

UGU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Ugu District Municipality at 30 June 2008 and the results of its operations and cash flows for the year then ended.

The Statement of Financial Position at 30 June 2008 indicates a decrease in Net Assets, and an increase in Non-current Liabilities and in Current Liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in the Capital Replacement Reserve. The increase in Non-current Liabilities is primarily as a result of additional Long-term Loans being taken up for infrastructure expansion and refurbishment and an increase in Deferred Revenue.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

Financial Statement Ratios:

INDICATOR	2008	2007
Surplus / (Deficit) before Appropriations	1 288 665	1 803 479
Surplus / (Deficit) at the end of the Year	232 467 979	231 179 314
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	30.32%	35.04%
Remuneration of Councillors	1.25%	1.70%
Bad Debts	0.66%	0.28%
Collection Costs	0.05%	0.04%
Depreciation	6.45%	7.65%
Repairs and Maintenance	4.39%	4.21%
Interest Paid	1.82%	1.81%
Bulk Purchases	3.93%	3.83%
Contracted Services	2.04%	2.43%
Grants and Subsidies Paid	19.26%	21.89%
General Expenses	29.84%	20.05%
Current Ratio:		
Creditors Days	68	84
Debtors Days	138	134

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

The services offered by Ugu District Municipality can generally be classified as General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2008 are as follows:

DETAILS	Actual 2007/2008 R	Actual 2006/2007 R	Percentage Variance %	Budgeted 2007/2008 R	Variance actual/ budgeted %
Revenue:					
Opening surplus / (deficit)	29 131 414	(5 030 607)	-679.08%	-	-
Operating revenue for the year	429 920 074	330 569 654	30.05%	470 330 908	-8.59%
Appropriations for the year	42 289 003	32 358 542	30.69%	-	-
	501 340 491	357 897 588	40.08%	470 330 908	6.59%
Expenditure:					
Operating expenditure for the year	428 631 409	328 766 174	30.38%	470 330 909	-8.87%
Closing surplus / (deficit)	72 709 082	29 131 414	149.59%	(0)	-
	501 340 491	357 897 588	40.08%	470 330 908	6.59%

3.1 General Services:

This entails the management of infrastructure and other grants, which are used primarily for infrastructure development, local economic development and tourism marketing and development.

DETAILS	Actual 2007/2008 R	Actual 2006/2007 R	Percentage Variance %	Budgeted 2007/2008 R	Variance actual/ budgeted %
Revenue	162 000 212	121 737 096	33.07%	167 659 188	-3.38%
Expenditure	160 177 683	120 513 208	32.91%	171 669 187	-6.69%
Surplus / (deficit)	1 822 528	1 223 888	48.91%	(4 010 000)	-
Surplus / (deficit) as % of total revenue	1.13%	1.01%		-2.39%	

Variance from 2006/2007 actual:

The 33,07% increase on last year's actual revenue is primarily as a result of Internal Recoveries being included in revenue. The 32,91% increase on last year's actual expenditure is primarily as a result of Internal Charges being included in expenditure.

Variance from 2007/2008 budget:

The 3,38% decrease on the reporting years budget is primarily as a result of grants budgeted for, not being received. The 6,69% decrease on last year's actual expenditure is primarily as a result of grants not being received, hence lower actual expenditure.

3.2 Economic Services:

This entails essentially the construction, operation and maintenance of sanitation schemes within the area of jurisdiction of the municipality.

DETAILS	Actual 2007/2008 R	Actual 2006/2007 R	Percentage Variance %	Budgeted 2007/2008 R	Variance actual/ budgeted %
Revenue	57 593 069	46 067 551	25.02%	58 544 981	-1.63%
Expenditure	45 289 782	33 081 501	36.90%	58 544 981	-22.64%
Surplus / (deficit)	12 303 287	12 986 050	-5.26%	(0)	-
Surplus / (deficit) as % of total revenue	21.36%	28.19%		0.00%	

Variance from 2006/2007 actual:

The 25,02% increase on last year's actual revenue is primarily as a result of more properties being linked for sanitation services. The 36,90% increase on last year's actual expenditure is primarily as a result of increased departmental chargeouts to other services.

Variance from 2007/2008 budget:

The 1,63% decrease on the reporting years budget is primarily as a result of interest income being received and receipted under the Treasury Service Department. The 22,64% decrease on the reporting years budget is primarily as a result of external interest budgeted for the repayment of external loans, which loans did not materialise.

3.3 Trading Services:

This entails the construction, operation and maintenance of all water schemes located within the area of jurisdiction of the municipality.

DETAILS	Actual 2007/2008 R	Actual 2006/2007 R	Percentage Variance %	Budgeted 2007/2008 R	Variance actual/ budgeted %
Revenue	210 326 793	162 765 007	29.22%	244 126 740	-13.85%
Expenditure	223 163 944	175 171 465	27.40%	240 116 741	-7.06%
Surplus / (deficit)	(12 837 150)	(12 406 459)	3.47%	4 009 999	-
Surplus / (deficit) as % of total revenue	-6.10%	-7.62%		1.64%	

Variance from 2006/2007 actual:

The 29,22% increase on last year's actual revenue is primarily as a result of more grant income being allocated towards basic services. The 27,40% increase on last year's actual expenditure is primarily as a result of increased departmental chargeouts from other support service departments.

Variance from 2007/2008 budget:

The 13,85% decrease on the reporting years budget is primarily as a result of a drop in water consumption. The 7,06% decrease on the reporting years budget is primarily as a result of external interest budgeted for the repayment of external loans, which loans did not materialise.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R206 535 297 (2006/2007: R136 607 399). Full details of Property, Plant and Equipment are disclosed in Note 12 and appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R206 535 2977 was financed as follows:

DETAILS	Actual 2007/2008 R	Actual 2006/2007 R	Percentage Variance %	Budgeted 2007/2008 R	Variance actual/ budgeted %
Capital Replacement Reserve	43 384 842	25 628 227	69.29%	68 624 184	-36.78%
External Loans	24 702 173	30 034 258	0.00%	82 100 000	-69.91%
Finance Leases	13 538 741	624 068	2069.43%	20 100 000	0.00%
Grants and Subsidies	124 909 541	80 320 846	0.00%	155 143 970	-19.49%
	206 535 297	136 607 399	51.19%	325 968 154	-36.64%

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2008	2007
Capital Replacement Reserve	21.01%	18.76%
External Loans	11.96%	21.99%
Finance Leases	6.56%	0.46%
Grants and Subsidies	60.48%	58.80%
	100.00%	100.00%

Property, Plant and Equipment is funded to a great extent from grants and subsidies as the municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2008	2007
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(0)	(3)
Revenue variances	(40 410 834)	(28 977 695)
Expenditure variances:		
Employee Related Costs	4 473 539	1 461 331
Remuneration of Councillors	98 307	(1 249 772)
Bad Debts	180 278	2 825 814
Collection Costs	(214 656)	(141 476)
Depreciation	10 031 738	365 717
Impairment losses	-	(3 191 409)
Repairs and Maintenance	461 270	1 420 099
Interest Paid	718 875	11 290 083
Bulk Purchases	(1 833 167)	55 965
Contracted Services	1 789 741	4 109 079
Grants and Subsidies Paid	14 562 067	17 359 056
General Expenses	11 431 508	(3 218 783)
Loss on Disposal of Property, Plant and Equipment	-	(304 526)
Actual surplus before appropriations	1 288 665	1 803 479

DETAILS	2008	2007
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(0)	(3)
Executive and Council	(227 316)	(4 720 102)
Finance and Administration	(2 006 578)	2 545 007
Planning and Development	5 653 446	(50 321)
Public Safety	2 141 377	1 010 195
Environmental Protection	382 826	290 628
Waste Water Management	12 303 287	13 736 052
Water	(16 847 149)	(10 756 457)
Other	(111 227)	(251 520)
Actual surplus before appropriations	1 288 665	1 803 479

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

DETAILS	Actual 2007/2008 R	Actual 2006/2007 R	Variance actual 2007/08 / 2006/07 R	Budgeted 2007/2008 R	Variance actual/ budgeted R
Executive and Council	1 808 345	119 201	1 689 145	819 439	988 906
Finance and Administration	121 410 506	66 962 236	54 448 270	9 884 064	111 526 442
Planning and Development	49 467	(87 274)	136 741	82 769 810	(82 720 343)
Public Safety	6 130 902	17 210	6 113 693	-	6 130 902
Sport and Recreation	18 823 439	3 355 520	15 467 919	36 800 000	(17 976 561)
Environmental Protection	98 329	52 516	45 813	228 000	(129 671)
Waste Water Management	30 642 214	32 113 881	(1 471 666)	60 845 437	(30 203 223)
Water	26 071 494	28 347 441	(2 275 947)	125 671 404	(99 599 910)
Other	1 500 601	5 726 670	(4 226 069)	8 950 000	(7 449 399)
	206 535 297	136 607 399	69 927 898	325 968 154	(119 432 857)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with an explanation of significant variances of more than 5% from budget, are included in Appendix "E (2)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2008 amounted to R232 467 979 (30 June 2007: R231 179 314) and is made up as follows:

Capital Replacement Reserve	78 179 223
Capitalisation Reserve	73 003 445
Donations and Public Contributions Reserve	8 576 229
Accumulated Surplus	<u>72 709 082</u>
	<u>232 467 979</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Capitalisation and Donations and Public Contributions Reserves are utilised to offset the cost of depreciation of assets funded from Internal Advances (not applicable anymore) and Contributions from Public over the lifespan of such assets. Amounts equal to the cost of assets acquired from Public Contributions are transferred to the reserve annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to the Statement of Change in Net Assets for more detail.

7. DEFERRED REVENUE

The balance of Deferred Revenue as at 30 June 2008 was R324 383 178 (30 June 2007: R206 581 123).

Grants utilised to obtain assets are transferred to Deferred Revenue and released into the operating account over the lifespan of the assets funded from such grants.

Refer to Note 3 for more detail.

8. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2008 was R102 283 709 (30 June 2007: R76 974 915).

New loans to the amount of R38 249 115 (2007: R22 462 185) was taken up during the financial year to enable the municipality to finance part of its capital requirements for the year.

Refer to Note 4 and Appendix "A" for more detail.

9. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2008 was R18 399 580 (30 June 2007: R16 748 086).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 5 for more detail.

10. NON-CURRENT PROVISIONS

Non-current Provisions amounted R3 355 076 as at 30 June 2008 (30 June 2007: R3 566 064) and is made up as follows:

Provision for Long-term Service	<u>3 355 076</u>
	<u>3 355 076</u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 6 for more detail.

11. CURRENT LIABILITIES

Current Liabilities amounted R267 746 485 as at 30 June 2008 (30 June 2007: R210 442 631) and is made up as follows:

Consumer Deposits	Note 7	16 485 647
Provisions	Note 8	1 297 574
Creditors	Note 9	79 397 470
Unspent Conditional Grants and Receipts	Note 10	159 799 012
Operating Lease Liability	Note 11	35 211
Current Portion of Long-term Liabilities	Note 4	<u>10 731 570</u>
		<u>267 746 485</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

12. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R579 949 135 as at 30 June 2008 (30 June 2007: R405 184 526).

Refer to Note 12 and Appendices "B, C and E (2)" for more detail.

13. INTANGIBLE ASSETS

The net value of Intangible Assets were R10 382 101 as at 30 June 2008 (30 June 2007: R12 505 931).

These are assets which cannot physically be identified and verified and are in respect of computer software and water rights / servitudes obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 13 for more detail.

14. INVESTMENTS

The municipality held Investments to the value of R13 775 686 as at 30 June 2008 (30 June 2007: R13 489 923).

These investments are ring-fenced for purposes of the security for and repayment of Long-term Liabilities, with the result that no amounts are available for own purposes.

Refer to Note 15 for more detail.

15. LONG-TERM RECEIVABLES

Long-term Receivables of R88 917 at 30 June 2008 (30 June 2007: R43 939) is made up as follows:

Officials: Relocation Loans	36 544
Officials: Sundry Loans	<u>76 863</u>
	113 406
Less: Short-term portion included in Current Assets	<u>24 489</u>
	<u>88 917</u>

Refer to Note 16 for more detail.

16. CURRENT ASSETS

Current Assets amounted R344 440 168 as at 30 June 2008 (30 June 2007: R314 267 814) and is made up as follows:

Inventory	Note 17	6 296 615
Assets classified as Held-for-Sale	Note 18	169 436
Consumer Debtors	Note 19	44 069 623
Other Debtors	Note 20	43 712 547
VAT	Note 21	28 229 753
Short-term Investment Deposits	Note 22	208 739 317
Bank Balances and Cash	Note 23	13 198 389
Current Portion of Long-term Debtors	Note 16	<u>24 489</u>
		<u>344 440 168</u>

The Short-term Investment Deposits are ring-fenced for the purposes of the Capital Replacement Reserve, Unspent Conditional Grants and the repayment of the Current Portion of Long-term Liabilities and no funds are available for own purposes.

Refer to the indicated Notes for more detail.

17. INTER-GOVERNMENTAL GRANTS

The municipality plays an important role in the upliftment of the poor and sustaining and improving of infrastructure for all its citizens for which it uses grants received from government and other organisations, and has a big responsibility as custodian of these funds.

Refer to Notes 10 and 27, and Appendix "F" for more detail.

18. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 57.

19. GENERALLY RECOGNISED ACCOUNTING PRACTICE (GRAP)

In order to adhere to principles and procedures prescribed by law and the directions of National Treasury, the Annual Financial Statements have been converted to the new reporting GRAP-format.

20. EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Deputy Mayor, Speaker, members of the Executive Committee, Councillors, the Audit Committee, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff who assisted with the collation of year-end information, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

27 August 2008

UGU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net Assets (Community Wealth)		232 467 979	231 179 314
Accumulated Surplus / (Deficit)	2	232 467 979	231 179 314
Non-Current Liabilities			
		448 421 543	303 870 189
Deferred Revenue	3	324 383 178	206 581 123
Long-term Liabilities	4	102 283 709	76 974 915
Retirement Benefit Liabilities	5	18 399 580	16 748 086
Non-current Provisions	6	3 355 076	3 566 064
Current Liabilities			
		267 746 485	210 442 631
Consumer Deposits	7	16 485 647	15 310 746
Provisions	8	1 297 574	1 011 606
Creditors	9	79 397 470	76 039 668
Unspent Conditional Grants and Receipts	10	159 799 012	108 310 571
Operating Lease Liability	11	35 211	39 731
Bank Overdraft	23	-	4 831 089
Current Portion of Long-term Liabilities	4	10 731 570	4 899 219
Total Net Assets and Liabilities		948 636 007	745 492 133
ASSETS			
Non-Current Assets			
		604 195 839	431 224 319
Property, Plant and Equipment	12	579 949 135	405 184 526
Intangible Assets	13	10 382 101	12 505 931
Investment Property	14	-	-
Investments	15	13 775 686	13 489 923
Long-term Receivables	16	88 917	43 939
Current Assets			
		344 440 168	314 267 814
Inventory	17	6 296 615	4 171 988
Assets classified as Held-for-Sale	18	169 436	246 744
Consumer Debtors	19	44 069 623	47 754 741
Other Debtors	20	43 712 547	22 809 780
VAT	21	28 229 753	15 863 961
Short-term Investment Deposits	22	208 739 317	196 594 384
Bank, Cash and Cash Equivalents	23	13 198 389	26 814 698
Current Portion of Long-term Receivables	16	24 489	11 519
Total Assets		948 636 007	745 492 133

UGU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

Budget			Actual	
2007	2008		2008	2007
R	R	Note	R	R
REVENUE				
180 638 118	198 395 758			181 727 152
-	-	24	185 745 226	175 943
-	-		8 429	2 760 242
908 152	235 012	25	219 663	247 911
6 400 000	11 200 000	26	10 875 656	17 922 583
842 205	954 123	26	(186 978)	952 125
142 451 106	177 935 719	27	155 940 732	103 564 931
28 307 768	81 610 296	28	76 102 316	22 837 951
-	-		1 215 030	380 815
359 547 349	470 330 908		429 920 074	330 569 654
EXPENDITURE				
116 653 302	134 422 135	29	129 948 597	115 191 971
4 339 536	5 446 970	30	5 348 663	5 589 308
3 750 000	3 000 000	32	2 819 722	924 186
-	-		214 656	141 476
25 518 241	37 689 979	31	27 658 241	25 152 524
-	-	32	-	3 191 409
15 267 761	19 283 083		18 821 813	13 847 662
17 228 756	8 502 161	33	7 783 287	5 938 673
12 634 739	15 000 000	34	16 833 167	12 578 774
12 110 404	10 534 056		8 744 315	8 001 325
89 334 209	97 097 513	35	82 535 446	71 975 153
62 710 404	139 355 011	36	127 923 503	65 929 187
-	-		-	304 526
359 547 352	470 330 909		428 631 409	328 766 174
(3)	(0)		1 288 665	1 803 479
Refer to Appendix E(1) for explanation of variances				

The prior year's comparative figure for Government Grants and Subsidies Received has been restated with an amount of R74 885 756 as a result of the implementation of IAS 20. Please refer to Note 38 for detail of the restatement.

The prior year's comparative figure for Impairment Losses has been restated with an amount of R2 849 401 as a result of impairment losses incurred. Please refer to Note 39.5 for detail of the restatement.

UGU DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

Description	Revaluation Reserve	Government Grant Reserve	Accumulated Surplus / (Deficit) Account					Total for Account	Total	
			Capital Replacement Reserve	Capitalisation Reserve	Donations and Public Contr Reserve	Housing Development Fund	Self Insurance Reserve			Accumulated Surplus / (Deficit)
	R	R	R	R	R	R	R	R	R	
2007										
Balance at 30 June 2006	-	131 695 368	131 417 067	93 096 628	9 892 747	-	-	(5 030 607)	229 375 835	361 071 203
Change in Accounting Policy (Note 38)		(131 695 368)						-	-	(131 695 368)
Restated Balance	-	-	131 417 067	93 096 628	9 892 747	-	-	(5 030 607)	229 375 835	229 375 835
Surplus / (Deficit) for the year								1 803 479	1 803 479	1 803 479
Transfer to CRR			15 000 000					(15 000 000)	-	-
Property, Plant and Equipment purchased			(48 264 007)					48 264 007	-	-
Interest received			11 170 451					(11 170 451)	-	-
Offsetting of Depreciation				(10 040 578)	(224 407)			10 264 985	-	-
Balance at 30 June 2007	-	-	109 323 511	83 056 049	9 668 340	-	-	29 131 414	231 179 314	231 179 314
2008										
Restated Balance	-	-	109 323 511	83 056 049	9 668 340	-	-	29 131 414	231 179 314	231 179 314
Surplus / (Deficit) for the year								1 288 665	1 288 665	1 288 665
Transfer to CRR			-					-	-	-
Property, Plant and Equipment purchased			(42 020 247)					42 020 247	-	-
Interest received			10 875 959					(10 875 959)	-	-
Offsetting of Depreciation				(10 052 604)	(1 092 112)			11 144 716	-	-
Balance at 30 June 2008	-	-	78 179 223	73 003 445	8 576 229	-	-	72 709 082	232 467 979	232 467 979
	-	-	-	-	-	-	-	-	-	-

UGU DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		463 967 721	349 866 135
Cash paid to Suppliers and Employees		<u>(296 401 743)</u>	<u>(224 110 559)</u>
Cash generated from / (utilised in) Operations	40	167 565 978	125 755 576
Interest received	26	10 688 678	18 874 708
Interest paid	33	(7 783 287)	(5 938 673)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		<u>170 471 370</u>	<u>138 691 610</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	12	(206 535 297)	(136 607 399)
Purchase of Intangible Assets	13	(1 693 101)	(8 074 125)
Purchase of Investment Property	14	-	-
Proceeds on Disposal of Property, Plant and Equipment		9 144 408	1 042 750
(Increase) / decrease in Investments (Non-current)	15	(285 763)	(672 189)
(Increase) / decrease in Long-term Receivables	16	(57 949)	42 878
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		<u>(199 427 702)</u>	<u>(144 268 085)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised / (repaid)	4	31 141 145	10 051 703
Increase / (decrease) in Consumer Deposits	7	1 174 900	1 886 910
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		<u>32 316 045</u>	<u>11 938 613</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	41	<u>3 359 713</u>	<u>6 362 139</u>
Cash and Cash Equivalents at the beginning of the year		218 577 993	212 215 854
Cash and Cash Equivalents at the end of the year		221 937 705	218 577 993

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R **2007**
R

1. GENERAL INFORMATION

Ugu District Municipality (the municipality) is a local government institution in Port Shepstone, Kwa-Zulu Natal. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

2008
R **2007**
R

2. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Reserves:

Capital Replacement Reserve (CRR)	78 179 223	109 323 511
Capitalisation Reserve	73 003 445	83 056 049
Donations and Public Contributions Reserve	8 576 229	9 668 340
Accumulated Surplus / (Deficit) due to the results of Operations	72 709 082	29 131 414

Total Accumulated Surplus	232 467 979	231 179 314
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Accumulated Surplus has been restated to adhere to the provisions of IAS 20, *Accounting for Government Grants*. Refer to Note 38.1 on "Change in Accounting Policy" for details of the restatement.

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments. See Notes 15, 22 and 23 for more detail.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

3. DEFERRED REVENUE

Assets financed from Government Grants	324 383 178	206 581 123
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Total Deferred Revenue	324 383 178	206 581 123
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The movements in Deferred Revenue are reconciled as follows:

Balance at beginning of year	206 581 123	131 695 368
Additions during year	129 169 338	74 579 400
Revenue recognised during year (see Note 27)	(11 367 283)	306 356

Total Deferred Revenue	324 383 178	206 581 123
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Deferred Revenue has been restated to adhere to the provisions of IAS 20, *Accounting for Government Grants*. Refer to Note 38.1 on "Change in Accounting Policy" for details of the restatement.

Deferred Revenue represents capital utilised to construct and acquire capital assets, which capital was obtained from Grants received from Government.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
4. LONG-TERM LIABILITIES		
Local Registered Stock	20 300 000	22 944 081
Annuity Loans	79 473 231	56 160 209
Capitalised Lease Liabilities	13 242 048	2 769 845
Sub-total	113 015 279	81 874 135
Less: Current Portion transferred to Current Liabilities	10 731 570	4 899 219
Local Registered Stock	-	2 644 081
Annuity Loans	1 450 419	1 188 339
Capitalised Lease Liabilities	9 281 151	1 066 800
Total Long-term Liabilities	102 283 709	76 974 915

4.1 Summary of Arrangements

Local Registered Stock is repaid over periods varying from 10 to 20 (2007: 11 to 21) years and at interest rates varying from 15,60% to 16,80% (2007: 11,60% to 15,60%) per annum. Local Registered Stock is not secured.

Annuity Loans are repaid over periods varying from 10 to 20 (2007: 11 to 21) years and at interest rates varying from 2,65% to 11,00% (2007: 11,60% to 15,60%) per annum. Annuity Loans are not secured.

Capitalised Lease Liabilities relates to Vehicles with lease term periods of 3 (2007: 3) years. The effective interest rate on Finance Leases is between 11,42% and 12,50% (2007: 12,50 to 14,00%). Capitalised Lease Liabilities are secured over the items of vehicles leased.

R13 775 686 (2007: R13 489 923) has been invested specifically in a ring-fenced account for the repayment of Long-term Liabilities. See Notes 15 and 45 for more detail.

Refer to Appendix "A" for more detail on Long-term Liabilities.

4.2 Obligations under Finance Leases

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 3 years. The risks and rewards of ownership in respect of the Property, Plant and Equipment will transfer to the municipality at the conclusion of the agreement. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2008 R	2007 R	2008 R	2007 R
Within one year	9 121 565	1 481 532	9 121 565	1 481 532
In the second to third years, inclusive	10 621 607	1 683 169	10 621 607	1 683 169
	19 743 172	3 164 701	19 743 172	3 164 701
Less: Future Finance Obligations	6 501 124	394 856	6 501 124	394 856
Present Value of Minimum Lease Obligations	13 242 048	2 769 845	13 242 048	2 769 845
Less: Amounts due for settlement within 12 months			(9 281 151)	(1 066 800)
Total Finance Lease Obligations			3 960 897	1 703 045

The municipality has finance lease agreements for the following significant classes of assets:

- Vehicles

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
Included in these classes are the following significant leases:		
(i) Vehicles	R 3 960 897	R 1 703 045
- Installments are payable monthly in arrears		
- Average period outstanding	28 months	25 months
- Average effective interest rate, based on prime	11.43%	13.50%
- Average monthly installment	R 34 216	R 14 052

5. RETIREMENT BENEFIT LIABILITIES

5.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	16 748 086	9 493 941
Contributions to Provision	2 227 486	7 875 087
Balance at end of Year	18 975 572	17 369 028
Transfer to Current Provisions	(575 992)	(620 942)
Total Post-retirement Health Care Benefits Liability	18 399 580	16 748 086

Retirement Benefit Liabilities have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 39.1 on "Correction of Error" for details of the restatement.

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2008 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Medical Aid Benefit Plan are made up as follows:

In-service Members (Employees)	278	227
Continuation Members (Retirees, widowers and orphans)	38	43
Total Members	316	270

The liability in respect of past service has been estimated as follows (R million):

In-service Members	8 535	7 557
Continuation Members	9 226	9 812
Total Liability	17 761	17 369

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- LA Health
- Keyhealth
- Samwumed

The Current-service Cost for the year ending 30 June 2008 is estimated to be R837 965, whereas the cost for the ensuing year is estimated to be R939 548 (2007: R837 965 and R1 389 522 respectively).

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R

2007
R

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R			
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount rate	10.97%	8.00%			
Health Care Cost Inflation Rate	9.78%	6.50%			
Net Effective Discount Rate	1.08%	1.41%			
Expected Retirement Age - Females	63	63			
Expected Retirement Age - Males	63	63			
Movements in the present value of the Defined Benefit Obligation were as follows:					
Balance at the beginning of the year	17 369 028	9 923 229			
Current service costs	837 965	438 052			
Interest cost	1 389 522	793 858			
Past-service costs	-	6 643 176			
Benefits paid	(620 942)	(429 288)			
Actuarial losses / (gains) unrecognised	(1 214 200)	-			
Present Value of Fund Obligation at the end of the Year	17 761 372	17 369 028			
Actuarial losses / (gains) unrecognised	1 214 200	-			
Total Recognised Benefit Liability	18 975 572	17 369 028			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	17 761 372	17 369 028			
Deficit	17 761 372	17 369 028			
Unrecognised actuarial gains / (losses)	1 214 200	-			
Total Benefit Liability	18 975 572	17 369 028			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	837 965	438 052			
Interest cost	1 389 522	793 858			
Vested past service costs	-	16 137 117			
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	2 227 486	17 369 028			
The history of experienced adjustments is as follows:					
	2008 R	2007 R	2006 R	2005 R	2004 R
Present Value of Defined Benefit Obligation	18 975 572	17 369 028	9 923 229	-	-
Deficit	18 975 572	17 369 028	9 923 229	-	-
Experienced adjustments on Plan Liabilities	(1 367 240)	-	-	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2004 reporting period.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	327 584	-
Effect on the defined benefit obligation	2 415 632	-
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(278 723)	-
Effect on the defined benefit obligation	(2 045 157)	-

The municipality expects to make a contribution of R2,856 million (2007: R2,227 million) to the Defined Benefit Plans during the next financial year.

Refer to Note 50, "Multi-employer Retirement Benefit Information", for more information regarding the municipality's other retirement funds that are Provincially and Nationally administered.

6. NON-CURRENT PROVISIONS

Provision for Long-term Service	3 355 076	3 566 064
Total Non-current Provisions	3 355 076	3 566 064

Non-current Provisions have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 39.1 on "Correction of Error" for details of the restatement.

The movement in Non-current Provisions are reconciled as follows:

	Long-term Service R	Land-fill Sites R
30 June 2008		
Balance at beginning of year	3 566 064	-
Contributions to provision	40 240	-
Transfer to current provisions	(251 228)	-
Balance at end of year	3 355 076	-
30 June 2007		
Balance at beginning of year	2 584 038	-
Contributions to provision	1 372 690	-
Transfer to current provisions	(390 664)	-
Balance at end of year	3 566 064	-

6.1 Long-service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2008 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year-end, 779 (2007: 674) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2008 is estimated to be R408 199, whereas the cost for the ensuing year is estimated to be R480 370 (2007: R408 199 and R440 854 respectively).

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate	10.97%	8.00%
Health Care Cost Inflation Rate	9.03%	6.50%
Net Effective Discount Rate	1.78%	1.90%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	3 956 728	3 056 841
Current service costs	408 199	340 922
Interest cost	316 538	244 547
Benefits paid	(390 664)	(472 803)
Actuarial losses / (gains) recognised	(684 497)	787 220
Present Value of Fund Obligation at the end of the Year	3 606 304	3 956 728
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	3 606 304	3 956 728

The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3 606 304	3 956 728
Deficit	3 606 304	3 956 728
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	3 606 304	3 956 728

The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	408 199	340 922
Interest cost	316 538	244 547
Actuarial losses / (gains)	(684 497)	787 220
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	40 240	1 372 690

	2008	2007	2006	2005	2004
	R	R	R	R	R
Present Value of Defined Benefit Obligation	3 606 304	3 956 728	3 056 841	-	-
Deficit	3 606 304	3 956 728	3 056 841	-	-
Experienced adjustments on Plan Liabilities	663 002	-	-	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2004 reporting period.

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	61 197	-
Effect on the defined benefit obligation	268 046	-
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(54 428)	-
Effect on the defined benefit obligation	(240 947)	-

The municipality expects to make a contribution of R862 000 (2007: R725 000) to the defined benefit plans during the next financial year.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
7. CONSUMER DEPOSITS		
Water	16 485 647	15 310 746
Total Consumer Deposits	16 485 647	15 310 746
Guarantees held in lieu of Water Deposits	252 480	554 463

Consumer Deposits are paid by consumers on application for new water connections. The deposits are repaid when the water connections are terminated. In cases where consumers default on their accounts, the municipality can apply the deposit as payment for any outstanding balances on the account.

No interest is paid on Consumer Deposits held.

8. PROVISIONS

Performance Bonus	470 354	-
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 5 above)	575 992	620 942
Current Portion of Non-Current Provisions (See Note 6 above):	251 228	390 664
Long-term Service	251 228	390 664
Total Provisions	1 297 574	1 011 606

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The movement in current provisions are reconciled as follows:

Performance Bonus

Balance at beginning of year	-	-
Contributions to provision	470 354	-
Expenditure incurred	-	-
Balance at end of year	470 354	-

Current Portion of Non-Current Provisions

	Long-term Service R	Post-retirement R
30 June 2008		
Balance at beginning of year	390 664	620 942
Transfer from non-current	251 228	575 992
Expenditure incurred	(390 664)	(620 942)
Balance at end of year	251 228	575 992
30 June 2007		
Balance at beginning of year	472 803	429 288
Transfer from non-current	390 664	620 942
Expenditure incurred	(472 803)	(429 288)
Balance at end of year	390 664	620 942

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
9. CREDITORS		
Trade Creditors	5 404 202	22 510 213
Payments received in Advance	9 915 720	15 058 418
Retentions	2 822 138	3 200 680
Staff Leave	3 321 015	4 731 584
Projects	38 178 425	8 879 788
Other Creditors	19 755 970	21 658 985
Total Creditors	79 397 470	76 039 668

Creditors have been restated to adhere to the disclosure provisions of IAS 17. Refer to Note 39.2 on "Correction of Error" for details of the restatement.

The MFMA requires that the average credit period on purchases is 30 days from the receipt of the invoice. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

10.1 Conditional Grants from Other Spheres of Government

	123 049 058	84 335 577
National Government Grants	73 421 125	58 575 776
Provincial Government Grants	47 686 670	24 577 511
Other Sources	1 941 263	1 182 290

10.2 Other Conditional Receipts

	36 749 954	23 974 994
Developers Contributions	36 667 574	23 974 994
Public Contributions	82 380	-
Total Conditional Grants and Receipts	159 799 012	108 310 571

The amount for Unspent Conditional Grants and Receipts are invested in ring-fenced investment accounts until utilised.

See Note 27 for the reconciliation of Grants from Other Spheres of Government.

Refer to Appendix "F" for more detail on Conditional Grants.

11. OPERATING LEASE LIABILITY

Operating Leases are recognised on the straight-line basis as per the requirement of IAS 17 and the Operating Lease Liability was calculated as follows:

Balance at beginning of year	39 731	39 731
Operating Lease expenses recorded	307 974	-
Operating Lease payments effected	(312 494)	-
Total Operating Lease Liability	35 211	39 731

Operating Lease Liability has been restated to adhere to the disclosure provisions of IAS 17. Refer to Note 39.2 on "Correction of Error" for details of the restatement.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008	2007
R	R

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

At the Statement of Financial Position date the municipality had outstanding commitments under non-cancellable operating leases for property, plant and equipment, which fall due as follows:

Vehicles and Other Equipment:

	544 348	458 593
Within one year	294 294	224 178
In the second to fifth years, inclusive	250 054	234 415
Over five years	-	-

Total Operating Lease Arrangements

544 348	458 593
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The following payments have been recognised as an expense in the Statement of Financial Performance:

Contingent rentals	307 974	306 599
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Total Operating Lease Expenses

307 974	306 599
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The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

No restrictions have been imposed on the municipality in terms of the operating lease agreements.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

12. PROPERTY, PLANT AND EQUIPMENT

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether immovable items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2009.

30 June 2008

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Leased Infra-structure	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2007	15 196 453	335 305 926	26 904 735	-	27 777 411	-	405 184 526
Cost	23 492 171	489 941 122	27 617 742	-	54 095 900	-	595 146 935
- Completed Assets	23 492 171	489 941 122	27 617 742	-	54 095 900	-	595 146 935
- Under Construction	-	-	-	-	-	-	-
Correction of error (Note 33)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	(3 223 726)	(25 222)	-	-	(700 845)	-	(3 949 793)
Accumulated Depreciation:	(5 071 992)	(154 609 974)	(713 007)	-	(25 617 643)	-	(186 012 616)
- Cost	(5 071 992)	(154 609 974)	(713 007)	-	(25 617 643)	-	(186 012 616)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	31 787 603	146 371 797	1 463 350	-	26 912 546	-	206 535 297
Capital under Construction - Additions	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	(481 660)	(16 366 406)	(155 448)	-	(9 777 669)	-	(26 781 184)
- Based on Cost	(481 660)	(16 366 406)	(155 448)	-	(9 777 669)	-	(26 781 184)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	-	(4 382 068)	-	-	(543 381)	-	(4 925 450)
- Cost	-	(4 414 197)	-	-	(3 684 033)	-	(8 098 230)
- Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-
Accumulated Depreciation	-	32 129	-	-	3 140 652	-	3 172 781
- Based on Cost	-	32 129	-	-	3 140 652	-	3 172 781
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	(64 054)	-	(64 054)
- Cost	-	-	-	-	(523 983)	-	(523 983)
- Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	94 097	-	94 097
Accumulated Depreciation	-	-	-	-	365 832	-	365 832
- Based on Cost	-	-	-	-	365 832	-	365 832
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-	-
Other Movements:	42 565	(124 141)	70 706	-	10 871	-	(0)
- Cost	53 419	(102 436)	70 706	-	(21 689)	-	(0)
- Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	10 423	-	-	(10 423)	-	-
Accumulated Depreciation	(10 854)	(32 129)	-	-	42 983	-	-
- Based on Cost	(10 854)	(32 129)	-	-	42 983	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Carrying values at 30 June 2008	46 544 961	460 805 107	28 283 343	-	44 315 724	-	579 949 135
Cost	55 333 193	631 796 287	29 151 798	-	76 778 741	-	793 060 019
- Completed Assets	55 333 193	631 796 287	29 151 798	-	76 778 741	-	793 060 019
- Under Construction	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	(3 223 726)	(14 799)	-	-	(617 171)	-	(3 855 696)
Accumulated Depreciation:	(5 564 506)	(170 976 380)	(868 455)	-	(31 845 846)	-	(209 255 187)
- Cost	(5 564 506)	(170 976 380)	(868 455)	-	(31 845 846)	-	(209 255 187)
- Revaluation	-	-	-	-	-	-	-

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2007

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Leased Infra-structure	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2006	14 775 663	243 000 219	21 691 164	-	25 498 141	-	304 965 187
Cost	19 276 988	379 053 609	22 293 114	-	58 095 633	-	478 719 344
- Completed Assets	19 276 988	379 053 609	22 293 114	-	58 095 633	-	478 719 344
- Under Construction	-	-	-	-	-	-	-
Correction of error (Note 33)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(30 683)	-	-	(852 174)	-	(882 857)
Accumulated Depreciation:	(4 501 325)	(136 022 707)	(601 950)	-	(31 745 319)	-	(172 871 301)
- Cost	(4 501 325)	(136 022 707)	(601 950)	-	(31 745 319)	-	(172 871 301)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	4 582 632	110 898 781	5 324 628	-	15 801 358	-	136 607 399
Capital under Construction - Additions	-	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-	-
Depreciation:	(570 667)	(18 596 845)	(111 057)	-	(3 653 100)	-	(22 931 668)
- Based on Cost	(570 667)	(18 596 845)	(111 057)	-	(3 653 100)	-	(22 931 668)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Disposals:	-	(1 690)	-	-	(3 996 080)	-	(3 997 770)
- Cost	-	(11 267)	-	-	(14 356 739)	-	(14 368 006)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	124 472	-	124 472
- Accumulated Depreciation	-	9 578	-	-	10 236 187	-	10 245 764
- Based on Cost	-	9 578	-	-	10 236 187	-	10 245 764
- Based on Revaluation	-	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-	-
Impairment Losses	(3 223 726)	5 461	-	-	26 856	-	(3 191 409)
Capital under Construction - Completed	-	-	-	-	-	-	-
Other Movements:	(367 449)	-	-	-	(5 899 765)	-	(6 267 213)
- Cost	(367 449)	-	-	-	(5 444 353)	-	(5 811 802)
- Revaluation	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	(455 412)	-	(455 412)
- Based on Cost	-	-	-	-	(455 412)	-	(455 412)
- Based on Revaluation	-	-	-	-	-	-	-
Carrying values at 30 June 2007	15 196 453	335 305 926	26 904 735	-	27 777 411	-	405 184 526
Cost	23 492 171	489 941 122	27 617 742	-	54 095 900	-	595 146 935
- Completed Assets	23 492 171	489 941 122	27 617 742	-	54 095 900	-	595 146 935
- Under Construction	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	(3 223 726)	(25 222)	-	-	(700 845)	-	(3 949 793)
Accumulated Depreciation:	(5 071 992)	(154 609 974)	(713 007)	-	(25 617 643)	-	(186 012 616)
- Cost	(5 071 992)	(154 609 974)	(713 007)	-	(25 617 643)	-	(186 012 616)
- Revaluation	-	-	-	-	-	-	-

Property, Plant and Equipment has been restated to adhere to the disclosure provisions for Investment Property under Construction. Refer to Note 39.3 on "Correction of Error" for details of the restatement.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
12. PROPERTY, PLANT AND EQUIPMENT (Continued)		
12.1 Assets pledged as security:		
The municipality's obligations under Finance Leases (see Note 4) are secured by the lessors' title to the leased assets.		
12.2 Impairment of Property, Plant and Equipment:		
The total amount of R0 (2007: R3 191 409) disclosed for impairment losses on property, plant and equipment includes an individual material amount of impairment losses applicable to a Water Services Department building damaged when a fire broke out. Cumulative impairment losses for the following significant account balances are included therein:		
Land and Buildings	-	3 223 726
Infrastructure: Roads	-	10 423
Infrastructure: Sewerage	-	14 799
Infrastructure: Water	-	(30 683)
Other Assets: Emergency Equipment	-	1 810
Other Assets: Furniture and Fittings	-	27 767
Other Assets: Motor Vehicles	-	(3 913)
Other Assets: Office Equipment	-	(68 404)
Other Assets: Plant and Equipment	-	15 885
Total Impairment of Property, Plant and Equipment	-	3 191 409

Impairment losses on property, plant and equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of property, plant and equipment have been physically damaged, stolen or have become redundant and idle.

13. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses	10 382 101	12 505 931
---	-------------------	-------------------

The movement in Intangible Assets is reconciled as follows:

Carrying values at 1 July	12 505 931	385 448
Cost	14 271 375	385 448
Accumulated Amortisation	(1 765 444)	-
Acquisitions and Additions from Internal Development during the Year	1 693 101	8 074 125
Amortisation during the Year	(877 057)	(2 220 855)
Disposals during the Year:	(2 939 874)	-
At Cost	(2 939 874)	-
At Accumulated Amortisation	-	-
Transfers during the Year:	-	6 267 213
At Cost	-	5 811 802
At Accumulated Amortisation	-	455 412
Carrying values at 30 June	10 382 101	12 505 931
Cost	13 024 601	14 271 375
Accumulated Amortisation	(2 642 501)	(1 765 444)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

The disposal of Intangible Assets relates to software purchased in respect of the "Xellent Billing System". This billing system was not implemented, hence invoices raised in respect of the software in the 2006/2007 financial year have been reversed in the current year. See Notes 52.3 and 53.1 for further information in respect of the billing system.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008 **2007**
R **R**

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

The following restrictions apply to Intangible Assets:

- Axapta Financial Software:

(i) The system is non-assignable, non-transferable, and the municipality has no exclusive rights to use the system.

(ii) The system may be used on only one database at any one time.

(iii) The municipality, as the licensee, shall not grant usage of, or distribute, the system in its original or modified form, to a third party for the third party's benefit.

(iv) The municipality has no intellectual property rights to the system.

13.1 Significant Intangible Assets:

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in IAS 38 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

Refer to Appendix "B" for more detail on Intangible Assets.

14. INVESTMENT PROPERTY

Investment Property has been restated to adhere to the disclosure provisions for Investment Property under Construction. Refer to Note 39.3 on "Correction of Error" for details of the restatement.

15. INVESTMENTS

Financial Instruments

Fixed Deposits	13 775 686	14 581 118
Total Investments		
All Investments	13 775 686	14 581 118
Less: Short-term Portion transferred to Current Investments	-	(1 091 195)
	13 775 686	13 489 923

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 12.90 % to 13.39 % per annum.

Fixed Deposits of R13 775 686 (2007: R13 489 923) are ring-fenced for the purposes of repaying Long-term Liabilities as set out in Note 45.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
16. LONG-TERM RECEIVABLES		
	Gross Balances	Provision for Impairment
	R	R
As at 30 June 2008		
Officials: Relocation Loans	36 544	-
Sundry Loans	76 863	-
	<u>113 406</u>	<u>-</u>
Less: Current Portion transferred to Current Receivables		113 406
Officials: Relocation Loans		14 889
Sundry Loans		9 600
Total Long-term Receivables		88 917
As at 30 June 2007		
Officials: Relocation Loans	7 077	-
Sundry Loans	48 381	-
	<u>55 458</u>	<u>-</u>
Less: Current Portion transferred to Current Receivables		11 519
Officials: Relocation Loans		5 519
Sundry Loans		6 000
Total Long-term Receivables		43 939

RELOCATION LOANS

Relocation Loans granted to officials are expensed after 36 months' service in the municipality. A pro rata amount is recovered should an official leave the service of the municipality within the 36 month period.

SUNDRY LOANS

Sundry Loans comprise expenditure recoverable from officials for damages caused to municipal property. The debt is repaid by monthly deductions of R800. One official was dismissed in February 2008, but has signed a consent to judgement.

17. INVENTORY

Maintenance Materials - at cost	5 691 142	3 345 428
Water - at cost	605 472	826 560
Total Inventory	6 296 615	4 171 988

Inventory has been restated to adhere to the disclosure provisions for Assets classified as Held-for-Sale. Refer to Note 39.4 on "Correction of Error" for details of the restatement.

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

The cost of Inventories recognised as an expense during the period, in respect of both Continuing and Discontinued Operations, was R11 770 000 (2007: R6 070 000).

Inventories of R267 350 (2007: R266 162) are expected to be utilised only after more than twelve months.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
18. ASSETS CLASSIFIED AS HELD-FOR-SALE		
Property Held-for-Sale - at cost	169 436	246 744
Total Assets classified as Held-for-Sale	169 436	246 744
Liabilities associated with Assets classified as Held-for-Sale	-	-
Net Assets classified as Held-for-Sale	169 436	246 744

Assets classified as Held-for-Sale have been restated to adhere to the disclosure provisions of IAS 2. Refer to Note 39.3 on "Correction of Error" for details of the restatement.

18.1 Property Held-for-Sale

The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next ten months. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2008.

19. CONSUMER DEBTORS

	Gross Balances	Provision for Impairment	Net Balance
	R	R	R
As at 30 June 2008			
Service Debtors:	52 172 636	22 519 193	29 653 443
Sewerage	10 891 600	5 053 043	5 838 558
Water	41 281 036	17 466 150	23 814 885
Water Rate Debtors	9 131 338	-	9 131 338
Other Trade Debtors	5 284 842	-	5 284 842
Total Consumer Debtors	66 588 816	22 519 193	44 069 623
As at 30 June 2007			
Service Debtors:	65 513 974	22 296 048	43 217 926
Sewerage	11 083 451	3 925 525	7 157 926
Water	54 430 523	18 370 523	36 060 000
Water Rate Debtors	-	-	-
Other Trade Debtors	4 536 815	-	4 536 815
Total Consumer Debtors	70 050 789	22 296 048	47 754 741

The average credit period for Consumer Debtors is 30 days. Except for Water Rates, no interest is charged on trade receivables. Such interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors.

No provision has been made in respect of government debt and Water Rates as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
19.1 Ageing of Consumer Debtors not impaired		
Sewerage: Ageing		
Current (0 - 30 days)	4 862 716	6 126 568
31 - 60 Days	591 610	595 437
61 - 90 Days	384 232	435 921
+ 90 Days	5 053 043	3 925 525
Total	10 891 600	11 083 451
Water: Ageing		
Current (0 - 30 days)	18 862 195	18 445 124
31 - 60 Days	2 539 407	2 371 550
61 - 90 Days	1 758 712	1 678 015
+ 90 Days	18 120 722	31 935 834
Total	41 281 036	54 430 523
Water Rates: Ageing		
Current (0 - 30 days)	567 590	-
31 - 60 Days	7 161	-
61 - 90 Days	26 468	-
+ 90 Days	8 530 119	-
Total	9 131 338	-
Other Debtors: Ageing		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	5 284 842	4 536 815
Total	5 284 842	4 536 815

19.2 Summary of Debtors by Customer Classification

The Customer Classification cannot be provided as the Custima Billing System used by the municipality cannot generate reports in this format.

19.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	22 296 048	22 043 233
Impairment Losses recognised	2 819 722	924 186
Amounts recovered	51 525	32 654
Amounts written off as uncollectable	(2 648 102)	(704 024)
Balance at end of year	22 519 193	22 296 048

The concentration of credit risk has been on residential consumers. Consequently, in determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been made for all residential consumer balances outstanding for more than 60 days. No further credit provision is required in excess of the Provision for Impairment.

19.4 Ageing of impaired Consumer Debtors

Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	1 543 350	-
91 - 120 Days	1 280 869	2 060 325
+ 120 Days	19 694 973	20 235 723
Total	22 519 193	22 296 048

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
20. OTHER DEBTORS		
Sundry Deposits	424 840	386 440
Sundry Debtors	32 540 751	18 935 060
Government Subsidy Claims	42 392 448	35 133 772
	75 358 039	54 455 272
Less: Provision for Impairment	(31 645 492)	(31 645 492)
Total Other Debtors	43 712 547	22 809 780

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies are payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

20.1 Reconciliation of Provision for Impairment

Balance at beginning of year	31 645 492	33 610 595
Impairment Losses recognised	-	-
Amounts written off as uncollectable	-	(1 965 103)
Balance at end of year	31 645 492	31 645 492

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

The Provision for Impairment on Other Debtors (Loans and Receivables) exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to most of these debtors being sundry in nature. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

The total amount of the Provision for Impairment created is R31 645 492 (2007: R31 645 492) and the following loans and receivables are included therein:

Sundry Debtors	4 708 613	4 708 613
Government Subsidy Claims	26 876 385	26 876 385
Other	60 494	60 494
Total Provision for Impairment on Other Debtors	31 645 492	31 645 492

21. VAT

VAT Receivable / (Payable)	28 229 753	15 863 961
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VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
22. SHORT-TERM INVESTMENT DEPOSITS		
Call Deposits	38 816 511	55 177 404
Notice Deposits	169 922 806	140 325 784
Short-term Portion of Investments	-	1 091 195
Total Short-term Investment Deposits	208 739 317	196 594 384

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 11.60 % to 15.60 % per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 11.60 % to 15.60 % per annum.

Short-term Investment Deposits are ring-fenced and attributable to Funds as follows:

Capital Replacement Reserve	49 196 735	104 323 511
External Financing Fund	-	-
Unspent Conditional Grants	159 542 582	91 232 539
Repayment of Long-term Liabilities (See Note 45 for more detail)	-	1 018 334
Available for Operational Purposes	-	20 000
Total Short-term Investment Deposits	208 739 317	196 594 384

23. BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

Absa Bank - Port Shepstone

Account Number 406 668 6529 (Primary Bank Account):

Cash book balance at beginning of year	186 423	-
Cash book balance at end of year	5 422 341	186 423
Bank statement balance at beginning of year	186 423	-
Bank statement balance at end of year	5 422 341	186 423

Account Number 406 668 6472 (General Bank Account):

Cash book balance at beginning of year	(4 815 248)	-
Cash book balance at end of year	3 583 249	(4 815 248)
Bank statement balance at beginning of year	1 658 789	-
Bank statement balance at end of year	5 569 392	1 658 789

Account Number 406 668 6294 (Collection Account):

Cash book balance at beginning of year	-	-
Cash book balance at end of year	8 536	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	8 536	-

Account Number 406 671 0647 (Consumer Deposits Bank Account):

Cash book balance at beginning of year	2 597 424	-
Cash book balance at end of year	354 022	2 597 424
Bank statement balance at beginning of year	2 597 424	-
Bank statement balance at end of year	354 022	2 597 424

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<i>Account Number 406 660 3763 (Salaries Account):</i>		
Cash book balance at beginning of year	(15 750)	-
Cash book balance at end of year	<u>82 317</u>	<u>(15 750)</u>
Bank statement balance at beginning of year	29 055	-
Bank statement balance at end of year	<u>131 648</u>	<u>29 055</u>
 <i>Account Number 406 757 0977 (Sanlam Group Life Account):</i>		
Cash book balance at beginning of year	(91)	-
Cash book balance at end of year	<u>2 273 628</u>	<u>(91)</u>
Bank statement balance at beginning of year	(91)	-
Bank statement balance at end of year	<u>2 273 719</u>	<u>(91)</u>
 <i>Account Number 406 668 6367 (MIG Project Account):</i>		
Cash book balance at beginning of year	17 078 032	-
Cash book balance at end of year	<u>950 602</u>	<u>17 078 032</u>
Bank statement balance at beginning of year	19 699 104	-
Bank statement balance at end of year	<u>950 602</u>	<u>19 699 104</u>
 <i>Account Number 407 187 0797 (Disaster Account):</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>17 450</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>17 450</u>	<u>-</u>
 First National Bank - Port Shepstone		
<i>Account Number 534 8085 2369 (Primary Bank Account):</i>		
Cash book balance at beginning of year	2 864 731	1 485 564
Cash book balance at end of year	<u>-</u>	<u>2 864 731</u>
Bank statement balance at beginning of year	2 957 045	9 982 224
Bank statement balance at end of year	<u>-</u>	<u>2 957 045</u>
 <i>Account Number 620 1194 3398 (ACB Deposits Account):</i>		
Cash book balance at beginning of year	1 093 479	471 936
Cash book balance at end of year	<u>-</u>	<u>1 093 479</u>
Bank statement balance at beginning of year	1 093 479	471 936
Bank statement balance at end of year	<u>-</u>	<u>1 093 479</u>
 <i>Account Number 534 8801 7494 (Direct Deposits Account):</i>		
Cash book balance at beginning of year	730 150	673 225
Cash book balance at end of year	<u>-</u>	<u>730 150</u>
Bank statement balance at beginning of year	730 150	673 225
Bank statement balance at end of year	<u>-</u>	<u>730 150</u>
 <i>Account Number 534 8801 7717 (Salaries Account):</i>		
Cash book balance at beginning of year	-	470 965
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	534 958
Bank statement balance at end of year	<u>-</u>	<u>-</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R

2007
R

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
<i>Account Number 620 1101 7680 (Levy Deposits Account):</i>		
Cash book balance at beginning of year	-	432 660
Cash book balance at end of year	-	-
	<u> </u>	<u> </u>
Bank statement balance at beginning of year	-	432 660
Bank statement balance at end of year	-	-
	<u> </u>	<u> </u>
<i>Account Number 534 8109 8673 (Ugu RDP DWAF Project Account):</i>		
Cash book balance at beginning of year	-	7 509 503
Cash book balance at end of year	-	-
	<u> </u>	<u> </u>
Bank statement balance at beginning of year	9 836 165	9 836 165
Bank statement balance at end of year	-	9 836 165
	<u> </u>	<u> </u>
<i>Account Number 620 5649 9653 (Afrisun Project Account):</i>		
Cash book balance at beginning of year	-	38 973
Cash book balance at end of year	-	-
	<u> </u>	<u> </u>
Bank statement balance at beginning of year	-	38 973
Bank statement balance at end of year	-	-
	<u> </u>	<u> </u>
<i>Account Number 620 3279 1289 (Ezinqolweni Taxi Disaster Account):</i>		
Cash book balance at beginning of year	-	6 991
Cash book balance at end of year	-	-
	<u> </u>	<u> </u>
Bank statement balance at beginning of year	-	6 991
Bank statement balance at end of year	-	-
	<u> </u>	<u> </u>
Standard Bank - Port Shepstone Branch		
<i>Account Number 05 330 000 9 (Direct Deposits Account):</i>		
Cash book balance at beginning of year	11 420	56 052
Cash book balance at end of year	6 242	11 420
	<u> </u>	<u> </u>
Bank statement balance at beginning of year	11 420	56 052
Bank statement balance at end of year	6 242	11 420
	<u> </u>	<u> </u>
<i>Account Number 05 330 662 7 (Group Life Scheme Account):</i>		
Cash book balance at beginning of year	1 696 723	884 377
Cash book balance at end of year	-	1 696 723
	<u> </u>	<u> </u>
Bank statement balance at beginning of year	1 696 778	884 377
Bank statement balance at end of year	-	1 696 778
	<u> </u>	<u> </u>
Cash Floats and Advances	500 002	556 315
Other Cash Equivalents	-	-
	<u> </u>	<u> </u>
Cash on hand in Cash Floats and Advances	500 002	556 315
	<u> </u>	<u> </u>
Total Bank and Cash	13 198 389	26 814 698
Total Overdraft	-	(4 831 089)
	<u> </u>	<u> </u>
Total Bank and Cash	<u>13 198 389</u>	<u>21 983 609</u>

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R

2007
R

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
Bank Accounts are ring-fenced and attributable to Funds as follows:		
Capital Replacement Reserve	28 982 488	5 000 000
Unspent Conditional Grants	256 431	17 078 032
Available for Operational Purposes	(16 040 530)	4 736 666
Total Bank and Cash	<u>13 198 389</u>	<u>26 814 698</u>

Interest on overdrawn current accounts are charged at the banker's prime rate. Interest is earned at different rates per annum on favourable balances.

24. SERVICE CHARGES

Sale of Water	139 735 147	142 660 848
Sewerage and Sanitation Charges	46 010 080	39 066 304
Total Service Charges	<u>185 745 226</u>	<u>181 727 152</u>
Attributable to:		
Continuing Operations	185 745 226	181 727 152
Discontinued Operations	-	-
	<u>185 745 226</u>	<u>181 727 152</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

25. RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Buildings	99 000	99 000
Rental Revenue from Other Facilities	120 663	148 911
Total Rental of Facilities and Equipment	<u>219 663</u>	<u>247 911</u>
Attributable to:		
Continuing Operations	219 663	247 911
Discontinued Operations	-	-
	<u>219 663</u>	<u>247 911</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

26. INTEREST EARNED

External Investments:		
Bank Account	3 751 001	-
Short-term Investments	5 450 307	16 159 199
Long-term Investments	1 674 349	1 763 384
	<u>10 875 656</u>	<u>17 922 583</u>
Outstanding Debtors:		
Outstanding Billing Debtors	(186 978)	952 125
	<u>(186 978)</u>	<u>952 125</u>
Total Interest Earned	<u>10 688 678.35</u>	<u>18 874 708.21</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	9 201 307	16 159 199
Loans and Receivables	(186 978)	952 125
Held-to-Maturity Investments	1 674 349	1 763 384
	10 688 678	18 874 708

Revenue recognised in respect of Financial Assets designated as at "fair value through profit or loss" is disclosed in Note 49.2.

27. GOVERNMENT GRANTS AND SUBSIDIES

Provincial Equitable Share	73 908 486	49 836 440
Levies Replacement	28 706 000	28 838 590
Other Grants Received	482 018	(0)
Operational Grants	103 096 504	78 675 030
Conditional Grants	41 476 945	25 196 258
National: FMG Grant	501 545	178 434
National: DEAT Grant	166 240	630 167
National: MIG Grant	30 903 969	20 772 142
National: DWAF Grant	785 049	412 816
Provincial: Local Government Grants	6 018 985	578 516
Provincial: Dept of Sport & Recreation Grant	216 957	659 127
Provincial: Dept of Transport Grant	89 722	297 000
Provincial: Dept of Local Government & Traditional Affairs Grant	2 212 495	1 546 385
Other Spheres of Government Grants: DBSA	581 983	121 669
Transferred from Deferred Revenue (offset depreciation on assets funded from Grants)	11 367 283	(306 356)
Total Government Grants and Subsidies	155 940 732	103 564 931
Attributable to:		
Continuing Operations	155 940 732	103 564 931
Discontinued Operations	-	-
	155 940 732	103 564 931

The comparative figures for Government Grants and Subsidies have been restated to adhere to the provisions of IAS 20, *Accounting for Government Grants*. Refer to Note 38.2 on "Change in Accounting Policy" for details of the restatement.

27.1 National: Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	78 168 283	49 836 440
Conditions met - transferred to Revenue	(73 908 486)	(49 836 440)
Conditions met - transferred to Deferred Revenue	(4 259 797)	-
Conditions still to be met - transferred to Liabilities (see Note 10)	-	-

In terms of the Constitution, this unconditional grant is used primarily to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant. No funds were withheld.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
27.2 National: Finance Management Grant (FMG)		
Balance unspent at beginning of year	1 129 573	728 028
Current year receipts	684 003	579 979
Conditions met - transferred to Revenue	(501 545)	(178 434)
Conditions met - transferred to Deferred Revenue	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>1 312 031</u>	<u>1 129 573</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds were withheld.

27.3 National: Economic Affairs and Tourism Grant (DEAT)

Balance unspent at beginning of year	1 442 943	-
Current year receipts	171 710	2 073 110
Conditions met - transferred to Revenue	(166 240)	(630 167)
Conditions met - transferred to Deferred Revenue	(978 887)	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>469 526</u>	<u>1 442 943</u>

The European Community represented by the Department of Economic Development (Gijima KZN) awarded the grant for the implementation of the action entitled "Strengthening the LED Enabling Environment". No funds were withheld.

27.4 Provincial: Local Government Grants

Balance unspent at beginning of year	6 466 545	5 359 226
Current year receipts	7 012 996	1 685 836
Conditions met - transferred to Revenue	(6 018 985)	(578 516)
Conditions met - transferred to Deferred Revenue	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>7 460 556</u>	<u>6 466 545</u>

Various grants are paid by Provincial Local Government help implement the IDP, PMS, Sports Stadium and financial reform initiatives as required by the Municipal Finance Management Act (MFMA), 2003 and the Municipal Systems Act (MSA),2000. No funds have been withheld.

27.5 National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	46 923 860	40 307 771
Current year receipts	137 195 017	96 104 044
Conditions met - transferred to Revenue	(30 903 969)	(20 772 142)
Conditions met - transferred to Deferred Revenue	(107 804 335)	(68 715 813)
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>45 410 572</u>	<u>46 923 860</u>

The MIG grant is aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure . No funds were withheld.

27.6 National: Dept of Water Affairs and Forestry Grant (DWAF)

Balance unspent at beginning of year	2 612 855	2 817 653
Current year receipts	28 067 650	208 018
Conditions met - transferred to Revenue	(785 049)	(412 816)
Conditions met - transferred to Deferred Revenue	(11 127 016)	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>18 768 440</u>	<u>2 612 855</u>

DWAF grants are aimed at supplementing municipal budgets to assist with the construction of water delivery infrastructure, execution of water service delivery and the development of Asset Management Plan. No funds were withheld.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
27.7 Provincial: Dept of Public Works Grant		
Balance unspent at beginning of year	2 002 201	2 002 201
Current year receipts	238 262	-
Conditions met - transferred to Revenue	-	-
Conditions met - transferred to Deferred Revenue	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>2 240 463</u>	<u>2 002 201</u>

Public Works Grants are utilised to construct or upgrade various infrastructure of informal settlement areas within the municipal district through utilising labour intensive construction methods in order to maximise job creation for local communities and opportunities for emerging contractors. No funds were withheld.

27.8 Provincial: Dept of Sport and Recreation Grant

Balance unspent at beginning of year	8 911 538	2 093 331
Current year receipts	(4 850 959)	7 477 334
Conditions met - transferred to Revenue	(216 957)	(659 127)
Conditions met - transferred to Deferred Revenue	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>3 843 623</u>	<u>8 911 538</u>

The purpose of the grant received from the Department of Sport and Recreation was to promote mass participation of a number of selected sport codes and related activities within disadvantaged communities in conjunction with other recreation federations, as well as to assist with the construction of the Ugu District Sports Complex. No funds were withheld.

27.9 Provincial: Dept of Transport Grant

Balance unspent at beginning of year	114 170	402 080
Current year receipts	219 536	9 089
Conditions met - transferred to Revenue	(89 722)	(297 000)
Conditions met - transferred to Deferred Revenue	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>243 984</u>	<u>114 170</u>

This funding was furnished by the KZN Department of Transport to assist with the preparation of a Public Transport Plan as required by the National Land Transport Transition Act, 2000. No funds were withheld.

27.10 Provincial: Dept of Local Government and Traditional Affairs Grant

Balance unspent at beginning of year	13 549 602	8 468 552
Current year receipts	35 020 796	6 791 022
Conditions met - transferred to Revenue	(2 212 495)	(1 546 385)
Conditions met - transferred to Deferred Revenue	(4 999 302)	(163 586)
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>41 358 601</u>	<u>13 549 602</u>

Grants received from DLGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act. They are aimed at supplementing municipal budgets to assist with the assessment of water service delivery mechanisms, water delivery planning and water services technical support. No funds were withheld.

27.11 Provincial: Dept of Tourism Grant

Balance unspent at beginning of year	-	643 077
Current year receipts	-	(643 077)
Conditions met - transferred to Revenue	-	-
Conditions met - transferred to Deferred Revenue	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>-</u>	<u>-</u>

The European Community represented by the Department of Economic Development (Gijima KZN) awarded the grant for the implementation of the action entitled "Strengthening the LED Enabling Environment". No funds were withheld.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
27.12 Other Government: DBSA		
Balance unspent at beginning of year	1 182 290	1 209 833
Current year receipts	762 160	94 126
Conditions met - transferred to Revenue	(581 983)	(121 669)
Conditions met - transferred to Deferred Revenue	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>1 362 467</u>	<u>1 182 290</u>

The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area. The objectives of the projects are to enhance rural economic development and broad-based community information dissemination and empowerment. No funds were withheld.

27.13 Other Government: Eskom

Balance unspent at beginning of year	-	-
Current year receipts	-	5 700 000
Conditions met - transferred to Revenue	-	-
Conditions met - transferred to Deferred Revenue	-	(5 700 000)
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>-</u>	<u>-</u>

The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area. The objectives of the projects are to enhance rural economic development and broad-based community information dissemination and empowerment. No funds were withheld.

27.14 Other Government: Industrial Development Corporation

Balance unspent at beginning of year	-	-
Current year receipts	578 796	-
Conditions met - transferred to Revenue	-	-
Conditions met - transferred to Deferred Revenue	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>578 796</u>	<u>-</u>

The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area. The objectives of the projects are to enhance rural economic development and broad-based community information dissemination and empowerment. No funds were withheld.

27.15 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (2008), government grant funding is expected to increase over the two years 2008/2009 and 2009/2010.

28. OTHER REVENUE

Internal Recoveries	72 660 180	17 737 319
Sundry Services Rendered	3 265 818	3 946 439
Tender Deposits Forfeited	91 332	66 660
Other Revenue	84 987	1 087 533
Total Other Revenue	<u>76 102 316</u>	<u>22 837 951</u>
Attributable to:		
Continuing Operations	76 102 316	22 837 951
Discontinued Operations	-	-
	<u>76 102 316</u>	<u>22 837 951</u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 24 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Internal Recoveries are received from other trading and economic services.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R

2007
R

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
29. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	77 689 116	64 057 652
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	19 768 786	16 270 859
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	14 381 561	11 274 993
Housing Benefits and Allowances	1 115 545	981 694
Overtime Payments	14 387 722	13 089 459
Performance Bonuses	338 140	269 537
Defined Benefit Plan Expense:	2 267 726	9 247 777
Current Service Cost	1 246 164	778 975
Interest Cost	1 706 060	1 038 406
Net Actuarial (gains)/losses recognised	(684 497)	787 220
Vested Past Service Cost	-	6 643 176
Total Employee Related Costs	129 948 597	115 191 971
Attributable to:		
Continuing Operations	129 948 597	115 191 971
Discontinued Operations	-	-
	129 948 597	115 191 971
<p>Advances are made to employees in terms of the municipality's policy to assist them in the unfortunate event of the death of a dependant. Loans to employees are set out in Note 16.</p>		
Remuneration of the Municipal Manager		
Annual Remuneration (includes leave encashed - 2008: R426 883 & 2007: R0)	806 029	505 274
Car, Entertainment, Housing, Subsistence and Other Allowances	277 127	187 287
Performance Bonus	61 890	55 343
Company Contributions to UIF, Medical and Pension Funds	60 757	123 237
Total	1 205 802	871 141
<p>The Municipal Manager's employment contract came to an end in November 2007. The General Manager: Operations assumed the acting position from December 2007 to February 2008 and was appointed as Municipal Manager with effect from 01 March 2008.</p>		
Remuneration of the Deputy Municipal Manager		
Annual Remuneration (includes leave encashed - 2008: R83 623 & 2007: R78 291)	167 043	538 149
Car, Entertainment, Housing, Subsistence and Other Allowances	90 030	142 663
Performance Bonus	48 367	43 878
Company Contributions to UIF, Medical and Pension Funds	16 652	66 679
Total	322 092	791 369
<p>The Deputy Municipal Manager's employment contract came to an end in September 2007. As at year-end the post still remained vacant.</p>		
Remuneration of the Chief Financial Officer		
Annual Remuneration (includes leave encashed - 2008: R129 778 & 2007: R0)	429 497	421 557
Car, Entertainment, Housing, Subsistence and Other Allowances	304 676	140 295
Performance Bonus	63 565	46 634
Company Contributions to UIF, Medical and Pension Funds	97 248	91 035
Total	894 984	699 521
Remuneration of the General Manager: Corporate Services		
Annual Remuneration	452 697	48 849
Car, Entertainment, Housing, Subsistence and Other Allowances	215 870	11 000
Performance Bonus	-	-
Company Contributions to UIF, Medical and Pension Funds	18 194	674
Total	686 761	60 523

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
Remuneration of the General Manager: Infrastructure and Economic Development		
Annual Remuneration <i>(includes leave encashed - 2008: R0 & 2007: R169 077)</i>	521 400	683 388
Car, Entertainment, Housing, Subsistence and Other Allowances	232 080	156 818
Performance Bonus	64 370	46 188
Company Contributions to UIF, Medical and Pension Funds	8 512	9 448
Total	826 362	895 842
Remuneration of the General Manager: Water Services		
Annual Remuneration <i>(includes leave encashed - 2008: R0 & 2007: R118 060)</i>	521 400	656 955
Car, Entertainment, Housing, Subsistence and Other Allowances	160 926	145 767
Performance Bonus	64 370	46 676
Company Contributions to UIF, Medical and Pension Funds	6 862	7 593
Total	753 558	856 991
Remuneration of the General Manager: Operations		
Annual Remuneration	343 865	-
Car, Entertainment, Housing, Subsistence and Other Allowances	152 175	-
Performance Bonus	-	-
Company Contributions to UIF, Medical and Pension Funds	5 516	-
Total	501 555	-

The post of General Manager: Operations was filled for the first time in July 2007. An Acting Allowance of R46 635 (2007: R0) was paid to the General Manager: Operations for acting in the position of Municipal Manager from December 2008 to February 2008.

Remuneration of the Special Advisor		
Annual Remuneration	376 222	375 116
Car, Entertainment, Housing, Subsistence and Other Allowances	123 903	122 938
Performance Bonus	35 579	30 818
Company Contributions to UIF, Medical and Pension Funds	6 359	6 404
Total	542 063	535 276

An Acting Allowance (2008: R0 and 2007: R19 371) was paid to the Special Advisor for acting in the positions of Municipal Manager at a local municipality and GM: Infrastructure and Economic Development Services respectively .

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:

Post Employment Benefits:-		
Chief Financial Officer	31 588	23 261
Total	31 588	23 261
Other Long-term Benefits:-		
Chief Financial Officer	35 293	-
Total	35 293	-

30. REMUNERATION OF COUNCILLORS

Mayor	649 730	630 311
Deputy Mayor	515 444	490 079
Speaker	499 811	495 695
Executive Committee Members	1 796 016	1 725 117
Councillors	1 887 662	2 248 106
Total Councillors' Remuneration	5 348 663	5 589 308

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008 **2007**
R **R**

In-kind Benefits

The Councillors occupying the positions of Mayor, Deputy Mayor, Speaker and Executive Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The following additional personal support is provided by the municipality:

- (i) The Mayor has one full-time bodyguard and one full-time driver.
- (ii) The Deputy Mayor has one full-time aide, fulfilling various personal duties.
- (iii) The Speaker has one full-time driver.

31. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	26 781 184	22 931 668
Amortisation: Intangible Assets	877 057	2 220 855
Depreciation: Investment Property	-	-
Total Depreciation and Amortisation	27 658 241	25 152 524
Attributable to:		
Continuing Operations	27 658 241	25 152 524
Discontinued Operations	-	-
	27 658 241	25 152 524

32. IMPAIRMENT LOSSES

32.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:	-	3 191 409
Property, Plant and Equipment	-	3 191 409
Intangible Assets	-	-
Investment Property	-	-
	-	3 191 409

32.2 Impairment Losses on Financial Assets

Impairment Losses Recognised:	2 819 722	924 186
Long-term Receivables	-	-
Consumer Debtors	2 819 722	924 186
Other Debtors	-	-
	2 819 722	924 186
Total Impairment Losses	2 819 722	4 115 594
Attributable to:		
Continuing Operations	2 819 722	4 115 594
Discontinued Operations	-	-
	2 819 722	4 115 594

UGU DISTRICT MUNICIPALITY
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	2008	2007
	R	R
33. INTEREST PAID		
Long-term Liabilities	5 577 271	5 793 993
Finance Leases	2 098 477	144 681
Other Interest Paid	107 538	-
Total External Interest	<u>7 783 287</u>	<u>5 938 673</u>
Attributable to:		
Continuing Operations	7 783 287	5 938 673
Discontinued Operations	-	-
	<u>7 783 287</u>	<u>5 938 673</u>

The weighted average capitalisation rate on funds borrowed generally is 6,79% per annum (2007: 7,25% per annum).

34. BULK PURCHASES		
Water	16 833 167	12 578 774
Total Bulk Purchases	<u>16 833 167</u>	<u>12 578 774</u>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Bulk Water is purchased from the Umgeni Water Board.

35. GRANTS AND SUBSIDIES PAID		
Low Income Subsidy	21 885 088	19 676 404
Community Projects	51 749 604	44 917 852
Drought Relief	4 847 480	4 409 787
Other Benevolent Organisations and Grants-in-Aid	4 053 275	2 971 110
Total Grants and Subsidies	<u>82 535 446</u>	<u>71 975 153</u>

The Low Income Subsidy is in respect of providing basic service levels to indigent households. Refer to Note 27.1.

Community Projects consist primarily of Ventilated Pit Latrines (VIP's) constructed for communities that have no access to sanitation services. This project is accelerated to deal swiftly with the municipality's sanitation backlog programme as funded through the Municipal Infrastructure Grant.

Drought Relief is meant to provide relief to areas not being supplied with potable water under conditions of drought.

The Mayor makes grants available on application after consultation with the Municipal Manager / Executive Committee on the merits of such an application.

UGU DISTRICT MUNICIPALITY
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	2008	2007
	R	R
36. GENERAL EXPENSES		
Included in General Expenses are the following:		
Accommodation, Seminars and Travelling	1 329 458	753 244
Audit Fees	950 510	1 597 667
Consultant IT Support	683 712	1 002 826
Electricity	10 490 152	9 344 943
Insurance General	747 459	1 992 906
Kwanaloga Games	1 562 290	791 330
Materials: Connections	975 616	1 563 227
Materials: Purification	3 084 833	3 110 871
Postage	858 160	852 742
Printing and Stationery	1 231 074	1 047 060
Rentals: Property, Plant and Equipment	3 623 156	2 427 213
Small Tools	27 200	3 903 516
Telephones, Facsimiles and Internet Lines	3 632 123	3 137 224
Transport Costs	8 836 580	6 781 860
Internal Charges	72 660 180	17 196 928
Other General Expenses	17 231 000	10 425 631
Total General Expenses	127 923 503	65 929 187

No other extra-ordinary expenses were incurred.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Internal Charges are charged to other trading and economic services for support services rendered.

37. DISCONTINUED OPERATIONS

No operations have been discontinued.

38. CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 2007/2008 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

- IAS 20 Government Grants

IAS 20 - Government Grants:

The Accounting Standard for *Accounting for Government Grants* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2008 in terms of IAS 20. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R

2007
R

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

38.1 Reclassification of Reserves, Accumulated Surplus and Deferred Revenue

The prior year figures of Reserves, Accumulated Surplus and Deferred Revenue have been restated to correctly disclose the monies held by the municipality in terms of IAS 20.

The effect of the Change in Accounting Policy is as follows:

	Reserves	Accumulated Surplus	Deferred Revenue
Balances published as at 30 June 2006	366 101 810	(5 030 607)	-
Reclassify Capital Replacement Reserve	(131 417 067)	131 417 067	-
Reclassify Capitalisation Reserve	(93 096 628)	93 096 628	-
Reclassify Donations and Public Contributions Reserve	(9 892 747)	9 892 747	-
Reclassify Government Grant Reserve	(131 695 368)	-	131 695 368
Restated Balances as at 30 June 2006	-	229 375 835	131 695 368
Transactions incurred for the Year 2006/2007:			
Contribution to Reserves	-	15 000 000	-
Interest allocated to Reserves	-	11 170 451	-
Assets obtained from Reserves	-	(48 264 007)	74 579 400
Offset of Depreciation	-	(10 264 985)	306 356
Appropriations from / (to) Reserves	-	32 358 542	-
Surplus for the Year	-	1 803 479	-
Restated Balances as at 30 June 2007	-	231 179 314	206 581 123

38.2 Reclassification of Revenue:

The prior year figures of Government Grants and Subsidies (Note 27) have been restated to correctly classify the transactions related to Assets obtained from Government Grants (previously included in the Government Grant Reserve).

The effect of the Change in Accounting Policy is as follows:

	Government Grants	Surplus for the Year
Revenue as per AFS previously published for 2006/2007	178 450 687	79 538 636
Reclassification of Assets obtained from Grants	(74 579 400)	(74 579 400)
Reclassification of Depreciation of Assets obtained from Grants	(306 356)	(306 356)
Restated Revenue as per AFS currently disclosed for 2006/2007	103 564 931	4 652 881
(Surplus for the Year carried over to Note 39.5 below)		
	2008	2007
	R	R

The effect of the above-mentioned changes in Accounting Policies on the profit and loss is a decrease of R74,9 million for the financial year 2006/2007 and the nature of the changes in the Accounting Policies is as follows:

- IAS 20	Effect on Revenue: Government Grants i.r.o. Assets obtained from Grants	-	74 579 400
- IAS 20	Effect on Revenue: Government Grants i.r.o. Offset of Depreciation	-	306 356
Total Decrease / (Increase) in Surplus as at 30 June		-	74 885 756

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2007, but the Accumulated Surplus as at 30 June 2006 has increased by R234,4 million.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R

2007
R

39. CORRECTION OF ERROR

39.1 Reclassification of Retirement Benefit Liabilities and Non-current Provisions:

The prior year figures of Retirement Benefit Liabilities and Non-current Provisions have been restated to correctly classify the nature of Non-current Liabilities of the municipality.

The effect of the Correction of Error is as follows:

	Retirement Liabilities	Non-current Provisions
Balances previously published per AFS as at 30 June 2007	-	20 314 150
Reclassification of liabilities to reflect the nature of non-current liabilities	16 748 086	(16 748 086)
Balances now published per AFS as at 30 June 2007	16 748 086	3 566 064

39.2 Reclassification of Creditors and Operating Lease Liability:

The prior year figures of Creditors and Operating Lease Liability have been restated to correctly classify the nature of the Operating Lease Liability of the municipality.

The effect of the Correction of Error is as follows:

	Creditors	Operating Lease Liability
Balances previously published per AFS as at 30 June 2007	76 079 399	-
Reclassification of liabilities to reflect the nature of non-current liabilities	(39 731)	39 731
Balances now published per AFS as at 30 June 2007	76 039 668	39 731

39.3 Reclassification of Property, Plant and Equipment and Investment Property:

The prior year figures of Property, Plant and Equipment and Investment Property have been restated to correctly classify the nature of property held by the municipality.

Furthermore the prior year figures of Property, Plant and Equipment has been restated to correctly classify the nature of property held by the municipality, which had been damaged by fire and subsequently impaired. See also Note 39.5 below.

The effect of the Correction of Error is as follows:

	Property, Plant and Equipment	Investment Property
Balances previously published per AFS as at 30 June 2007	383 516 654	24 517 273
Reclassification of property held to reflect the nature of property under construction	24 517 273	(24 517 273)
Reclassification of property held to reflect the nature of property impaired in lieu of fire damages	(2 849 401)	-
Balances now published per AFS as at 30 June 2007	405 184 526	-

39.4 Reclassification of Inventory and Assets classified as Held-for-Sale:

The prior year figures of Inventories and Assets classified as Held-for-Sale have been restated to correctly classify the nature of inventories held by the municipality.

The effect of the Correction of Error is as follows:

	Inventory	Assets Held-for-Sale
Balances previously published per AFS as at 30 June 2007	4 418 732	-
Reclassification of monies held to reflect the nature of monies held	(246 744)	246 744
Balances now published per AFS as at 30 June 2007	4 171 988	246 744

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
39.5 Reclassification of Expenditure:		
The prior year figure for Impairment Losses (Note 32) has been restated to correctly classify the transactions related to Assets damaged by a fire on 28 June 2007.		
The effect of the Change in Accounting Policy is as follows:		
	Impairment Losses	Surplus for the Year
(Surplus for the Year carried forward from Note 38.2 above)		
Revenue as per AFS previously published for 2006/2007	342 008	4 652 881
Impairment Losses recognised	2 849 401	(2 849 401)
Restated Revenue as per AFS currently disclosed for 2006/2007	3 191 409	1 803 479

40. CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	1 288 665	1 803 479
Adjustment for:		
Depreciation and Amortisation	27 658 241	25 152 524
Impairment Losses on Property, Plant and Equipment	-	3 191 409
Gain on Disposal of Property, Plant and Equipment	(1 215 030)	(76 289)
Other Movement on Property, Plant and Equipment	0	6 267 213
Other Movement on Intangible Assets	-	(6 267 213)
Other Movement on Investment Properties	-	-
Assets below threshold previous years expensed	-	3 031 308
Contribution to Retirement Benefit Liabilities	2 227 486	7 875 087
Contribution to Provisions - Current	470 354	-
Contribution to Provisions - Non-current	40 240	1 372 690
Contribution to Impairment Provision	2 819 722	924 186
Bad Debts Recovered	51 525	32 654
Bad Debts Written-off	(2 648 102)	(2 669 128)
Investment Income	(10 688 678)	(18 874 708)
Interest Paid	7 783 287	5 938 673
Operating Surplus before working capital changes	27 787 710	27 701 885
(Increase)/Decrease in Inventories	(2 124 626)	(725 755)
(Increase)/Decrease in Assets classified as Held-for-Sale	77 308	(246 744)
(Increase)/Decrease in Consumer Debtors	3 461 973	(14 455 974)
(Increase)/Decrease in Other Debtors	(20 902 768)	(4 463 755)
Increase/(Decrease) in Deferred Revenue	117 802 055	74 885 756
Increase/(Decrease) in Creditors	3 357 802	13 695 335
Increase/(Decrease) in Conditional Grants and Receipts	51 488 441	38 216 211
Increase/(Decrease) in VAT	(12 365 791)	(7 989 022)
Increase/(Decrease) in Operating Lease Liability	(4 520)	39 731
Expenditure incurred from Retirement Benefit Liabilities	(620 942)	(429 288)
Expenditure incurred from Provisions	(390 664)	(472 803)
Cash generated by / (utilised in) Operations	167 565 978	125 755 576

41. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank Balances and Cash	13 198 389	26 814 698
Bank Overdraft	-	(4 831 089)
Short-term Investment Deposits	208 739 317	196 594 384
Total Cash and Cash Equivalents	221 937 705	218 577 993

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008 **2007**
R **R**

42. NON-CASH INVESTING AND FINANCING TRANSACTIONS

During the 2007/2008 financial year, the municipality acquired R13 538 741 (2006/2007: R624 068) of vehicles under finance leases. These lease agreements have been capitalised and the acquisitions will be reflected in the Cash Flow Statement over the term of the finance leases via lease repayments.

43. FINANCING FACILITIES

Unsecured Bank Overdraft Facility, reviewed annually and payable at call:

- Amount used	-	-
- Amount unused	2 000 000	-
	2 000 000	-

Secured Bank Loan Facilities with various maturity dates through to 2011 and which may be extended by mutual agreement:

- Amount used	11 712 931	-
- Amount unused	8 387 069	-
	20 100 000	-

44. OPERATING LEASE COMMITMENTS

The Municipality as Lessor:

The municipality had no long-term arrangements to be classified as operating lease agreements for the two financial years.

45. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 4)	113 015 279	81 874 135
Used to finance Property, Plant and Equipment - at cost	(113 015 279)	(81 874 135)
	-	-
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 4, 15 and 22)	13 775 686	14 581 118
	13 775 686	14 581 118

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that Long-term Liabilities can be repaid on redemption date.

46. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

46.1 Unauthorised Expenditure

To the best of management's knowledge, no Unauthorised Expenditure was incurred during the year under review.

46.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	-	-
Fruitless and Wasteful Expenditure current year	107 538	-
Condoned or written off by Council	-	-
Fruitless and Wasteful Expenditure awaiting condonement	107 538	-

Incident	Disciplinary Steps / Criminal Proceedings
<i>Interest on late payment - Various Creditors</i>	<i>None</i>

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
46.3 Irregular Expenditure		
Reconciliation of Irregular Expenditure:		
Opening balance	-	-
Irregular Expenditure current year	2 658 447	-
Condoned or written off by Council	-	-
Recovered	-	-
To be recovered – contingent asset (see Note 37)	-	-
Transfer to receivables for recovery (see Note 15)	-	-
Irregular Expenditure awaiting condonement	2 658 447	-

Incident	Disciplinary Steps / Criminal Proceedings
<i>None</i>	<i>None</i>
<i>Payment to a service provider in respect of operating a waste water plant in the absence of a renewed contract.</i>	<i>To furnish a report to the Executive Committee.</i>

47. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

47.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	652 514	441 535
Amount Paid - current year	(652 514)	(441 535)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

47.2 Audit Fees

Opening Balance	0	9 709
Current year Audit Fee	950 510	1 597 667
Amount Paid - current year	(950 510)	(1 597 667)
Amount Paid - previous years	-	(9 709)
Balance Unpaid (included in Creditors)	0	0

47.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in Note 21. All VAT returns have been submitted by the due date throughout the year.

47.4 PAYE and UIF

Opening Balance	(0)	172
Current year Payroll Deductions	22 631 391	18 545 892
Amount Paid - current year	(22 631 391)	(18 545 892)
Amount Paid - previous years	-	(172)
Balance Unpaid (included in Creditors)	-	(0)

47.5 Pension and Medical Aid Deductions

Opening Balance	-	(16 061)
Current year Payroll Deductions and Council Contributions	24 130 577	22 373 756
Amount Paid - current year	(24 130 577)	(22 357 695)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

47.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

47.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008 **2007**
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47.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were presented to the Executive Committee, which condoned the various cases.

Department	Date	Successful Tenderer	Reason	Amount
Infrastructure & Economic Development	April 2008	HRG World Travel	Travelling expenses	768 968.00 Excluding VAT
<i>Travel to Canada to investigate co-operative system</i>				
Infrastructure & Economic Development	2007 / 2008 Year	WSN Business Enterprises	LED strategy	1 240 392.00 Excluding VAT
<i>Appointment of consultants for the design and implementation of LED strategy</i>				
Infrastructure & Economic Development	2007 / 2008 Year	Impilo Sports & Wellness	Sports complex	2 460 765.00 Excluding VAT
<i>Appointment of consultants to prepare a sustainability plan for the Ugu Sports Complex to market the complex for investment purposes</i>				
Municipal Manager	December 2007	Ubuntu Business Advisory	Local municipal support	1 415 599.50 Excluding VAT
<i>Appointment of consultants to intervene in the financial operations of a local municipality</i>				

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48. COMMITMENTS FOR EXPENDITURE

48.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

Community

Heritage

Other

Housing Development Fund

Investment Properties

71 142 252 58 376 338

62 785 927	53 150 451
4 647 792	2 008 155
-	-
3 708 533	3 217 733
-	-
-	-

- Approved but Not Yet contracted for:-

Infrastructure

Community

Heritage

Other

Housing Development Fund

Investment Properties

16 324 252 17 133 638

14 824 252	15 633 638
-	-
-	-
1 500 000	1 500 000
-	-
-	-

Total Capital Commitments

87 466 504 75 509 976

This expenditure will be financed from:

External Loans

Capital Replacement Reserve

Government Grants

District Council Grants

Public Contributions

Own Resources

311 953 5 678 945

-

80 348 144 54 457 642

-

-

6 806 407 15 373 389

87 466 504 75 509 976

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R **2007**
R

48.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 4 and 11.

49. FINANCIAL INSTRUMENTS

49.1 Classification of Financial Instruments

FINANCIAL ASSETS:

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

<u>Financial Assets</u>	<u>Classification</u>		
Investments			
Fixed Deposits	Held to maturity	13 775 686	14 581 118
Long-term Receivables			
Officials: Relocation Loans	Loans and receivables	21 654	1 558
Sundry Loans	Loans and receivables	67 263	42 381
Consumer Debtors			
Sewerage	Loans and receivables	5 838 558	7 157 926
Water	Loans and receivables	23 814 885	36 060 000
Water Rate Debtors	Loans and receivables	9 131 338	-
Other Trade Debtors	Loans and receivables	5 284 842	4 536 815
Other Debtors			
Sundry Deposits	Loans and receivables	424 840	386 440
Sundry Debtors	Loans and receivables	32 540 751	18 935 060
Government Subsidy Claims	Loans and receivables	42 392 448	35 133 772
Provision for Impairment	Loans and receivables	(31 645 492)	(31 645 492)
Current Portion of Long-term Receivables			
Officials: Relocation Loans	Loans and receivables	14 889	5 519
Sundry Loans	Loans and receivables	9 600	6 000
VAT Receivable			
VAT Control Accounts	Loans and receivables	28 229 753	15 863 961
Short-term Investment Deposits			
Call Deposits	Held to maturity	38 816 511	55 177 404
Notice Deposits	Held to maturity	169 922 806	140 325 784
Short-term Portion of Investments	Held to maturity	-	1 091 195
Bank Balances and Cash			
Bank Balances	Available for sale	12 698 387	26 258 383
Cash Floats and Advances	Available for sale	500 002	556 315

SUMMARY OF FINANCIAL ASSETS

Held to maturity:

Investments	Fixed Deposits	13 775 686	14 581 118
Short-term Investment Deposits	Call Deposits	38 816 511	55 177 404
Short-term Investment Deposits	Notice Deposits	169 922 806	140 325 784
Short-term Investment Deposits	Short-term Portion of Investments	-	1 091 195

222 515 003

211 175 502

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

		2008 R	2007 R
Loans and Receivables			
Long-term Receivables	Officials: Relocation Loans	21 654	1 558
Long-term Receivables	Sundry Loans	67 263	42 381
Consumer Debtors	Sewerage	5 838 558	7 157 926
Consumer Debtors	Water	23 814 885	36 060 000
Consumer Debtors	Water Rate Debtors	9 131 338	-
Consumer Debtors	Other Trade Debtors	5 284 842	4 536 815
Other Debtors	Sundry Deposits	424 840	386 440
Other Debtors	Sundry Debtors	32 540 751	18 935 060
Other Debtors	Government Subsidy Claims	42 392 448	35 133 772
Other Debtors	Provision for Impairment	(31 645 492)	(31 645 492)
Current Portion of Long-term Receivables	Officials: Relocation Loans	14 889	5 519
Current Portion of Long-term Receivables	Sundry Loans	9 600	6 000
VAT Receivable	VAT Control Accounts	28 229 753	15 863 961
		116 125 330	86 483 940
Available for Sale:			
Bank Balances and Cash	Bank Balances	12 698 387	26 258 383
Bank Balances and Cash	Cash Floats and Advances	500 002	556 315
		13 198 389	26 814 698
		351 838 721	324 474 139
Total Financial Assets			

FINANCIAL LIABILITIES:

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Local Registered Stock	Not valued at FVTPL	20 300 000	20 300 000
Annuity Loans	Not valued at FVTPL	78 022 811	54 971 870
Consumer Deposits			
Electricity and Water	Not valued at FVTPL	16 485 647	15 310 746
Creditors			
Trade Creditors	Not valued at FVTPL	5 404 202	22 510 213
Payments received in Advance	Not valued at FVTPL	9 915 720	15 058 418
Retentions	Not valued at FVTPL	2 822 138	3 200 680
Staff Leave	Not valued at FVTPL	3 321 015	4 731 584
Projects	Not valued at FVTPL	38 178 425	8 879 788
Other Creditors	Not valued at FVTPL	19 755 970	21 658 985
Unspent Conditional Grants and Receipts			
National Government Grants	Not valued at FVTPL	73 421 125	58 575 776
Provincial Government Grants	Not valued at FVTPL	47 686 670	24 577 511
Other Spheres of Government	Not valued at FVTPL	1 941 263	1 182 290
Developers Contributions	Not valued at FVTPL	36 667 574	23 974 994
Public Contributions	Not valued at FVTPL	82 380	-
Operating Lease Liability			
Operating Lease Liability	Not valued at FVTPL	35 211	39 731
Bank Overdraft			
Bank Overdraft	Not valued at FVTPL	-	4 831 089
Current Portion of Long-term Liabilities			
Local Registered Stock	Not valued at FVTPL	-	2 644 081
Annuity Loans	Not valued at FVTPL	1 450 419	1 188 339

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
SUMMARY OF FINANCIAL LIABILITIES		
Not valued at Fair Value through Profit and Loss:		
Long-term Liabilities	Local Registered Stock	20 300 000
Long-term Liabilities	Annuity Loans	78 022 811
Consumer Deposits	Electricity and Water	16 485 647
Creditors	Trade Creditors	5 404 202
Creditors	Payments received in Advance	9 915 720
Creditors	Retentions	2 822 138
Creditors	Staff Leave	3 321 015
Creditors	Projects	38 178 425
Creditors	Other Creditors	19 755 970
Unspent Conditional Grants and Receipts	National Government Grants	73 421 125
Unspent Conditional Grants and Receipts	Provincial Government Grants	47 686 670
Unspent Conditional Grants and Receipts	Other Spheres of Government	1 941 263
Unspent Conditional Grants and Receipts	Developers Contributions	36 667 574
Unspent Conditional Grants and Receipts	Public Contributions	82 380
Operating Lease Liability	Operating Lease Liability	35 211
Bank Overdraft	Bank Overdraft	-
Current Portion of Long-term Liabilities	Local Registered Stock	-
Current Portion of Long-term Liabilities	Annuity Loans	1 450 419
	<u>355 490 571</u>	<u>283 636 095</u>
Total Financial Liabilities	<u>355 490 571</u>	<u>283 636 095</u>

49.2 Fair Value of Financial Instruments

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- The Fair Value of Financial Assets and Financial Liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

In accordance with IAS 39.09 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2008		30 June 2007	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Held to maturity:				
	222 515 003	222 515 003	211 175 502	211 175 502
Fixed Deposits	13 775 686	13 775 686	14 581 118	14 581 118
Call Deposits	38 816 511	38 816 511	55 177 404	55 177 404
Notice Deposits	169 922 806	169 922 806	140 325 784	140 325 784
Short-term Portion of Investments	-	-	1 091 195	1 091 195
Loans and Receivables				
	116 125 330	116 125 330	86 483 940	86 483 940
Long-term Receivables	88 917	88 917	43 939	43 939
Consumer Debtors	44 069 623	44 069 623	47 754 741	47 754 741
Other Debtors	43 712 547	43 712 547	22 809 780	22 809 780
Current Portion of Long-term Receivables	24 489	24 489	11 519	11 519
VAT Receivable	28 229 753	28 229 753	15 863 961	15 863 961
Available for Sale				
	13 198 389	13 198 389	26 814 698	26 814 698
Bank Balances and Cash	13 198 389	13 198 389	26 814 698	26 814 698
Total Financial Assets	<u>351 838 721</u>	<u>351 838 721</u>	<u>324 474 139</u>	<u>324 474 139</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

			2008 R	2007 R
FINANCIAL LIABILITIES				
Designated as FVTPL:	355 490 571	355 490 571	283 636 095	283 636 095
Local Registered Stock Loans	20 300 000	20 300 000	20 300 000	20 300 000
Unsecured Bank Facilities:	78 022 811	78 022 811	59 802 959	59 802 959
- Annuity Loans	78 022 811	78 022 811	54 971 870	54 971 870
- Bank Overdraft	-	-	4 831 089	4 831 089
Trade and Other Payables:	257 167 760	257 167 760	203 533 136	203 533 136
- Consumer Deposits	16 485 647	16 485 647	15 310 746	15 310 746
- Creditors	79 397 470	79 397 470	76 039 668	76 039 668
- Unspent Conditional Grants	159 799 012	159 799 012	108 310 571	108 310 571
- Operating Lease Liability	35 211	35 211	39 731	39 731
- Current Portion of Long-term Liabilities	1 450 419	1 450 419	3 832 420	3 832 420
Total Financial Liabilities	355 490 571	355 490 571	283 636 095	283 636 095
Total Financial Instruments	(3 651 850)	(3 651 850)	40 838 044	40 838 044
Unrecognised Gain / (Loss)	-	-	-	-

49.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2007.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 4, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 2 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95,00%, reducing 90,00%. This aggressive ratio is as a result of the development challenges faced by the municipality. The rate of borrowing is well below market related rates.

			2008 R	2007 R
The gearing ratio at the year-end was as follows:				
Debt			98 322 811	80 102 959
Bank, Cash and Cash Equivalents			13 198 389	26 814 698
Net Debt			111 521 200	106 917 657
Equity			232 467 979	231 179 314
Net debt to equity ratio			47.97%	46.25%

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 4.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

49.4 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008	2007
R	R

The Directorate: Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

49.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenditure are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

49.6 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting percentage exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Periodic credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured 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.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

49. FINANCIAL INSTRUMENTS (Continued)

49.7 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2008

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
FIXED RATE INSTRUMENTS								
Held-to-maturity Investments	15		13 775 686	-	-	-	13 775 686	-
INCA		13.39%	12 538 723	-	-	-	12 538 723	-
INCA		12.90%	1 236 963	-	-	-	1 236 963	-
Secured Bank Facilities	4		(20 300 000)	-	-	-	(20 300 000)	-
INCA		16.80%	(18 500 000)	-	-	-	(18 500 000)	-
INCA		15.60%	(1 800 000)	-	-	-	(1 800 000)	-
Unsecured Bank Facilities	4		(79 473 231)	-	-	-	-	(79 473 231)
DBSA		10.00%	(1 457 300)	-	-	-	-	(1 457 300)
DBSA		2.65%	(5 000 000)	-	-	-	-	(5 000 000)
DBSA		5.00%	(25 000 000)	-	-	-	-	(25 000 000)
DBSA		5.00%	(24 710 373)	-	-	-	-	(24 710 373)
DBSA (Ex Hibiscus Coast)		Various	(20 436 444)	-	-	-	-	(20 436 444)
DBSA (Ex Umdoni)		Various	(1 711 101)	-	-	-	-	(1 711 101)
DBSA (Ex Umuziwabantu)		Various	(1 158 012)	-	-	-	-	(1 158 012)
Total Fixed Rate Instruments			(85 997 545)	-	-	-	(6 524 314)	(79 473 231)
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	22	11.93%	208 739 317	208 739 317	-	-	-	-
Bank Balances and Cash	23	11.93%	13 198 389	13 198 389	-	-	-	-
Total Variable Rate Instruments			221 937 705	221 937 705	-	-	-	-

30 June 2007

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
FIXED RATE INSTRUMENTS								
Held-to-maturity Investments	15		14 581 118	2 479 781	-	-	12 101 337	-
INCA		13.39%	11 010 142	-	-	-	11 010 142	-
INCA		12.90%	1 091 195	-	-	-	1 091 195	-
INCA		13.14%	2 479 781	2 479 781	-	-	-	-
Secured Bank Facilities	4		(22 944 081)	(2 644 081)	-	-	(20 300 000)	-
CMB Nominees		16.75%	(1 500 000)	(1 500 000)	-	-	-	-
INCA		16.80%	(30 000)	(30 000)	-	-	-	-
INCA		16.80%	(18 500 000)	-	-	-	(18 500 000)	-
INCA		16.80%	(1 114 081)	(1 114 081)	-	-	-	-
INCA		15.60%	(1 800 000)	-	-	-	(1 800 000)	-
Unsecured Bank Facilities	4		(56 160 209)	-	-	-	-	(56 160 209)
DBSA		10.00%	(1 672 262)	-	-	-	-	(1 672 262)
DBSA		2.65%	(5 000 000)	-	-	-	-	(5 000 000)
DBSA		5.00%	(25 000 000)	-	-	-	-	(25 000 000)
DBSA (Ex Hibiscus Coast)		Various	(21 221 051)	-	-	-	-	(21 221 051)
DBSA (Ex Umdoni)		Various	(2 037 934)	-	-	-	-	(2 037 934)
DBSA (Ex Umuziwabantu)		Various	(1 228 962)	-	-	-	-	(1 228 962)
Total Fixed Rate Instruments			(64 523 172)	(164 300)	-	-	(8 198 663)	(56 160 209)
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	22	9.41%	196 594 384	196 594 384	-	-	-	-
Bank Balances and Cash	23	9.41%	26 814 698	26 814 698	-	-	-	-
Total Variable Rate Instruments			223 409 081	223 409 081	-	-	-	-

49.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008 **2007**
R **R**

49. FINANCIAL INSTRUMENTS (Continued)

49.9 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting percentage exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Trade receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured 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.

Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists, based on the payment history of the parties.

Counterparty and Location	30 June 2008		30 June 2007	
	Credit Limit	Carrying Amount	Credit Limit	Carrying Amount
	R	R	R	R
Drain Experts	-	442 438	-	-
Malibu Steel CC	-	222 186	-	-
MNM General Engineering Supplies	-	383 381	-	-
P&S Power Products	-	635 333	-	-
Sud Chemie Water & Proc Technology	-	432 393	-	-
Bates Delta	-	-	-	2 233 554
Brian Thompson & Brothers (Pty) Ltd	-	-	-	966 708
Bytes Data Integration (Pty) Ltd	-	-	-	3 069 127
Indwe Risk Services (Pty) Ltd	-	-	-	1 272 190
Stewart Scot (Pty) Ltd	-	-	-	2 058 451

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Fixed Deposit Investments	13 775 686	13 489 923
Long-term Receivables	113 406	55 458
Consumer Debtors	44 069 623	47 754 741
Other Debtors	43 712 547	22 809 780
VAT Receivable	28 229 753	15 863 961
Short-term Investment Deposits	208 739 317	196 594 384
Bank and Cash Balances	13 198 389	21 983 609
Maximum Credit and Interest Risk Exposure	351 838 721	318 551 855

50. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Councillors have the option to belong to the Pension Fund for Municipal Councillors.

All full-time employees belong to the KwaZulu Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds.

The Retirement and Superannuation Funds are defined benefit plans, whereas the Municipal Councillors Fund and the Provident Fund are defined contribution plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R12,6 million (2007: R10,5 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

Both the Superannuation and Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

Municipal Councillors Pension Fund:

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

No details could be provided of the last valuation.

Retirement Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2006.

The interim valuation performed as at 31 March 2007 revealed that the fund had a shortfall of R229,8 (31 March 2006: shortfall of R204,8) million, with a funding level of 85,7% (31 March 2006: 83,1%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (29,00%) should be sufficient to eradicate the shortfall in the fund by 30 June 2010.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges, of which 1,65% is paid by members, are as follows:

- From 1 July 2006 14%
- From 1 July 2007 17%

This surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

The fund has effectively been closed to new members and in order to allow for the improving pensioner mortality, an extension of the above-mentioned surcharge for another two years will be necessary.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008 **2007**
R R

Superannuation Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2005. No details have been received of the statutory valuation to be performed as at 31 March 2008.

The interim valuation performed as at 31 March 2007 revealed that the fund had a surplus of R20,9 (31 March 2006: shortfall of R93,0) million, with a funding level of 100,5% (31 March 2006: 93,0%). The contribution rate paid by the members (9,25%) and municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in future. The increased employer contributions introduced previously, can be discontinued. Although the fund has effectively been closed to new members, the fund was certified to be in a sound financial position as at 31 March 2007.

Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2006.

The interim valuation performed as at 31 March 2007 revealed that the market value of the fund was R556,6 (31 March 2006: R420,3) million. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 1,95 times the member's contributions by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2007.

51. RELATED PARTY TRANSACTIONS

51.1 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Sewerage Charges R	Water Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2008				
Councillors	70 781	67 475	-	2 062
Municipal Manager and Section 57 Personnel	2 921	13 206	-	674
Total Services	73 702	80 681	-	2 736
For the Year ended 30 June 2007				
Councillors	35 694	62 185	-	14 053
Municipal Manager and Section 57 Personnel	3 921	15 766	-	2 460
Total Services	39 615	77 951	-	16 513

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

51.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 16 to the Annual Financial Statements.

51.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008
R
2007
R

51.4 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
AZ Cooling Services			Employee	-	25 700
In Toto Law School	P Sughvdav		Employee	3 600	-
MB Electrical & Lighting	CLlr Moosa Bux		Councillor	69 203	54 807
Skhunyana Training Consultants	N Gumbi		Employee	64 000	-
Vovolethu Function and Catering	Z Mbhele		Gijima Employee	55 220	-
Total Purchases				192 023	80 507

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

52. CONTINGENT LIABILITIES

52.1 Guarantees:

(i) The municipality issued a bank guarantee in the amount of R10 000 in favour of Hibiscus Coast Municipality in lieu of a deposit on the electricity accounts of the municipality.

(ii) The municipality issued a bank guarantee in the amount of R2 852 000 in favour of Eskom to cover deposits on the electricity accounts of the municipality.

(iii) The municipality issued a letter of undertaking to McGarr Preston & Co Trust for the purchase of Portion 7 and Portion 14 of Farm Lot RA No 5100 in the extent of 47.7 hectares. Currently a private bond is being drawn to deal with the transfer.

52.2 Powers and Functions:

It has come to the attention of management that a local municipality has indicated its intention of raising a claim against the district to recover expenses incurred in respect of the Environmental Health Powers and Functions. Negotiations have been entered into in this regard between the municipalities. Currently management is of the opinion that there are no legal grounds to entertain a possible claim.

52.3 Court Proceedings:

(i) Council is involved in a court case with an ex employee relating to termination of contract. At this stage it is not possible to quantify any possible losses to the municipality.

(ii) Council is involved in a dispute with Sublime Marketing (the applicant), where the applicant is claiming an amount of R227 412, with interest, in respect of functions performed on behalf of Ezingoloni Municipality / Horseshoe Farm. Council has filed a notice to defend the matter. The outcome of the legal processes is unknown at this stage.

(iii) Council is involved in a dispute with ARS Investment CC (the applicant), where the

(iv) Council has been involved in a court case with ABCON / PILCON Projects into alleged fraud and / or fronting in terms of its Supply Chain Management Policy. Although judgement has been passed, an appeal has been lodged. The outcome is not known at this stage.

(v) Council is currently involved in a dispute with an individual in respect of alleged damages of R19 533 caused by a burst water mains. The outcome of the legal processes is unknown at this stage.

(vi) Council is involved in a dispute with a company for breach of contract in respect of the 2004 Ugu Music Festival. The outcome of the legal processes is unknown at this stage.

2 862 000 **2 862 000**

4 787 716 **-**

4 607 087 **462 945**

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008	2007
R	R

(vii) Council is involved in a dispute with separate individuals in respect of alleged damages to their vehicles caused by motor accidents involving municipal vehicles. The outcome of the legal processes are unknown at this stage.

(viii) Council is involved in disputes with both Telkom and Eskom in respect of alleged damages to their cable networks caused by municipal repair work. The possible liability amounts to R184 560, plus costs. The outcome of the legal processes are unknown at this stage.

(ix) A high court application has been brought against a preferred bidder, the municipality being a third respondent. In essence, the applicant is requesting the court to grant an interdict order prohibiting the municipality from signing a lease agreement with the preferred bidder. The outcome of the legal process is unknown at this stage.

(x) Notice has been served to the municipality by Bytes Systems Integration (Pty) Ltd for breach of contract, requiring the municipality to pay an amount of R3 959 582 to BSI in order to rectify the breach. Failing to comply, BSI notified the municipality of its intention to terminate its contract with the municipality and institute legal action for recovery of all outstanding moneys including interest, standing time, legal costs and damages suffered. The breach originates from the alleged non-payment of invoices rendered for the customisation, implementation and training fees relating to the Xellent Billing Module of the Microsoft Axapta ERP Project. The municipality is disputing the claim (see Note 53.1)

53. CONTINGENT ASSETS

53.1 Court Proceedings:

(i) The municipality has engaged in legal proceedings to claim against Bytes Systems Integration (Pty) Ltd for breach of contract. The alleged breach is for contractual work not completed, but claimed or payment, on the Microsoft Axapta ERP Project for the development, customisation, implementation and training of accounting software to be utilised by the municipality. The amount of the claim is still being calculated at the reporting date and the outcome is not known yet. Also see Note 52.3 in this regard.

	-	
	-	

54. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

55. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

56. PRIVATE PUBLIC PARTNERSHIPS

The municipality is in the process of registering a private company, a company not having share capital. The main business and objects of the entity will be to market and develop tourism for the entire district. At year-end the entity was yet to be registered.

57. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2008.

58. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 38) and prior period Errors (Note 39).

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2008	2007
R	R

59. EXEMPTIONS FROM MUNICIPAL FINANCE MANAGEMENT ACT, 2003

The Minister of Finance has, in terms of General Notice 522 of 2007 exempted compliance with certain of the Standards and aspects or parts of these Standards listed in Accounting Policy 1. In the table set out below, the exemptions offered have been listed together with an indication of the process that the municipality will follow regarding plans to implement the exemptions. Furthermore the extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards has also been stated in the table:

APPENDIX A
UGU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2007	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2008	Carrying Value of Property, Plant & Equip
	R				R	R	R	R	R
LOCAL REGISTERED STOCK									
CMB Nominees	1 500 000	16.75%	37 & 40	31/12/2007	1 500 000	-	1 500 000	-	
INCA	30 000	16.80%	A161	31/12/2007	30 000	-	30 000	-	
INCA	18 500 000	16.80%	A162	30/06/2011	18 500 000	-	-	18 500 000	
INCA	1 114 081	16.80%	94 & 95	31/12/2007	1 114 081	-	1 114 081	-	
INCA	1 800 000	15.60%	91, 92 & 93	30/06/2011	1 800 000	-	-	1 800 000	
Total Local Registered Stock	22 944 081				22 944 081	-	2 644 081	20 300 000	-
ANNUITY LOANS									
DBSA	3 194 261	10.00%	-	31/03/2013	1 672 262	-	214 962	1 457 300	
DBSA	5 000 000	2.65%	-	-	5 000 000	-	-	5 000 000	
DBSA	25 000 000	5.00%	101980/001	31/03/2022	25 000 000	-	-	25 000 000	
DBSA	25 000 000	5.00%	101980/002	30/06/2023	-	24 710 373	-	24 710 373	
DBSA (Ex Hibiscus Coast)	18 573 441	Various	Various	Various	21 221 051	-	784 606	20 436 444	
DBSA (Ex Umdoni)	2 500 000	Various	Various	Various	2 037 934	-	326 832	1 711 101	
DBSA (Ex Umuziwabantu)	1 850 000	Various	Various	Various	1 228 962	-	70 951	1 158 012	
Total Annuity Loans	81 117 702				56 160 209	24 710 373	1 397 351	79 473 231	-

APPENDIX A
UGU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2007	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2008	Carrying Value of Property, Plant & Equip
	R				R	R	R	R	R
CAPITAL LEASE LIABILITIES									
ABSA Corporate Bank	14 481 689	14.00%	LSC 3	31/05/2007	-	-	-	-	
Ex Hibiscus Coast	-	Fluctuate	-	2006	407 682	-	232 397	175 286	
Wesbank	438 782	Fluctuate	GMK00024L	01/04/2009	284 701	-	145 302	139 399	
Wesbank	438 782	Fluctuate	GMK00025K	01/04/2009	284 701	-	145 302	139 399	
Wesbank	438 782	Fluctuate	GMK00026J	01/04/2009	284 701	-	145 302	139 399	
Wesbank	438 782	Fluctuate	GMK00027H	01/04/2009	284 701	-	145 302	139 399	
Wesbank	438 782	Fluctuate	GMK00002A	01/05/2009	296 347	-	144 752	151 595	
Wesbank	438 782	Fluctuate	GMK00003X	01/05/2009	307 885	-	156 290	151 595	
Wesbank	483 598	12.50%	TYL45387W	31/12/2009	619 127	-	122 209	496 918	
Nedbank	20 100 000	11.41%	Various (72)	01/12/2010	-	13 538 741	1 829 684	11 709 057	
Total Capital Lease Liabilities	37 697 978				2 769 845	13 538 741	3 066 538	13 242 048	-
TOTAL EXTERNAL LOANS	141 759 761				81 874 135	38 249 115	7 107 970	113 015 279	-

APPENDIX A
UGU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2007	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2008	Carrying Value of Property, Plant & Equip
	R				R	R	R	R	R

LOCAL REGISTERED STOCK

Originally structured unsecured 30 year loan. Original loan capital of R20,3 million. Interest is paid semi-annually in December and June.

ANNUITY LOANS

DBSA (Umzinto Water Scheme):

Structured unsecured 20 year loan. Original loan capital of R3 194 261 is repayable annually in fixed instalments of capital and fixed rate interest.

DBSA (Ugu Fresh Produce Market):

Structured unsecured 10 year loan. Original loan capital of R5 000 000 is repayable semi-annually in fixed instalments of capital and interest, the first payment commencing in December 2010.

DBSA (Phase 1 - Sanitation Refurbishment):

Structured unsecured 15 year loan. Original loan capital of R25 000 000 is repayable semi-annually in 26 fixed instalments of capital and interest, the first payment commencing on the last day of the 5th half year during which the first disbursement was advanced to the borrower.

DBSA (Phase 2 - Sanitation Refurbishment):

Structured unsecured 15 year loan. Original loan capital of R25 000 000 is repayable semi-annually in 26 fixed instalments of capital and interest, the first payment commencing on the last day of the 5th half year during which the first disbursement was advanced to the borrower.

DBSA (Ex Hibiscus, Umdoni and Umuziwabantu):

Structured unsecured loans taken over from the local municipalities as a result of a change of powers and functions. These loans are repaid semi-annually at various interest rates.

CAPITALISED LEASE LIABILITIES

Structured secured finance leases over vehicles; lease repayments over a period of 3 years at both fixed and variable interest rates.

Other Costs in accordance with MFMA
R
-
-

Other Costs in accordance with MFMA
R

f-year after the half-

f-year after the half-

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2008
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals		
	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings												
Land	3 836 040	6 055 062	-	31 730	-	9 922 832	-	-	-	-	9 922 832	-
Office Buildings	16 102 317	25 688 331	-	(37 342)	-	41 753 306	6 600 834	361 036	9 711	-	6 971 581	34 781 725
Workshops and Depots	3 553 813	44 211	-	59 031	-	3 657 055	1 694 884	120 624	1 143	-	1 816 651	1 840 404
	23 492 171	31 787 603	-	53 419	-	55 333 193	8 295 718	481 660	10 854	-	8 788 232	46 544 961
												39 572 140
Infrastructure												
<i>Roads:</i>												
Motorways	-	-	-	-	-	-	10 423	-	(10 423)	-	-	-
Roads	686 617	-	-	(70 706)	-	615 911	-	-	-	-	-	615 911
<i>Security Measures:</i>												
Access Control	23 184	52 000	-	-	-	75 184	20 973	3 949	-	-	24 922	50 262
Fencing	228 713	1 096 874	-	-	-	1 325 587	137 618	237 844	-	-	375 462	950 125
Security Systems	112 005	-	-	-	-	112 005	97 760	12 700	-	-	110 461	1 544
<i>Sewerage:</i>												
Pumps	748 670	517 097	-	-	-	1 265 768	261 455	60 737	-	-	322 193	943 575
Purification Works	80 549 582	22 935 782	-	595 281	(5 654)	104 074 991	38 513 856	2 672 055	151 301	-	41 337 211	62 737 780
Sewers	31 339 059	1 885 963	-	(595 281)	-	32 629 740	5 881 282	1 214 558	(151 301)	-	6 944 540	25 685 201
<i>Water:</i>												
Mains	98 798 345	4 911 471	-	-	-	103 709 816	50 438 785	4 690 936	-	-	55 129 721	48 580 095
Meters	16 119 796	583 685	-	-	-	16 703 481	6 140 687	1 060 015	-	-	7 200 701	9 502 780
Reservoirs and Tanks	58 558 728	683 173	-	(31 730)	(154 400)	59 055 771	24 784 375	2 549 290	32 129	(32 129)	27 333 665	31 722 106
Supply and Reticulation	202 776 424	113 705 752	-	-	(4 254 143)	312 228 033	28 347 981	3 864 322	-	-	32 212 304	280 015 729
	489 941 122	146 371 797	-	(102 436)	(4 414 197)	631 796 287	154 635 196	16 366 406	21 705	(32 129)	170 991 179	460 805 107
												198 292 814
Community Assets												
<i>Recreational Facilities:</i>												
Lakes and Dams	3 100 469	-	-	-	-	3 100 469	713 007	155 448	-	-	868 455	2 232 014
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other Facilities:</i>												
Markets	24 517 273	1 463 350	-	70 706	-	26 051 329	-	-	-	-	-	26 051 329
	27 617 742	1 463 350	-	70 706	-	29 151 798	713 007	155 448	-	-	868 455	28 283 343
												45 750 000
Other Assets												
<i>Emergency Equipment:</i>												
Fire Hoses	-	-	-	-	-	-	1 810	-	(1 810)	-	-	-
<i>Furniture and Fittings:</i>												
Cabinets and Cupboards	152 157	55 512	-	-	-	207 669	46 983	20 342	1 810	-	69 134	138 534
Chairs	12 017	-	-	-	-	12 017	26 441	1 721	(22 933)	-	5 230	6 787
Other Furniture	522 171	209 491	-	(37 939)	-	693 723	381 815	30 922	(27 104)	-	385 634	308 090
Tables and Desks	125 636	58 659	-	-	-	184 295	28 098	23 982	-	-	52 080	132 215

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2008
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Motor Vehicles:</i>													
Motor Cars	2 657 503	805 169	-	-	-	3 462 671	1 153 344	510 505	(9 587)	-	1 654 263	1 808 409	390 000
Motor Cycles	124 029	-	-	-	(35 677)	88 352	124 029	-	-	(35 677)	88 352	-	
Trucks and Bakkies	25 762 714	14 757 302	-	-	(3 648 356)	36 871 660	13 847 661	5 599 716	(2 355)	(3 104 975)	16 340 046	20 531 614	14 700 000
<i>Office Equipment:</i>													
Air Conditioners	297 841	553 770	-	-	-	851 611	214 550	46 351	-	-	260 901	590 709	250 500
Computer Hardware	7 926 801	2 698 647	-	(507 733)	-	10 117 714	3 742 814	1 436 742	(410 323)	-	4 769 233	5 348 481	864 000
Office Machines	184 828	59 429	-	-	-	244 257	90 468	51 208	-	-	141 676	102 581	
<i>Plant and Equipment:</i>													
Compressors	87 787	-	-	-	-	87 787	78 887	8 900	-	-	87 787	0	6 500
Fire Arms	-	48 246	-	-	-	48 246	-	-	-	-	-	48 246	
Graders	528 708	-	-	-	-	528 708	402 773	26 714	-	-	429 487	99 221	
Laboratory Equipment	322 885	29 690	-	-	-	352 575	206 488	44 710	-	-	251 197	101 378	209 000
Lawnmowers	193 858	10 400	-	-	-	204 258	193 858	427	-	-	194 286	9 973	20 000
Other Plant and Equipment	14 018 375	7 626 233	-	-	-	21 644 608	5 334 511	1 849 437	(6 072)	-	7 177 876	14 466 732	19 958 337
Radio Equipment	70 335	-	-	-	-	70 335	64 717	6 136	(518)	-	70 335	-	125 000
Telecommunication Equipment	31 834	-	-	-	-	31 834	24 429	3 776	-	-	28 204	3 630	2 757 000
Tractors	983 885	-	-	-	-	983 885	344 574	112 256	(13 597)	-	443 232	540 653	
<i>Watercraft:</i>													
Watercraft	21 901	-	-	-	-	21 901	2 672	1 464	-	-	4 136	17 765	
<i>Other Assets:</i>													
Laboratories	70 635	-	-	-	-	70 635	7 567	2 361	-	-	9 928	60 707	
	54 095 900	26 912 546	-	(545 672)	(3 684 033)	76 778 741	26 318 488	9 777 669	(492 489)	(3 140 652)	32 463 017	44 315 724	42 353 200
Total	595 146 935	206 535 297	-	(523 983)	(8 098 230)	793 060 019	189 962 409	26 781 184	(459 929)	(3 172 781)	213 110 883	579 949 135	325 968 154

UGU DISTRICT MUNICIPALITY : ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2007

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2007	
	Opening Balance	Additions	Under Construction	Transfers	Disposals / Transfers	Closing Balance	Opening Balance	Additions	Transfers	Disposals / Transfers			Closing Balance
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Intangible Assets</i>													
Servitudes	752 897	42 793	-	-	-	795 690	-	-	-	-	-	795 690	1 900 000
Computer Software	13 518 478	1 650 308	-	-	(2 939 874)	12 228 911	1 765 444	877 057	-	-	2 642 501	9 586 411	6 221 500
	-	-	-	-	-	-	-	-	-	-	-	-	
Total Intangible Assets	14 271 375	1 693 101	-	-	(2 939 874)	13 024 601	1 765 444	877 057	-	-	2 642 501	10 382 101	8 121 500

APPENDIX C
UGU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	3 524 381	1 808 345	-	-	-	5 332 726	1 492 290	340 335	-	-	1 832 625	3 500 100
Finance and Administration	129 078 532	121 410 506	-	(523 983)	(4 259 797)	245 705 258	10 805 303	1 716 039	(459 929)	-	12 061 412	233 643 846
Planning and Development	434 876	49 467	-	-	-	484 342	183 438	16 732	-	-	200 169	284 173
Public Safety	76 447	6 130 902	-	-	-	6 207 350	29 780	15 051	-	-	44 830	6 162 519
Sport and Recreation	3 355 520	18 823 439	-	-	-	22 178 960	-	3 009	-	-	3 009	22 175 951
Environmental Protection	21 984	98 329	-	-	-	120 313	18 045	21 285	-	-	39 330	80 983
Waste Management	132 321 707	30 642 214	-	-	(422 633)	162 541 289	50 645 656	6 647 347	-	(380 370)	56 912 634	105 628 655
Water	301 414 173	26 071 494	-	(70 706)	(3 415 801)	323 999 160	126 787 898	18 019 032	-	(2 792 411)	142 014 519	181 984 641
Other	24 919 315	1 500 601	-	70 706	-	26 490 622	-	2 355	-	-	2 355	26 488 267
Total	595 146 935	206 535 297	-	(523 983)	(8 098 230)	793 060 019	189 962 409	26 781 184	(459 929)	(3 172 781)	213 110 883	579 949 135

APPENDIX D
UGU DISTRICT MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual Revenue	2007 Actual Expenditure	2007 Surplus/ (Deficit)	Description	2008 Actual Revenue	2008 Actual Expenditure	2008 Surplus/ (Deficit)
R	R	R		R	R	R
12 326 987	18 489 005	(6 162 018)	Executive and Council	29 835 377	32 190 692	(2 355 316)
63 666 072	56 127 655	7 538 417	Finance and Administration	88 963 910	77 413 645	11 550 264
40 425 525	41 627 339	(1 201 814)	Planning and Development	40 732 724	48 385 620	(7 652 896)
326 009	1 315 813	(989 805)	Public Safety	2 400 612	859 235	1 541 377
-	209 372	(209 372)	Environmental Protection	-	117 174	(117 174)
46 067 551	33 081 501	12 986 050	Waste Water Management	57 593 069	45 289 782	12 303 287
162 765 007	175 171 465	(12 406 459)	Water	210 326 793	223 163 944	(12 837 150)
4 992 504	2 744 024	2 248 480	Other	67 589	1 211 317	(1 143 727)
330 569 654	328 766 174	1 803 479	Total	429 920 074	428 631 409	1 288 665

APPENDIX E(1)
UGU DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Description	2007/2008 Actual	2007/2008 Budget	2007/2008 Variance	2007/2008 Variance	Explanation of Significant Variances Greater than 10% versus Budget
R	R	R	%		
REVENUE					
Service Charges	185 745 226	198 395 758	(12 650 532)	(6.81)	
Regional Service Levies - Turnover	8 429	-	8 429	100.00	Levy revenue realised from handed-over businesses
Rental of Facilities and Equipment	219 663	235 012	(15 349)	(6.99)	
Interest Earned - External investments	10 875 656	11 200 000	(324 344)	(2.98)	
Interest Earned - Outstanding debtors	(186 978)	954 123	(1 141 101)	610.29	Penalty tariffs reversed in respect of outstanding fire hydrant charges
Government Grants and Subsidies	155 940 732	177 935 719	(21 994 987)	(14.10)	Anticipated grant moneys budgeted for, not received
Other Revenue	76 102 316	81 610 296	(5 507 980)	(7.24)	
Gains on Disposal of Property, Plant and Equipment	1 215 030	-	1 215 030	0.00	
Total Revenue	429 920 074	470 330 908	(40 410 834)	(8.59)	
EXPENDITURE					
Employee Related Costs	129 948 597	134 422 135	(4 473 539)	(3.44)	
Remuneration of Councillors	5 348 663	5 446 970	(98 307)	(1.84)	
Bad Debts	2 819 722	3 000 000	(180 278)	(6.39)	
Collection Costs	214 656	-	214 656	100.00	Included in budget for Bad Debts
Depreciation	27 658 241	37 689 979	(10 031 738)	(36.27)	Capital projects budgeted for not completed and brought into operation
Repairs and Maintenance	18 821 813	19 283 083	(461 270)	(2.45)	
Interest Paid	7 783 287	8 502 161	(718 875)	(9.24)	
Bulk Purchases	16 833 167	15 000 000	1 833 167	10.89	Additional purchases to assist drought-stricken communities
Contracted Services	8 744 315	10 534 056	(1 789 741)	(20.47)	Reduced dependancy on contracted services
Grants and Subsidies Paid	82 535 446	97 097 513	(14 562 067)	(17.64)	Anticipated grants budgeted for not received, hence not spent
General Expenses	127 923 503	139 355 011	(11 431 508)	(8.94)	
Total Expenditure	428 631 409	470 330 909	(41 699 499)	(8.87)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	1 288 665	(0)	1 288 666		

APPENDIX E(2)
UGU DISTRICT MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

Description	2007/2008	2007/2008	2007/2008	2007/2008	2007/2008	2007/2008	Explanation of Significant Variances greater than 5% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance	Variance	
	R	R	R	R	R	%	
Infrastructure							
Executive and Council	1 808 345		1 808 345	819 439	988 906	120.68	Property, plant and equipment purchased less than anticipated
Finance and Administration	121 410 506		121 410 506	9 884 064	111 526 442	1 128.35	PMU Budget included under Planning & Development and Water
Planning and Development	49 467		49 467	82 769 810	(82 720 343)	(99.94)	Actual expenditure included under Finance and Administration
Public Safety	6 130 902		6 130 902	-	6 130 902	#DIV/0!	Purchase of Land budgeted for under Planning and Development
Sport and Recreation	18 823 439		18 823 439	36 800 000	(17 976 561)	(48.85)	Sports complex still in planning stage
Environmental Protection	98 329		98 329	228 000	(129 671)	(56.87)	Expenditure incurred on a needs basis only
Waste Management	30 642 214		30 642 214	60 845 437	(30 203 223)	(49.64)	Projects budgeted for not completed in financial year
Water	26 071 494		26 071 494	125 671 404	(99 599 910)	(79.25)	Actual expenditure included under Finance and Administration
Other	1 500 601		1 500 601	8 950 000	(7 449 399)	(83.23)	Budget included under Planning and Development
Total	206 535 297	-	206 535 297	325 968 154	(119 432 857)	(36.64)	

APPENDIX F
UGU DISTRICT MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	June	Sept	Dec	March	June			
FMG	National Treasury	0	500 000	0	0	0	83 639	121 479	85 408	80 595	214 064	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share	National Treasury	0	35 624 761	26 718 571	15 824 951	0	15 396 555	14 585 494	20 541 245	16 294 036	26 747 508	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Sports and Recreation	Dept Sport & Rec	150 000	0	0	750 000	600 000	0	0	0	173 729	43 228	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Gijima	DEAT	1 331 631	0	0	0	0	225 163	63 286	0	849 831	232 010	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various Provincial	DLGTA	11 506 437	0	0	26 900 000	810 000	1 509 793	98 490	680 610	4 680 090	2 404 001	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various National (inc. MIG)	DPLG	25 960 522	10 851 563	25 017 126	55 066 689	48 897 123	7 010 922	17 717 383	32 251 160	46 395 494	48 383 564	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DWAF	DWAF	0	0	46 000	17 407 700	7 322 500	0	466 877	453 822	1 871 520	9 119 845	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various	DBSA	0	420 000	0	0	150 000	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various Co-Operative Projects	IDC	0	517 244	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various (Public Contributions)	OTHER	0	1 091 508	2 158 350	3 114 735	2 834 296	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		38 948 590	49 005 076	53 940 047	119 064 075	60 613 919	24 226 072	33 053 009	54 012 245	70 345 295	87 144 220	0	0	0	0	0			

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?