

UGU DISTRICT MUNICIPALITY
Parameters to be completed for Current Year

Name of Authority	UGU DISTRICT MUNICIPALITY
Financial Year-end	30 JUNE 2009
End of Next Year	30 June 2010
End of Current Year	30 June 2009
End of Previous Year	30 June 2008
End of Base Year	30 June 2007
Current Year	2009
Previous Year	2008
Base Year	2007
Next Financial Year	2009/2010
Current Financial Year	2008/2009
Previous Financial Year	2007/2008
Comparative Financial Year	2008/09 / 2007/08
Start of Current Year	01 July 2008
Start of Previous Year	01 July 2007

UGU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

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 2009 and the results of its operations and cash flows for the year then ended.

The Statement of Financial Position at 30 June 2009 indicates an increase in Net Assets, and an increase in Non-current Liabilities and in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of identifying, componentising and measuring immovable assets. 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 Retirement Benefit Liabilities.

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	2009	2008
Surplus before Appropriations	25 443 487	119 090 720
Surplus at the end of the Year	700 481 760	556 851 157
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	25.81%	30.32%
Remuneration of Councillors	0.86%	1.25%
Bad Debts	1.31%	0.66%
Collection Costs	0.01%	0.05%
Depreciation	3.68%	6.45%
Repairs and Maintenance	4.58%	4.39%
Interest Paid	1.33%	1.82%
Bulk Purchases	3.05%	3.93%
Contracted Services	1.81%	2.04%
Grants and Subsidies Paid	25.27%	19.26%
General Expenses	32.31%	29.84%
Current Ratio:		
Creditors Days	58	65
Debtors Days	120	146

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 2009 are as follows:

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Revenue:					
Opening surplus	72 709 082	29 131 414	149.59%	-	-
Operating revenue for the year	667 167 447	547 722 129	21.81%	591 898 383	12.72%
Appropriations for the year	(48 710 780)	(75 513 052)	-35.49%	-	-
GRAP 17 adjustments	264 321 742				
	955 487 490	501 340 491	90.59%	591 898 383	61.43%
Expenditure:					
Operating expenditure for the year	641 723 960	428 631 409	49.71%	591 898 383	8.42%
Closing surplus	313 763 531	72 709 082	331.53%	-	-
	955 487 490	501 340 491	90.59%	591 898 383	61.43%

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 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Revenue	360 464 357	286 366 593	25.88%	276 504 580	30.36%
Expenditure	286 522 972	160 177 683	78.88%	262 377 450	9.20%
Surplus	73 941 384	126 188 910	-41.40%	14 127 131	-
Surplus as % of total revenue	20.51%	44.07%		5.11%	

Variance from 2007/2008 actual:

The 25,88% increase on last year's actual revenue is primarily as a result of the Flood Disaster Grant being included in revenue. The 78,88% increase on last year's actual expenditure is primarily as a result of the Flood Disaster Grant expenditure.

Variance from 2008/2009 budget:

The 30,36% increase on the reporting years budget is primarily as a result of grants not budgeted for, being received. The 9,20% increase on last year's actual expenditure is primarily as a result of grants being spent, which were not budgeted for.

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 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Revenue	52 367 139	55 460 823	-5.58%	56 111 730	-6.67%
Expenditure	57 403 815	45 289 782	26.75%	56 111 730	2.30%
Surplus / (deficit)	(5 036 676)	10 171 041	-149.52%	0	-
Surplus / (deficit) as % of total revenue	-9.62%	18.34%		0.00%	

Variance from 2007/2008 actual:

The 5,58% decrease on last year's actual revenue is primarily as a result of less properties being for conservancy tank services. The 26,75% increase on last year's actual expenditure is primarily as a result of increased departmental chargeouts to other services.

Variance from 2008/2009 budget:

The 6,67% decrease on the reporting years budget is primarily as a result of less properties being billed for sanitation charges. The 2,30% increase on the reporting years budget is primarily as a result of additional repairs and maintenance work being carried out on sanitation infrastructure.

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 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Revenue	254 335 951	205 894 713	23.53%	259 282 073	-1.91%
Expenditure	297 797 173	223 163 944	33.44%	273 409 204	8.92%
Surplus / (deficit)	(43 461 222)	(17 269 231)	151.67%	(14 127 131)	-
Surplus / (deficit) as % of total revenue	-17.09%	-8.39%		-5.45%	

Variance from 2007/2008 actual:

The 23,53% increase on last year's actual revenue is primarily as a result of more grant income being allocated towards basic services. The 33,44% increase on last year's actual expenditure is primarily as a result of increased grant expenditure and unforeseen maintenance expenditure as a result of floods experienced.

Variance from 2008/2009 budget:

The 1,91% decrease on the reporting years budget is primarily as a result of a drop in water consumption. The 8,92% increase on the reporting years budget is primarily as a result of additional repairs and maintenance work being carried out on water infrastructure and additional bulk water purchases.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R232 797 432 (2007/2008: R206 535 297). 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 R232 797 432 was financed as follows:

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Capital Replacement Reserve	86 137 383	39 116 845	120.21%	85 145 500	1.16%
External Loans	13 751 110	24 710 373	-44.35%	15 500 000	-11.28%
Finance Leases	2 304 580	13 538 741	-82.98%	10 000 000	0.00%
Grants and Subsidies	130 604 359	129 169 338	1.11%	145 544 108	-10.26%
	232 797 432	206 535 297	12.72%	256 189 608	-9.13%

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2009	2008
Capital Replacement Reserve	37.00%	18.94%
External Loans	5.91%	11.96%
Finance Leases	0.99%	6.56%
Grants and Subsidies	56.10%	62.54%
	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	2009	2008
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	-	(0)
Revenue variances	75 269 064	77 391 221
Expenditure variances:		
Employee Related Costs	6 925 049	4 473 539
Remuneration of Councillors	(832 137)	98 307
Bad Debts	(5 093 453)	180 278
Collection Costs	54 522	(214 656)
Depreciation	9 801 702	10 031 738
Impairment losses	-	-
Repairs and Maintenance	(3 141 849)	461 270
Interest Paid	(738 514)	718 875
Bulk Purchases	(3 797 324)	(1 833 167)
Contracted Services	(1 410 076)	1 789 741
Grants and Subsidies Paid	(39 593 633)	14 562 067
General Expenses	(11 999 865)	11 431 508
Loss on Disposal of Property, Plant and Equipment	-	-
Actual surplus before appropriations	25 443 487	119 090 720

DETAILS	2009	2008
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	-	(0)
Executive and Council	9 894 494	(97 105)
Finance and Administration	(22 355 603)	(2 006 578)
Planning and Development	72 607 478	129 798 716
Public Safety	292 768	2 232 277
Environmental Protection	(1 076 085)	382 826
Waste Water Management	(5 036 676)	10 171 041
Water	(29 334 091)	(21 279 230)
Other	451 201	(111 227)
Actual surplus before appropriations	25 443 487	119 090 720

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 2008/2009 R	Actual 2007/2008 R	Variance actual 2008/09 / 2007/08 R	Budgeted 2008/2009 R	Variance actual/ budgeted R
Executive and Council	2 067 721	1 808 345	259 376	38 500	2 029 221
Finance and Administration	5 776 543	121 410 506	(115 633 963)	9 094 500	(3 317 957)
Planning and Development	-	49 467	(49 467)	3 675 000	(3 675 000)
Public Safety	-	6 130 902	(6 130 902)	230 000	(230 000)
Sport and Recreation	23 108 133	18 823 439	4 284 694	24 500 000	(1 391 867)
Environmental Protection	-	98 329	(98 329)	-	-
Waste Water Management	8 822 271	30 642 214	(21 819 944)	19 706 000	(10 883 729)
Water	190 520 117	26 071 494	164 448 623	198 945 608	(8 425 491)
Other	2 502 646	1 500 601	1 002 046	-	2 502 646
	232 797 432	206 535 297	26 262 135	256 189 608	(23 392 176)

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 2009 amounted to R700 481 760 (30 June 2008: R556 851 157) and is made up as follows:

Capital Replacement Reserve	407 017
Capitalisation Reserve	49 240 952
Donations and Public Contributions Reserve	76 351
Government Grants Reserve	336 993 910
Accumulated Surplus	313 763 531
	<u>700 481 760</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a 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 Reserve and Donations and Public Contributions Reserve are utilised to offset the cost of depreciation of assets 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

Deferred Revenue has been restated to adhere to the provisions of GAMAP 9, Revenue (paragraphs 42 - 46, revenue from non-exchange transactions), in accounting for assets acquired from Government Grants. Refer to Note 40.1 on "Change in Accounting Policy" for details of the restatement.

8. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2009 was R114 260 896 (30 June 2008: R102 283 709).

New loans to the amount of R16 410 441 (2008: R38 249 115) 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 2009 was R20 565 203 (30 June 2008: R18 399 580).

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 R4 874 279 as at 30 June 2009 (30 June 2008: R3 355 076) and is made up as follows:

Provision for Long-term Service	<u>4 874 279</u>
	<u>4 874 279</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 R443 965 200 as at 30 June 2009 (30 June 2008: R267 746 485) and is made up as follows:

Consumer Deposits	Note 7	17 474 507
Provisions	Note 8	8 794 495
Creditors	Note 9	102 507 169
Unspent Conditional Grants and Receipts	Note 10	300 409 992
Operating Lease Liability	Note 11	25 426
Bank Overdraft	Note 22	7 004 067
Current Portion of Long-term Liabilities	Note 4	<u>7 749 544</u>
		<u>443 965 200</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 R910 964 267 as at 30 June 2009 (30 June 2008: R579 949 135).

During the year under review the remaining useful life of Property, Plant and Equipment was taken into consideration during the process of identifying, componentising and measuring immovable assets. As a result, the carrying value off Property, Plant and Equipment increased by R119 791 132, mainly due to assets previously not carried in the Asset Register.

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

13. INTANGIBLE ASSETS

The net value of Intangible Assets were R7 595 443 as at 30 June 2009 (30 June 2008: R10 382 101).

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.

During the year under review the remaining useful life of Property, Plant and Equipment was taken into consideration during the process of identifying, componentising and measuring immovable assets. As a result, the carrying value off Intangible Assets decreased by R1 604 016, due to assets attached to Property, Plant and Equipment.

Refer to Note 13 for more detail.

14. NON-CURRENT INVESTMENTS

The municipality held Investments to the value of R15 676 174 as at 30 June 2009 (30 June 2008: R13 775 686).

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 R78 690 at 30 June 2009 (30 June 2008: R88 917) is made up as follows:

Officials: Relocation Loans	21 654
Officials: Sundry Loans	64 575
	<hr/>
	86 229
Less: Short-term portion included in Current Assets	7 540
	<hr/>
	<u>78 690</u>

Refer to Note 16 for more detail.

16. CURRENT ASSETS

Current Assets amounted R349 832 765 as at 30 June 2009 (30 June 2008: R344 440 168) and is made up as follows:

Inventory	Note 17	7 731 771
Assets classified as Held-for-Sale	Note 18	622 433
Consumer Debtors	Note 19	45 616 246
Other Debtors	Note 20	44 485 552
VAT	Note 21	59 956 625
Bank, Cash and Cash Equivalents	Note 22	191 412 598
Current Portion of Long-term Debtors	Note 16	7 540
		<hr/>
		<u>349 832 765</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

28 August 2009

**UGU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009**

	Note	2009 R	2008 R
NET ASSETS AND LIABILITIES			
Net Assets (Community Wealth)		700 481 760	556 851 157
Accumulated Surplus	2	700 481 760	556 851 157
Non-Current Liabilities		139 700 379	124 038 365
Long-term Liabilities	4	114 260 896	102 283 709
Retirement Benefit Liabilities	5	20 565 203	18 399 580
Non-current Provisions	6	4 874 279	3 355 076
Current Liabilities		443 965 200	267 746 485
Consumer Deposits	7	17 474 507	16 485 647
Provisions	8	8 794 495	4 618 589
Creditors	9	102 507 169	76 076 456
Unspent Conditional Grants and Receipts	10	300 409 992	159 799 012
Operating Lease Liabilities	11	25 426	35 211
Bank Overdraft	22	7 004 067	-
Current Portion of Long-term Liabilities	4	7 749 544	10 731 570
Total Net Assets and Liabilities		1 284 147 338	948 636 007
ASSETS			
Non-Current Assets		934 314 573	604 195 839
Property, Plant and Equipment	12	910 964 267	579 949 135
Intangible Assets	13	7 595 443	10 382 101
Non-current Investments	15	15 676 174	13 775 686
Long-term Receivables	16	78 690	88 917
Current Assets		349 832 765	344 440 168
Inventory	17	7 731 771	6 296 615
Non-current Assets Held-for-Sale	18	622 433	169 436
Consumer Debtors	19	45 616 246	44 069 623
Other Debtors	20	44 485 552	43 712 547
VAT Receivable	21	59 956 625	28 229 753
Bank, Cash and Cash Equivalents	22	191 412 598	221 937 705
Current Portion of Long-term Receivables	16	7 540	24 489
Total Assets		1 284 147 338	948 636 007

UGU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

Budget			Actual	
2008	2009		2009	2008
R	R	Note	R	R
REVENUE				
198 395 758	218 838 830			
-	-	24	201 994 736	184 689 450
235 012	739 173		-	8 429
11 200 000	25 687 311	25	290 641	219 663
954 123	1 010 202	26	10 747 736	10 875 656
177 935 719	235 529 046	26	3 392 998	868 798
-	-	27	339 770 505	273 742 787
81 610 296	110 093 820	28	1 941 348	-
-	-	29	109 029 483	76 102 316
			-	1 215 030
470 330 908	591 898 383		667 167 447	547 722 129
EXPENDITURE				
134 422 135	172 526 485	30	165 601 436	129 948 597
5 446 970	4 710 267	31	5 542 404	5 348 663
3 000 000	3 300 000	33	8 393 453	2 819 722
-	90 000		35 478	214 656
37 689 979	33 417 727	32	23 616 025	27 658 241
19 283 083	26 235 458		29 377 307	18 821 813
8 502 161	7 775 676	34	8 514 190	7 783 287
15 000 000	15 750 000	35	19 547 324	16 833 167
10 534 056	10 176 350	36	11 586 426	8 744 315
97 097 513	122 583 361	37	162 176 994	82 535 446
139 355 011	195 333 060	38	207 332 924	127 923 503
470 330 909	591 898 383		641 723 960	428 631 409
(0)	-		25 443 487	119 090 720

Refer to Appendix E(1) for explanation of variances

The prior year's comparative figures for Service Charges and Interest Earned on Outstanding Debtors have been restated by an amount of R1 055 776 as a result of the correction of revenue recognised in terms of GRAP 9 and IAS 39 implemented during 2007/2008. Please refer to Note 41.2 for details of the restatement.

The prior year's comparative figure for Government Grants and Subsidies Received has been restated by an amount of R11 367 283 as a result of the reversal of IAS 20 implemented during 2007/2008. Please refer to Note 40.2 for detail of the restatement.

UGU DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

Description	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2008			
Balance at 30 June 2007	-	231 179 314	231 179 314
Change in Accounting Policy (Note 40)		206 581 123	206 581 123
Restated Balance	-	437 760 438	437 760 438
Surplus for the year		119 090 720	119 090 720
Property, Plant and Equipment purchased		-	-
Donations / Grants utilised to obtain PPE		-	-
Interest received		-	-
Offsetting of Depreciation		-	-
Balance at 30 June 2008	-	556 851 157	556 851 157
2009			
Change in Accounting Policy (Note 40)		-	-
Restated Balance	-	556 851 157	556 851 157
Surplus for the year		25 443 487	25 443 487
Transfer to CRR		-	-
Property, Plant and Equipment purchased		-	-
Donations / Grants utilised to obtain PPE		-	-
Interest received		-	-
Offsetting of Depreciation		-	-
	-	582 294 644	582 294 644
Implementation of GRAP 17		118 187 116	118 187 116
Balance at 30 June 2009	-	700 481 760	700 481 760
	-	-	-

Details on the movement of the Reserves are set out in Note 2.

UGU DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		831 212 885	581 769 776
Cash paid to Suppliers and Employees		(647 380 073)	(414 020 619)
Cash generated from / (utilised in) Operations	42	183 832 812	167 749 157
Interest received	26	14 140 734	11 744 454
Interest paid	34	(8 514 190)	(7 783 287)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		189 459 356	171 710 324
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	12	(232 797 432)	(206 535 297)
Purchase of Intangible Assets	13	(1 312 948)	(1 693 101)
Proceeds on Disposal of Property, Plant and Equipment		-	6 140 479
Proceeds on Disposal of Intangible Assets		-	2 939 874
Decrease / (Increase) in Non-current Investments	15	(1 900 488)	(285 763)
Decrease / (Increase) in Long-term Receivables	16	27 177	(57 949)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(235 983 691)	(199 491 756)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised	4	16 410 441	38 249 115
Loans repaid	4	(7 415 280)	(7 107 970)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		8 995 161	31 141 145
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(37 529 173)	3 359 713
Cash and Cash Equivalents at the beginning of the year	22	221 937 705	218 577 993
Cash and Cash Equivalents at the end of the year	22	184 408 532	221 937 705

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R
2008
R

1. GENERAL INFORMATION

Ugu District 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.

2. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Reserves:

Capital Replacement Reserve (CRR)	407 017	78 179 223
Capitalisation Reserve	49 240 952	73 003 445
Donations and Public Contributions Reserve	76 351	8 576 229
Government Grants Reserve	336 993 910	324 383 178
Accumulated Surplus / (Deficit) due to the results of Operations	313 763 531	72 709 082

Total Accumulated Surplus

700 481 760 **556 851 157**

Accumulated Surplus has been restated to adhere to the provisions of GAMAP 9 (paragraphs 42 - 46), *Revenue* on revenue from non-exchange transactions. Refer to Note 40.1 on "Change in Accounting Policy" for details of the restatement.

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is invested in Financial Instrument Investments. See Notes 15 and 22 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 community wealth 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 community wealth and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures community wealth 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

Deferred Revenue has been restated to adhere to the provisions of GAMAP 9 (paragraphs 42 - 46), *Revenue* on revenue from non-exchange transactions, in accounting for assets acquired from Government Grants. Refer to Note 40.1 on "Change in Accounting Policy" for details of the restatement.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
4. LONG-TERM LIABILITIES		
Local Registered Stock	20 300 000	20 300 000
Annuity Loans	91 633 942	79 473 231
Capitalised Lease Liabilities	10 076 498	13 242 048
Sub-total	122 010 440	113 015 279
Less: Current Portion transferred to Current Liabilities	7 749 544	10 731 570
Local Registered Stock	-	-
Annuity Loans	1 944 636	1 450 419
Capitalised Lease Liabilities	5 804 908	9 281 151
Total Long-term Liabilities	114 260 896	102 283 709

4.1 Summary of Arrangements

Local Registered Stock is repaid over a period of 2 years (2008: 3 years) and at interest rates varying from 15,60% to 16,80% (2008: 15,60% to 16,80%) per annum. Local Registered Stock is not secured.

Annuity Loans are repaid over periods varying from 4 to 20 (2008: 5 to 15) years and at interest rates varying from 2,65% to 11,00% (2008: 2,65% to 11,00%) per annum. Annuity Loans are not secured.

Capitalised Lease Liabilities relates to Vehicles with lease term periods of 3 (2008: 3) years. The effective interest rate on Finance Leases is between 11,42% and 12,50% (2008: 11,42% to 12,50%). Capitalised Lease Liabilities are secured over the items of vehicles leased.

R15 676 174 (2008: R13 775 686) 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 of not more than 3 years (2008: 3 years). The effective interest rate on Finance Leases is between 11,42% and 12,50% (2008: 11,42% and 12,50%).

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	
	2009	2008	2009	2008
	R	R	R	R
Within one year	6 637 056	9 121 565	6 637 056	9 121 565
In the second to third years, inclusive	4 333 539	10 621 607	4 333 539	10 621 607
	10 970 595	19 743 172	10 970 595	19 743 172
Less: Future Finance Obligations	894 098	6 501 124	894 098	6 501 124
Present Value of Minimum Lease Obligations	10 076 498	13 242 048	10 076 498	13 242 048
Less: Amounts due for settlement within 12 months (Current Portion)			(5 804 908)	(9 281 151)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			4 271 590	3 960 897

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
The municipality has finance lease agreements for the following significant classes of assets:		
- Vehicles		
Included in these classes are the following significant leases:		
(i) Vehicles	R 4 271 590	R 3 960 897
- Instalments are payable monthly in arrears		
- Average period outstanding	18 months	28 months
- Average effective interest rate, based on prime	11.43%	11.43%
- Average monthly instalment	R 546 172	R 34 216

5. RETIREMENT BENEFIT LIABILITIES

5.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	18 399 580	16 748 086
Contributions to Provision	2 856 377	2 227 486
Balance at end of Year	21 255 957	18 975 572
Transfer to Current Provisions	(690 754)	(575 992)
Total Post-retirement Health Care Benefits Liability	20 565 203	18 399 580

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 2009 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)	378	278
Continuation Members (Retirees, widowers and orphans)	44	38
Total Members	422	316

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

In-service Members	10 171 437	8 534 977
Continuation Members	10 354 735	9 226 395
Total Liability	20 526 172	17 761 372

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

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2009 is estimated to be R939 548, whereas the cost for the ensuing year is estimated to be R1 318 923 (2008: R837 965 and R939 548 respectively).

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate	9.08%	10.97%
Health Care Cost Inflation Rate	7.76%	9.78%
Net Effective Discount Rate	1.22%	1.08%
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	17 761 372	17 369 028
Current service costs	939 548	837 965
Interest cost	1 916 829	1 389 522
Benefits paid	(575 992)	(620 942)
Actuarial losses / (gains) unrecognised	484 414	(1 214 200)
Present Value of Fund Obligation at the end of the Year	20 526 172	17 761 372
Actuarial losses / (gains) unrecognised	729 786	1 214 200
Total Recognised Benefit Liability	21 255 957	18 975 572

The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	20 526 172	17 761 372
Unfunded Accrued Liability	20 526 172	17 761 372
Unrecognised actuarial gains / (losses)	729 786	1 214 200
Total Benefit Liability	21 255 957	18 975 572

The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	939 548	837 965
Interest cost	1 916 829	1 389 522
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	2 856 377	2 227 486

	2009	2008	2007	2006	2005
	R	R	R	R	R
Present Value of Defined Benefit Obligation	20 526 172	17 761 372	17 369 028	9 923 229	-
Deficit	20 526 172	17 761 372	17 369 028	9 923 229	-
Experienced adjustments on Plan Liabilities	885 881	(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 2006 reporting period.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	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	416 264	327 584
Effect on the defined benefit obligation	3 424 528	2 415 632
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(357 191)	(278 723)
Effect on the defined benefit obligation	(2 754 300)	(2 045 157)

The municipality expects to make a contribution of R3,152 million (2008: R2,856 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	4 874 279	3 355 076
Total Non-current Provisions	4 874 279	3 355 076

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

Balance at beginning of year	3 355 076	3 566 064
Contributions to provision	2 001 643	40 240
	5 356 719	3 606 304
Transfer to current provisions	(482 440)	(251 228)
Balance at end of year	4 874 279	3 355 076

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 2009 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, 858 (2008: 779) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2009 is estimated to be R480 370, whereas the cost for the ensuing year is estimated to be R818 999 (2008: R408 199 and R480 370 respectively).

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R			
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount rate	9.21%	10.97%			
Salary Cost Inflation Rate	6.67%	9.03%			
Net Effective Discount Rate	2.38%	1.78%			
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	3 606 304	3 956 728			
Current service costs	480 370	408 199			
Interest cost	381 832	316 538			
Benefits paid	(251 228)	(390 664)			
Actuarial losses / (gains) recognised	1 139 440	(684 497)			
Present Value of Fund Obligation at the end of the Year	5 356 718	3 606 304			
Actuarial losses / (gains) unrecognised	-	-			
Total Recognised Benefit Liability	5 356 718	3 606 304			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	5 356 718	3 606 304			
Unfunded Accrued Liability	5 356 718	3 606 304			
Actuarial gains / (losses) not recognised	-	-			
Total Benefit Liability	5 356 718	3 606 304			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	480 370	408 199			
Interest cost	381 832	316 538			
Actuarial losses / (gains)	1 139 440	(684 497)			
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	2 001 643	40 240			
The history of experienced adjustments is as follows:					
	2009 R	2008 R	2007 R	2006 R	2005 R
Present Value of Defined Benefit Obligation	5 356 718	3 606 304	3 956 728	3 056 841	-
Deficit	5 356 718	3 606 304	3 956 728	3 056 841	-
Experienced adjustments on Plan Liabilities	(1 326 236)	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 2006 reporting period.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	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	78 276	61 197
Effect on the defined benefit obligation	379 481	268 046
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(69 479)	(54 428)
Effect on the defined benefit obligation	(340 769)	(240 947)

The municipality expects to make a contribution of R1 290 723 (2008: R862 202) to the defined benefit plans during the next financial year.

7. CONSUMER DEPOSITS

Water	17 474 507	16 485 647
Total Consumer Deposits	<u>17 474 507</u>	<u>16 485 647</u>
Guarantees held in lieu of Water Deposits	<u>357 080</u>	<u>252 480</u>

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	780 214	470 354
Staff Leave	6 841 089	3 321 015
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 5 above)	690 754	575 992
Current Portion of Non-Current Provisions (See Note 6 above):	<u>482 440</u>	<u>251 228</u>
Total Provisions	<u>8 794 495</u>	<u>4 618 589</u>

Provisions have been restated to correctly classify Staff Leave previously included in Creditors. Refer to Note 41.1 on "Correction of Error" for details of the restatement.

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.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
The movement in current provisions are reconciled as follows:		
Current Provisions:		
	Performance Bonuses R	Staff Leave R
30 June 2009		
Balance at beginning of year	470 354	3 321 015
Contributions to provision	780 214	6 739 071
Expenditure incurred	(470 354)	(3 218 997)
Balance at end of year	780 214	6 841 089
30 June 2008		
Balance at beginning of year	-	4 731 584
Contributions to provision	470 354	1 251 722
Expenditure incurred	-	(2 662 292)
Balance at end of year	470 354	3 321 015
Current Portion of Non-Current Provisions:		
	Long-term Service R	Post-retirement R
30 June 2009		
Balance at beginning of year	251 228	575 992
Transfer from non-current	482 440	690 754
Expenditure incurred	(251 228)	(575 992)
Balance at end of year	482 440	690 754
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
	2009 R	2008 R

9. CREDITORS

Trade Creditors	5 594 231	5 404 202
Payments received in Advance	14 161 957	9 915 720
Retentions	2 957 912	2 822 138
Projects	58 949 463	38 178 425
Other Creditors	20 843 608	19 755 970
Total Creditors	102 507 169	76 076 456

Creditors have been restated to correctly classify Staff Leave now included in Provisions. Refer to Note 41.1 on "Correction of Error" for details of the restatement.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. 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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
10.1 Conditional Grants from Other Spheres of Government	252 522 731	123 049 058
National Government Grants	172 488 025	73 421 125
Provincial Government Grants	78 255 104	47 686 670
Other Spheres of Government	1 779 602	1 941 263
10.2 Other Conditional Receipts	47 887 261	36 749 954
Developers' Contributions	47 577 385	36 667 574
Public Contributions	309 876	82 380
Total Conditional Grants and Receipts	<u>300 409 992</u>	<u>159 799 012</u>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 27 for the reconciliation of Grants from Other Spheres of Government and Note 28 for the reconciliation of Other Conditional Receipts.

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

11. OPERATING LEASE LIABILITIES / PAYABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	35 211	39 731
Operating Lease expenses recorded	547 120	307 974
Operating Lease payments effected	(556 906)	(312 494)
Total Operating Lease Liabilities	<u>25 426</u>	<u>35 211</u>

11.1 Leasing Arrangements

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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009 **2008**
R **R**

11.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Office Equipment:	468 084	544 348
Within one year	421 137	294 294
In the second to third years, inclusive	46 947	250 054
Over three years	-	-
Total Operating Lease Arrangements	468 084	544 348

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

Minimum lease payments	547 120	307 974
Total Operating Lease Expenses	547 120	307 974

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:
- Office Equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- (i) The equipment shall remain the property of the rentor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- (iii) The equipment shall be returned in good order and condition to the rentor upon termination of the agreement.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

12. PROPERTY, PLANT AND EQUIPMENT

30 June 2009

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R
Carrying values at 01 July 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	-	-	-	-	-
Correction of error (Note 41)	-	-	-	-	-
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	-	-	-	-	-
Acquisitions	21 975 124	173 508 296	25 610 780	11 703 233	232 797 432
Borrowing Costs Capitalised	-	-	-	-	-
Capital under Construction - Additions:	-	-	-	-	-
- Cost	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-
Depreciation:	(610 581)	(12 364 784)	(794 761)	(7 350 311)	(21 120 436)
- Based on Cost	(610 581)	(12 364 784)	(794 761)	(7 350 311)	(21 120 436)
- Based on Revaluation	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	-
- Cost	-	-	-	-	-
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	(452 997)	(452 997)
- Cost	-	-	-	(3 008 655)	(3 008 655)
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	2 555 658	2 555 658
- Based on Cost	-	-	-	2 555 658	2 555 658
- Based on Revaluation	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-
Impairment Losses	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-
Other Movements:	(23 667 338)	126 194 986	18 547 082	(1 283 598)	119 791 132
- Cost	(27 708 444)	763 080 889	17 685 329	5 501 739	758 559 513
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	3 223 726	14 799	-	617 171	3 855 696
- Accumulated Depreciation	817 380	(636 900 702)	861 753	(7 402 507)	(642 624 077)
- Based on Cost	817 380	(636 900 702)	861 753	(7 402 507)	(642 624 077)
- Based on Revaluation	-	-	-	-	-
Carrying values at 30 June 2009	44 242 166	748 143 605	71 646 444	46 932 052	910 964 267
Cost	49 599 872	1 568 385 471	72 447 907	90 975 058	1 781 408 309
- Completed Assets	49 599 872	1 568 385 471	72 447 907	90 975 058	1 781 408 309
- Under Construction	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-
Accumulated Depreciation:	(5 357 707)	(820 241 866)	(801 463)	(44 043 006)	(870 444 042)
- Cost	(5 357 707)	(820 241 866)	(801 463)	(44 043 006)	(870 444 042)
- Revaluation	-	-	-	-	-

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2008

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Total
	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 41)	-	-	-	-	-
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
Borrowing Costs Capitalised	-	-	-	-	-
Capital under Construction - Additions:	-	-	-	-	-
- Cost	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-
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	-	-	-	-	-

Other movements of Property, Plant and Equipment to the amount of R119 791 132 (2008: R0) are in respect of the implementation of GRAP 17 (see Notes 12.4, 12.5 and 40.3).

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 2009

	2009 R	2008 R
12. PROPERTY, PLANT AND EQUIPMENT (Continued)		
12.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use:		
No Property, Plant and Equipment that is fully depreciated, is in use at year-end by the municipality.		
12.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal:		
Land and Buildings	-	-
Infrastructure	-	-
Community	-	-
Other	622 433	169 436
Carrying Value of PPE retired from active use and held for disposal	622 433	169 436
12.3 Assets pledged as security:		
The municipality's obligations under Finance Leases (see Note 4) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.		
12.4 Impairment of Property, Plant and Equipment:		
Impairment of Property, Plant and Equipment was taken into consideration by the consultants, Ubuntu Business Advisory and Consultation Services, during the process of identifying, componentising and measuring immovable assets, and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values are disclosed.		
12.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:		
The Remaining Useful Life of property, plant and equipment was taken into consideration by the consultants, Ubuntu Business Advisory and Consultation Services, during the process of identifying, componentising and measuring immovable assets, and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Change in Useful Life were not calculated separately and therefore no changes in values are disclosed.		
12.6 Land and Buildings carried at Fair Value:		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
12.7 Compensation received for Losses:		
Compensation, included in Operating Surplus, was received from the municipality's insurers for Property, Plant and Equipment lost during the year:		
Compensation received from insurers	-	2 942 446
Carrying value of lost assets	-	(4 967 066)
Surplus / (Deficit) on Compensation received for Lost PPE	-	(2 024 620)

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R	
13. INTANGIBLE ASSETS			
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>7 595 443</u>	<u>10 382 101</u>	
The movement in Intangible Assets is reconciled as follows:			
	Computer Software	Servitudes	Total
Carrying values at 01 July 2008	9 586 411	795 690	10 382 101
Cost	12 228 911	795 690	13 024 601
Accumulated Amortisation	(2 642 501)	-	(2 642 501)
Acquisitions during the Year:	-	1 312 948	1 312 948
Purchased	-	1 312 948	1 312 948
Internally Developed	-	-	-
Amortisation during the Year:	(2 495 589)	-	(2 495 589)
Purchased	(2 495 589)	-	(2 495 589)
Internally Developed	-	-	-
Disposals during the Year:	-	-	-
At Cost	-	-	-
At Accumulated Amortisation	-	-	-
Transfers during the Year:	(1 604 016)	-	(1 604 016)
At Cost	1 508 694	-	1 508 694
At Accumulated Amortisation	(3 112 710)	-	(3 112 710)
Carrying values at 30 June 2009	5 486 805	2 108 638	7 595 443
Cost	13 737 605	2 108 638	15 846 243
Accumulated Amortisation	(8 250 800)	-	(8 250 800)
	Computer Software	Servitudes	Total
Carrying values at 01 July 2007	11 753 034	752 897	12 505 931
Cost	13 518 478	752 897	14 271 375
Accumulated Amortisation	(1 765 444)	-	(1 765 444)
Acquisitions during the Year:	1 650 308	42 793	1 693 101
Purchased	1 650 308	42 793	1 693 101
Internally Developed	-	-	-
Amortisation during the Year:	(877 057)	-	(877 057)
Purchased	(877 057)	-	(877 057)
Internally Developed	-	-	-
Disposals during the Year:	(2 939 874)	-	(2 939 874)
At Cost	(2 939 874)	-	(2 939 874)
At Accumulated Amortisation	-	-	-
Transfers during the Year:	-	-	-
At Cost	-	-	-
At Accumulated Amortisation	-	-	-
Carrying values at 30 June	9 586 411	795 690	10 382 101
Cost	12 228 911	795 690	13 024 601
Accumulated Amortisation	(2 642 501)	-	(2 642 501)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 32).

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009	2008
R	R

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 previous year. See Notes 52.3 and 53.1 for further information in respect of the billing system.

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.

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

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.

2009	2008
R	R

13.2 Intangible Assets with Indefinite Useful Lives:

The following classes of Intangible Assets are not amortised as they are regarded as having indefinite useful lives:

Carrying Value of Servitudes: Sewerage Distribution	1 355 740	42 793
Carrying Value of Servitudes: Water Reticulation	752 897	752 897

Total Carrying Value of Intangible Assets with Indefinite Useful Lives	2 108 638	795 690
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Servitudes are regarded as having Indefinite Useful Lives as they are registered permanently, the agreements not having a maturity date.

13.3 Impairment of Intangible Assets:

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

14. INVESTMENT PROPERTY

The municipality did not have any property to be classified as Investment Property in terms of its Accounting Policies and Asset Management Policy at year-end.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
15. NON-CURRENT INVESTMENTS		
Financial Instruments		
Fixed Deposits	<u>15 676 174</u>	<u>13 775 686</u>
Total Investments		
All Investments	15 676 174	13 775 686
Less: Short-term Portion transferred to Current Investments	-	-
	<u>15 676 174</u>	<u>13 775 686</u>

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 12,90 % to 13,39 % (2008: 12,90% to 13,39%) per annum.

Fixed Deposits of R15 676 174 (2008: R13 775 686) are ring-fenced for the purposes of repaying Long-term Liabilities as set out in Note 45.

16. LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2009			
Officials: Relocation Loans	21 654	-	21 654
Sundry Loans	64 575	-	64 575
	<u>86 229</u>	<u>-</u>	<u>86 229</u>
Less: Current Portion transferred to Current Receivables			7 540
Officials: Relocation Loans			7 540
Sundry Loans			-
Total Long-term Receivables			<u>78 690</u>
As at 30 June 2008			
Officials: Relocation Loans	36 544	-	36 544
Sundry Loans	76 863	-	76 863
	<u>113 406</u>	<u>-</u>	<u>113 406</u>
Less: Current Portion transferred to Current Receivables			24 489
Officials: Relocation Loans			14 889
Sundry Loans			9 600
Total Long-term Receivables			<u>88 917</u>

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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
17. INVENTORY		
Consumable Stores - at cost	654 695	-
Maintenance Materials - at cost	6 331 362	5 691 142
Water - at cost	704 480	605 472
Goods Held-for-Sale	41 235	-
Total Inventory	7 731 771	6 296 615

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 was R15 297 405 (2008: R11 770 000).

Inventories of R551 314 (2008: R267 350) are expected to be utilised only after more than twelve months.

18. NON-CURRENT ASSETS HELD-FOR-SALE

Property Held-for-Sale - at cost	622 433	169 436
Total Non-current Assets Held-for-Sale	622 433	169 436
Liabilities associated with Non-current Assets Held-for-Sale	-	-
Net Non-current Assets Held-for-Sale	622 433	169 436

18.1 Property Held-for-Sale

The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next twelve months. No impairment loss was recognised on reclassification of the property as held-for-sale nor at 30 June 2009.

19. CONSUMER DEBTORS

	Gross Balances R	Provision for Impairment R	Net Balance R
As at 30 June 2009			
Service Debtors:	58 466 746	28 410 599	30 056 147
Sewerage	12 558 751	6 123 736	6 435 016
Water	45 907 994	22 286 863	23 621 131
Water Rate Debtors	11 072 092	-	11 072 092
Other Trade Debtors	4 488 007	-	4 488 007
Total Consumer Debtors	74 026 845	28 410 599	45 616 246
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

Included in Consumer Debtors is an amount of R2,8 million (2008: R4,5 million) in respect of the consumption of metered services not billed as at 30 June.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
<p>The Credit Control Policy states that 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 enforces its approved Credit Control Policy to ensure the recovery of Consumer Debtors.</p>		
<p>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.</p>		
19.1 Ageing of Consumer Debtors		
Sewerage: Ageing		
<u>Current:</u>		
0 - 30 days	5 456 923	4 862 716
<u>Past Due:</u>		
31 - 60 Days	596 110	591 610
61 - 90 Days	381 983	384 232
91 - 120 Days	330 375	273 755
+ 120 Days	5 793 360	4 779 287
Total	12 558 751	10 891 600
Water: Ageing		
<u>Current:</u>		
0 - 30 days	19 175 585	18 862 195
<u>Past Due:</u>		
31 - 60 Days	2 450 204	2 539 407
61 - 90 Days	1 691 329	1 758 712
91 - 120 Days	1 170 476	1 403 911
+ 120 Days	21 420 400	16 716 811
Total	45 907 994	41 281 036
Water Rates: Ageing		
<u>Current:</u>		
0 - 30 days	957 158	567 590
<u>Past Due:</u>		
31 - 60 Days	22 493	7 161
61 - 90 Days	6 868	26 468
91 - 120 Days	93 927	9 102
+ 120 Days	9 991 646	8 521 017
Total	11 072 092	9 131 338
Other Debtors: Ageing		
<u>Current:</u>		
0 - 30 days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	4 488 007	5 284 842
Total	4 488 007	5 284 842
<p>As at 30 June 2009 Consumer Debtors of R20 026 581 (2008: R19 777 122) were past due but not impaired. The age analysis of these Consumer Debtors are as follows:</p>		
31 - 60 Days	3 068 807	3 138 177
61 - 90 Days	2 080 180	626 061
91 - 120 Days	130 963	405 900
+ 120 Days	14 746 630	15 606 984
Total	20 026 581	19 777 122

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
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	22 519 193	22 296 048
Impairment Losses recognised	8 393 453	2 819 722
Impairment Losses reversed	-	-
Amounts recovered	6 582	51 525
Amounts written off as uncollectable	(2 508 628)	(2 648 102)
Balance at end of year	28 410 599	22 519 193

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.

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.

19.4 Ageing of impaired Consumer Debtors

<i>Past Due:</i>		
61 - 90 Days	-	1 543 350
91 - 120 Days	1 463 816	1 280 869
+ 120 Days	26 946 783	19 694 973
Total	28 410 599	22 519 193

20. OTHER DEBTORS

Government Subsidy Claims	21 387 840	42 392 448
Insurance Claims	1 623 639	-
Sundry Deposits	594 655	424 840
Sundry Debtors	20 879 418	32 540 751
	44 485 552	75 358 039
Less: Provision for Impairment	-	(31 645 492)
Total Other Debtors	44 485 552	43 712 547

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.

Insurance Claims are amounts which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

Included in **Sundry Deposits** is an amount of R473 322 (2008: R303 507) in respect of cash deposits made to Eskom for the supply of electricity.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
20.1 Reconciliation of Provision for Impairment		
Balance at beginning of year	31 645 492	31 645 492
Impairment Losses recognised	-	-
Amounts written off as uncollectable	(31 645 492)	-
Balance at end of year	-	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 following loans and receivables are included in the total amount of the Provision for Impairment :

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

21. VAT RECEIVABLE

Vat Receivable	59 956 625	28 229 753
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VAT is payable on the cash basis. 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.

The municipality was undergoing a VAT audit at year-end to confirm the completeness and validity of the net VAT due to the municipality.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
22. BANK, CASH AND CASH EQUIVALENTS		
Bank, Cash and Cash Equivalents	191 412 598	221 937 705
Bank Overdraft	(7 004 067)	-
Total Bank, Cash and Cash Equivalents	184 408 532	221 937 705

For the purposes of the Statement of Financial Position and 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.

22.1 Current Investment Deposits

Call Deposits	37 904 586	38 816 511
Notice Deposits	111 529 953	169 922 806
Short-term Portion of Investments	-	-
Total Current Investment Deposits	149 434 540	208 739 317

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 11,60 % to 15,60 % (2008: 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 7,25 % to 12,35 % (2008: 11,60% to 15,60%) per annum.

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

Capital Replacement Reserve	-	49 196 735
Unspent Conditional Grants	149 434 540	159 542 582
Total Short-term Investment Deposits	149 434 540	208 739 317

22.2 Bank Accounts

Cash in Bank	41 433 153	12 698 387
Bank Overdraft	(7 004 067)	-
Total Bank Accounts	34 429 086	12 698 387

The Municipality has the following bank accounts:

Absa Bank Ltd - Port Shepstone

Account Number 406 668 6529 (Primary Bank Account):

Cash book balance at beginning of year	5 422 341	186 423
Cash book balance at end of year	30 042 339	5 422 341
Bank statement balance at beginning of year	5 422 341	186 423
Bank statement balance at end of year	30 042 339	5 422 341

Account Number 406 668 6472 (General Bank Account):

Cash book balance at beginning of year	3 583 249	(4 815 248)
Cash book balance at end of year	(7 004 067)	3 583 249
Bank statement balance at beginning of year	5 569 392	1 658 789
Bank statement balance at end of year	4 898 155	5 569 392

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<i>Account Number 406 668 6294 (Collection Account):</i>		
Cash book balance at beginning of year	8 536	-
Cash book balance at end of year	<u>49 775</u>	<u>8 536</u>
Bank statement balance at beginning of year	8 536	-
Bank statement balance at end of year	<u>49 775</u>	<u>8 536</u>
<i>Account Number 406 671 0647 (Consumer Deposits Bank Account):</i>		
Cash book balance at beginning of year	354 022	2 597 424
Cash book balance at end of year	<u>546 714</u>	<u>354 022</u>
Bank statement balance at beginning of year	354 022	2 597 424
Bank statement balance at end of year	<u>546 714</u>	<u>354 022</u>
<i>Account Number 406 660 3763 (Salaries Account):</i>		
Cash book balance at beginning of year	82 317	(15 750)
Cash book balance at end of year	<u>5 249</u>	<u>82 317</u>
Bank statement balance at beginning of year	131 648	29 055
Bank statement balance at end of year	<u>52 518</u>	<u>131 648</u>
<i>Account Number 406 757 0977 (Sanlam Group Life Account):</i>		
Cash book balance at beginning of year	2 273 628	(91)
Cash book balance at end of year	<u>3 462 447</u>	<u>2 273 628</u>
Bank statement balance at beginning of year	2 273 719	(91)
Bank statement balance at end of year	<u>3 462 447</u>	<u>2 273 719</u>
<i>Account Number 406 668 6367 (MIG Project Account):</i>		
Cash book balance at beginning of year	950 602	17 078 032
Cash book balance at end of year	<u>6 652 723</u>	<u>950 602</u>
Bank statement balance at beginning of year	950 602	19 699 104
Bank statement balance at end of year	<u>7 550 367</u>	<u>950 602</u>
<i>Account Number 407 187 0797 (Disaster Account):</i>		
Cash book balance at beginning of year	17 450	-
Cash book balance at end of year	<u>212 170</u>	<u>17 450</u>
Bank statement balance at beginning of year	17 450	-
Bank statement balance at end of year	<u>212 170</u>	<u>17 450</u>
<i>Account Number 407 198 0239 (Market Account):</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>461 736</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>461 736</u>	<u>-</u>
First National Bank of SA Ltd - Port Shepstone		
<i>Account Number 534 8085 2369 (Primary Bank Account):</i>		
Cash book balance at beginning of year	-	2 864 731
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	2 957 045
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 2009

	2009 R	2008 R
<i>Account Number 620 1194 3398 (ACB Deposits Account):</i>		
Cash book balance at beginning of year	-	1 093 479
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	1 093 479
Bank statement balance at end of year	<u>-</u>	<u>-</u>
 <i>Account Number 534 8801 7494 (Direct Deposits Account):</i>		
Cash book balance at beginning of year	-	730 150
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	730 150
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	-	-
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	9 836 165
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	6 242	11 420
Cash book balance at end of year	<u>(0)</u>	<u>6 242</u>
Bank statement balance at beginning of year	6 242	11 420
Bank statement balance at end of year	<u>-</u>	<u>6 242</u>
 <i>Account Number 05 330 662 7 (Group Life Scheme Account):</i>		
Cash book balance at beginning of year	-	1 696 723
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	1 696 778
Bank statement balance at end of year	<u>-</u>	<u>-</u>
 Bank Accounts are attributable to Funds as follows:		
Capital Replacement Reserve	407 017	28 982 488
Unspent Conditional Grants	150 975 452	256 431
Available for / (Utilised by) Operational Purposes	(116 953 383)	(16 540 532)
Total Bank and Cash	<u>34 429 086</u>	<u>12 698 387</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.		
 22.3 Cash and Cash Equivalents		
Cash Floats and Advances	544 906	500 002
Other Cash Equivalents	-	-
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>544 906</u>	<u>500 002</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
23. OPERATING LEASE ASSETS / RECEIVABLES		
The municipality had no long-term arrangements to be classified as operating lease agreements for the two financial years.		
24. SERVICE CHARGES		
Sale of Water	152 861 029	139 031 289
Sewerage and Sanitation Charges	49 133 707	45 658 162
Total Service Charges	<u>201 994 736</u>	<u>184 689 450</u>
The comparative figures for Service Charges have been restated to adhere to the provisions of GRAP 9, <i>Revenue</i> , and IAS 39, <i>Financial Instruments: Recognition and Measurement</i> . Refer to Note 41.2 on "Correction of Error" for details of the restatement.		
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	94 581	99 000
Rental Revenue from Other Facilities	196 060	120 663
Total Rental of Facilities and Equipment	<u>290 641</u>	<u>219 663</u>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
26. INTEREST EARNED		
External Investments:		
Bank Account	5 220 189	3 751 001
Short-term Investments	3 627 059	5 450 307
Long-term Investments	1 900 488	1 674 349
	<u>10 747 736</u>	<u>10 875 656</u>
Outstanding Debtors:		
Outstanding Billing Debtors	1 119 379	(186 978)
Fair Value adjustment of Service Charges	2 273 619	1 055 776
	<u>3 392 998</u>	<u>868 798</u>
Total Interest Earned	<u>14 140 734</u>	<u>11 744 454</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	8 847 248	9 201 307
Loans and Receivables	3 392 998	868 798
Held-to-Maturity Investments	1 900 488	1 674 349
	<u>14 140 734</u>	<u>11 744 454</u>

The comparative figures for Interest Earned have been restated to adhere to the provisions of GRAP 9, *Revenue*, and IAS 39, *Financial Instruments: Recognition and Measurement*. Refer to Note 41.2 on "Correction of Error" for details of the restatement.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
27. GOVERNMENT GRANTS AND SUBSIDIES		
Provincial Equitable Share	108 828 000	78 168 283
Levies Replacement	32 295 067	28 706 000
Other Grants Received	867 358	482 018
Operational Grants	141 990 425	107 356 301
Conditional Grants	197 780 080	166 386 486
National: FMG Grant	779 822	501 545
National: DEAT Grant	345 624	1 145 128
National: MIG Grant	161 744 738	138 708 304
National: DWAF Grant	4 724 807	11 912 065
Provincial: Local Government Grants	2 935 622	6 018 985
Provincial: Dept of Sport & Recreation Grant	2 558 079	216 957
Provincial: Dept of Transport Grant	-	89 722
Provincial: Dept of Local Government & Traditional Affairs Grant	22 446 270	7 211 797
Other Spheres of Government Grants: DBSA	2 094 438	581 983
Other Spheres of Government Grants: Industrial Development Corporation	150 680	-
Total Government Grants and Subsidies	339 770 505	273 742 787

The comparative figures for Government Grants and Subsidies have been restated to adhere to the provisions of GAMAP 9 (paragraphs 42 - 46), *Revenue* on revenue from non-exchange transactions. Refer to Note 40.2 on "Change in Accounting Policy" for details of the restatement.

27.1 National: Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	108 828 000	78 168 283
Conditions met - transferred to Revenue: Operating Expenses	(108 828 000)	(73 908 486)
Conditions met - transferred to Revenue: Capital Expenses	-	(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.

27.2 National: Finance Management Grant (FMG)

Balance unspent at beginning of year	1 312 031	1 129 573
Current year receipts	610 240	684 003
Conditions met - transferred to Revenue: Operating Expenses	(725 136)	(501 545)
Conditions met - transferred to Revenue: Capital Expenses	(54 686)	-
Conditions still to be met - transferred to Liabilities (see Note 10)	1 142 449	1 312 031

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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
27.3 National: Economic Affairs and Tourism Grant (DEAT)		
Balance unspent at beginning of year	469 526	1 442 943
Current year receipts	24 342	171 710
Conditions met - transferred to Revenue: Operating Expenses	(345 624)	(166 240)
Conditions met - transferred to Revenue: Capital Expenses	-	(978 887)
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>148 244</u>	<u>469 526</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	7 460 556	6 466 545
Current year receipts	1 290 996	7 012 996
Conditions met - transferred to Revenue: Operating Expenses	(2 935 622)	(6 018 985)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>5 815 930</u>	<u>7 460 556</u>

Various grants are paid by Provincial Local Government to 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	45 410 572	46 923 860
Current year receipts	263 625 446	137 195 017
Conditions met - transferred to Revenue: Operating Expenses	(40 679 550)	(30 903 969)
Conditions met - transferred to Revenue: Capital Expenses	<u>(121 065 188)</u>	<u>(107 804 335)</u>
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>147 291 281</u>	<u>45 410 572</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	18 768 440	2 612 855
Current year receipts	4 046 488	28 067 650
Conditions met - transferred to Revenue: Operating Expenses	(4 271 984)	(785 049)
Conditions met - transferred to Revenue: Capital Expenses	<u>(452 823)</u>	<u>(11 127 016)</u>
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>18 090 121</u>	<u>18 768 440</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 an Asset Management Plan. No funds were withheld.

27.7 Provincial: Dept of Public Works Grant

Balance unspent at beginning of year	2 240 463	2 002 201
Current year receipts	239 281	238 262
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>2 479 744</u>	<u>2 240 463</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 transferred to the municipality for the year under review.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
27.8 Provincial: Dept of Sport and Recreation Grant		
Balance unspent at beginning of year	3 843 623	8 911 538
Current year receipts	2 030 969	(4 850 959)
Conditions met - transferred to Revenue: Operating Expenses	(2 558 079)	(216 957)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>3 316 512</u>	<u>3 843 623</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 Sports and Leisure Centre. No funds were withheld.

27.9 Provincial: Dept of Transport Grant

Balance unspent at beginning of year	243 984	114 170
Current year receipts	26 079	219 536
Conditions met - transferred to Revenue: Operating Expenses	-	(89 722)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>270 063</u>	<u>243 984</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 transferred to the municipality for the year under review.

27.10 Provincial: Dept of Local Government and Traditional Affairs Grant

Balance unspent at beginning of year	41 358 601	13 549 602
Current year receipts	53 276 454	35 020 796
Conditions met - transferred to Revenue: Operating Expenses	(13 414 608)	(2 212 495)
Conditions met - transferred to Revenue: Capital Expenses	(9 031 662)	(4 999 302)
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>72 188 785</u>	<u>41 358 601</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. Funding was also received to assist with the construction of the Ugu Sports and Leisure Centre. No funds were withheld.

27.11 Other Government: DBSA

Balance unspent at beginning of year	1 362 467	1 182 290
Current year receipts	2 034 830	762 160
Conditions met - transferred to Revenue: Operating Expenses	(2 094 438)	(581 983)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>1 302 859</u>	<u>1 362 467</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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
27.12 Other Government: Industrial Development Corporation		
Balance unspent at beginning of year	578 796	-
Current year receipts	48 627	578 796
Conditions met - transferred to Revenue: Operating Expenses	(150 680)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>476 743</u>	<u>578 796</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 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (2009), government grant funding is expected to increase over the two years 2009/2010 and 2010/2011.

28. PUBLIC CONTRIBUTIONS AND DONATIONS

Conditional Contributions	1 312 948	-
Unconditional Contributions	628 400	-
Total Public Contributions and Donations	<u>1 941 348</u>	<u>-</u>

28.1 Reconciliation of Conditional Public Contributions and Donations

28.1.1 Developers' Contributions

Balance unspent at beginning of year	36 667 574	23 974 994
Current year receipts	12 222 759	12 692 580
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(1 312 948)	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>47 577 385</u>	<u>36 667 574</u>

The District Municipality receives funds from Public Developers to provide municipal services to new developments. These contributions were utilised for this purpose. No funds have been withheld.

28.1.2 Public Contributions

Balance unspent at beginning of year	82 380	-
Current year receipts	855 896	82 380
Conditions met - transferred to Revenue: Operating Expenses	(628 400)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	<u>309 876</u>	<u>82 380</u>

The District Municipality receives funds from Public Donors to provide humanitarian aid in various instances. These contributions were utilised for these purposes. No funds have been withheld.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
29. OTHER REVENUE		
Internal Recoveries	105 504 440	72 660 180
Sundry Services Rendered	3 317 326	3 265 818
Tender Deposits Forfeited	87 543	91 332
Other Revenue	120 175	84 987
Total Other Revenue	109 029 483	76 102 316

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.

30. EMPLOYEE RELATED COSTS

Salaries and Wages	96 294 776	77 689 116
Contributions for UIF, Pensions and Medical Aids	28 867 427	19 768 786
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	16 533 940	14 381 561
Housing Benefits and Allowances	1 398 912	1 115 545
Overtime Payments	17 381 907	14 387 722
Performance Bonuses	266 453	338 140
Defined Benefit Plan Expense:	4 858 020	2 267 726
Current Service Cost	1 419 918	1 246 164
Interest Cost	2 298 661	1 706 060
Net Actuarial (gains)/losses recognised	1 139 440	(684 497)
Total Employee Related Costs	165 601 436	129 948 597

Advances are made to employees in terms of the municipality's policy to assist them in the event of the death of a dependant. Loans to employees are set out in Note 16.

Remuneration of the Municipal Manager

Annual Remuneration	536 233	379 146
Leave Encashed	-	426 883
Car, Entertainment, Housing, Subsistence and Other Allowances	368 275	277 127
Performance Bonus	61 409	61 890
Contributions to UIF, Medical and Pension Funds	10 215	60 757
Total	976 131	1 205 802

Remuneration of the Deputy Municipal Manager

Annual Remuneration	375 314	83 420
Leave Encashed	70 335	83 623
Car, Entertainment, Housing, Subsistence and Other Allowances	104 483	90 030
Performance Bonus	-	48 367
Contributions to UIF, Medical and Pension Funds	6 188	16 652
Total	556 319	322 092

The General Manager: Infrastructure and Economic Development was appointed in this post with effect from 1 December 2008.

Remuneration of the Chief Financial Officer

Annual Remuneration	364 183	299 719
Leave Encashed	-	129 778
Car, Entertainment, Housing, Subsistence and Other Allowances	300 510	304 676
Performance Bonus	61 409	63 565
Contributions to UIF, Medical and Pension Funds	98 630	97 248
Total	824 732	894 984

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
Remuneration of the General Manager: Corporate Services		
Annual Remuneration	160 760	452 697
Leave Encashed	74 994	-
Car, Entertainment, Housing, Subsistence and Other Allowances	70 000	215 870
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	7 862	18 194
Total	<u>313 616</u>	<u>686 761</u>

The General Manager: Corporate Services resigned on 31 October 2008. The Deputy Municipal Manager assumed the acting position from November 2008 to June 2009.

Remuneration of the General Manager: Infrastructure and Economic Development		
Annual Remuneration	226 650	521 400
Leave Encashed	-	-
Car, Entertainment, Housing, Subsistence and Other Allowances	81 197	232 080
Performance Bonus	47 763	64 370
Contributions to UIF, Medical and Pension Funds	3 408	8 512
Total	<u>359 018</u>	<u>826 362</u>

The post became vacant in September 2007. The General Manager: Infrastructure and Economic Development assumed the acting position from June 2008 to November 2008. With effect from 1 December 2008 the Senior Manager: IED Finance assumed the acting position. At year-end the position was still vacant.

Remuneration of the General Manager: Water Services		
Annual Remuneration	539 411	521 400
Leave Encashed	51 703	-
Car, Entertainment, Housing, Subsistence and Other Allowances	162 323	160 926
Performance Bonus	61 409	64 370
Contributions to UIF, Medical and Pension Funds	7 508	6 862
Total	<u>822 354</u>	<u>753 558</u>

Remuneration of the General Manager: Operations		
Annual Remuneration	258 291	343 865
Leave Encashed	-	-
Car, Entertainment, Housing, Subsistence and Other Allowances	134 750	152 175
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	4 436	5 516
Total	<u>397 477</u>	<u>501 555</u>

The General Manager: Operations was appointed in December 2008. The Municipal Manager was acting in the post from March 2008 to November 2008.

Remuneration of the Special Advisor		
Annual Remuneration	389 218	376 222
Leave Encashed	42 828	-
Car, Entertainment, Housing, Subsistence and Other Allowances	140 273	123 903
Performance Bonus	34 464	35 579
Contributions to UIF, Medical and Pension Funds	6 918	6 359
Total	<u>613 700</u>	<u>542 063</u>

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

Post Employment Benefits:-		
Chief Financial Officer	42 369	31 588
Total	<u>42 369</u>	<u>31 588</u>

Other Long-term Benefits:-		
Chief Financial Officer	45 223	35 293
Total	<u>45 223</u>	<u>35 293</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
Staff Leave Benefits:-		
Municipal Manager	77 067	57 763
Deputy Municipal Manager	86 730	32 752
Chief Financial Officer	29 864	15 291
General Manager: Corporate Services	-	36 214
General Manager: Infrastructure & Economic Development	-	-
General Manager: Water Services	35 243	13 035
General Manager: Operations	24 566	-
Special Advisor	68 625	75 244
Total	322 095	230 299

31. REMUNERATION OF COUNCILLORS

Mayor	674 269	649 730
Deputy Mayor	475 437	515 444
Speaker	458 617	499 811
Executive Committee Members	1 703 796	1 796 016
Councillors	2 230 285	1 887 662
Total Councillors' Remuneration	5 542 404	5 348 663

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.

32. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	21 120 436	26 781 184
Amortisation: Intangible Assets	2 495 589	877 057
Total Depreciation and Amortisation	23 616 025	27 658 241

33. IMPAIRMENT LOSSES

33.1 Impairment Losses on Financial Assets

Impairment Losses Recognised:	8 393 453	2 819 722
Long-term Receivables	-	-
Consumer Debtors	8 393 453	2 819 722
Other Debtors	-	-
	8 393 453	2 819 722
Total Impairment Losses	8 393 453	2 819 722

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
34. FINANCE COSTS		
Loans and Payables at amortised cost	7 920 174	5 577 271
Finance Leases	594 016	2 098 477
Other Interest Paid	-	107 538
Total Interest Paid on External Borrowings	8 514 190	7 783 287

The weighted average capitalisation rate on funds borrowed generally is 7,86% per annum (2008: 6,79% per annum).

35. BULK PURCHASES		
Water	19 547 324	16 833 167
Total Bulk Purchases	19 547 324	16 833 167

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 and eThekweni Municipality.

36. CONTRACTED SERVICES		
Agency Services	1 885 620	1 218 276
Alarm Monitoring Services	34 675	27 651
Cash Banking Services	128 419	13 807
Chemistry Services	511 432	406 423
Cleaning Services	835 367	609 335
Consultants' Fees	3 221 382	807 265
Internal Audit Services	162 278	83 407
Security Services	4 209 633	4 638 464
Other Contracted Services	597 621	939 688
Total Contracted Services	11 586 426	8 744 315

37. GRANTS AND SUBSIDIES PAID		
Low Income Subsidy	33 270 159	21 885 088
Community Projects	117 434 339	51 749 604
Drought Relief	4 868 873	4 847 480
Other Benevolent Organisations and Grants-in-Aid	6 603 622	4 053 275
Total Grants and Subsidies	162 176 994	82 535 446

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 (VIPs) 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.

In respect of **Grants-in-Aid**, 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
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
38. GENERAL EXPENSES		
Included in General Expenses are the following:		
Accommodation, Seminars and Travelling	2 004 407	1 329 458
Audit Fees	1 375 917	950 510
Consultant IT Support	611 385	683 712
Electricity	15 199 212	10 490 152
Insurance General	2 239 763	747 459
Kwanaloga Games	2 260 221	1 562 290
Materials: Connections	1 553 935	975 616
Materials: Purification	2 391 079	3 084 833
Postage	1 260 400	858 160
Printing and Stationery	1 544 594	1 231 074
Rentals: Property, Plant and Equipment	5 200 726	3 623 156
Small Tools	2 354 257	27 200
Telephones, Facsimiles and Internet Lines	1 651 289	3 632 123
Transport Costs	14 317 640	8 836 580
Internal Charges	105 504 440	72 660 180
Other General Expenses	47 863 658	17 231 000
Total General Expenses	<u>207 332 924</u>	<u>127 923 503</u>

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

38.2 Flood Damage

Flood damage costs resulted from unseasonal torrential rains that occurred on 17 and 18 June 2008, mainly in three local municipal areas within the district. This resulted in serious structural damage, with houses flooded, bridges washed away and closure of roads. The municipality had to repair infrastructure in order to restore service delivery. The flood damage was unforeseen and has never occurred previously.

	<u>11 088 410</u>	<u>584 558</u>
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No other extra-ordinary expenses were incurred.

39. DISCONTINUED OPERATIONS

No operations have been discontinued.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009 **2008**
R **R**

40. CHANGE IN ACCOUNTING POLICY

The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2008/2009 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented as at 30 June 2009:

- GAMAP 9 Revenue (sections applicable to Non-exchange Transactions)
- GRAP 03 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 17 Property, Plant and Equipment
- IFRS 3 Business Combinations

GAMAP 9 - Revenue:

Government Grants, previously recognised in terms of IAS 20 (*Accounting for Government Grants*), have now been recognised in the Annual Financial Statements of the municipality as at 30 June 2009 in terms of GAMAP 9, *Revenue*, paragraphs 42 - 46 on revenue from non-exchange transactions. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.

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

40.1 Reclassification of Accumulated Surplus and Deferred Revenue

The prior year figures for Accumulated Surplus and Deferred Revenue have been restated to correctly disclose the monies held by the municipality in terms of GAMAP 9.

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

	Accumulated Surplus	Deferred Revenue
Balances published as at 30 June 2007	231 179 314	206 581 123
Reclassify Government Grant Reserve	206 581 123	(206 581 123)
Restated Balances as at 30 June 2007	437 760 438	-
Transactions incurred for the Year 2006/2007:		
Contribution to Reserves	-	-
Interest allocated to Reserves	10 875 959	-
Assets obtained from Reserves	(42 020 247)	129 169 338
Offset of Depreciation	(22 511 999)	-
Appropriations from / (to) Reserves	(75 513 052)	-
Surplus for the Year	119 090 720	-
Transfer of Transactions to Accumulated Surplus	129 169 338	(129 169 338)
Restated Balances as at 30 June 2008	556 851 157	-

40.2 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 2007/2008	155 940 732	1 288 665
Reclassification of Assets obtained from Grants	129 169 338	129 169 338
Reclassification of Depreciation of Assets obtained from Grants	(11 367 283)	(11 367 283)
Restated Revenue as per AFS currently disclosed for 2007/2008	273 742 787	119 090 720

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R 2008
R

GRAP 17 - Property, Plant and Equipment:

Property, Plant and Equipment of the municipality are now recognised in terms of GRAP 17, *Property, Plant and Equipment*, and implemented as at 30 June 2009. As a result of the process of identifying, componentising and measuring immovable assets, in terms of the accounting standard, the values of the municipality's assets were adjusted to Depreciated Replacement Cost.

40.3 Reclassification of Accumulated Surplus, PPE and Intangible Assets

The year-end figures for Accumulated Surplus, PPE and Intangible Assets have been restated to correctly disclose the assets held by the municipality in terms of GRAP 17.

	Accumulated Surplus	PPE	Intangible Assets
Original Balances as at 30 June 2009	(582 294 644)	791 173 135	9 199 459
Reclassification of Historical Cost	-	758 559 513	1 508 694
Reclassification of Accumulated Depreciation / Amortisation	-	(642 624 077)	(3 112 710)
Reclassification of Accumulated Impairment	-	3 855 696	-
Reclassification of Accumulated Surplus Account for Carrying Value:			
Capitalisation Reserve	23 107 495	-	-
Donations and Public Contributions Reserve	8 499 878	-	-
Government Grants Reserve	114 527 254	-	-
Retained Income	(264 321 742)	-	-
Restated Balances now published per AFS as at 30 June 2009	<u>(700 481 760)</u>	<u>910 964 267</u>	<u>7 595 443</u>
		2009	2008
		R	R

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

The effect of the above-mentioned changes in Accounting Policies on the profit and loss is an increase of R117,8 million for the financial year 2007/2008 and the nature of the changes in the Accounting Policies is as follows:

- GAMAP 9 Revenue (sections applicable to Non-exchange Transactions)	-	117 802 055
Total Decrease / (Increase) in Surplus as at 30 June	<u>-</u>	<u>117 802 055</u>

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2008, but the Accumulated Surplus as at 30 June 2007 has increased by R206,6 million. Accumulated Surplus increased with an amount of R118 187 116 as at 30 June 2009 as a result of the implementation of GRAP 17.

41. CORRECTION OF ERROR

41.1 Reclassification of Provisions and Creditors:

The prior year figures of Provisions and Creditors have been restated to correctly classify the nature of Provisions of the municipality in terms of GRAP 19 and the latest directive on Annual Financial Statements of National Treasury.

The effect of the Correction of Error is as follows:

	Provisions	Creditors
Balances previously published per AFS as at 30 June 2008	1 297 574	79 397 470
Reclassification of Staff Leave to reflect the nature of Provisions	3 321 015	(3 321 015)
Balances now published per AFS as at 30 June 2008	<u>4 618 589</u>	<u>76 076 456</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
41.2 Reclassification of Revenue:		
The prior year figures of Revenue for Service Charges and Interest Received on Outstanding Debtors have been restated to correctly classify the nature of Revenue of the municipality in terms of GRAP 9 and IAS 39, recognition of revenue.		
The effect of the Correction of Error is as follows:		
	Service Charges	Interest Debtors
Revenue as per AFS previously published for 2007/2008	185 745 226	(186 978)
Reclassification of Sanitation Revenue	(351 918)	351 918
Reclassification of Water Revenue	(703 858)	703 858
Revenue as per AFS currently disclosed for 2007/2008	<u>184 689 450</u>	<u>868 798</u>

	2009 R	2008 R
42. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	25 443 487	119 090 720
Adjustment for:		
Depreciation and Amortisation	23 616 025	27 658 241
Gains on Disposal of Property, Plant and Equipment	-	(1 215 030)
Property, Plant and Equipment transferred to Non-current Assets Held-for-Sale	452 997	64 054
Other Movement on Property, Plant and Equipment	(1 604 016)	0
Other Movement on Intangible Assets	1 604 016	-
Contribution to Retirement Benefit Liabilities	2 856 377	2 227 486
Expenditure incurred from Retirement Benefit Liabilities	(575 992)	(620 942)
Contribution to Provisions - Current	7 519 285	1 722 077
Contribution to Provisions - Non-current	2 001 643	40 240
Expenditure incurred from Provisions	(3 940 580)	(3 052 956)
Contribution to Impairment Provision	8 393 453	2 819 722
Bad Debts Recovered	6 582	51 525
Bad Debts Written-off	(34 154 120)	(2 648 102)
Investment Income	(14 140 734)	(11 744 454)
Interest Paid	8 514 190	7 783 287
Operating Surplus before working capital changes	<u>25 992 612</u>	<u>142 175 867</u>
Decrease/(Increase) in Inventories	(1 435 156)	(2 124 626)
Decrease/(Increase) in Non-current Assets Held-for-Sale	(452 997)	77 308
Decrease/(Increase) in Consumer Debtors	(7 438 029)	3 461 973
Decrease/(Increase) in Other Debtors	30 872 488	(20 902 768)
Decrease/(Increase) in VAT Receivable	(31 726 873)	(12 365 791)
Increase/(Decrease) in Consumer Deposits	988 860	1 174 900
Increase/(Decrease) in Creditors	26 430 714	4 768 372
Increase/(Decrease) in Conditional Grants and Receipts	140 610 979	51 488 441
Increase/(Decrease) in Operating Lease Liability	(9 785)	(4 520)
Cash generated by / (utilised in) Operations	<u>183 832 812</u>	<u>167 749 157</u>

43. NON-CASH INVESTING AND FINANCING TRANSACTIONS

During the 2008/2009 financial year, the municipality acquired R2 659 331 (2007/2008: R13 538 741) 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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
44. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	-	-
- Amount unused	6 000 000	2 000 000
	6 000 000	2 000 000
Unsecured DBSA Loan Facility with maturity date to be determined upon final disbursement:		
- Amount used	-	-
- Amount unused	62 000 000	-
	62 000 000	-
Secured Bank Loan Facilities with various maturity dates through to 2011 and which may be extended by mutual agreement:		
- Amount used	10 921 687	11 712 931
- Amount unused	9 178 313	8 387 069
	20 100 000	20 100 000

45. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 4)	122 010 440	113 015 279
Used to finance Property, Plant and Equipment - at cost	(122 010 440)	(113 015 279)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 4, 15 and 22)	15 676 174	13 775 686
Cash invested for Repayment of Long-term Liabilities	15 676 174	13 775 686

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

To the best of management's knowledge, instances of note indicating that Fruitless and Wasteful Expenditure was incurred during the year under review were not revealed.

46.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	2 658 447	-
Irregular Expenditure current year	-	2 658 447
Condoned or written off by Council	(2 658 447)	-
Irregular Expenditure awaiting condonement	-	2 658 447

Incident	Disciplinary Steps / Criminal Proceedings
<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>

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008	
	R	R	
47. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
47.1 Contributions to organised local government - SALGA			
Opening Balance	-	-	
Council Subscriptions	837 288	652 514	
Amount Paid - current year	(837 288)	(652 514)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	-	-	
47.2 Audit Fees			
Opening Balance	0	0	
Current year Audit Fee	1 375 917	950 510	
Amount Paid - current year	(1 357 527)	(950 510)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	18 390	0	
The balance unpaid represents the audit fee for planning the audit for the 2008/2009 financial year and is payable by 31 July 2009.			
47.3 VAT			
VAT inputs receivables and VAT outputs payables 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)	
Current year Payroll Deductions	29 252 054	22 631 391	
Amount Paid - current year	(29 252 054)	(22 631 391)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	-	-	
47.5 Pension and Medical Aid Deductions			
Opening Balance	-	-	
Current year Payroll Deductions and Council Contributions	31 577 887	24 130 577	
Amount Paid - current year	(31 577 887)	(24 130 577)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	-	-	
47.6 Councillor's arrear Consumer Accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
30 June 2009	Total	Outstanding up to 90 days	Outstanding more than 90 days
Ntanza VL	2 552	2 348	204
Total Councillor Arrear Consumer Accounts	2 552	2 348	204
30 June 2008	Total	Outstanding up to 90 days	Outstanding more than 90 days
None	-	-	-
Total Councillor Arrear Consumer Accounts	-	-	-

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
During the year the following Councillors had arrear accounts outstanding for more than 90 days:		
30 June 2009	Highest amount outstanding	Ageing
Ntanza VL	204	> 90 Days
30 June 2008	Highest amount outstanding	Ageing
None	-	> 90 Days

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

No known matters existed at reporting date.

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
Water Services	July 2008	United Engineering	Emergency water supply in affected areas	53 580.00 Excluding VAT
<i>Procurement of stands for water tanks to supply water as normal supply was interrupted</i>				
Water Services	July 2008	LNy Construction and Civils	Flood damage	713 880.00 Excluding VAT
<i>Appointment of contractors to urgently repair damaged bulk water supply mains</i>				
Water Services	July 2008	Stephen's Electrical	Flood damage	20 727.60 Excluding VAT
<i>Appointment of contractor to repair flooded electrical panel for pump station</i>				
Water Services	August 2008	Redco Plant Hire	Flood damage	225 600.00 Excluding VAT
<i>Appointment of contractors to urgently supply backfill material for repairs to pipelines damaged during torrential floods</i>				
Water Services	August 2008	CK Plant Hire	Flood damage	18 126.00 Excluding VAT
<i>Appointment of contractors for urgent repairs to pipelines damaged during torrential floods, restoring water supply</i>				
Water Services	August 2008	Ferris Wheel Trading 1	Flood damage	76 950.00 Excluding VAT
<i>Procurement of Jolo tanks from nearest suppliers for emergency water supply as normal supply was interrupted</i>				
Water Services	August 2008	Macingwane Security & Garden Services	Flood damage	246 069.00 Excluding VAT
<i>Appointment of contractors for urgent repairs to pipelines damaged during torrential floods, restoring water supply and land slide</i>				
Water Services	August 2008	Electron	Flood damage	425 231.20 Excluding VAT
<i>Appointment of contractors for urgent repairs to pipelines damaged during torrential floods, restoring raw sewage leakage into river</i>				
Water Services	August 2008	P & S Power Products	Flood damage	351 628.44 Excluding VAT
<i>Appointment of contractors for urgent repairs to pipelines damaged during torrential floods, restoring raw sewage leakage into river</i>				
Water Services	August 2008	KRS Auto / Als Cartage	Flood damage	9 120.00 Excluding VAT
<i>Appointment of contractors for cleaning of beaches spoiled during torrential floods</i>				

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

				2009 R	2008 R
Water Services	August 2008	South Coast Auto Diesel CC	Emergency callout	9 930.38	Excluding VAT
<i>Appointment of contractors for urgent repairs to standby generator during power outage</i>					
Water Services	August 2008	SS Maintenance	Emergency water supply in affected areas	152 190.00	Excluding VAT
<i>Appointment of contractors for emergency water supply during floods</i>					
Water Services	August 2008	Trinity Safewear & Equipment	Emergency water supply in affected areas	47 332.80	Excluding VAT
<i>Procurement of spares for emergency repairs to pump to restore water.</i>					
Water Services	August 2008	Malibu Steel CC	Flood damage	66 120.00	Excluding VAT
<i>Procurement of material for urgent repairs to pipelines damaged during torrential floods, restoring water supply</i>					
Water Services	September 2008	Macingwane Security & Garden Services	Emergency repairs	294 245.40	Excluding VAT
<i>Appointment of contractors due to limited staff compliment for emergency repairs to pipelines, restoring water supply</i>					
Water Services	September 2008	FSGonzalves	Flood damage	99 955.73	Excluding VAT
<i>Rrepairs to roof as a result of floods</i>					
Water Services	September 2008	Malibu Steel CC	Emergency repairs	132 240.00	Excluding VAT
<i>Appointment of contractors for urgent repairs to pipelines damaged during torrential floods, restoring water supply and land slide</i>					
Water Services	September 2008	CK Plant Hire	Emergency repairs	11 970.00	Excluding VAT
<i>Procurement of earth moving plant for emergency repairs to pipelines, restoring water supply</i>					
Water Services	September 2008	Town & Around Civils CC	Flood damage	228 210.42	Excluding VAT
<i>Appointment of contractors for urgent repairs to pipelines damaged during torrential floods</i>					
Municipal Manager	October 2008	Oluhluthando Trading	Urgent requirement	1 600.00	Excluding VAT
<i>Unexpected catering for senior citizens during meeting</i>					
Municipal Manager	October 2008	Turner Legal	Specialist service	53 000.00	Excluding VAT
<i>Appointment of attorney for expert opinion on an urgent basis</i>					
Municipal Manager	October 2008	Deshan Naidoo	Specialist service	150 000.00	Excluding Vat
<i>Appointment of attorney for litigation on an urgent basis</i>					
Water Services	October 2008	Adroit Technologies	Sole supplier	950 000.00	Excluding VAT
<i>Appointment of sole supplier for the upgrade of telemetry equipment</i>					
Corporate Services	October 2008	Anusha's Catering Service	Flood damage	666.05	Excluding VAT
<i>Appointment of caterers for catering services during emergency meeting regarding torrential foods</i>					
Water Services	October 2008	CK Plant Hire	Emergency repairs	3 078.00	Excluding VAT
<i>Procurement of earth moving plant for emergency repairs while own plant is under repair</i>					
Water Services	October 2008	Bearing Man Group	Emergency repairs	1 829.37	Excluding VAT
<i>Appointment of contractors for urgent repairs to pump, restoring water supply to reservoir</i>					

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

			2009 R	2008 R
Municipal Manager	November 2008	Vesubuhle Events	Urgent requirement	324 336.00 Excluding VAT
<i>Specialist events coordinator services within a short space of time</i>				
Water Services	November 2008	WSSA	Contract renewal	1 738 000.00 Excluding VAT
<i>Contract renewal for waste water treatment works maintenance</i>				
Water Services	December 2008	KES Contractors	Flood damage	720 863.00 Excluding VAT
<i>Extension of contract for contractor to complete repairs caused by flood damage on sports field</i>				
Water Services	December 2008	KRS Auto / Als Cartage	Emergency repairs	2 372.34 Excluding VAT
<i>Procurement of earth moving plant for emergency repairs while own plant is under repair</i>				
Water Services	December 2008	Drain Experts	Emergency services	128 374.00 Excluding VAT
<i>Appointment of contractors to combat spillage experienced after hours</i>				
Water Services	December 2008	Hidrostal	Sole supplier	19 482.60 Excluding VAT
<i>Procurement of material for repairs from sole suppliers</i>				
Water Services	December 2008	SS Maintenance	Emergency repairs	127 680.00 Excluding VAT
<i>Appointment of contractors for urgent repairs to damaged pipelines, preventing sewage overflow and contamination of river</i>				
Water Services	December 2008	KRS Auto / Als Cartage	Emergency repairs	12 596.75 Excluding VAT
<i>Procurement of earth moving plant for emergency repairs while own plant is not available</i>				
Water Services	December 2008	Macingwane Security & Garden Services	Emergency repairs	229 350.90 Excluding VAT
<i>Appointment of contractors for urgent repairs to pipelines damaged during flooding, restoring water supply</i>				
Water Services	December 2008	Tree Top Plant Hire CC	Emergency repairs	5 842.50 Excluding VAT
<i>Procurement of earth moving plant for emergency repairs while own plant is not available</i>				
Water Services	December 2008	Lezak Trading CC	Emergency services	2 065.80 Excluding VAT
<i>Procurement of water tankers for emergency services due to limited own resources</i>				
Water Services	January 2009	Dee's Scrap Metal	Urgent requirement	8 771.00 Excluding VAT
<i>Appointment of contractor for the removal of scrapmetal uncovered during site cleaning</i>				
IED	January 2009	Ikhayala Manzi	Specific requirements	47 171.00 Excluding VAT
<i>Suitable venue hire for workshop. Facilitator has special needs and venue can provide</i>				
Water Services	January 2009	Liquid Platinum	Flood damage	5% of project fee Excluding Vat
<i>Appointment of specialist service provider to assist manage disaster recovery projects</i>				
Municipal Manager	February 2009	Spiyoyo	Single source	2 500.00 Excluding VAT
<i>Provision of service provider fr sound equipment at a workshop. Was not provided by venue</i>				
IED	March 2009	Isibizo Roads and Construction	Urgent requirement	4 375 000.00 Excluding VAT
<i>Appointment of service provider for Hibiscus pothole repair pilot project</i>				

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

				2009 R	2008 R
IED	March 2009	WEC Projects	Sole supplier		7 837 300.00 Excluding VAT
<i>Manufacturer of package plants for Malangeni Treatment Plant</i>					
Corporate Services	March 2009	Dell Computers (Pty) Ltd	Sole supplier		1 968 846.12 Excluding VAT
<i>Procurement of computer equipment from manufacturers</i>					
Water Services	March 2009	Tree Top Plant Hire CC	Emergency services		2 280.00 Excluding VAT
<i>Procurement of earth moving plant for emergency repairs while own plant is not available</i>					
Water Services	March 2009	Abaziyo Consulting Engineers	Emergency repairs		424 793.78 Excluding VAT
<i>Appointment of consultants for urgent repairs to problematic water scheme works</i>					
Water Services	May 2009	Macingwane Security & Garden Services	Emergency repairs		92 263.05 Excluding VAT
<i>Appointment of contractors for urgent repairs to disrupted water supply</i>					
Water Services	May 2009	Moolas Siza Hardware CC	Emergency repairs		6 650.05 Excluding VAT
<i>Procurement of spares for emergency repairs to own earth moving plant</i>					
Water Services	May 2009	Sheppie Water Distributors CC	Emergency repairs		2 728.48 Excluding VAT
<i>Appointment of contractors for urgent water supply to premises used for festival</i>					
Municipal Manager	May 2009	Seethal Attorneys	Emergency services		19 585.00 Excluding VAT
<i>Appointment of consultants for urgent and specialist legal aid</i>					
Water Services	June 2009	Liquid Platinum	Flood damage		470 000.00 Excluding VAT
<i>Variation order - appointment of specialist service provider to assist manage disaster recovery projects</i>					
Water Services	June 2009	WEC Projects	Sole supplier		8 301 942.00 Excluding VAT
<i>Manufacturer of sewage treatment works at Melville</i>					
Water Services	June 2009	L Afrique Liquide	Flood damage		918 000.00 Excluding VAT
<i>Supply of mobile water treatment plant for disaster recovery projects</i>					
Municipal Manager	June 2009	Catalyst Entertainment // MBS Music Live at the Shack Entertainment Ringo Madlingozi Music Productions	Specific requirements		249 924.00 Excluding VAT
<i>Appointment of specific artists, managed by specific record label, for Ugu Jazz Festival</i>					

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
48. COMMITMENTS FOR EXPENDITURE		
48.1 Capital Commitments		
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	155 947 956	71 142 252
<i>Infrastructure</i>	152 194 632	62 785 927
<i>Community</i>	220 591	4 647 792
<i>Heritage</i>	315 000	-
<i>Other</i>	3 217 733	3 708 533
<i>Housing Development Fund</i>	-	-
<i>Investment Properties</i>	-	-
- Approved but Not Yet contracted for:-	43 176 854	16 324 252
<i>Infrastructure</i>	42 686 054	14 824 252
<i>Community</i>	-	-
<i>Heritage</i>	-	-
<i>Other</i>	490 800	1 500 000
<i>Housing Development Fund</i>	-	-
<i>Investment Properties</i>	-	-
Total Capital Commitments	199 124 810	87 466 504
This expenditure will be financed from:		
External Loans	6 842 819	311 953
Capital Replacement Reserve	-	-
Government Grants	106 613 161	80 348 144
District Council Grants	-	-
Public Contributions	-	-
Own Resources	85 668 830	6 806 407
	199 124 810	87 466 504

48.2 Lease Commitments

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

48.3 Other Commitments

The municipality has entered into a contract with Looch Security for the provision of security guard services for the next 2 years for a contract amount of R3 584 766, which will give rise to an annual charge of R1 792 383.

The municipality has entered into a contract with Sukuma Security for the provision of security guard services for the next 2 years for a contract amount of R5 213 952, which will give rise to an annual charge of R2 606 976.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
49. FINANCIAL INSTRUMENTS		
49.1 Classification		
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>	
Non-current Investments		
Fixed Deposits	Held to maturity	15 676 174 13 775 686
Long-term Receivables		
Officials: Relocation Loans	Loans and receivables	14 115 21 654
Sundry Loans	Loans and receivables	64 575 67 263
Consumer Debtors		
Sewerage	Loans and receivables	6 435 016 5 838 558
Water	Loans and receivables	23 621 131 23 814 885
Water Rate Debtors	Loans and receivables	11 072 092 9 131 338
Other Trade Debtors	Loans and receivables	4 488 007 5 284 842
Other Debtors		
Sundry Deposits	Loans and receivables	594 655 424 840
Sundry Debtors	Loans and receivables	20 879 418 32 540 751
Government Subsidy Claims	Loans and receivables	21 387 840 42 392 448
Provision for Impairment	Loans and receivables	- (31 645 492)
Bank,Cash and Cash Equivalents		
Call Deposits	Available for sale	37 904 586 38 816 511
Notice Deposits	Held to maturity	111 529 953 169 922 806
Bank Balances	Available for sale	41 433 153 12 698 387
Cash Floats and Advances	Available for sale	544 906 500 002
Current Portion of Long-term Receivables		
Officials: Relocation Loans	Loans and receivables	7 540 14 889
Sundry Loans	Loans and receivables	- 9 600
SUMMARY OF FINANCIAL ASSETS		
Held to maturity:		
Non-current Investments	Fixed Deposits	15 676 174 13 775 686
Bank,Cash and Cash Equivalents	Notice Deposits	111 529 953 169 922 806
		<u>127 206 127</u> <u>183 698 492</u>
Loans and Receivables		
Long-term Receivables	Officials: Relocation Loans	14 115 21 654
Long-term Receivables	Sundry Loans	64 575 67 263
Consumer Debtors	Sewerage	6 435 016 5 838 558
Consumer Debtors	Water	23 621 131 23 814 885
Consumer Debtors	Water Rate Debtors	11 072 092 9 131 338
Consumer Debtors	Other Trade Debtors	4 488 007 5 284 842
Other Debtors	Sundry Deposits	594 655 424 840
Other Debtors	Sundry Debtors	20 879 418 32 540 751
Other Debtors	Government Subsidy Claims	21 387 840 42 392 448
Other Debtors	Provision for Impairment	- (31 645 492)
Current Portion of Long-term Receivables	Officials: Relocation Loans	7 540 14 889
Current Portion of Long-term Receivables	Sundry Loans	- 9 600
		<u>90 188 027</u> <u>87 895 577</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		2009 R	2008 R
Available for Sale:			
Bank,Cash and Cash Equivalents	Call Deposits	37 904 586	38 816 511
Bank,Cash and Cash Equivalents	Bank Balances	41 433 153	12 698 387
Bank,Cash and Cash Equivalents	Cash Floats and Advances	544 906	500 002
		79 882 645	52 014 900
Total Financial Assets		297 276 799	323 608 968

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	Financial liabilities at amortised cost	20 300 000	20 300 000
Annuity Loans	Financial liabilities at amortised cost	89 689 307	78 022 811
Consumer Deposits			
Electricity and Water	Financial liabilities at amortised cost	17 474 507	16 485 647
Creditors			
Trade Creditors	Financial liabilities at amortised cost	5 594 231	5 404 202
Payments received in Advance	Financial liabilities at amortised cost	14 161 957	9 915 720
Retentions	Financial liabilities at amortised cost	2 957 912	2 822 138
Projects	Financial liabilities at amortised cost	58 949 463	38 178 425
Other Creditors	Financial liabilities at amortised cost	20 843 608	19 755 970
Bank Overdraft			
Bank Overdraft	Financial liabilities at amortised cost	7 004 067	-
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	1 944 636	1 450 419

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Long-term Liabilities	Local Registered Stock	20 300 000	20 300 000
Long-term Liabilities	Annuity Loans	89 689 307	78 022 811
Consumer Deposits	Electricity and Water	17 474 507	16 485 647
Creditors	Trade Creditors	5 594 231	5 404 202
Creditors	Payments received in Advance	14 161 957	9 915 720
Creditors	Retentions	2 957 912	2 822 138
Creditors	Projects	58 949 463	38 178 425
Creditors	Other Creditors	20 843 608	19 755 970
Bank Overdraft	Bank Overdraft	7 004 067	-
Current Portion of Long-term Liabilities	Annuity Loans	1 944 636	1 450 419
		238 919 685	192 335 333
Total Financial Liabilities		238 919 685	192 335 333

49.2 Fair Value

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.

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009 **2008**
R **R**

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 2008.

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 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 100,00%, increasing to 105,00%. This aggressive ratio is as a result of the developmental challenges faced by the municipality. Some of the borrowings are below market related rates.

2009 **2008**
R **R**

The gearing ratio at the year-end was as follows:

Debt	118 938 009	99 773 231
Bank, Cash and Cash Equivalents	(41 978 059)	(13 198 389)
Net Debt	76 959 950	86 574 842
Total Capital	777 441 710	643 425 999
Net debt to total capital ratio	9.90%	13.46%

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

Total Capital includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

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 IASs 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.

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 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 49.8 below). No formal policy exists to hedge volatilities in the interest rate market.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009	2008
R	R

49.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

49.6.2 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 periodically 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 2009

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 2009

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		15 676 174	-	-	15 676 174	-	-
INCA		13.39%	14 439 211	-	-	14 439 211	-	-
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		(91 633 942)	-	-	-	-	(91 633 942)
DBSA		10.00%	(1 219 715)	-	-	-	-	(1 219 715)
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		5.00%	(13 751 110)	-	-	-	-	(13 751 110)
DBSA (Ex Hibiscus Coast)		Various	(19 535 188)	-	-	-	-	(19 535 188)
DBSA (Ex Umdoni)		Various	(1 433 899)	-	-	-	-	(1 433 899)
DBSA (Ex Umuziwabantu)		Various	(983 657)	-	-	-	-	(983 657)
Total Fixed Rate Instruments			(96 257 768)	-	-	(4 623 826)	-	(91 633 942)
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	22	11.93%	149 434 540	149 434 540	-	-	-	-
Bank Balances and Cash	23	11.93%	191 412 598	191 412 598	-	-	-	-
Total Variable Rate Instruments			340 847 138	340 847 138	-	-	-	-

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		5.00%	-	-	-	-	-	-
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								
Bank, Cash and Cash Equivalents	23	11.93%	221 937 705	221 937 705	-	-	-	-
Total Variable Rate Instruments			221 937 705	221 937 705	-	-	-	-

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.

49.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 44 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.

Liquidity and Interest Risk Tables

The following table details the municipality's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS #	Average effective Interest Rate %	Total R	6 Months or less R	6 - 12 Months R	1 - 2 Years R	2 - 5 Years R	More than 5 Years R
30 June 2009								
Non-interest Bearing		0.00%	119 981 676	119 981 676	-	-	-	-
Fixed Interest Rate Instruments		8.03%	217 803 834	6 328 005	7 103 005	34 506 009	38 466 109	131 400 706
			337 785 510	126 309 681	7 103 005	34 506 009	38 466 109	131 400 706
30 June 2008								
Non-interest Bearing		0.00%	92 562 102	92 562 102	-	-	-	-
Fixed Interest Rate Instruments		8.03%	124 297 203	5 553 005	5 553 005	11 106 009	46 840 428	55 244 756
			216 859 305	98 115 107	5 553 005	11 106 009	46 840 428	55 244 756

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009 **2008**
R **R**

49. FINANCIAL INSTRUMENTS (Continued)

49.10 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 periodically 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 2009		30 June 2008	
	Credit Limit	Carrying Amount	Credit Limit	Carrying Amount
	R	R	R	R
Charprop 299 CC	-	-	-	119 880
Govender S.M.	-	163 609	-	-
Illovo Sugar Ltd	-	-	-	160 847
Sisonke District Municipality	-	316 832	-	114 790
Star Choice Trading 147 (Pty) Ltd	-	197 652	-	196 096
The Farm Homeowners Association	-	144 844	-	-
Ukasa River Estate Development	-	-	-	800 720
Umdoni Municipality	-	315 093	-	1 077 297

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
<p>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.</p>		
<p>The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:</p>		
Fixed Deposit Investments	15 676 174	13 775 686
Long-term Receivables	86 229	113 406
Consumer Debtors	45 616 246	44 069 623
Other Debtors	44 485 552	43 712 547
VAT Receivable	59 956 625	28 229 753
Bank, Cash and Cash Equivalents	184 408 532	221 937 705
Maximum Credit and Interest Risk Exposure	350 229 358	351 838 721
Credit quality of Financial Assets:		
<p>The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:</p>		
Long-term Receivables		
Group 1	86 229	113 406
Group 2	-	-
Group 3	-	-
Total Long-term Receivables	86 229	113 406
Consumer Debtors		
Counterparties without external credit rating:-		
Group 1	28 658 472	27 430 678
Group 2	2 211 143	1 031 961
Group 3	14 746 630	15 606 984
	45 616 246	44 069 623
Total Consumer Debtors	45 616 246	44 069 623
Other Debtors		
Group 1	-	-
Group 2	-	-
Group 3	42 861 913	43 712 547
Total Other Debtors	42 861 913	43 712 547
	(1 623 639)	
Bank Balances		
ABSA Bank Ltd	92 867 692	76 431 461
First National Bank of SA Ltd	15 000 000	43 000 000
INCA	15 676 174	13 775 686
Nedbank Ltd	38 000 000	44 000 000
Standard Bank	45 000 000	58 006 242
Total Bank Balances	206 543 866	235 213 389

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009	2008
R	R

50. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Ugu District Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

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.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

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 R13,9 million (2008: R12,6 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation. For both the Superannuation and Retirement Funds valuations making use of the Discontinuance Method Approach have been included as well.

DEFINED BENEFIT SCHEMES

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 2008 revealed that the fund had a shortfall of R170,6 (31 March 2007: shortfall of R229,8) million, with a funding level of 90,2% (31 March 2007: 85,7%). 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 2009

2009	2008
R	R

Superannuation Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2008.

The statutory valuation performed as at 31 March 2008 revealed that the fund had a surplus of R111,8 (31 March 2007: surplus of R20,9) million, with a funding level of 102,6% (31 March 2007: 100,5%). The contribution rate paid by the members (9,25%) and municipalities (18,00%) is 1,27% less than the required contribution rate for future service and will be reviewed at the next interim valuation as at 31 March 2009 when the outcome of a possible merger with the Retirement Fund above will be known with more certainty.

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 2008 on the DCF Method.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The statutory valuation performed as at 30 June 2006 revealed that the fund had a funding ratio of 106.5%. 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 further details could be provided for after the last valuation, being 30 June 2006.

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 2008 revealed that the market value of the fund was R604,7 (31 March 2007: R556,6) 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 2008. The recorded deficit of R3,3 million (31 March 2007: Surplus) will be met from future investment earnings.

51. RELATED PARTY TRANSACTIONS

51.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
None declared	Councillors	
None declared	Managers	
None declared	Senior Managers	

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R
2008
R

51.2 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 2009				
Councillors	73 516	61 654	-	4 658
Municipal Manager and Section 57 Personnel	2 126	13 150	-	361
Total Services	75 641	74 804	-	5 018

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

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.

51.3 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.

51.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 30 and 31 respectively, to the Annual Financial Statements.

51.5 Purchases from Related Parties

The municipality procured goods and / or services 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
Canaan Productions t/a Lighthouse	E Enock		Employee	45 548	-
Dan's Cleaning Services	T Malishe		Employee	118 379	-
In Toto Law School	P Sughudav		Employee	450 000	3 600
MB Electrical & Lighting	Clr Moosa Bux		Councillor	139 998	69 203
Skhunyana Training Consultants	N Gumbi		Employee	74 310	64 000
Vovolethu Function and Catering	Z Mbhele		Gijima Employee	-	55 220
Total Purchases				828 235	192 023

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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
52. CONTINGENT LIABILITIES		
52.1 Guarantees:	<u>2 862 000</u>	<u>2 862 000</u>
(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:	<u>5 075 295</u>	<u>4 787 716</u>
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:	<u>4 371 554</u>	<u>4 607 087</u>
(i) 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 Ezinqoleni Municipality / Horseshoe Farm. Council has filed a notice to defend the matter. The outcome of the legal processes is unknown at this stage.		
(ii) Council is involved in a dispute with ARS Investment CC (the applicant), where the applicant is claiming that Council was negligent and caused flood damage estimated at R216 000. Council has handed the documents to its Insurer with a view to appoint an attorney to defend the matter. The matter has been settled.		
(iii) 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.		
(iv) 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 matters have been referred to the municipality's insurers for settlement.		
(v) 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 matters have been referred to the municipality's insurers for settlement.		
(vi) 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 matter with Telkom has been settled whilst the outcome of the legal process with Eskom is unknown at this stage.		
(vii) 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). Arbitration has been set down for 05 to 09 October 2009.		
52.4 Insurance Claims:	<u>531 600</u>	<u>-</u>
(i) Claims to the value of R531 600 lodged against the municipality for alleged damages caused by incidents of which the municipality should take ownership, have been referred to the municipality's insurers. The outcome of these claims are unsure at year-end.		

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R

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. Arbitration has been set down for 05 to 09 October 2009.

	-	-
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(ii) The Nyenyezi Communal Property Association has indicated that it desires to transfer a housing development project, known as the "Jesus Housing Development", to the municipality. It is being investigated whether this will be probable as the land was originally transferred to the community in terms of a Regional Land Claim. Should the Constitution provide for the sale and transfer of the property, the municipality shall acquire the property through a deed of sale and establish a township in terms of the "Less Formal Township Establishment Act (Act 113 of 1991)". The value of the asset and the cost of transfer are unknown at this stage.

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 registered a private company on 17 February 2009. The main business and objects of the entity is to market and develop tourism for the entire district. At year-end the entity was yet to commence operations.

57. EVENTS AFTER THE REPORTING DATE

57.1 Municipal Entity - Ugu South Coast Tourism (Pty) Ltd:

The Ugu South Coast Tourism Entity, which was registered on 17 February 2009, commenced operations on 01 July 2009. No commitments were made by the entity prior to the commencement of operations. Ugu District Municipality holds all shares (100%) in the entity.

58. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 40) and prior period Errors (Note 41).

59. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:

- GRAP 18 Segment Reporting
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 103 Heritage Assets

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

APPENDIX A
UGU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2008	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2009
	R				R	R	R	R
LOCAL REGISTERED STOCK								
INCA	18 500 000	16.80%	A162	30/06/2011	18 500 000	-	-	18 500 000
INCA	1 800 000	15.60%	91, 92 & 93	30/06/2011	1 800 000	-	-	1 800 000
Total Local Registered Stock	20 300 000				20 300 000	-	-	20 300 000
ANNUITY LOANS								
DBSA	3 194 261	10.00%	-	31/03/2013	1 457 300	-	237 585	1 219 715
DBSA	5 000 000	2.65%	-	30/06/2015	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	62 000 000	5.00%	102756/001	30/06/2029	-	13 751 110	-	13 751 110
DBSA (Ex Hibiscus Coast)	18 573 441	Various	Various	Various	20 436 444	-	901 256	19 535 188
DBSA (Ex Umdoni)	2 500 000	Various	Various	Various	1 711 101	-	277 202	1 433 899
DBSA (Ex Umuziwabantu)	1 850 000	Various	Various	Various	1 158 012	-	174 354	983 657
Total Annuity Loans	143 117 702				79 473 231	13 751 110	1 590 398	91 633 942

APPENDIX A
UGU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2008	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2009
	R				R	R	R	R
CAPITAL LEASE LIABILITIES								
Ex Hibiscus Coast	-	Fluctuate	-	2006	175 286	-	-	175 286
Wesbank	438 782	Fluctuate	GMK00024L	01/04/2009	139 399	-	139 399	-
Wesbank	438 782	Fluctuate	GMK00025K	01/04/2009	139 399	-	139 399	-
Wesbank	438 782	Fluctuate	GMK00026J	01/04/2009	139 399	-	139 399	-
Wesbank	438 782	Fluctuate	GMK00027H	01/04/2009	139 399	-	139 399	-
Wesbank	438 782	Fluctuate	GMK00002A	01/05/2009	151 595	-	151 595	-
Wesbank	438 782	Fluctuate	GMK00003X	01/05/2009	151 595	-	151 595	-
Wesbank	483 598	12.50%	TYL45387W	31/12/2009	496 918	-	264 415	232 503
Nedbank	20 100 000	11.41%	Various (79)	Various	11 709 057	2 659 331	4 699 679	9 668 709
Total Capital Lease Liabilities	23 216 289				13 242 048	2 659 331	5 824 882	10 076 498
TOTAL EXTERNAL LOANS	186 633 991				113 015 279	16 410 441	7 415 280	122 010 440

APPENDIX A
UGU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2008	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2009
	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 after the 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 after the half-year during which the first disbursement was advanced to the borrower.

DBSA (Phase 1 - Umzimkulu Water Augmentation):

Structured unsecured 20 year loan. Original loan capital of R62 000 000 is repayable monthly in 216 fixed instalments of capital and interest, the first payment commencing on the last day of the 25th month after the month 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.

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2009
	Opening Balance	Additions	Under Construction	Disposals	GRAP 17 Adjustments	Closing Balance	Opening Balance	Additions	Disposals	GRAP 17 Adjustments	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
<i>Land:</i>													
Land: Developed	9 922 832	-	-	-	(374 325)	9 548 507	-	-	-	-	-	9 548 507	-
<i>Buildings:</i>													
Office Buildings	41 753 306	21 909 789	-	-	(23 897 289)	39 765 805	6 971 581	595 201	-	(2 229 083)	5 337 698	34 428 107	19 385 000
Workshops and Depots	3 657 055	-	-	-	(3 648 182)	8 873	1 816 661	296	-	(1 814 285)	2 662	6 211	8 300 000
Hostels: Workers	-	-	-	-	-	-	-	-	-	-	-	-	1 260 000
Other Buildings	-	65 335	-	-	211 352	276 687	-	15 085	-	2 262	17 347	259 340	-
	55 333 193	21 975 124			(27 708 444)	49 599 872	8 788 232	610 581		(4 041 106)	5 357 707	44 242 166	28 945 000
Infrastructure													
<i>Roads:</i>													
Roads	615 911	-	-	-	(615 911)	-	-	-	-	-	-	-	-
<i>Security Measures:</i>													
Access Control	75 184	-	-	-	(75 184)	-	24 922	-	-	(24 922)	-	-	-
Fencing / Perimeter Protection	1 325 587	-	-	-	(958 128)	367 458	375 462	4 387	-	(111 006)	268 842	98 616	280 000
Security Systems	112 005	-	-	-	(112 005)	-	110 461	-	-	(110 461)	-	-	1 900 000
<i>Sewerage:</i>													
Reticulation	32 629 740	8 123 948	-	-	(32 629 740)	8 123 948	6 944 540	-	-	(6 944 540)	-	8 123 948	524 000
Pumping Stations	1 265 768	2 397 428	-	-	61 779 769	65 442 965	322 193	784 205	-	37 839 967	38 946 365	26 496 600	-
Treatment Works	104 074 991	-	-	-	53 621 964	157 696 955	41 337 211	2 283 247	-	57 274 060	100 894 519	56 802 437	2 936 000
<i>Water:</i>													
Dams and Weirs	-	-	-	-	263 500 000	263 500 000	-	1 130 544	-	188 884 456	190 015 000	73 485 000	-
Reservoirs and Tanks	59 055 771	-	-	-	669 555 252	728 611 023	27 333 665	6 316 572	-	354 732 087	388 382 324	340 228 699	18 110 000
Pumping Stations	-	-	-	-	52 540 000	52 540 000	-	409 859	-	23 227 232	23 637 091	28 902 909	-
Treatment Works	-	6 405 477	-	-	50 075 000	56 480 477	-	390 629	-	31 449 734	31 840 364	24 640 113	-
Reticulation	312 228 033	156 451 105	-	-	(233 294 325)	235 384 813	32 212 304	1 044 087	-	12 917 563	46 173 954	189 210 859	117 774 985
Meters	16 703 481	130 338	-	-	(16 595 987)	237 832	7 200 701	1 254	-	(7 118 548)	83 408	154 425	4 108 000
Mains	103 709 816	-	-	-	(103 709 816)	-	55 129 721	-	-	(55 129 721)	-	-	30 190 123
	631 796 287	173 508 296			763 080 889	1 568 385 471	170 991 179	12 364 784		636 885 903	820 241 866	748 143 605	175 823 108

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2009
	Opening Balance	Additions	Under Construction	Disposals	GRAP 17 Adjustments	Closing Balance	Opening Balance	Additions	Disposals	GRAP 17 Adjustments	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Community Assets													
<i>Recreational Facilities:</i>													
Lakes and Dams	3 100 469	-	-	-	(3 100 469)	-	868 455	-	(868 455)	-	-	-	
<i>Sports Facilities:</i>													
Sports Complexes	-	23 108 133	-	-	20 258 960	43 367 093	-	-	-	-	-	43 367 093	
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	24 500 000
<i>Other Facilities:</i>													
Markets	26 051 329	2 502 646	-	-	526 838	29 080 814	-	794 761	-	6 703	801 463	28 279 351	
	29 151 798	25 610 780	-	-	17 685 329	72 447 907	868 455	794 761	-	(861 753)	801 463	71 646 444	24 500 000
Other Assets													
<i>Computer Equipment:</i>													
Computer Hardware	10 117 714	5 150 869	-	(370 673)	1 826 394	16 724 304	4 769 233	1 770 078	(345 654)	658 178	6 851 835	9 872 469	6 635 000
<i>Furniture and Fittings:</i>													
Cabinets and Cupboards	207 669	23 315	-	-	40 746	271 730	69 134	28 663	-	28 147	125 945	145 785	
Chairs	12 017	-	-	-	3 246	15 263	5 230	1 717	-	1 621	8 568	6 695	
Desks and Tables	184 295	122 199	-	-	43 764	350 257	52 080	33 428	-	20 654	106 162	244 095	
Other Furniture and Fittings	693 723	10 333	-	-	(355 117)	348 940	385 634	37 435	-	(280 488)	142 581	206 359	3 364 000
<i>Office Equipment:</i>													
Air Conditioners	851 611	45 041	-	-	(258 586)	638 065	260 901	38 448	-	94 038	393 388	244 678	111 500
Audiovisual Equipment	-	15 200	-	-	-	15 200	-	933	-	-	933	14 267	
Kitchen Appliances	-	7 321	-	-	-	7 321	-	263	-	-	263	7 058	
Office Equipment / Machines	244 257	-	-	-	65 690	309 948	141 676	25 493	-	(4 857)	162 312	147 636	
Photographic Equipment	-	14 070	-	-	-	14 070	-	1 131	-	-	1 131	12 939	
Other Office Equipment	-	35 287	-	-	-	35 287	-	3 598	-	-	3 598	31 689	
<i>Plant and Equipment:</i>													
Compaction Equipment	-	73 990	-	-	-	73 990	-	1 108	-	-	1 108	72 882	
Compressors, Generators & Allied	87 787	89 100	-	-	221 734	398 621	87 787	3 482	-	177 517	268 785	129 836	30 000
Fire Arms	48 246	-	-	-	4 825	53 070	-	6 892	-	689	7 581	45 489	
Gardening Equipment	204 258	-	-	-	102 548	306 806	194 286	2 600	-	27 660	224 546	82 260	
Laboratory Equipment	352 575	77 164	-	-	160 873	590 613	251 197	26 447	-	112 321	389 966	200 647	467 000
Radio Equipment	70 335	-	-	-	400 366	470 700	70 335	-	-	333 123	403 457	67 243	450 000
Telecommunication Equipment	31 834	756 205	-	-	130 839	918 878	28 204	100 637	-	99 308	228 150	690 728	
Other Plant and Equipment	21 644 608	2 558 680	-	-	(6 475 114)	17 728 174	7 177 876	748 233	-	3 071 993	10 998 102	6 730 072	5 474 000

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2009
	Opening Balance	Additions	Under Construction	Disposals	GRAP 17 Adjustments	Closing Balance	Opening Balance	Additions	Disposals	GRAP 17 Adjustments	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Motor Vehicles:</i>													
Bakkies (LDV's)	-	797 795	-	-	-	797 795	-	-	-	-	-	797 795	
Cycles	88 352	-	-	(18 000)	24 053	94 405	88 352	-	(18 000)	10 567	80 919	13 486	
Graders	528 708	-	-	-	122 562	651 270	429 487	4 276	-	49 640	483 403	167 867	
Motor Cars	3 462 671	229 289	-	(286 545)	604 803	4 010 219	1 654 263	333 292	(269 633)	80 819	1 798 741	2 211 478	390 000
Tractors	983 885	968 000	-	(365 000)	164 898	1 751 783	443 232	41 259	(243 433)	(29 824)	211 234	1 540 549	
Trucks	36 871 660	729 375	-	(1 968 437)	8 737 501	44 370 099	16 340 046	4 139 802	(1 678 937)	2 343 740	21 144 651	23 225 448	10 000 000
Watercraft	21 901	-	-	-	6 349	28 250	4 136	1 095	-	419	5 650	22 600	
	-	-	-	-	-	-	-	-	-	-	-	-	
<i>Other Assets:</i>													
Laboratories	70 635	-	-	-	(70 635)	-	9 928	-	-	(9 928)	-	-	
	76 778 741	11 703 233	-	(3 008 655)	5 501 739	90 975 058	32 463 017	7 350 311	(2 555 658)	6 785 337	44 043 006	46 932 052	26 921 500
Total	793 060 019	232 797 432	-	(3 008 655)	758 559 513	1 781 408 309	213 110 883	21 120 436	(2 555 658)	638 768 381	870 444 042	910 964 267	256 189 608

UGU DISTRICT MUNICIPALITY : ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2009

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2007	
	Opening Balance	Additions	Under Construction	Disposals / Transfers	GRAP 17 Adjustments	Closing Balance	Opening Balance	Additions	Disposals / Transfers	GRAP 17 Adjustments			Closing Balance
	R	R	R	R	R	R	R	R	R	R	R	R	
Intangible Assets													
Capitalised Development Costs	-	-	-	-	-	-	-	-	-	-	-	-	
Computer Software	12 228 911	-	-	-	1 508 694	13 737 605	2 642 501	2 495 589	-	3 112 710	8 250 800	5 486 805	2 100 000
Copyrights, Patents and Trademark	-	-	-	-	-	-	-	-	-	-	-	-	
Documents and Charts	-	-	-	-	-	-	-	-	-	-	-	-	
Rights and Servitudes	795 690	1 312 948	-	-	-	2 108 638	-	-	-	-	-	2 108 638	1 000 000
	-	-	-	-	-	-	-	-	-	-	-	-	
Total Intangible Assets	13 024 601	1 312 948	-	-	1 508 694	15 846 243	2 642 501	2 495 589	-	3 112 710	8 250 800	7 595 443	3 100 000

APPENDIX C
UGU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	GRAP 17 Adjustments	Closing Balance	Opening Balance	Additions	Disposals	GRAP 17 Adjustments	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	5 332 726	2 067 721	-	-	939 722	8 340 169	1 832 625	400 311	-	(447 489)	1 785 447	6 554 721
Finance and Administration	233 294 969	5 776 543	-	(370 673)	(222 852 395)	15 848 445	3 950 227	1 463 896	(345 654)	806 299	5 874 767	9 973 677
Planning and Development	484 342	-	-	-	(32 331)	452 012	200 169	58 942	-	20 849	279 960	172 052
Health	-	-	-	-	-	-	-	-	-	-	-	-
Community and Social Services	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	6 207 350	-	-	-	(6 079 677)	127 673	44 830	21 232	-	(3 723)	62 339	65 334
Sport and Recreation	22 178 960	23 108 133	-	-	(1 920 000)	43 367 093	3 009	-	-	(3 009)	-	43 367 093
Environmental Protection	120 313	-	-	-	336 214	456 527	39 330	41 770	-	55 710	136 809	319 718
Waste Management	162 541 289	8 822 271	-	(292 712)	(8 360 215)	162 710 632	56 912 634	3 628 481	(268 480)	34 326 438	94 599 073	68 111 560
Roads and Transport	-	-	-	-	-	-	-	-	-	-	-	-
Water	336 409 449	190 520 117	-	(2 345 270)	996 440 647	1 521 024 944	150 125 704	14 711 043	(1 941 523)	604 008 959	766 904 183	754 120 761
Electricity	-	-	-	-	-	-	-	-	-	-	-	-
Other	26 490 622	2 502 646	-	-	87 546	29 080 814	2 355	794 761	-	4 348	801 463	28 279 351
Total	793 060 019	232 797 432	-	(3 008 655)	758 559 513	1 781 408 309	213 110 883	21 120 436	(2 555 658)	638 768 381	870 444 042	910 964 267

APPENDIX D
UGU DISTRICT MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Revenue	2008 Actual Expenditure	2008 Surplus/ (Deficit)	Description	2009 Actual Revenue	2009 Actual Expenditure	2009 Surplus/ (Deficit)
R	R	R		R	R	R
29 965 588	32 190 692	(2 225 105)	Executive and Council	49 781 944	49 850 849	(68 906)
88 963 910	77 413 645	11 550 264	Finance and Administration	107 315 697	113 844 438	(6 528 741)
164 877 994	48 385 620	116 492 374	Planning and Development	197 923 637	99 399 560	98 524 077
2 491 512	859 235	1 632 277	Public Safety	4 977 648	20 384 880	(15 407 232)
-	117 174	(117 174)	Environmental Protection	-	1 581 691	(1 581 691)
55 460 823	45 289 782	10 171 041	Waste Water Management	52 367 139	57 403 815	(5 036 676)
205 894 713	223 163 944	(17 269 231)	Water	254 335 951	297 797 173	(43 461 222)
67 589	1 211 317	(1 143 727)	Other	465 432	1 461 554	(996 123)
547 722 129	428 631 409	119 090 720	Total	667 167 447	641 723 960	25 443 487

APPENDIX E(1)
UGU DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

Description	2008/2009 Actual	2008/2009 Budget	2008/2009 Variance	2008/2009 Variance	Explanation of Significant Variances Greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Service Charges	201 994 736	218 838 830	(16 844 094)	(8.34)	
Rental of Facilities and Equipment	290 641	739 173	(448 532)	(154.33)	Budgeted for new agreements which did not materialise
Interest Earned - External investments	10 747 736	25 687 311	(14 939 575)	(139.00)	Own funds utilised for capital expenses resulted in lower investments
Interest Earned - Outstanding debtors	3 392 998	1 010 202	2 382 796	70.23	Result of the discounting of service charges
Government Grants and Subsidies	339 770 505	235 529 046	104 241 459	30.68	Additional unbudgeted grants received as a result of flood disaster in June 2008
Other Revenue	109 029 483	110 093 820	(1 064 337)	(0.98)	
Public Contributions and Donations	1 941 348	-	1 941 348	100.00	All public contributions now to be included in performance statement
Total Revenue	667 167 447	591 898 383	75 269 064	12.72	
EXPENDITURE					
Employee Related Costs	165 601 436	172 526 485	(6 925 049)	(4.18)	
Remuneration of Councillors	5 542 404	4 710 267	832 137	15.01	Increase in Councillor Allowances more than budgeted for
Bad Debts	8 393 453	3 300 000	5 093 453	60.68	Additional contributions made to the Bad Debts Provision
Collection Costs	35 478	90 000	(54 522)	(153.68)	Included in budget for Legal Fees
Depreciation	23 616 025	33 417 727	(9 801 702)	(41.50)	Capital projects budgeted for not completed and brought into operation
Repairs and Maintenance	29 377 307	26 235 458	3 141 849	10.69	Emergency maintenance incurred as a result of flood disaster
Interest Paid	8 514 190	7 775 676	738 514	8.67	
Bulk Purchases	19 547 324	15 750 000	3 797 324	19.43	Additional purchases to assist drought-stricken communities
Contracted Services	11 586 426	10 176 350	1 410 076	12.17	Increased dependency on contracted services
Grants and Subsidies Paid	162 176 994	122 583 361	39 593 633	24.41	Additional unbudgeted grants received as a result of flood disaster in June 2008
General Expenses	207 332 924	195 333 060	11 999 865	5.79	
Total Expenditure	641 723 960	591 898 383	49 825 577	8.42	
NET SURPLUS FOR THE YEAR	25 443 487	-	25 443 487		

APPENDIX E(2)
UGU DISTRICT MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

Description	2008/2009	2008/2009	2008/2009	2008/2009	2008/2009	2008/2009	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	2 067 721		2 067 721	38 500	2 029 221	5 270.70	Expenditure budgeted for under Finance and Administration
Finance and Administration	5 776 543		5 776 543	9 094 500	(3 317 957)	(36.48)	Expenditure incurred under Executive and Council
Planning and Development	-		-	3 675 000	(3 675 000)	(100.00)	Environmental impact assessments outstanding
Public Safety	-		-	230 000	(230 000)	(100.00)	Projects budgeted for not executed in financial year
Sport and Recreation	23 108 133		23 108 133	24 500 000	(1 391 867)	(5.68)	Tender process was delayed
Waste Management	8 822 271		8 822 271	19 706 000	(10 883 729)	(55.23)	Environmental impact assessments outstanding and funding did not realise
Water	190 520 117		190 520 117	198 945 608	(8 425 491)	(4.24)	
Total	232 797 432	-	232 797 432	256 189 608	(23 392 176)	(9.13)	

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	214 064	390 188	235 336	69 256	85 042	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share	National Treasury	0	43 707 689	32 780 767	54 634 611	0	26 747 508	24 459 519	25 119 932	27 700 345	31 548 204	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Sports and Recreation	Dept Sport & Rec	600 000	0	925 000	275 000	600 000	43 228	265 544	1 424 276	628 840	239 420	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Gijima	DEAT	0	0	0	0	0	232 010	0	0	345 624	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various Provincial	DLGTA	810 000	10 250 000	0	26 500 000	35 193 540	2 404 001	2 891 254	13 333 540	2 753 012	5 663 270	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various National (inc. MIG)	DPLG	48 897 123	63 663 700	49 529 285	123 262 239	75 254 084	48 383 564	48 065 788	47 212 226	41 891 654	60 972 505	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DWAF	DWAF	7 322 500	1 336 200	34 000	1 114 000	446 800	9 119 845	620 403	1 244 088	1 876 367	860 144	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various	DBSA	150 000	150 000	0	0	300 000	0	0	235 059	0	74 073	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various Co-Operative Projects	IDC	0	0	0	0	0	0	54 680	0	0	96 000	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various (Public Contributions)	OTHER	2 834 296	1 872 363	1 801 130	2 127 223	2 299 527	0	0	0	0	3 400	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		60 613 919	121 479 951	85 070 182	207 913 073	114 093 950	87 144 220	76 747 376	88 804 457	75 265 098	99 542 058	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?																			