613 487
Debtors with arrangements	2.40%	1 068 772	2.60%	970 695
Indigents	38.96%	17 359 448	36.48%	13 634 224
Handed over to Attorneys	4.53%	2 017 512	6.41%	2 395 570
Untraceable accounts	8.45%	3 764 200	7.31%	2 730 773
Unmetered Consumption	1.12%	498 308	1.97%	735 824
	<u>100.00%</u>	<u>44 559 352</u>	<u>100.00%</u>	<u>37 377 684</u>

All rates and services are payable within 30 days from invoice date. Refer to note 19 and 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 19 and 20 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

	2014 %	2014 R	2013 %	2013 R
<u>Non-Exchange Receivables (including long term receivables)</u>				
Rates	<u>100.00%</u>	<u>1 292 971</u>	<u>100.00%</u>	<u>1 087 345</u>
<u>Exchange Receivables (including long term receivables)</u>				
Electricity	64.28%	363 609	50.88%	167 809
Water	18.30%	103 493	28.38%	93 594
Refuse	4.25%	24 057	5.38%	17 754
Sewerage	8.57%	48 464	15.27%	50 377
Other	4.60%	26 011	0.09%	289
	<u>100.00%</u>	<u>565 634</u>	<u>100.00%</u>	<u>329 823</u>

No receivables are pledged as security for financial liabilities.

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

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

	2014 %	2014 R	2013 %	2013 R
<u>Non-Exchange Receivables (including long term receivables)</u>				
Rates	16.81%	7 623 496	100.00%	8 173 793
Accrued Fines	83.19%	37 738 851	0.00%	-
	<u>100.00%</u>	<u>45 362 347</u>	<u>100.00%</u>	<u>8 173 793</u>
<u>Exchange Receivables (including long term receivables)</u>				
Electricity	3.79%	1 220 573	4.17%	1 016 550
Water	53.02%	17 086 301	49.85%	12 164 126
Refuse	23.13%	7 453 119	25.02%	6 104 295
Sewerage	17.64%	5 684 928	18.22%	4 446 021
Other	2.43%	782 038	2.75%	670 794
	<u>100.00%</u>	<u>32 226 958</u>	<u>100.00%</u>	<u>24 401 786</u>

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 %	2014 R	2013 %	2013 R
Bad debts written off per debtor class:				
<u>Non-Exchange Receivables</u>				
Rates	100.00%	16 785	100.00%	24 714
<u>Exchange Receivables</u>				
Water	47.83%	88 756	52.06%	71 083
Refuse	26.59%	49 342	25.62%	34 984
Sewerage	25.58%	47 477	22.32%	30 482
	100.00%	185 575	100.00%	136 549

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

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

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

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

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

	2014 R	2013 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	-	-
Receivables from exchange transactions	1 776 806	1 753 494
Receivables from non-exchange transactions	54 339 308	13 488 400
Cash and Cash Equivalents	848 700	788 484
Non-Current Investments	1 704 724	1 616 786
Unpaid conditional grants and subsidies	438 221	446 968
	59 107 758	18 094 132

(e) Liquidity Risk

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

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

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.

**UBUNTU MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2014</b>				
Long Term liabilities - Annuity Loans	303 641	910 890	-	-
Capital repayments	227 883	802 619	-	-
Interest	75 758	108 271	-	-
Long Term liabilities - Finance Lease Liability	288 000	384 000	-	-
Capital repayments	243 514	360 584	-	-
Interest	44 486	23 416	-	-
Provisions - Landfill Sites	2 686 579	1 242 198	-	-
Capital repayments	2 558 647	1 021 959	-	-
Interest	127 932	220 239	-	-
Payables from exchange transactions	7 111 523	-	-	-
Unspent conditional government grants and receipts	7 396 155	-	-	-
Cash and Cash Equivalents	1 047 083	-	-	-
	<u>18 832 981</u>	<u>2 537 088</u>	<u>-</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2013</b>				
Long Term liabilities - Annuity Loans	247 601	247 547	-	-
Capital repayments	197 961	224 943	-	-
Interest	49 640	22 604	-	-
Long Term liabilities - Finance Lease Liability	288 000	672 000	-	-
Capital repayments	222 629	604 097	-	-
Interest	65 371	67 903	-	-
Provisions - Landfill Sites	2 227 800	1 015 387	-	-
Capital repayments	2 227 800	889 780	-	-
Interest	-	125 607	-	-
Payables from exchange transactions	8 265 583	-	-	-
Unspent conditional government grants and receipts	3 810 214	-	-	-
Cash and Cash Equivalents	1 211 708	-	-	-
	<u>16 050 906</u>	<u>1 934 934</u>	<u>-</u>	<u>-</u>

**47 FINANCIAL INSTRUMENTS**

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

<b>47.1 Financial Assets</b>	<b>Classification</b>	<b>2014 R</b>	<b>2013 R</b>
<b>Investments</b>			
Fixed Deposits	Financial instruments at amortised cost	1 704 724	1 616 786
<b>Receivables</b>			
Receivables from exchange transactions	Financial instruments at amortised cost	1 776 806	1 753 494
Receivables from non-exchange transactions	Financial instruments at amortised cost	54 339 308	13 488 400
<b>Other Receivables</b>			
Government Subsidies and Grants	Financial instruments at amortised cost	438 221	446 968
<b>Short-term Investment Deposits</b>			
Call Deposits	Financial instruments at amortised cost	24 615	615 379
<b>Bank Balances and Cash</b>			
Bank Balances	Financial instruments at amortised cost	821 685	170 604
Cash Floats and Advances	Financial instruments at amortised cost	2 400	2 500
		<u>59 107 758</u>	<u>18 094 132</u>

UBUNTU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
<b>SUMMARY OF FINANCIAL ASSETS</b>			
	Financial instruments at amortised cost	59 107 758	18 094 132
	<b>At amortised cost</b>	<b>59 107 758</b>	<b>18 094 132</b>
<b>47.2</b>	<b><u>Financial Liability</u></b>		
	<b><u>Classification</u></b>		
	<b>Non-Current Liabilities</b>		
	Annuity Loans	802 619	224 943
	Capitalised Lease Liability	360 583	604 097
	Non-Current Provisions - Landfill Sites	1 022 079	889 780
	<b>Payables from exchange transactions</b>		
	Trade creditors	5 898 715	3 997 006
	Arrear portion of long term liabilities	10 640	848 687
	Retentions	-	-
	Deposits	92 444	44 205
	Other	478 092	681 677
	<b>Current Provisions</b>		
	Current Provisions - Landfill Sites	2 558 527	2 227 800
	<b>Other Payables</b>		
	Government Subsidies and Grants	7 396 155	3 810 214
	<b>Current Portion of Long-term Liabilities</b>		
	Annuity Loans	227 883	197 961
	Capitalised Lease Liability	243 514	222 629
	<b>Bank Overdraft</b>		
	Primary Bank account	1 047 083	1 211 708
		<b>19 091 252</b>	<b>14 960 709</b>
<b>SUMMARY OF FINANCIAL LIABILITY</b>			
	Financial instruments at amortised cost	<b>19 091 252</b>	<b>14 960 709</b>
<b>48</b>	<b>EVENTS AFTER THE REPORTING DATE</b>		
	None		
<b>49</b>	<b>IN-KIND DONATIONS AND ASSISTANCE</b>		
	The municipality received a microwave from Old Mutual to the value of R 699.		
<b>50</b>	<b>PRIVATE PUBLIC PARTNERSHIPS</b>		
	Council has not entered into any private public partnerships during the financial year.		
<b>51</b>	<b>CONTINGENT LIABILITY</b>		
	The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.		
	A Claim was lodged against the municipality by Mr AM Conroy, due to an dispute over an account for the provision of water. If successful, the municipality will be liable for an amount of R 316 741 (2012 - R94 144) plus interest.		
	A Claim was lodged against the municipality by Mr D Meyer. The plaintiff made a hall booking at the municipality, but due to unforeseen circumstances, the municipality was not able to meet its obligation on date of the booking. The plaintiff claimed that he incurred losses and that the municipality should be held liable for an amount of R 11 669 plus interest.		
	Guarantee in favour of Mineral Resources amounting to R 4 000 (2013 - R 4 000)		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

52 RELATED PARTIES

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

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

52.1 Related Party Loans

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

52.2 Compensation of key management personnel

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

52.3 Other related party transactions

Included in other receivables are outstanding money to be recovered from Councillors due to an over payments relating to the Cape Joint Pension Fund:

	2014 R	2013 R
Cllr B.J Bruwer	1 813	1 813
Cllr J.C Pieterse	5 916	5 916
Cllr KJ Arens	5 916	5 916
Cllr CC Jantjies	5 916	5 916
Cllr K.J Rigard (Mayor)	19 178	19 178
	<u>38 740</u>	<u>38 740</u>

53 FINANCIAL SUSTAINABILITY

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

**Financial Indicators**

Current Liabilities exceeds current assets with the current ratio being 0.84:1 (2012 - 0.84:1)  
The increase can mainly be attributed to the prospective implementation of IGRAP 1.

The debtors' impairment ratio (Excluding fines) decreased to 92% from the previous year's 91%. This is still considered to be very high

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

The municipality is in arrears with the Development Bank of South Africa to an amount of R 10 640 (2013 - R 848 687 987)

The municipality restructured the DBSA loan in the current year to ensure repayments are affordable.

**Other Indicators**

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

**Actions taken by Council**

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

Due to the revised calculation for Equitable Share allocation, the municipality is also expected to receive an increased allocation over the MTREF period amounting to the following:

	2014 R (Baseline)	2015 R (DORA Allocation)	2016 R
Equitable Share	19 400 000	21 585 000	25 118 000
% Increase		11.26%	16.37%

These increases are well above the inflation targets of the South African Reserve Bank and will assist the municipality in resolving its cash flow constraints.

**APPENDIX A - Unaudited  
UBUNTU LOCAL MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014**

<b>EXTERNAL LOANS</b>	<b>Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 JUNE 2013</b>	<b>Restructured during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 JUNE 2014</b>
<b>ANNUITY LOANS</b>							
DBSA-Sewerage Richmond	13.22%	12692/101	N/A	422 904	(422 904)	-	-
DBSA-Sewerage Richmond (Restructured)	8.00%	12692/101	30/06/2018	-	1 290 129	259 626	1 030 502
<b>Total Annuity Loans</b>				<b>422 904</b>		<b>259 626</b>	<b>1 030 502</b>
<b>LEASE LIABILITY</b>							
Nashua	9.00%	Nashua	31/10/2016	1 030 263		222 629	807 633
<b>Total Lease Liabilities</b>				<b>1 030 263</b>		<b>222 629</b>	<b>807 633</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>1 453 167</b>		<b>482 256</b>	<b>1 838 136</b>



**APPENDIX B - Unaudited**  
**UBUNTU LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**  
**MUNICIPAL VOTES CLASSIFICATION**

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
3 200	-	3 200	Health Services	-	-	-
8 638 216	(5 747 064)	2 891 152	Public Works	17 387 416	(10 674 125)	6 713 291
16 948 872	(15 211 239)	1 737 633	Licences	53 544 866	(50 111 176)	3 433 690
100 334	(4 502 912)	(4 402 578)	Administration	90 350	(4 188 646)	(4 098 296)
12 568	-	12 568	Cemeteries	13 082	-	13 082
-	(2 531 530)	(2 531 530)	Roads and Stormwater Drainage	-	(2 637 238)	(2 637 238)
151 121	-	151 121	Nature Reserve	-	(99 470)	(99 470)
-	-	-	Aerodome	-	-	-
1 000 000	(5 829 897)	(4 829 897)	Council General Expenses	7 321	(5 534 985)	(5 527 664)
35 821	-	35 821	Abattoir	9 425	(633 685)	(624 260)
6 007 353	(8 322 366)	(2 315 013)	Property Tax	2 441 770	(7 086 782)	(4 645 012)
2	(1 433 423)	(1 433 421)	Management Services	238	(1 689 806)	(1 689 567)
22 935 981	(9 173 525)	13 762 455	Finance	24 158 168	(7 869 023)	16 289 145
-	(77 986)	(77 986)	Fire Brigade	-	(50 270)	(50 270)
559 350	(917 743)	(358 393)	Library	558 548	(936 501)	(377 953)
216 974	(3 578)	213 396	Parks and Recreation	100 197	(750)	99 447
1 501 178	(3 469 507)	(1 968 329)	Sewerage and Sanitation	1 505 221	(3 829 976)	(2 324 755)
307 801	(120 546)	187 255	Buildings and Offices	301 055	(185 853)	115 202
52 443	-	52 443	Commonage	44 717	-	44 717
-	-	-	Sunrise	-	-	-
1 726 844	(2 683 619)	(956 775)	Cleansing	2 018 836	(2 238 109)	(219 273)
7 709 173	(12 624 433)	(4 915 260)	Electricity	11 307 244	(14 038 232)	(2 730 988)
5 481 336	(3 652 787)	1 828 549	Water Distribution	5 792 229	(3 574 137)	2 218 092
-	-	-	Municipal Staff Housing	-	-	-
<b>73 388 567</b>	<b>(76 302 155)</b>	<b>(2 913 589)</b>	<b>Total</b>	<b>119 280 684</b>	<b>(115 378 763)</b>	<b>3 901 921</b>

**APPENDIX C - Unaudited**  
**UBUNTU LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

<b>2013 Actual Income R</b>	<b>2013 Actual Expenditure R</b>	<b>2013 Surplus/ (Deficit) R</b>		<b>2014 Actual Income R</b>	<b>2014 Actual Expenditure R</b>	<b>2014 Surplus/ (Deficit) R</b>
1 307 801	(5 950 443)	(4 642 642)	Executive & Council	308 376	(5 720 838)	(5 412 462)
29 094 457	(18 929 314)	10 165 142	Budget & Treasury	26 600 176	(16 745 081)	9 855 095
8 690 659	(8 278 594)	412 065	Planning & Development	17 432 133	(13 311 362)	4 120 771
3 200	-	3 200	Health	-	-	-
17 656 945	(20 631 894)	(2 974 949)	Community & Social Services	54 216 271	(55 870 008)	(1 653 737)
-	(77 986)	(77 986)	Public Safety	-	(50 270)	(50 270)
216 974	(3 578)	213 396	Sport & Recreation	100 197	(750)	99 447
3 228 022	(6 153 126)	(2 925 104)	Waste Management	3 524 057	(6 068 085)	(2 544 028)
5 481 336	(3 652 787)	1 828 549	Water	5 792 229	(3 574 137)	2 218 092
7 709 173	(12 624 433)	(4 915 260)	Electricity	11 307 244	(14 038 232)	(2 730 988)
<b>73 388 567</b>	<b>(76 302 155)</b>	<b>(2 913 589)</b>	<b>Total</b>	<b>119 280 684</b>	<b>(115 378 763)</b>	<b>3 901 921</b>

**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 2013	Correction of error	Balance 1 JULY 2013	Grants Received	Transfers	Paid back to NT	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2014
	R	R	R	R	R	R	R	R	R
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS</b>									
<b>National Government Grants</b>									
Equitable Share	-	-	-	19 400 000	-	-	19 400 000	-	-
Local Government Financial Management Grant	-	-	-	1 650 000	-	-	1 650 000	-	-
Municipal Infrastructure Grant	3 530 585	-	3 530 585	13 995 000	-	(3 532 000)	787 335	7 248 553	5 957 698
- General MIG Fund	-	-	-	13 995 000	(13 995 000)	-	-	-	-
- Eradication of Buckets	-	-	-	-	3 431 982	-	-	-	3 431 982
- Project Roads Victoria West	3 301 654	-	3 301 654	-	6 669 584	(3 303 068)	480 701	3 854 866	2 332 603
- Victoria West Cemetery	35 459	-	35 459	-	1 124 918	(35 459)	-	931 804	193 114
- Victoria West Solid Waste	135 532	-	135 532	-	-	(135 532)	-	-	-
- Loxton Solid Waste	57 941	-	57 941	-	-	(57 941)	-	-	-
- External Water Draining Project (Stormwater)	-	-	-	-	408 018	-	16 748	391 270	-
- External Water Supply	-	-	-	-	2 360 499	-	289 886	2 070 613	-
Municipal Systems Improvement Grant	-	-	-	890 000	-	-	890 000	-	-
National Electrification Programme (INEP)	-	-	-	2 600 000	-	-	230 826	1 904 988	464 187
Expanded Public Works Program (EPWP)	-	-	-	4 000 000	-	-	1 246 022	2 532 185	221 793
Department of Water Affairs	(31 067)	-	(31 067)	-	-	-	-	-	(31 067)
- Installation of Bulk meters	(31 067)	-	(31 067)	-	-	-	-	-	(31 067)
Skills Development Fund	-	-	-	82 303	-	-	82 303	-	-
<b>Total National Government Grants</b>	<b>3 499 518</b>	<b>-</b>	<b>3 499 518</b>	<b>42 617 303</b>	<b>-</b>	<b>(3 532 000)</b>	<b>24 286 486</b>	<b>11 685 725</b>	<b>6 612 611</b>
<b>Provincial Government Grants</b>									
Project Library	-	-	-	766 000	-	-	553 836	-	212 164
Department of Human Settlements (Services 36 Erven Loxton)	(415 901)	-	(415 901)	1 063 604	-	-	-	296 389	351 314
Project Housing Victoria West	-	-	-	4 864 156	-	-	5 264 656	-	(400 500)
<b>Total Provincial Government Grants</b>	<b>(415 901)</b>	<b>-</b>	<b>(415 901)</b>	<b>6 693 760</b>	<b>-</b>	<b>-</b>	<b>5 818 492</b>	<b>296 389</b>	<b>162 979</b>
<b>District Municipality Grants</b>									
Upgrading of Sportsgrounds	90 630	-	90 630	-	-	-	9 738	87 546	(6 654)
<b>Total District Municipality Grants</b>	<b>90 630</b>	<b>-</b>	<b>90 630</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 738</b>	<b>87 546</b>	<b>(6 654)</b>
<b>Other Grant Providers</b>									
Project Survey of Land	1 248	-	1 248	-	-	-	-	-	1 248
Project Water Loxton	88 739	-	88 739	-	-	-	-	-	88 739
Solid Waste Site Victoria West	99 012	-	99 012	-	-	-	-	-	99 012
<b>Total Other Grant Providers</b>	<b>188 999</b>	<b>-</b>	<b>188 999</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>188 999</b>
<b>Total</b>	<b>3 363 246</b>	<b>-</b>	<b>3 363 246</b>	<b>49 311 063</b>	<b>-</b>	<b>(3 532 000)</b>	<b>30 114 716</b>	<b>12 069 660</b>	<b>6 957 934</b>

**APPENDIX E (1) - Unaudited**  
**UBUNTU LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**  
**REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)**

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>Revenue - Standard</b>								
<i>Governance and administration</i>	31 631	-	31 631	26 909	(4 723)	85.1%	85.1%	30 402
Executive & council	18	-	18	308	291	1738.5%	1738.5%	1 308
Budget & Treasury	31 166	-	31 166	26 600	(4 566)	85.3%	85.3%	29 094
Corporate services	447	-	447	-	(447)	-	-	-
<i>Community and public safety</i>	801	-	801	54 316	53 515	6777.7%	6777.7%	17 877
Community & Social Services	779	-	779	54 216	53 437	6956.2%	6956.2%	17 657
Sport & Recreation	10	-	10	100	90	1002.0%	1002.0%	217
Public safety	2	-	2	-	(2)	-	-	-
Health	10	-	10	-	(10)	-	-	3
<i>Economic and environmental services</i>	35 419	-	35 419	17 432	(17 987)	49.2%	49.2%	8 691
Planning & Development	15 232	-	15 232	17 432	2 200	114.4%	114.4%	8 691
Road transport	20 187	-	20 187	-	(20 187)	-	-	-
<i>Trading services</i>	21 117	-	21 117	20 624	(494)	97.7%	97.7%	16 419
Electricity	10 504	-	10 504	11 307	803	107.6%	107.6%	7 709
Water	4 711	-	4 711	5 792	1 081	122.9%	122.9%	5 481
Waste water management	3 010	-	3 010	-	(3 010)	-	-	-
Waste management	2 677	-	2 677	3 524	847	131.7%	131.7%	3 228
<i>Other</i>	215	-	215	-	(215)	-	-	-
<b>Total Revenue - Standard</b>	<b>88 969</b>	<b>-</b>	<b>88 969</b>	<b>119 281</b>	<b>30 312</b>	<b>134.1%</b>	<b>134.1%</b>	<b>73 389</b>
<b>Expenditure - Standard</b>								
<i>Governance and administration</i>	32 644	-	32 644	22 466	(10 178)	68.8%	68.8%	24 880
Executive & council	10 096	-	10 096	5 721	(4 376)	56.7%	56.7%	5 950
Budget & Treasury	16 478	-	16 478	16 745	267	101.6%	101.6%	18 929
Corporate services	6 070	-	6 070	-	(6 070)	-	-	-
<i>Community and public safety</i>	2 057	-	2 057	55 921	53 864	2718.0%	2718.0%	20 713
Community & Social Services	1 866	-	1 866	55 870	54 004	2994.5%	2994.5%	20 632
Sport & Recreation	10	-	10	1	(9)	7.5%	7.5%	4
Public safety	182	-	182	50	(131)	27.7%	27.7%	78
<i>Economic and environmental services</i>	29 446	-	29 446	13 311	(16 134)	45.2%	45.2%	8 279
Planning & Development	8 451	-	8 451	13 311	4 860	157.5%	157.5%	8 279
Road transport	20 994	-	20 994	-	(20 994)	-	-	-
<i>Trading services</i>	26 037	-	26 037	23 680	(2 356)	91.0%	91.0%	22 430
Electricity	12 757	-	12 757	14 038	1 281	110.0%	110.0%	12 624
Water	4 442	-	4 442	3 574	(867)	80.5%	80.5%	3 653
Waste water management	5 446	-	5 446	-	(5 446)	-	-	-
Waste management	3 370	-	3 370	6 068	2 698	180.1%	180.1%	6 153
<i>Other</i>	21	-	21	-	(21)	-	-	-
<b>Total Expenditure - Standard</b>	<b>90 184</b>	<b>-</b>	<b>90 184</b>	<b>115 379</b>	<b>25 195</b>	<b>127.9%</b>	<b>127.9%</b>	<b>76 302</b>
<b>Surplus/(Deficit) for the year</b>	<b>(1 215)</b>	<b>-</b>	<b>(1 215)</b>	<b>3 902</b>	<b>5 117</b>	<b>-321.2%</b>	<b>-321.2%</b>	<b>(2 914)</b>

**APPENDIX E (2) - Unaudited**  
**UBUNTU LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**  
**REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>Revenue by Vote</b>								
Budget & Treasury	31 166	–	31 166	26 600	(4 566)	85.3%	85.3%	29 094
Community & Social Services	21 270	–	21 270	54 216	32 946	254.9%	254.9%	17 657
Electricity	10 504	–	10 504	11 307	803	107.6%	107.6%	7 709
Executive & Council	373	–	373	308	(65)	82.6%	82.6%	1 308
Health	10	–	10	–	(10)	-	-	3
Planning & Development	15 235	–	15 235	17 432	2 198	114.4%	114.4%	8 691
Public Safety	2	–	2	–	(2)	-	-	–
Sport & Recreation	10	–	10	100	90	1002.0%	1002.0%	217
Waste Management	5 687	–	5 687	3 524	(2 163)	62.0%	62.0%	3 228
Water	4 711	–	4 711	5 792	1 081	122.9%	122.9%	5 481
<b>Total Revenue by Vote</b>	<b>88 969</b>	<b>–</b>	<b>88 969</b>	<b>119 281</b>	<b>30 312</b>	<b>134.1%</b>	<b>134.1%</b>	<b>73 389</b>
<b>Expenditure by Vote to be appropriated</b>								
Budget & Treasury	16 478	–	16 478	16 745	267	101.6%	101.6%	18 929
Community & Social Services	24 580	–	24 580	55 870	31 290	227.3%	227.3%	20 632
Electricity	12 757	–	12 757	14 038	1 281	110.0%	110.0%	12 624
Executive & Council	10 708	–	10 708	5 721	(4 987)	53.4%	53.4%	5 950
Planning & Development	12 210	–	12 210	13 311	1 101	109.0%	109.0%	8 279
Public Safety	182	–	182	50	(131)	27.7%	27.7%	78
Sport & Recreation	10	–	10	1	(9)	7.5%	7.5%	4
Waste Management	8 817	–	8 817	6 068	(2 748)	68.8%	68.8%	6 153
Water	4 442	–	4 442	3 574	(867)	80.5%	80.5%	3 653
<b>Total Expenditure by Vote</b>	<b>90 184</b>	<b>–</b>	<b>90 184</b>	<b>115 379</b>	<b>25 195</b>	<b>127.9%</b>	<b>127.9%</b>	<b>76 302</b>
<b>Surplus/(Deficit) for the year</b>	<b>(1 215)</b>	<b>–</b>	<b>(1 215)</b>	<b>3 902</b>	<b>5 117</b>	<b>-321.2%</b>	<b>-321.2%</b>	<b>(2 914)</b>

**APPENDIX E (3) - Unaudited**  
**UBUNTU LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**  
**REVENUE AND EXPENDITURE**

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>Revenue By Source</b>								
Property rates	6 457	–	6 457	2 442	(4 015)	37.8%	37.8%	6 007
Service charges	16 352	–	16 352	18 438	2 087	112.8%	112.8%	15 861
Rental of facilities and equipment	539	–	539	438	(101)	81.2%	81.2%	494
Interest earned - external investments	380	–	380	189	(191)	49.8%	49.8%	228
Interest earned - outstanding debtors	1 908	–	1 908	1 782	(126)	93.4%	93.4%	2 112
Fines	19 569	–	19 569	52 474	32 905	268.2%	268.2%	16 011
Licences and permits	555	–	555	988	434	178.2%	178.2%	874
Agency services	12	–	12	13	1	107.1%	107.1%	10
Transfers recognised - operational	23 785	–	23 785	30 115	6 330	126.6%	126.6%	22 167
Other revenue	571	–	571	332	(239)	58.2%	58.2%	1 102
Gains on disposal of PPE	225	–	225	–	(225)	-	-	–
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>70 352</b>	<b>–</b>	<b>70 352</b>	<b>107 211</b>	<b>36 859</b>	<b>152.4%</b>	<b>152.4%</b>	<b>64 867</b>
<b>Expenditure By Type</b>								
Employee related costs	30 797	–	30 797	24 732	(6 064)	80.3%	80.3%	23 347
Remuneration of councillors	2 587	–	2 587	2 359	(227)	91.2%	91.2%	2 194
Debt impairment	3 655	–	3 655	44 826	41 171	1226.5%	1226.5%	8 322
Depreciation & asset impairment	6 263	–	6 263	5 949	(314)	95.0%	95.0%	5 988
Finance charges	649	–	649	900	252	138.8%	138.8%	972
Bulk purchases	9 848	–	9 848	12 783	2 935	129.8%	129.8%	10 915
Contracted services	12 003	–	12 003	7 142	(4 861)	59.5%	59.5%	10 596
Transfers and grants	–	–	–	–	–	-	-	–
Other expenditure	19 892	–	19 892	16 034	(3 857)	80.6%	80.6%	13 874
Loss on disposal of PPE	1	–	1	653	652	61599.7%	61599.7%	93
<b>Total Expenditure</b>	<b>85 694</b>	<b>–</b>	<b>85 694</b>	<b>115 379</b>	<b>29 685</b>	<b>134.6%</b>	<b>134.6%</b>	<b>76 302</b>
<b>Surplus/(Deficit)</b>	<b>(15 342)</b>	<b>–</b>	<b>(15 342)</b>	<b>(8 168)</b>	<b>7 174</b>	<b>53.2%</b>	<b>53.2%</b>	<b>(11 435)</b>
Transfers recognised - capital	14 127	–	14 127	12 070	(2 057)	85.4%	85.4%	8 521
<b>Surplus/(Deficit) for the year</b>	<b>(1 215)</b>	<b>–</b>	<b>(1 215)</b>	<b>3 902</b>	<b>5 117</b>	<b>-321.2%</b>	<b>-321.2%</b>	<b>(2 914)</b>

**APPENDIX E (4) - Unaudited**  
**UBUNTU LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**  
**CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>Capital expenditure - Vote</b>								
<b>Single-year expenditure</b>								
Budget & Treasury	-	-	-	48	48	#DIV/0!	#DIV/0!	173
Community & Social Services	1 650	-	1 650	933	(717)	56.6%	56.6%	236
Electricity	1 600	-	1 600	1 905	305	119.1%	119.1%	-
Executive & Council	-	-	-	6	6	#DIV/0!	#DIV/0!	11
Planning & Development	3 002	-	3 002	8 913	5 911	296.9%	296.9%	8 215
Sport & Recreation	-	-	-	88	88	#DIV/0!	#DIV/0!	186
Waste Management	4 675	-	4 675	620	(4 055)	13.3%	13.3%	237
<b>Capital single-year expenditure</b>	<b>10 927</b>	<b>-</b>	<b>10 927</b>	<b>12 512</b>	<b>1 585</b>	<b>115%</b>	<b>115%</b>	<b>9 058</b>
<b>Total Capital Expenditure - Vote</b>	<b>10 927</b>	<b>-</b>	<b>10 927</b>	<b>12 512</b>	<b>1 585</b>	<b>115%</b>	<b>115%</b>	<b>9 058</b>
<b>Capital Expenditure - Standard</b>								
<b>Governance and administration</b>	-	-	-	54	54	#DIV/0!	#DIV/0!	184
Executive and council	-	-	-	6	6	#DIV/0!	#DIV/0!	11
Budget and treasury office	-	-	-	48	48	#DIV/0!	#DIV/0!	173
<b>Community and public safety</b>	<b>1 650</b>	<b>-</b>	<b>1 650</b>	<b>1 021</b>	<b>(629)</b>	<b>61.9%</b>	<b>61.9%</b>	<b>421</b>
Community and social services	1 650	-	1 650	933	(717)	56.6%	56.6%	236
Sport and recreation	-	-	-	88	88	#DIV/0!	#DIV/0!	186
<b>Economic and environmental services</b>	<b>3 002</b>	<b>-</b>	<b>3 002</b>	<b>8 913</b>	<b>5 911</b>	<b>296.9%</b>	<b>296.9%</b>	<b>8 215</b>
Planning and development	3 002	-	3 002	8 913	5 911	296.9%	296.9%	8 215
<b>Trading services</b>	<b>6 275</b>	<b>-</b>	<b>6 275</b>	<b>2 525</b>	<b>(3 750)</b>	<b>40.2%</b>	<b>40.2%</b>	<b>237</b>
Electricity	1 600	-	1 600	1 905	305	119.1%	119.1%	-
Waste management	4 675	-	4 675	620	(4 055)	13.3%	13.3%	237
<b>Total Capital Expenditure - Standard</b>	<b>10 927</b>	<b>-</b>	<b>10 927</b>	<b>12 512</b>	<b>1 585</b>	<b>115%</b>	<b>115%</b>	<b>9 058</b>
<b>Funded by:</b>								
National Government	14 127	-	14 127	11 686	(2 441)	82.7%	82.7%	7 831
Provincial Government	-	-	-	296	296	#DIV/0!	#DIV/0!	505
District Municipality	-	-	-	88	88	#DIV/0!	#DIV/0!	186
<b>Transfers recognised - capital</b>	<b>14 127</b>	<b>-</b>	<b>14 127</b>	<b>12 070</b>	<b>(2 057)</b>	<b>85%</b>	<b>85%</b>	<b>8 521</b>
<b>Internally generated funds</b>	<b>(3 200)</b>	<b>-</b>	<b>(3 200)</b>	<b>443</b>	<b>3 643</b>	<b>-13.8%</b>	<b>-13.8%</b>	<b>537</b>
<b>Total Capital Funding</b>	<b>10 927</b>	<b>-</b>	<b>10 927</b>	<b>12 512</b>	<b>1 585</b>	<b>115%</b>	<b>115%</b>	<b>9 058</b>

**APPENDIX E (5) - Unaudited**  
**UBUNTU LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**  
**CASH FLOWS**

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Ratepayers and other	46 403	–	46 403	24 433	(21 969)	52.7%	52.7%	28 475
Government - operating	23 785	–	23 785	37 241	13 456	156.6%	156.6%	25 460
Government - capital	14 127	–	14 127	12 070	(2 057)	85.4%	85.4%	8 521
Interest	2 288	–	2 288	1 972	(316)	86.2%	86.2%	2 341
<b>Payments</b>								
Suppliers and employees	(73 843)	–	(73 843)	(62 636)	11 208	84.8%	84.8%	(55 079)
Finance charges	(649)	–	(649)	(900)	(252)	138.8%	138.8%	(972)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>12 110</b>	<b>–</b>	<b>12 110</b>	<b>12 180</b>	<b>69</b>			<b>8 747</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	224	–	224	204				2
Decrease (increase) other non-current receivables	–	–	–	(274)	(274)	#DIV/0!	#DIV/0!	(355)
Decrease (increase) in non-current investments	(81)	–	(81)	(88)	(7)	109.0%	109.0%	(95)
<b>Payments</b>								
Capital assets	(10 927)	–	(10 927)	(12 196)	(1 269)	111.6%	111.6%	(8 864)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(10 784)</b>	<b>–</b>	<b>(10 784)</b>	<b>(12 354)</b>	<b>(1 551)</b>			<b>(9 312)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Borrowing long term/refinancing	–	–	–	867	867	#DIV/0!	#DIV/0!	–
Increase (decrease) in consumer deposits	15	–	15	14	(1)	96.6%	96.6%	31
<b>Payments</b>								
Repayment of borrowing	(421)	–	(421)	(482)	(62)	114.7%	114.7%	(378)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(406)</b>	<b>–</b>	<b>(406)</b>	<b>399</b>	<b>805</b>			<b>(346)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(3 569)</b>	<b>–</b>	<b>(3 569)</b>	<b>225</b>	<b>3 794</b>	<b>-6.3%</b>	<b>-6.3%</b>	<b>(912)</b>
Cash/cash equivalents at the year begin:	5 900	–	5 900	(423)	(6 323)	-7.2%	-7.2%	488
Cash/cash equivalents at the year end:	2 331	–	2 331	(198)	(1 724)	-8.5%	-8.5%	(423)