



Ugu District Municipality

ANNUAL FINANCIAL STATEMENTS
30 JUNE 2013

UGU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

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APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out in sections 1 to 17, in terms of Section 126 (1) of the Municipal Finance Management Act (Act No. 56 of 2003), and which I have signed on behalf of the Municipality.

DD NAIDOO

MUNICIPAL MANAGER
30 August 2013

SP MBILI

CHIEF FINANCIAL OFFICER
30 August 2013

UGU DISTRICT MUNICIPALITY
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MEMBERS OF COUNCIL

COUNCILLORS		PROPORTIONAL COUNCILLORS	
N F Shusha	ANC	S B Cele	ANC
T M Cele	ANC	N H Gumede	ANC
N Y Dlamini	ANC	M A Chiliza	ANC
M B Gavu	ANC	S M Mahomed	ANC
S T Gumede	ANC	I M Mavundla	ANC
Jacobus van Vuuren	ANC	E Moosa Bux	ANC
S A Khawula	ANC	M G Sonwabo	ANC
N A Madlala	ANC	T N Dzingwa	ANC
K B M Mbhele	ANC	U L Ntanza	ANC
N P Mpanza	ANC	N N Boyce	ANC
L N Myende	ANC	D Snashall	DA
Y Nair	ANC	S G Nyawuza Dr	IFP
D H Njoko	ANC	J S Mbutuma	NFP
M P L Zungu	ANC	S M Zuma	NFP
G D Henderson	DA		
J M Ndlela	IFP		
B E Machi	IFP		
M P Mtheshane	IFP		
Y L Duma	NFP		
Z A Mhlongo	NFP		
F B Shezi	NFP		

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MEMBERS OF COUNCIL (continued)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

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

D.D. NAIDOO
MUNICIPAL MANAGER
30 August 2013

UGU DISTRICT MUNICIPALITY
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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 2013 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2011/12 financial period is set out in Directive 4 and Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2013 indicates an increase in Net Assets and a decrease in Current Liabilities and Non-current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The decrease in Non-current Liabilities is primarily as a result of the repayment of External Loans. There is a slight decrease in Current Liabilities due to a decrease in Payables and provisions.

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.

2.1 Financial Statement Ratios:

INDICATOR	2013	2012
Surplus before Appropriations	262 505 860	176 195 038
Surplus at the end of the Year	1 824 167 845	1 561 661 982
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	31.99%	29.32%
Remuneration of Councillors	1.03%	0.91%
Collection Costs	0.03%	(0.00)%
Depreciation and Amortisation	6.92%	7.30%
Impairment Losses	(3.30)%	6.04%
Repairs and Maintenance	1.48%	2.28%
Interest Paid	2.23%	2.37%
Bulk Purchases	4.55%	4.45%
Contracted Services	2.55%	2.50%
Grants and Subsidies Paid	26.12%	21.66%
General Expenses	26.40%	23.17%
Current Ratio:		
Trade Creditors Days	85	132
Debtors from Exchange Transactions Days	105	52

2.2 Performance Indicators:

INDICATOR	2013	2012
Borrowing Management:		
Capital Charges to Operating Expenditure	4.32%	5.46%
Capital Charges to Own Revenue	7.71%	10.18%
Safety of Capital:		
Gearing	10.22%	12.68%
Liquidity:		
Current Ratio	0.81	0.47
Liquidity Ratio	0.28	0.18
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	91.86%	86.93%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	4.32%	52.84%
Revenue Management:		
Current Debtors Collection Rate	89.06%	78.75%
Outstanding Debtors to Revenue	15.04%	10.35%
Creditors Management:		
Creditors to Cash and Investments	138.68%	305.71%
Financial Viability:		
Debt Coverage	23.89	14.43
Outstanding Service Debtors to Revenue	32.31%	21.39%
Cost Coverage	0.10	0.07

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 2013 are as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Revenue:					
Opening surplus	644 200 635	260 558 883	147.24	-	100.00
Operating revenue for the year	917 400 547	857 707 408	6.96	721 584 498	27.14
Appropriations for the year	(130 863 582)	(186 824 691)	(29.95)	-	100.00
	1 430 737 600	931 441 601	53.60	721 584 498	98.28
Expenditure:					
Operating expenditure for the year	654 894 686	681 512 370	(3.91)	712 591 081	8.10
Sundry transfers	(1 640 609)	(411 310 164)	(99.60)	-	100.00
Closing surplus	777 483 521	661 239 394	17.58	8 993 417	8 545.03
	1 430 737 599	931 441 600	53.60	721 584 498	98.28

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 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Revenue	134 952 116	102 262 514	31.97	134 352 118	80.04
Expenditure	146 236 781	150 991 710	(3.15)	171 782 507	3.81
Surplus / (Deficit)	(11 284 665)	(48 729 196)	35.12	(37 430 389)	(269.85)
Surplus / (Deficit) as % of total income	8.36%	47.65%		(27.86)%	

Variance from 2011/12 actual:

The 31.97% increase on last year's actual revenue is primarily as a result of the increase in revenue recognised from conditions met on grant expenditure. The 3.15% decrease on last year's actual expenditure is primarily as a result of the measures put in place to curtail expenditure.

Variance from 2012/13 budget:

The 80.04% increase on the reporting year's budget is primarily as a result of revenue recognised from grant expenditure being more than budgeted for in the current years budget. The 3.81% increase on the reporting year's budget is primarily as a result of increase in grant expenditure being more than the budget.

3.2 Economic Services:

These services entail essentially the construction, operation and maintenance of sanitation schemes within the area of jurisdiction of the municipality.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Revenue	100 746 928	95 025 050	6.02	101 183 485	(0.43)
Expenditure	56 341 565	58 925 644	(4.39)	81 393 421	(11.07)
Surplus	44 405 363	36 099 406	23.01	19 790 064	124.38
Surplus / (Deficit) as % of total income	44.08%	37.99%		19.56%	

Variance from 2011/12 actual:

The 6.02% increase on last year's actual revenue is primarily as a result of an increase in charges for sanitation due to new connections to the systems

Variance from 2012/13 budget:

The 0.43% decrease on the reporting year's budget is primarily as a result of an under collection on Service Charges. The 11.07% decrease on the reporting year's budget is primarily as a result of curtailment of expenditure due to cash flow constraints.

3.3 Trading Services:

These services entail the construction, operation and maintenance of all water schemes located within the area of jurisdiction of the municipality.

Water is bought in bulk from Umgeni Water Board and eThekweni Municipality and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R34 650 454 (2012: R34 327 836). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Revenue	681 701 503	660 419 843	3.22	486 048 894	40.25
Expenditure	452 316 340	471 595 015	(4.09)	459 415 154	11.33
Surplus / (Deficit)	229 385 163	188 824 828	21.48	26 633 741	539.25
Surplus / (Deficit) as % of total income	24.98%	19.03%		5.48%	

Variance from 2011/12 actual:

The 3.22% increase on last year's actual revenue is primarily as a result of Conditional Grants being released in revenue and increase in Service Charges. The -4.09% decrease on last year's actual expenditure is primarily as a result of a decrease in Repairs & Maintenance and Contracted Services.

Variance from 2012/13 budget:

The 40.25% increase on the reporting year's budget is primarily as a result of grants spent on capital programmes not included in the revenue budget. The 11.33% increase on the reporting year's budget is primarily as a result of an increase in grant expenditure budgeted for.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R192 962 058 (2012: R187 443 724). Full details of Assets are disclosed in Notes 10, 11, N/A and Appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R192 962 058 was financed as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Capital Replacement Reserve	16 872 657	32 058 631	(47.37)	4 583 122	268.15
External Loans	7 294 544	61 180 921	(88.08)	35 443 400	(79.42)
Finance Leases	-	-	-	-	-
Grants and Subsidies	168 794 857	104 524 915	61.49	295 065 695	(42.79)
Public Contributions	-	11 260 219	(100.00)	-	-
	192 962 058	209 024 687	(7.68)	335 092 217	(42.42)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2013	2012
Capital Replacement Reserve	8.74%	15.34%
External Loans	3.78%	29.27%
Finance Leases	-	-
Grants and Subsidies	87.48%	50.01%
Public Contributions	-	5.39%
	100.00%	100.00%

Capital Assets are 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	2013	2012
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	8 993 417	8 330
Revenue variances	195 816 049	95 040 553
Expenditure variances:		
Employee Related Costs	4 334 432	17 606 229
Remuneration of Councillors	(534 782)	(43 957)
Collection Costs	(258 323)	20 412
Depreciation and Amortisation	8 107 251	(6 501 721)
Impairment Losses	36 554 870	(37 313 069)
Repairs and Maintenance	11 479 810	7 828 302
Interest Paid	(557 550)	116 177
Bulk Purchases	5 362 746	2 278 476
Contracted Services	7 481 740	2 063 370
Grants and Subsidies Paid	(42 592 835)	(53 275 010)
General Expenses	(28 319 034)	(148 366 947)
Loss on disposal of Property, Plant and Equipment	-	-
Actual surplus before appropriations	262 505 860	176 195 038

DETAILS	2013	2012
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	8 993 417	8 330
Executive and Council	9 458 788	(43 037 292)
Finance and Administration	14 506 662	(23 026 711)
Planning and Development	-	-
Public Safety	326 960	4 269 779
Sport and Recreation	691 730	262 219
Environmental Protection	183 908	1 479 382
Waste Management	24 615 298	6 154 240
Water	202 751 423	182 719 079
Other	937 676	10 196 369
Actual surplus before appropriations	262 505 862	176 195 038

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

5.2 Capital Budget:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Variance actual 2012/13 / 2011/12 R	Budgeted 2012/13 R	Variance actual/ budgeted R
Executive and Council	-	637 652	(637 652)	3 418 227	(3 418 227)
Finance and Administration	8 998 092	5 471 964	3 526 128	1 164 895	7 833 197
Planning and Development	105 251 533	147 708 347	(42 456 814)	-	105 251 533
Community and Social Services	-	-	-	-	-
Public Safety	87 697	-	87 697	16 650 000	(16 562 303)
Sport and Recreation	-	76 793	(76 793)	-	-
Environmental Protection	-	-	-	-	-
Waste Management	16 191 418	3 980 224	12 211 194	59 552 000	(43 360 582)
Roads and Transport	-	-	-	-	-
Water	61 545 015	32 657 412	28 887 603	254 307 095	(192 762 080)
Electricity	-	-	-	-	-
Other	888 303	-	888 303	-	888 303
	192 962 058	190 532 392	2 429 666	335 092 217	(142 130 159)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (2)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2013 amounted to R1 824 167 845 (30 June 2012: R1 561 661 982) and is made up as follows:

Capital Replacement Reserve	72 267
Capitalisation Reserve	37 672 849
Donations and Public Contributions Reserve	21 040 164
Government Grants Reserve	972 601 295
Accumulated Surplus	<u>792 781 270</u>
	<u>1 824 167 845</u>

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

The Capitalisation Reserve is utilised to offset the cost of depreciation of assets funded from Internal Advances (not applicable anymore) over the lifespan of such assets.

The Donations and Public Contributions Reserve is utilised to offset the cost of depreciation of assets funded from Contributions from Public over the lifespan of such assets. Amounts equal to the cost of assets acquired from Public Contributions are transferred to the reserve annually.

The Government Grants Reserves are utilised to offset the cost of depreciation of assets funded from Government Grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants 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 Note 22 for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2013 was R186 446 535 (30 June 2012: R198 015 541).

Loans to the amount of R7 294 544 (2011/12: R8 199 317) was taken up during the financial year to enable the municipality to finance part of its capital requirements for the year.

Refer to Note 19 and Appendix "A" for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2013 was R21 375 642 (30 June 2012: R18 959 976).

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 20 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R8 440 747 as at 30 June 2013 (30 June 2012: R9 055 346) and is made up as follows:

Provision for Long-term Service	8 440 747
	<u>8 440 747</u>

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

Refer to Note 21 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R249 356 018 as at 30 June 2013 (30 June 2012: R302 581 100) and is made up as follows:

Consumer Deposits	Note 14	19 379 146
Provisions	Note 15	1 785 888
Payables	Note 16	98 494 299
Unspent Conditional Grants and Receipts	Note 17	109 557 686
Operating Lease Liabilities	Note 18	34 011
Bank Overdraft	Note 6	3 195 209
Current Portion of Long-term Liabilities	Note 19	16 909 779
		<u>249 356 018</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). Given the cash flow constraints, every endeavour will be made to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R2 053 391 229 as at 30 June 2013 (30 June 2012: R1 936 487 604).

Refer to Note 9 and Appendices "B, C and E (2)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R10 585 423 as at 30 June 2013 (30 June 2012: R12 914 198).

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

Refer to Note 10 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Property were R25,000,000 as at 30 June 2013 (30 June 2012: R0).

This property comprises the Ugu Fresh Produce Market and incorporates wholesalers, retailers and a banana ripening plant. At year-end tenants had entered into lease agreements.

Refer to Note 11 and Appendix "B" for more detail.

14. NON-CURRENT INVESTMENTS

Non-current Investments to the value of R100 as at 30 June 2013 (30 June 2012: R100) are made up as follows:

Investment in Municipal Entities	100
	<u>100</u>
Less: Short-term portion included in Current Assets	-
	<u><u>100</u></u>

Refer to Note 12 for more detail.

15. LONG-TERM RECEIVABLES

Long-term Receivables of R70 292 as at 30 June 2013 (30 June 2012: R9 562) are made up as follows:

Relocation Loans	110 623
Sundry Loans	11 093
	<u>121 716</u>
Less: Short-term portion included in Current Assets	51 424
	<u><u>70 292</u></u>

Refer to Note 13 for more detail.

16. CURRENT ASSETS

Current Assets amounted R200 739 743 as at 30 June 2013 (30 June 2012: R140 862 479) and is made up as follows:

Inventories	Note 2	9 515 193
Receivables from Exchange Transactions	Note 3	83 984 321
Receivables from Non-exchange Transactions	Note 4	16 588 878
VAT Receivable	Note 5	19 535 463
Cash and Cash Equivalents	Note 6	71 020 681
Operating Lease Receivables	Note 7	43 785
Current Portion of Long-term Receivables	Note 8	51 424
		<u><u>200 739 743</u></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 17 and 23, 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 56

19. EXPRESSION OF APPRECIATION

Whilst this has been a very testing year, 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 Shamala, Fanie, Sabelo, Garryn, Treasury Management and all staff who assisted with the collation of year-end information and preparation of the Annual Financial Statements, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

30 August 2013

UGU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Note	Actual	
		2013 R	2012 R
ASSETS			
Current Assets		200 739 743	140 862 479
Inventories	2	9 515 193	8 959 936
Receivables from Exchange Transactions	3	83 984 321	42 652 997
Receivables from Non-exchange Transactions	4	16 588 878	24 684 684
VAT Receivable	5	19 535 463	9 908 578
Cash and Cash Equivalents	6	71 020 681	54 642 857
Operating Lease Receivables	7	43 785	-
Current Portion of Long-term Receivables	8	51 424	13 427
Non-Current Assets		2 089 047 044	1 949 411 465
Property, Plant and Equipment	9	2 053 391 229	1 936 487 604
Intangible Assets	10	10 585 423	12 914 198
Investment Property	11	25 000 000	-
Non-current Investments	12	100	100
Long-term Receivables	13	70 292	9 562
Total Assets		2 289 786 787	2 090 273 944
LIABILITIES			
Current Liabilities		249 356 018	302 581 100
Consumer Deposits	14	19 379 146	18 790 162
Provisions	15	1 785 888	2 165 513
Payables	16	98 494 299	167 046 264
Unspent Conditional Grants and Receipts	17	109 557 686	100 154 692
Operating Lease Liabilities	18	34 011	-
Bank Overdraft	6	3 195 209	7 183
Current Portion of Long-term Liabilities	19	16 909 779	14 417 285
Non-Current Liabilities		216 262 924	226 030 862
Long-term Liabilities	19	186 446 535	198 015 541
Retirement Benefit Liabilities	20	21 375 642	18 959 976
Non-current Provisions	21	8 440 747	9 055 346
Total Liabilities		465 618 942	528 611 962
Total Assets and Liabilities		1 824 167 846	1 561 661 982
NET ASSETS		1 824 167 845	1 561 661 982
Accumulated Surplus	22	1 824 167 845	1 561 661 982
Total Net Assets		1 824 167 845	1 561 661 982



UGU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

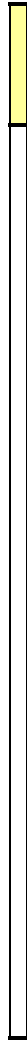
	Note	Actual	
		2013 R	2012 R
REVENUE			
Revenue from Non-exchange Transactions			
Government Grants and Subsidies Received	23	594 810 326	533 571 282
Public Contributions and Donations	24	3 171 874	250 000
Revenue from Exchange Transactions			
Service Charges	25	291 397 112	297 466 286
Rental of Facilities and Equipment	26	1 693 135	580 219
Interest Earned - External Investments	27	1 917 079	4 839 463
Interest Earned - Outstanding Debtors	27	18 376 237	16 758 750
Other Revenue	28	6 034 784	4 179 148
Gains on Disposal of Property, Plant and Equipment		-	62 259
Total Revenue		917 400 547	857 707 408
EXPENDITURE			
Employee Related Costs	29	243 691 262	226 075 557
Remuneration of Councillors	30	7 848 538	7 046 209
Collection Costs		258 323	(20 412)
Depreciation and Amortisation	31	52 754 325	56 280 905
Impairment Losses	32	(25 175 715)	46 592 646
Repairs and Maintenance		11 288 922	17 598 368
Finance Costs	33	16 959 930	18 292 580
Bulk Purchases	34	34 650 454	34 327 836
Contracted Services	35	19 406 168	19 266 484
Grants and Subsidies Paid	36	199 002 722	167 060 093
General Expenses	37	94 209 758	88 992 105
Loss on Disposal of Property, Plant and Equipment		-	-
Total Expenditure		654 894 686	681 512 370
SURPLUS / (DEFICIT) FOR THE YEAR		262 505 860	176 195 038
Refer to Appendix E(1) for explanation of budget variances			



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

Description	Housing Development Fund	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R	R
2012				
Balance at 30 June 2011	-	-	1 385 567 372	1 385 567 372
Change in Accounting Policy (Note 40)				-
Correction of Error (Note 41)		-	(100 428)	(100 428)
Restated Balance	-	-	1 385 466 944	1 385 466 944
Surplus / (Deficit) for the year			176 195 038	176 195 038
Contributions to Funds and Reserves			-	-
Interest allocated to Funds and Reserves	-		-	-
Donated / Contributed PPE			-	-
Grants utilised to obtain PPE			-	-
Funds and Reserves utilised to finance PPE			-	-
Asset disposals			-	-
Offsetting of Depreciation		-	-	-
Balance at 30 June 2012	-	-	1 561 661 982	1 561 661 982
2013				
Change in Accounting Policy (Note 40)				-
Correction of Error (Note 41)				-
Restated Balance	-	-	1 561 661 982	1 561 661 982
Surplus / (Deficit) for the year			262 505 860	262 505 860
Contributions to Funds and Reserves			-	-
Interest allocated to Funds and Reserves	-		-	-
Donated / Contributed PPE			-	-
Grants utilised to obtain PPE			-	-
Funds and Reserves utilised to finance PPE			-	-
Asset disposals			-	-
Offsetting of Depreciation		-	-	-
Balance at 30 June 2013	-	-	1 824 167 842	1 824 167 842

Details on the movement of the Funds and Reserves are set out in Note 22



UGU DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	Actual 2013 R	2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants	23	584 261 630	567 272 465
Public Contributions and Donations	24	4 317 576	(4 525 433)
Service Charges	25	275 874 387	247 437 293
Interest Received	27	1 917 079	4 839 463
Other Receipts		43 335 281	(31 064 712)
Payments			
Employee Related Costs	29	(242 589 549)	(228 618 388)
Remuneration of Councillors	30	(7 848 538)	(7 046 209)
Interest Paid	33	(16 959 930)	(18 292 580)
Suppliers Paid		(133 897 510)	(54 856 249)
Other Payments		(293 558 953)	(256 462 131)
NET CASH FLOWS FROM OPERATING ACTIVITIES		214 851 473	218 683 520
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(192 577 928)	(187 443 724)
Purchase of Intangible Assets	10	(384 130)	(3 088 668)
Proceeds on Disposal of Property, Plant and Equipment		-	372 139
Proceeds on Disposal of Heritage Assets		-	-
Profit on Sale of Land		-	-
Decrease / (Increase) in Non-current Investments		-	-
Decrease / (Increase) in Long-term Receivables	13	(60 730)	16 685
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(193 022 788)	(190 143 567)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised	19	7 294 544	8 199 317
Loans repaid	19	(15 933 431)	(23 813 522)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		(8 638 887)	(15 614 206)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	6	13 189 798	12 925 746
		-0.14	-0.40
Cash and Cash Equivalents at the beginning of the year		54 635 674	41 709 927
Cash and Cash Equivalents at the end of the year		67 825 471	54 635 674

UGU DISTRICT MUNICIPALITY
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventory	6 826 000	2 134 000	-	8 960 000	9 515 193	-	555 193	106.20	139.40
Non-current Assets Held-for-Sale	-	-	-	-	-	-	-	0.00	0.00
Receivables from Exchange Transactions	58 821 462	(10 788 000)	-	48 033 462	83 984 321	-	35 950 859	174.85	142.78
Receivables from Non-exchange Transactions	7 646 000	17 039 000	-	24 685 000	16 588 878	-	(8 096 122)	67.20	216.96
VAT Receivable	-	-	-	-	19 535 463	-	19 535 463	0.00	0.00
Bank, Cash and Cash Equivalents	20 545 809	34 097 191	-	54 643 000	71 020 681	-	16 377 681	129.97	345.67
Operating Lease Assets	-	-	-	-	43 785	-	43 785	0.00	0.00
Current Portion of Long-term Receivables	7 930	-	-	7 930	51 424	-	43 493	648.43	648.43
Non-Current Assets									
Property, Plant and Equipment	1 569 467 000	366 928 000	-	1 936 395 000	2 053 391 229	-	116 996 229	106.04	130.83
Intangible Assets	7 989 069	(7 989 069)	-	-	10 585 423	-	10 585 423	0.00	132.50
Investment Property	-	-	-	-	25 000 000	-	25 000 000	0.00	0.00
Non-current Investments	-	-	-	-	100	-	100	0.00	0.00
Long-term Receivables	22 000	9 540 000	-	9 562 000	70 292	-	(9 491 708)	0.74	319.51
Total Assets	1 671 325 271	410 961 121	-	2 082 286 392	2 289 786 787	-	207 500 395	109.97	137.00
Current Liabilities									
Consumer Deposits	19 036 000	-	-	19 036 000	19 379 146	-	343 146	101.80	101.80
Provisions	3 862 000	-	-	3 862 000	1 785 888	-	(2 076 112)	46.24	46.24
Payables	118 812 428	60 068 121	-	178 880 549	98 494 299	-	(80 386 251)	55.06	82.90
Unspent Conditional Grants and Receipts	93 246 000	-	-	93 246 000	109 557 686	-	16 311 686	117.49	117.49
Operating Lease Liabilities/Payables	-	-	-	-	34 011	-	34 011	0.00	0.00
Bank Overdraft	-	-	-	-	3 195 209	-	3 195 209	0.00	0.00
Current Portion of Long-term Liabilities	9 868 000	4 549 000	-	14 417 000	16 909 779	-	2 492 779	117.29	171.36
Non-Current Liabilities									
Long-term Liabilities	199 157 843	-	-	199 157 843	186 446 535	-	(12 711 308)	93.62	93.62
Retirement Benefit Liabilities	28 441 000	(9 481 000)	-	18 960 000	21 375 642	-	2 415 642	112.74	75.16
Non-current Provisions	5 671 000	-	-	5 671 000	8 440 747	-	2 769 747	148.84	148.84
Total Liabilities	478 094 271	55 136 121	-	533 230 392	465 618 942	-	(67 611 451)	87.32	97.39
Total Assets and Liabilities	1 193 231 000	355 825 000	-	1 549 056 000	1 824 167 846	-	275 111 846	117.76	152.88
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	1 193 231 000	355 825 000	-	1 549 056 000	1 824 167 846	-	275 111 846	117.76	152.88
Total Net Assets	1 193 231 000	355 825 000	-	1 549 056 000	1 824 167 846	-	275 111 846	117.76	152.88

FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Government Grants and Subsidies Received	324 164 576	56 446 064	-	380 610 640	402 912 466	-	22 301 826	105.86	124.29
Public Contributions and Donations	-	-	-	-	354 223	-	354 223	0.00	0.00
Revenue from Exchange Transactions									
Service Charges	330 413 371	-	-	330 413 371	291 397 112	-	(39 016 259)	88.19	88.19
Rental of Facilities and Equipment	2 970 098	-	-	2 970 098	1 693 135	-	(1 276 963)	57.01	57.01
Interest Earned - External Investments	2 000 000	-	-	2 000 000	1 917 079	-	(82 921)	95.85	95.85
Interest Earned - Outstanding Debtors	1 873 312	-	-	1 873 312	18 376 237	-	16 502 924	980.95	980.95
Other Income	3 717 076	0	-	3 717 076	112 976 727	-	109 259 651	3 039.40	3 039.40
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00	0.00
Total Revenue	665 138 433	56 446 064	-	721 584 497	829 626 978	-	108 042 481	114.97	124.73
Expenditure									
Employee Related Costs	240 475 559	7 550 136	-	248 025 694	243 691 262	-	(4 334 432)	98.25	101.34
Remuneration of Councillors	6 981 280	332 476	-	7 313 756	7 848 538	534 782	534 782	107.31	112.42
Collection Costs	-	-	-	-	258 323	258 323	258 323	0.00	0.00
Depreciation and Amortisation	57 947 414	2 914 162	-	60 861 576	52 754 325	-	(8 107 251)	86.68	91.04
Impairment Losses	11 379 155	-	-	11 379 155	(25 175 715)	-	(36 554 870)	0.00	0.00
Repairs and Maintenance	29 301 607	343 393	-	29 645 000	11 288 922	-	(18 356 078)	38.08	38.53
Finance Costs	17 972 319	(1 569 939)	-	16 402 380	16 959 930	557 550	557 550	103.40	94.37
Bulk Purchases	40 513 200	(500 000)	-	40 013 200	34 650 454	-	(5 362 746)	86.60	85.53
Contracted Services	24 752 150	(4 217 928)	-	20 534 222	19 406 168	-	(1 128 054)	94.51	78.40
Grants and Subsidies Paid	114 757 560	44 582 327	-	159 339 887	199 002 722	39 662 835	39 662 835	124.89	173.41
General Expenses	110 110 123	8 966 088	-	119 076 211	201 151 701	82 075 490	82 075 490	168.93	182.68
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00	0.00
Total Expenditure	654 190 367	58 400 715	-	712 591 081	761 836 630	123 088 979	49 245 549	106.91	116.45
Surplus/(Deficit)	10 948 066	(1 954 650)	-	8 993 416	67 790 349	(123 088 979)	58 796 932	753.78	619.20
Transfers Recognised - Capital	-	-	-	-	191 897 861	-	191 897 861	0.00	0.00
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	2 817 651	-	2 817 651	0.00	0.00
Surplus/(Deficit) after Capital Transfers and	10 948 066	(1 954 650)	-	8 993 416	262 505 860	(123 088 979)	253 512 444	2 918.87	2 397.74
Surplus/(Deficit for the Year)	10 948 066	(1 954 650)	-	8 993 416	262 505 860	(123 088 979)	253 512 444	2 918.87	2 397.74
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	-	(486 853)	-	-	-	-	-	0.00	0.00
Finance and Administration	2 500 000	1 676 449	-	3 243 417	8 998 092	5 754 675	5 754 675	277.43	359.92
Planning and Development	-	(259 965)	-	-	105 251 533	105 251 533	105 251 533	0.00	0.00
Community and Social Services	-	(9 266 339)	-	-	-	-	-	0.00	0.00
Public Safety	-	1 880 400	-	3 000 000	87 697	-	(2 912 303)	2.92	0.00
Sport and Recreation	-	(26 908 357)	-	250 000	-	-	(250 000)	0.00	0.00
Environmental Protection	-	(3 000)	-	-	-	-	-	0.00	0.00
Waste Water Management	40 700 000	42 591 745	-	57 908 981	16 191 418	-	(41 717 563)	27.96	39.78
Roads and Transport	-	(86 223 155)	-	-	-	-	-	0.00	0.00
Water	281 182 000	134 532 670	-	217 665 877	61 545 015	-	(156 120 862)	28.27	21.89
Electricity	-	(24 031 761)	-	-	-	-	-	0.00	0.00
Other	-	(900)	-	-	888 303	888 303	888 303	0.00	0.00
Total Sources of Capital Funds	324 382 000	33 500 934	-	282 068 275	192 962 058	111 894 511	(89 106 217)	68.41	59.49

CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Grants	464 394 777	45 879 223	-	510 274 000	584 261 630	73 987 630	73 987 630	114.50	125.81
Public Contributions and Donations	-	-	-	-	4 317 576	4 317 576	4 317 576	0.00	0.00
Service Charges	367 500 105	(77 337 334)	-	290 162 771	275 874 387	-	(14 288 384)	95.08	75.07
Interest Received	17 858 861	(15 858 861)	-	2 000 000	1 917 079	-	(82 922)	95.85	10.73
Other Receipts	867 510	(152 130)	-	715 380	43 335 281	42 619 901	42 619 901	6 057.66	4 995.36
Employee Related Costs	-	-	-	-	(242 589 549)	-	(242 589 549)	0.00	0.00
Remuneration of Councillors	-	-	-	-	(7 848 538)	-	(7 848 538)	0.00	0.00
Interest Paid	(13 889 016)	(4 519 757)	-	(18 408 773)	(16 959 930)	1 448 844	1 448 844	0.00	0.00
Suppliers Paid	(359 955 225)	(41 769 000)	-	(401 724 225)	(133 897 510)	267 826 715	267 826 715	0.00	0.00
Other Payments	-	(115 585 082)	-	(115 585 082)	(293 558 953)	-	(177 973 871)	0.00	0.00
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	(331 497 600)	96 933 600	-	(234 564 000)	(192 577 928)	41 986 072	41 986 072	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	(384 130)	-	(384 130)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Non-current Investments	(63 000 000)	63 000 000	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Long-term Receivables	5 040	-	-	5 040	(60 730)	-	(65 770)	0.00	0.00
Cash Flows from/(used in) Financing Activities									
New Loans raised	13 292 475	(13 292 475)	-	-	7 294 544	7 294 544	7 294 544	0.00	54.88
Loans repaid	(1 287 697)	(15 269 075)	-	(16 556 772)	(15 933 431)	623 341	623 341	0.00	0.00
Cash and Cash Equivalents at End of the Year	94 289 230	(77 970 891)	-	16 318 339	13 189 798	440 104 623	(3 128 541)	80.83	13.99

30 June 2012

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventory	7 826 487	-	-	7 826 487	8 959 936	-	1 133 449	114.48	114.48
Non-current Assets Held-for-Sale	-	-	-	-	0	-	0	0.00	0.00
Receivables from Exchange Transactions	53 248 755	(10 000 000)	-	43 248 755	42 652 997	-	(595 758)	98.62	80.10
Receivables from Non-exchange Transactions	24 154 410	(15 500 000)	-	8 654 410	24 684 684	-	16 030 274	285.23	102.20
VAT Receivable	-	-	-	-	9 908 578	-	9 908 578	0.00	0.00
Bank, Cash and Cash Equivalents	13 311 003	9 000 000	-	22 311 003	54 642 857	-	32 331 854	244.91	410.51
Current Portion of Long-term Receivables	7 482	-	-	7 482	13 427	-	5 945	179.46	179.46
Non-Current Assets									
Property, Plant and Equipment	1 334 122 843	(35 535 758)	-	1 298 587 085	1 936 487 604	-	637 900 519	149.12	145.15
Intangible Assets	14 265 000	-	-	14 265 000	12 914 198	-	(1 350 802)	90.53	90.53
Non-current Investments	-	-	-	-	100	-	100	0.00	0.00
Long-term Receivables	23 756	-	-	23 756	9 562	-	(14 194)	40.25	40.25
Total Assets	1 446 959 736	(52 035 758)	-	1 394 923 978	2 090 273 944	-	695 349 966	149.85	144.46
Current Liabilities									
Consumer Deposits	18 206 034	775 771	-	18 981 805	18 790 162	-	(191 643)	98.99	103.21
Provisions	1 938 268	2 025 578	-	3 963 846	2 165 513	-	(1 798 333)	54.63	111.72
Payables	132 384 750	(15 000 000)	-	117 384 750	167 046 264	-	49 661 514	142.31	126.18
Unspent Conditional Grants and Receipts	115 720 930	(10 000 000)	-	105 720 930	117 193 475	-	11 472 545	110.85	101.27
Bank Overdraft	-	-	-	-	7 183	-	7 183	0.00	0.00
Current Portion of Long-term Liabilities	9 398 550	-	-	9 398 550	14 417 285	-	5 018 735	153.40	153.40
Non-Current Liabilities									
Long-term Liabilities	235 433 050	-	-	235 433 050	198 015 541	-	(37 417 509)	84.11	84.11
Retirement Benefit Liabilities	27 086 577	-	-	27 086 577	18 959 976	-	(8 126 601)	70.00	70.00
Non-current Provisions	5 401 200	-	-	5 401 200	9 055 346	-	3 654 146	167.65	167.65
Total Liabilities	545 569 359	(22 198 651)	-	523 370 708	545 650 745	-	22 280 037	104.26	100.01
Total Assets and Liabilities	901 390 377	(29 837 107)	-	871 553 270	1 544 623 200	-	673 069 930	177.23	171.36
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	901 390 377	(29 837 107)	-	871 553 270	1 544 623 200	-	673 069 930	177.23	171.36
Total Net Assets	901 390 377	(29 837 107)	-	871 553 270	1 544 623 200	-	673 069 930	177.23	171.36

FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Government Grants and Subsidies Received	284 789 165	25 190 832	-	309 979 997	335 470 048	-	25 490 050	108.22	117.80
Public Contributions and Donations	-	-	-	-	250 000	-	250 000	0.00	0.00
Revenue from Exchange Transactions									
Service Charges	391 113 539	(78 532 601)	-	312 580 938	297 466 286	-	(15 114 652)	95.16	76.06
Rental of Facilities and Equipment	1 223 602	(131 497)	-	1 092 105	580 219	-	(511 886)	53.13	47.42
Interest Earned - External Investments	10 983 000	(8 983 000)	-	2 000 000	2 183 303	-	183 303	109.17	19.88
Interest Earned - Outstanding Debtors	1 244 040	(0)	-	1 244 040	16 758 750	-	15 514 710	1 347.12	1 347.12
Other Revenue	157 313 880	(21 544 105)	-	135 769 775	93 850 348	-	(41 919 427)	69.12	59.66
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	62 259	-	62 259	0.00	0.00
Total Revenue	846 667 226	(84 000 371)	-	762 666 855	746 621 213	-	(16 045 641)	97.90	88.18
Expenditure									
Employee Related Costs	269 299 701	(25 617 915)	-	243 681 786	226 075 557	-	(17 606 229)	92.77	83.95
Remuneration of Councillors	7 002 252	0	-	7 002 252	7 046 209	43 957	43 957	100.63	100.63
Collection Costs	-	-	-	-	(20 412)	-	(20 412)	0.00	0.00
Depreciation and Amortisation	49 779 184	-	-	49 779 184	56 280 905	6 501 721	6 501 721	113.06	113.06
Impairment Losses	9 279 577	-	-	9 279 577	46 592 646	37 313 069	37 313 069	502.10	502.10
Repairs and Maintenance	41 598 539	(16 171 870)	-	25 426 670	17 598 368	-	(7 828 302)	69.21	42.31
Finance Costs	14 468 909	3 939 848	-	18 408 757	18 292 580	-	(116 177)	99.37	126.43
Bulk Purchases	39 000 000	(2 393 689)	-	36 606 311	34 327 836	-	(2 278 476)	93.78	88.02
Contracted Services	25 741 312	(4 411 458)	-	21 329 854	19 266 484	-	(2 063 370)	90.33	74.85
Grants and Subsidies Paid	106 422 000	7 363 082	-	113 785 082	167 060 093	53 275 010	53 275 010	146.82	156.98
General Expenses	270 062 148	(32 703 097)	-	237 359 052	178 663 305	-	(58 695 747)	75.27	66.16
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00	0.00
Total Expenditure	832 653 622	(69 995 098)	-	762 658 524	771 183 570	97 133 757	8 525 046	101.12	92.62
Surplus/(Deficit)									
	14 013 604	(14 005 274)	-	8 330	(24 562 357)	(97 133 757)	(24 570 687)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	183 718 635	183 718 635	183 718 635	0.00	0.00
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) after Capital Transfers and	14 013 604	(14 005 274)	-	8 330	159 156 279	86 584 878	159 147 948	1 910 547.86	1 135.73
Surplus/(Deficit for the Year)	14 013 604	(14 005 274)	-	8 330	159 156 279	86 584 878	159 147 948	1 910 547.86	1 135.73
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	486 853	2 931 374	-	3 418 227	637 652	-	(2 780 575)	18.65	130.97
Finance and Administration	1 566 968	(402 073)	-	1 164 895	5 471 964	4 307 069	4 307 069	469.74	349.21
Planning and Development	259 965	(259 965)	-	-	147 708 347	147 708 347	147 708 347	0.00	56 818.55
Community and Social Services	9 266 339	(9 266 339)	-	-	-	-	-	0.00	0.00
Public Safety	1 119 600	15 530 400	-	16 650 000	-	-	(16 650 000)	0.00	0.00
Sport and Recreation	27 158 357	(27 158 357)	-	-	76 793	76 793	76 793	0.00	0.28
Environmental Protection	3 000	(3 000)	-	-	-	-	-	0.00	0.00
Waste Management	15 317 236	44 234 764	-	59 552 000	3 980 224	-	(55 571 776)	6.68	25.99
Roads and Transport	86 223 155	(86 223 155)	-	-	-	-	-	0.00	0.00
Water	83 133 207	171 173 888	-	254 307 095	32 657 412	-	(221 649 683)	12.84	39.28
Electricity	24 031 761	(24 031 761)	-	-	-	-	-	0.00	0.00
Other	900	(900)	-	-	-	-	-	0.00	0.00
Total Sources of Capital Funds	248 567 341	86 524 876	-	335 092 217	190 532 392	152 092 209	(144 559 825)	56.86	76.65

CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Grants	464 394 777	45 879 223	-	510 274 000	535 851 083	25 577 083	25 577 083	105.01	115.39
Public Contributions and Donations	-	-	-	-	(4 525 433)	-	(4 525 433)	0.00	0.00
Service Charges	367 500 105	(77 337 334)	-	290 162 771	247 437 293	-	(42 725 478)	85.28	67.33
Interest Received	17 858 861	(15 858 861)	-	2 000 000	2 183 303	183 303	183 303	109.17	12.23
Other Receipts	867 510	(152 130)	-	715 380	92 684 030	91 968 650	91 968 650	12 955.92	10 683.91
Employee Related Costs	-	-	-	-	(228 822 199)	-	(228 822 199)	0.00	0.00
Remuneration of Councillors	-	-	-	-	(7 046 209)	-	(7 046 209)	0.00	0.00
Interest Paid	(13 889 016)	(4 519 757)	-	(18 408 773)	(18 292 580)	116 193	116 193	0.00	0.00
Suppliers Paid	(359 955 225)	(41 769 000)	-	(401 724 225)	(54 856 249)	346 867 976	346 867 976	0.00	0.00
Other Payments	-	(115 585 082)	-	(115 585 082)	(345 929 520)	-	(230 344 438)	0.00	0.00
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	(331 497 600)	96 933 600	-	(234 564 000)	(187 443 724)	47 120 276	47 120 276	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	(3 088 668)	-	(3 088 668)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	372 139	372 139	372 139	0.00	0.00
Decrease / (Increase) in Non-current Investments	(63 000 000)	63 000 000	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Long-term Receivables	5 040	-	-	5 040	16 685	11 645	11 645	331.06	331.06
Cash Flows from/(used in) Financing Activities									
New Loans raised	13 292 475	(13 292 475)	-	-	8 199 317	8 199 317	8 199 317	0.00	61.68
Loans repaid	(1 287 697)	(15 269 075)	-	(16 556 772)	(23 813 522)	-	(7 256 750)	0.00	0.00
Cash and Cash Equivalents at End of the Year	94 289 230	(77 970 891)	-	16 318 339	12 925 747	520 416 582	(3 392 592)	79.21	13.71

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2012/13		2011/12
	R		R
Net surplus/(deficit) per the statement of financial performance	262 195 427		159 156 279
Revenue from Non-exchange Transactions			
Government Grants and Subsidies Received	(214 199 687)		(209 208 686)
Public Contributions and Donations	(3 171 874)		(250 000)
Revenue from Exchange Transactions			
Service Charges	39 016 259		15 114 652
Rental of Facilities and Equipment	1 276 963		511 886
Interest Earned - External Investments	82 921		(183 303)
Interest Earned - Outstanding Debtors	(16 502 924)		(15 514 710)
Other Revenue	(109 259 651)		41 919 427
Gains on Disposal of Property, Plant and Equipment	-		(62 259)
Expenditure			
Employee Related Costs	(4 334 432)		(17 606 229)
Remuneration of Councillors	534 779		43 957
Collection Costs	258 323		(20 412)
Depreciation and Amortisation	(7 163 931)		6 501 721
Impairment Losses	(37 187 753)		37 313 069
Repairs and Maintenance	(18 356 078)		(7 828 302)
Finance Costs	557 550		(116 177)
Bulk Purchases	(5 362 746)		(2 278 476)
Contracted Services	(1 128 054)		(2 063 370)
Grants and Subsidies Paid	39 662 835		53 275 010
Research and Development Costs	-		-
General Expenses	82 075 490		(58 695 747)
Loss on Disposal of Property, Plant and Equipment	-		-
Net surplus/deficit per approved budget	8 993 416		8 330

UGU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an *Accrual Basis* of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

These Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Principles (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2011 and 30 June 2012 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions, on the municipality's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GAMAP 9 (*Revenue*) as far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in IAS 32 (*Financial Instruments – Presentation*) and IAS 39 (*Financial Instruments – Recognition and Measurement*).

1.2.3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value with which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39 (*Financial Instruments - Recognition and Measurement*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

→ Impairment of Trade Receivables:

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

The total increase in estimation of the impairment of Receivables from Exchange Transactions amounted to R7 708 261 and that of Receivables from Non-exchange Transactions to R1 398 741.

1.2.4 Useful lives of Property, Plant and Equipment, Investment Property and Intangible Assets

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates / amortises its Property, Plant and Equipment, Investment Property and Intangible Assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

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

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write-down of Property, Plant & Equipment and Inventories

Accounting Policy 3.9 on *PPE – Impairment of Assets*, Accounting Policy 4.2 on *Intangible Assets – Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory – Subsequent Measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of PPE, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (*Impairment of Cash Generating Assets*) and GRAP 26 (*Impairment of Non-cash Generating Assets*). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the NRV for Inventories involves significant judgment by management.

During the year the estimated impairments to Property, Plant and Equipment amounted to R2 004 432, whilst no impairments were made to Intangible Assets or Inventory.

1.2.6 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to Accounting Policy, paragraph 8.2.2.

1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.2, *Employee Benefits – Post-employment Benefits*, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes to the Annual Financial Statements.

1.2.8 Provisions and Contingent Liabilities

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

1.2.9 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in Notes to the Annual Financial Statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP standard has been issued but is not yet effective and has been early adopted by the municipality:

→ GRAP 104 Financial Instruments - issued October 2009

GRAP 104 will be effective for the period starting after 1 April 2012. The municipality elected to adopt the standard during the 2010/11 financial year.

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

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures - revised
- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 105 Transfers between Entities under common control - issued November 2010
- GRAP 106 Transfers between Entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance, who announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26 and GRAP 103 will be effective for the period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued but not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
- Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
- Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
- Financial Instruments (GRAP 104 - issued October 2009)

Management has considered all of the above-mentioned 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.

2 ACCUMULATED SURPLUS

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

2.2 Capitalisation Reserve

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of Property, Plant and Equipment were transferred to a Capitalisation Reserve rather than the Accumulated Surplus/(Deficit) in terms of a directive (Circular No 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of Property, Plant and Equipment are offset by transfers from this Reserve to the Accumulated Surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of Property, Plant and Equipment financed from the former legislated funds. When items of Property, Plant and Equipment are depreciated, a transfer is made from the Capitalisation Reserve to the Accumulated Surplus/(Deficit).

When an item of Property, Plant and Equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

2.3 Donations and Public Contributions Reserve

When items of Property, Plant and Equipment are financed from public contributions and donations, a transfer is made from the Accumulated Surplus/(Deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from donations and public contributions.

When an item of Property, Plant and Equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

2.4 Government Grants Reserve

When items of Property, Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from government grants.

When an item of Property, Plant and Equipment financed from government grants is disposed, the balance in the Government Grants Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

3 PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

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

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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

3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class
Buildings		Other
Improvements	30-May	Computer Equipment
		Furniture and Fittings
Infrastructure		Motor Vehicles
Security Measures	25-Jul	Office Equipment
Sewerage	7 - 60	Plant and Equipment
Water	5 - 100	Specialist Vehicles
		Other Assets
Community		
Sports Facilities	30-May	
Other Facilities	30-May	

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 *Infrastructure Assets*

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

3.6 *Finance Leases*

Assets capitalised under Finance Leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.7 *Incomplete Construction Work*

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.8 *Derecognition of Property, Plant and Equipment*

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals and are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

4 INTANGIBLE ASSETS

4.1 *Initial Recognition*

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- It is technically feasible to complete the Intangible Asset so that it will be available for use;
- Management intends to complete the Intangible Asset and use or sell it;
- There is an ability to use or sell the Intangible Asset;
- It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is ready for use on a *Straight-line Basis* over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible Assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 *Subsequent Measurement, Amortisation and Impairment*

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 102, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class
Computer Software	05-Feb	Rights and Servitudes

Intangible Assets are annually tested for impairment, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

4.3 *Derecognition*

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

5 **INVESTMENT PROPERTY**

5.1 *Initial Recognition*

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

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

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide goods and services and also generates cash inflows; and
- Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

5.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 *Derecognition*

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

6 HERITAGE ASSETS

Heritage Assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

6.1 *Initial Recognition*

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

The cost of an item of Heritage Assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

6.2 *Subsequent Measurement*

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

6.3 *Derecognition*

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

6.4 *Transitional Provisions*

The municipality utilised the transitional provisions under Directive 4, which allows 3 year for the measurement of Heritage Assets.

7 **IMPAIRMENT OF ASSETS**

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

7.1 *Impairment of Cash Generating Assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

→ To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

7.2 *Impairment of Non-cash Generating Assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

8 FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the *Effective Interest Rate Method* of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

8.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the *Financial Assets* of the municipality are classified as follows into the three categories allowed by this standard:

→ **Financial Assets at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.

→ **Financial Assets at Fair Value** are financial assets that meet either of the following conditions:

- (i) Derivatives;
- (ii) Combined instruments that are designated at fair value;
- (iii) Instruments held for trading;
- (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
- (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.

→ **Financial Assets at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Listed Investments (Shares)	Financial Assets at Amortised Cost
Unlisted Investments (Stock)	Financial Assets at Amortised Cost
Investments in Fixed Deposits	Financial Assets at Amortised Cost
Finance Lease Receivables	Financial Assets at Amortised Cost
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents	Financial Assets at Fair Value

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Fair Value.

8.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities, including Finance Leases	Financial Liabilities at Amortised Cost
Creditors	Financial Liabilities at Amortised Cost
Short-term Loans	Financial Liabilities at Amortised Cost
Current portion of Long-term Liabilities	Financial Liabilities at Amortised Cost
Bank Overdraft	Financial Liabilities at Fair Value

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

8.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

8.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

8.4.1 Financial Assets at Amortised Cost

Accounts Receivables encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

8.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

8.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

8.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

9 INVENTORIES

9.1 Initial Recognition

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

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

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9.2 Subsequent Measurement

9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods:

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If Inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

9.2.2 Water Inventory:

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

9.2.3 Other Arrangements:

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

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

10 NON-CURRENT ASSETS HELD-FOR-SALE

10.1 Initial Recognition

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

10.2 Subsequent Measurement

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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

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

The gain or loss on the eventual sale of non-current assets held-for-sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held-for-sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

11 REVENUE RECOGNITION

11.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other spheres of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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

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

11.2 Revenue from Exchange Transactions

11.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges from water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service Charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property and water consumption, using the tariffs approved by Council, and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

11.2.2 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

→ Interest earned on Unspent Conditional Grants is allocated directly to the Creditor: Unspent Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

11.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

11.2.4 Tariff of Charges

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

11.2.5 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

11.2.7 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been met:

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

11.3 Revenue from Non-exchange Transactions

An inflow of resources from a *Non-exchange Transaction*, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a *Non-exchange Transaction* that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11.3.1 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with the management's best estimate of the probable inflows from spot fines and summonses that will be received based on past experience of amounts collected.

11.3.2 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

11.3.3 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

The Vat portion of expenditure on grants has been recognised as grant income to the extent that the unspent grant balance is reflected as NIL. Interest earned on conditional grant funding is recognised as own income.

11.3.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

12 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

13 EMPLOYEE BENEFITS

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

13.2.1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.2.2 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. 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), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds, with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

Long-service Allowance:

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. *The Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Provincially-administered Defined Benefit Plans:

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the *Projected Unit Credit Method* basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans:

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

14 LEASES

14.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

14.2 The Municipality as Lessee

14.2.1 Finance Leases

Where the municipality enters into a finance lease, Property, Plant and Equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the *Effective Interest Rate Method*. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated Accounting Policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the *Effective Interest Rate Method*. Lease finance costs are expensed when incurred. The Accounting Policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

14.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.3 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental revenue is recognised on a *Straight-line Basis* over the term of the relevant lease.

15 BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised retrospectively as an expense in the Statement of Financial Performance for the financial year ending 30 June 2011 in accordance with the requirements of GRAP 5 and ASB Directive 3.

To the extent that the municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the municipality shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases the capitalisation of borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use have been completed.

Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the municipality shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

16 GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17 VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the *Payments Basis* in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

18 UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

19 IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

20 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

21 FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

22 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

23 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

24 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

25 COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

26 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

27 EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

28 COMPARATIVE INFORMATION

28.1 Current year comparatives:

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

28.2 Prior year comparatives:

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

28.3 Budget Information:

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
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 Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumable Stores - at cost	2 324 935	2 058 458
Maintenance Materials - at cost	5 415 117	5 696 626
Water - at cost	1 733 675	1 163 397
Goods Held for Resale	41 465	41 455
Total Inventories	9 515 193	8 959 936

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

The cost of water production for the year amounted to R9,87 per kilolitre (2012: R5,19 per kilolitre).

The cost of Inventories recognised as an expense during the period was R6 975 416 (2012: R6 761 167).

Inventories of R673 613 (2012: R804 349) are expected to be utilised only after more than twelve months.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Service Debtors:	131 867 305	65 562 410	66 304 895
Sewerage	34 182 938	16 694 010	17 488 928
Water	97 684 367	48 868 400	48 815 967
Water Rates	35 474 464	22 167 383	13 307 081
Other Trade	8 070 415	3 698 070	4 372 345
Total Receivables from Exchange Transactions	175 412 183	91 427 863	83 984 321

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R	
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Service Debtors:	121 209 675	86 460 084	34 749 591
Sewerage	29 225 154	21 323 969	7 901 185
Water	91 984 521	65 136 115	26 848 407
Water Rates	31 101 175	27 078 307	4 022 868
Other Trade	7 578 608	3 698 070	3 880 538
Total Receivables from Exchange Transactions	159 889 458	117 236 461	42 652 997

Receivables from Exchange Transactions are billed monthly, latest end of month. The Credit Control Policy states that the average credit period for Trade Receivables is 30 days. Except for Water Rates, no interest and collection fees are charged on Trade Receivables. Such interest is charged at a fixed rate of 15,0% (fifteen percent) per annum on the outstanding balance. A once-off collection fee of 10,0% (ten percent) is raised after 31 January annually. The municipality enforces its approved Credit Control Policy to ensure the recovery of Trade Receivables.

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 Trade Receivables.

At 30 June 2013, the municipality is owed R7 869 220 (30 June 2012: R15 163 581) by National and Provincial Government.

The municipality did not pledge any of its Trade Receivables as security for borrowing purposes.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2013

	Current <i>0 - 30 days</i>	Past Due			Total
		<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Sewerage:					
Gross Balances	9 561 256	2 181 329	2 086 846	20 353 506	34 182 937
Less: Provision for Impairment	1 926 354	7 686	813 727	13 946 242	16 694 009
Net Balances	7 634 902	2 173 643	1 273 119	6 407 264	17 488 928
Water:					
Gross Balances	18 906 068	6 270 667	4 488 748	68 018 884	97 684 367
Less: Provision for Impairment	6 416 915	1 990 960	4 271 575	36 188 951	48 868 401
Net Balances	12 489 153	4 279 707	217 173	31 829 933	48 815 966
Water Rates:					
Gross Balances	1 327 039	32 005	32 783	34 082 637	35 474 464
Less: Provision for Impairment	224 779	9 427	6 843	21 926 334	22 167 383
Net Balances	1 102 260	22 578	25 940	12 156 303	13 307 081
Other Trade:					
Gross Balances	-	-	-	8 070 415	8 070 415
Less: Provision for Impairment	-	-	-	3 698 070	3 698 070
Net Balances	-	-	-	4 372 345	4 372 345
TOTAL NET BALANCES	21 226 315	6 475 928	1 516 232	54 765 845	83 984 320

As at 30 June Receivables of R62 758 006 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	8 484 001	6 608 377	130 525 442	145 617 820
Less: Provision for Impairment	2 008 073	5 092 145	75 759 597	82 859 815
Net Balances	6 475 928	1 516 232	54 765 845	62 758 005

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R			2012 R	
As at 30 June 2012					
	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Sewerage:					
Gross Balances	6 854 773	2 485 737	2 438 535	17 446 108	29 225 153
Less: Provision for Impairment	2 543 162	999 323	1 348 127	16 433 357	21 323 969
Net Balances	4 311 611	1 486 414	1 090 408	1 012 751	7 901 184
Water:					
Gross Balances	23 505 242	8 261 846	6 765 716	53 451 717	91 984 521
Less: Provision for Impairment	9 543 025	4 416 815	4 663 566	46 512 708	65 136 114
Net Balances	13 962 217	3 845 031	2 102 150	6 939 009	26 848 407
Water Rates:					
Gross Balances	1 442 938	158 856	201 056	29 298 325	31 101 175
Less: Provision for Impairment	234 421	125 452	173 157	26 545 277	27 078 307
Net Balances	1 208 517	33 404	27 899	2 753 048	4 022 868
Other Trade:					
Gross Balances	-	-	-	7 578 608	7 578 608
Less: Provision for Impairment	-	-	-	3 698 070	3 698 070
Net Balances	-	-	-	3 880 538	3 880 538
TOTAL NET BALANCES	19 482 345	5 364 849	3 220 457	14 585 346	42 652 997

As at 30 June Receivables of R23 170 652 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	10 906 439	9 405 307	107 774 758	128 086 504
Less: Provision for Impairment	5 541 590	6 184 850	93 189 412	104 915 852
Net Balances	5 364 849	3 220 457	14 585 346	23 170 652

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Domestic R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2013				
<u>Current:</u>				
0 - 30 days	17 620 983	9 034 100	3 139 280	-
<u>Past Due:</u>				
31 - 60 Days	4 758 000	2 925 828	800 173	-
61 - 90 Days	4 694 645	1 515 436	398 296	-
+ 90 Days	99 614 337	19 309 219	3 531 471	8 070 415
Sub-total	126 687 965	32 784 583	7 869 220	8 070 415
Less: Provision for Impairment	75 035 443	12 694 349	-	3 698 070
Total Receivables by Customer Classification	51 652 522	20 090 234	7 869 220	4 372 345

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013			2012
	R			R
	Domestic	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
<i>Current:</i>				
0 - 30 days	19 412 753	8 970 480	3 419 721	-
<i>Past Due:</i>				
31 - 60 Days	6 533 945	2 887 916	1 484 579	-
61 - 90 Days	6 455 578	1 973 577	976 152	-
+ 90 Days	81 751 704	15 276 252	3 168 195	7 578 608
Sub-total	114 153 980	29 108 224	9 048 646	7 578 608
Less: Provision for Impairment	94 135 608	19 402 782	-	3 698 070
Total Receivables by Customer Classification	20 018 371	9 705 442	9 048 646	3 880 538

2013
R

2012
R

3.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	117 236 461	70 643 815
Impairment Losses recognised	-	46 592 646
Impairment Losses reversed	(25 808 598)	-
Balance at end of year	91 427 863	117 236 461

3.4 Ageing of impaired Receivables from Exchange Transactions

<i>Current:</i>		
0 - 30 Days	8 568 048	12 320 608
<i>Past Due:</i>		
31 - 60 Days	2 008 073	5 541 590
61 - 90 Days	5 092 145	6 184 851
+ 90 Days	75 759 597	93 189 412
Total	91 427 863	117 236 461

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
	Gross Balances R	Provision for Impairment R
		Net Balances R
As at 30 June 2013		
Payments made in Advance	63 406	-
Government Subsidy Claims	1 528 703	1 613 200
Insurance Claims	122 367	-
Municipal Entities	50 979	-
Sundry Deposits	1 003 908	-
Sundry Debtors	17 395 298	1 962 583
Total Receivables from Non-exchange Transactions	20 164 661	3 575 783
	Gross Balances R	Provision for Impairment R
		Net Balances R
As at 30 June 2012		
Payments made in Advance	317 930	-
Government Subsidy Claims	1 640 646	1 613 200
Insurance Claims	297 588	-
Municipal Entities	74 950	-
Sundry Deposits	1 017 415	-
Sundry Debtors	24 911 938	1 962 583
Total Receivables from Non-exchange Transactions	28 260 467	3 575 783

Included in Receivables from Non-exchange Transactions is an amount of R17,4 million (2012: R16.9 million) in respect of the consumption of metered services not billed as at 30 June.

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 R539 737 (2012: R539 737) 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.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R 2012
R

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Payments made in Advance:					
Gross Balances	63 406	-	-	-	63 406
Less: Provision for Impairment	-	-	-	-	-
Net Balances	63 406	-	-	-	63 406
Government Subsidy Claims:					
Gross Balances	-	-	-	1 528 703	1 528 703
Less: Provision for Impairment	-	-	-	1 613 200	1 613 200
Net Balances	-	-	-	(84 497)	(84 497)
Insurance Claims:					
Gross Balances	-	-	-	122 367	122 367
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	122 367	122 367
Municipal Entities:					
Gross Balances	-	-	-	50 979	50 979
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	50 979	50 979
Sundry Deposits:					
Gross Balances	-	-	-	1 003 908	1 003 908
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	1 003 908	1 003 908
Sundry Debtors:					
Gross Balances	-	-	-	17 395 298	17 395 298
Less: Provision for Impairment	-	-	-	1 962 583	1 962 583
Net Balances	-	-	-	15 432 715	15 432 715
TOTAL NET BALANCES	63 406	-	-	16 525 472	16 588 878

As at 30 June Receivables of R16 525 472 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	-	-	20 101 255	20 101 255
Less: Provision for Impairment	-	-	3 575 783	3 575 783
Net Balances	-	-	16 525 472	16 525 472

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R			2012 R
As at 30 June 2012	Current	Past Due		Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days
Payments made in Advance:				
Gross Balances	317 930	-	-	-
Less: Provision for Impairment	-	-	-	-
Net Balances	317 930	-	-	-
Government Subsidy Claims:				
Gross Balances	-	-	-	1 640 646
Less: Provision for Impairment	-	-	-	1 613 200
Net Balances	-	-	-	27 446
Insurance Claims:				
Gross Balances	-	-	-	297 588
Less: Provision for Impairment	-	-	-	-
Net Balances	-	-	-	297 588
Municipal Entities:				
Gross Balances	-	-	-	74 950
Less: Provision for Impairment	-	-	-	-
Net Balances	-	-	-	74 950
Sundry Deposits:				
Gross Balances	-	-	-	1 017 415
Less: Provision for Impairment	-	-	-	-
Net Balances	-	-	-	1 017 415
Sundry Debtors:				
Gross Balances	-	-	-	24 911 938
Less: Provision for Impairment	-	-	-	1 962 583
Net Balances	-	-	-	22 949 354
TOTAL NET BALANCES	317 930	-	-	24 366 754

As at 30 June Receivables of R24 366 754 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	-	-	27 942 537	27 942 537
Less: Provision for Impairment	-	-	3 575 783	3 575 783
Net Balances	-	-	24 366 754	24 366 754

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
4.2 Reconciliation of Provision for Impairment		
Balance at beginning of year	3 575 783	3 575 783
Impairment Losses recognised	-	-
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	<u>3 575 783</u>	<u>3 575 783</u>

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts may 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.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

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

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, 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:

Government Subsidy Claims	1 613 200	1 613 200
Sundry Debtors	1 962 583	1 962 583
Total Provision for Impairment on Receivables from Non-exchange Transactions	<u>3 575 783</u>	<u>3 575 783</u>

5. VAT RECEIVABLE

Vat Receivable	<u>19 535 463</u>	<u>9 908 578</u>
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VAT is payable on the payments 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.

6. CASH AND CASH EQUIVALENTS

Current Investments	12 011 579	3 119 372
Bank Accounts	59 004 192	51 518 575
Cash and Cash Equivalents	4 910	4 910
Total Cash and Cash Equivalents	<u>71 020 681</u>	<u>54 642 857</u>
Bank Overdraft	<u>(3 195 209)</u>	<u>(7 183)</u>

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

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
6.1 Current Investment Deposits		
Call Deposits	12 011 579	3 119 372
Total Current Investment Deposits	<u>12 011 579</u>	<u>3 119 372</u>
Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3,90% to 4,60% (2011/12: 3,90% to 4,40%) per annum.		
Short-term Investment Deposits are attributable to Funds as follows:		
Unspent Conditional Grants	12 011 579	3 119 372
Total Deposits attributable to Commitments of the Municipality	<u>12 011 579</u>	<u>3 119 372</u>
6.2 Bank Accounts		
Cash in Bank	59 004 192	51 518 575
Bank Overdraft	(3 195 209)	(7 183)
Total Bank Accounts	<u>55 808 983</u>	<u>51 511 392</u>
The Municipality has the following bank accounts:		
Absa Bank Ltd - Port Shepstone		
<i>Account Number 406 668 6529 (Primary Bank Account):</i>		
Cash book balance at beginning of year	417 019	25 167
Cash book balance at end of year	<u>4 544</u>	<u>417 019</u>
Bank statement balance at beginning of year	417 019	84 862
Bank statement balance at end of year	<u>417 315</u>	<u>417 019</u>
<i>Account Number 406 668 6472 (General Bank Account):</i>		
Cash book balance at beginning of year	8 484 145	2 367 405
Cash book balance at end of year	<u>(3 195 209)</u>	<u>8 484 145</u>
Bank statement balance at beginning of year	8 295 102	2 364 705
Bank statement balance at end of year	<u>470 667</u>	<u>8 295 102</u>
<i>Account Number 406 668 6294 (Collection Account):</i>		
Cash book balance at beginning of year	774 823	804 620
Cash book balance at end of year	<u>716 280</u>	<u>774 823</u>
Bank statement balance at beginning of year	798 759	815 424
Bank statement balance at end of year	<u>742 351</u>	<u>798 759</u>
<i>Account Number 406 671 0647 (Consumer Deposits Bank Account):</i>		
Cash book balance at beginning of year	2 224 671	652 933
Cash book balance at end of year	<u>519 870</u>	<u>2 224 671</u>
Bank statement balance at beginning of year	2 502 930	1 228 042
Bank statement balance at end of year	<u>2 450 698</u>	<u>2 502 930</u>
<i>Account Number 406 660 3763 (Salaries Account):</i>		
Cash book balance at beginning of year	(7 183)	111 894
Cash book balance at end of year	<u>57 474</u>	<u>(7 183)</u>
Bank statement balance at beginning of year	38 891	205 500
Bank statement balance at end of year	<u>136 729</u>	<u>38 891</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
<i>Account Number 406 757 0977 (Sanlam Group Life Account):</i>		
Cash book balance at beginning of year	4 439 838	4 601 481
Cash book balance at end of year	<u>4 094 802</u>	<u>4 439 838</u>
Bank statement balance at beginning of year	4 439 838	4 601 481
Bank statement balance at end of year	<u>4 116 840</u>	<u>4 439 838</u>
 <i>Account Number 406 668 6367 (MIG Project Account):</i>		
Cash book balance at beginning of year	13 430 402	5 785 698
Cash book balance at end of year	<u>379 597</u>	<u>13 430 402</u>
Bank statement balance at beginning of year	13 430 402	5 785 698
Bank statement balance at end of year	<u>379 597</u>	<u>13 430 402</u>
 <i>Account Number 407 187 0797 (Disaster Account):</i>		
Cash book balance at beginning of year	204 082	207 171
Cash book balance at end of year	<u>200 370</u>	<u>204 082</u>
Bank statement balance at beginning of year	204 082	207 171
Bank statement balance at end of year	<u>200 370</u>	<u>204 082</u>
 <i>Account Number 407 198 0239 (Market Account):</i>		
Cash book balance at beginning of year	304 145	533 418
Cash book balance at end of year	<u>371 998</u>	<u>304 145</u>
Bank statement balance at beginning of year	304 145	553 418
Bank statement balance at end of year	<u>371 998</u>	<u>304 145</u>
 <i>Account Number 407 626 7341 (EFF Bank Account):</i>		
Cash book balance at beginning of year	2 991	3 559
Cash book balance at end of year	<u>2 346</u>	<u>2 991</u>
Bank statement balance at beginning of year	2 991	3 559
Bank statement balance at end of year	<u>2 346</u>	<u>2 991</u>
 <i>Account Number 407 755 1917 (Conditional Grants Account):</i>		
Cash book balance at beginning of year	21 236 458	9 870 437
Cash book balance at end of year	<u>52 656 911</u>	<u>21 236 458</u>
Bank statement balance at beginning of year	21 236 458	9 870 437
Bank statement balance at end of year	<u>52 656 911</u>	<u>21 236 458</u>
 Bank Accounts are attributable to Funds as follows:		
Unspent Conditional Grants	97 546 107	97 035 320
Capital Replacement Reserve	72 267	144 924
Consumer Deposits	19 379 146	18 790 162
Creditors	98 494 299	167 046 264
Available for / (Utilised by) Operational Purposes	(159 682 836)	(231 505 279)
Total Bank and Cash attributable to Commitments of the Municipality	<u>55 808 983</u>	<u>51 511 392</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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
6.3 Cash and Cash Equivalents		
Cash Floats and Advances	4 910	4 910
Total Cash on hand in Cash Floats, Advances and Equivalents	4 910	4 910

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

7. OPERATING LEASE RECEIVABLES

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 assets have been recognised:

Balance at beginning of year	-	-
Operating Lease Revenue recorded	674 217	-
Operating Lease Revenue effected	(630 433)	-
Total Operating Lease Assets	43 785	-

7.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 3 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	875 921	
2 to 5 years	1 162 405	
More than 5 years		
Total Operating Lease Arrangements	2 038 326	-

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease in current year income of R43 785 (2012: R0).

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

8. CURRENT PORTION OF LONG-TERM RECEIVABLES

Relocation Loans	47 824	9 827
Sundry Loans	3 600	3 600
Total Current Portion of Long-term Receivables	51 424	13 427

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9 PROPERTY, PLANT AND EQUIPMENT

30 June 2013

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2012	486 172 825	1 275 493 265	135 230 305	39 591 210	1 936 487 604
Cost	499 888 609	2 183 706 912	146 842 452	117 918 896	2 948 356 869
- Completed Assets	490 147 114	1 679 385 088	140 684 907	114 233 133	2 424 450 243
- Under Construction	9 741 495	504 321 824	6 157 544	3 685 764	523 906 627
Correction of Error (Note 41)	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	(0)	-	-	(6 701 530)	(6 701 530)
Accumulated Depreciation:	(13 715 785)	(908 213 647)	(11 612 147)	(71 626 157)	(1 005 167 736)
- Cost	(13 715 785)	(908 213 647)	(11 612 147)	(71 626 157)	(1 005 167 736)
- Revaluation	-	-	-	-	-
Acquisitions	175 394	167 414	-	14 281 507	14 624 315
Borrowing Costs Capitalised	-	-	-	-	-
Capital under Construction - Additions:	-	177 082 853	870 760	-	177 953 613
- Cost	-	177 082 853	870 760	-	177 953 613
Additions	-	177 082 853	870 760	-	177 953 613
Transfer in	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-
Depreciation:	(2 228 942)	(34 423 709)	(5 036 153)	(8 352 616)	(50 041 420)
- Based on Cost	(2 228 942)	(34 423 709)	(5 036 153)	(8 352 616)	(50 041 420)
- 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:	-	-	-	-	-
- Cost	-	-	-	-	-
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-
Impairment Losses	-	-	(632 883)	-	(632 883)
Capital under Construction - Completed	-	-	-	-	-
Other Movements	-	-	(25 000 000)	-	(25 000 000)
- Cost	-	-	(29 120 466)	-	(29 120 466)
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	632 883	-	632 883
- Accumulated Depreciation	-	-	3 487 583	-	3 487 583
- Based on Cost	-	-	3 487 583	-	3 487 583
- Based on Revaluation	-	-	-	-	-
Carrying values at 30 June 2013	484 119 276	1 418 319 823	105 432 029	45 520 101	2 053 391 229
Cost	500 064 003	2 360 957 179	118 592 746	132 200 403	3 111 814 331
- Completed Assets	490 322 508	1 679 552 502	111 564 442	128 514 640	2 409 954 092
- Under Construction	9 741 495	681 404 677	7 028 304	3 685 764	701 860 240
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	(0)	-	-	(6 701 530)	(6 701 530)
Accumulated Depreciation:	(15 944 727)	(942 637 356)	(13 160 717)	(79 978 773)	(1 051 721 573)
- Cost	(15 944 727)	(942 637 356)	(13 160 717)	(79 978 773)	(1 051 721 573)

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

-	Revaluation	-	-	-	-	-
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UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2012

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2011	488 419 288	1 126 883 829	141 456 912	45 006 277	1 801 766 306
Cost	498 279 348	2 001 993 148	146 765 659	115 586 578	2 762 624 732
- Completed Assets	488 658 045	1 553 516 503	140 608 114	112 534 611	2 295 317 272
- Under Construction	9 621 303	448 476 645	6 157 544	3 051 967	467 307 460
Correction of Error (Note 41)	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	(0)	-	-	(6 767 631)	(6 767 631)
Accumulated Depreciation:	(9 860 060)	(875 109 319)	(5 308 747)	(63 812 670)	(954 090 796)
- Cost	(9 860 060)	(875 109 319)	(5 308 747)	(63 812 670)	(954 090 796)
- Revaluation	-	-	-	-	-
Acquisitions	1 616 866	53 479 402	76 793	3 282 312	58 455 373
Borrowing Costs Capitalised	-	-	-	-	-
Capital under Construction - Additions:	120 192	128 234 362	-	633 797	128 988 351
- Cost	120 192	128 234 362	-	633 797	128 988 351
Additions	120 192	128 234 362	-	633 797	128 988 351
Transfer in	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-
Depreciation:	(3 855 725)	(33 104 328)	(6 303 400)	(9 149 092)	(52 412 545)
- Based on Cost	(3 855 725)	(33 104 328)	(6 303 400)	(9 149 092)	(52 412 545)
- Based on Revaluation	-	-	-	-	-
Carrying value of Disposals:	(127 797)	-	-	(182 083)	(309 880)
- Cost	(127 797)	-	-	(1 583 790)	(1 711 586)
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	66 101	66 101
- Accumulated Depreciation	-	-	-	1 335 605	1 335 605
- Based on Cost	-	-	-	1 335 605	1 335 605
- Based on Revaluation	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-
- Cost	-	-	-	-	-
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-
Impairment Losses	-	-	-	-	-
Capital under Construction - Completed	-	(72 389 184)	-	-	(72 389 184)
Other Movements	-	72 389 184	-	-	72 389 184
- Cost	-	72 389 184	-	-	72 389 184
- Revaluation	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-
Carrying values at 30 June 2012	486 172 825	1 275 493 265	135 230 305	39 591 210	1 936 487 604
Cost	499 888 609	2 183 706 912	146 842 452	117 918 896	2 948 356 869
- Completed Assets	490 147 114	1 679 385 088	140 684 907	114 233 133	2 424 450 243
- Under Construction	9 741 495	504 321 824	6 157 544	3 685 764	523 906 627
Revaluation	-	-	-	-	-
Accumulated Impairment Losses	(0)	-	-	(6 701 530)	(6 701 530)
Accumulated Depreciation:	(13 715 785)	(908 213 647)	(11 612 147)	(71 626 157)	(1 005 167 736)
- Cost	(13 715 785)	(908 213 647)	(11 612 147)	(71 626 157)	(1 005 167 736)

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

-	Revaluation	-	-	-	-	-
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UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

Included in Other Movements of Property, Plant and Equipment are Work-in-Progress of R Nil (2012: R72 389 184) completed and transferred to Cost.

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 2013

	2013 R	2012 R
9 PROPERTY, PLANT AND EQUIPMENT (Continued)		
9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are 623 items of Property, Plant and Equipment that are fully depreciated at year-end and still in use by the municipality;		
At Original Cost:		
Land and Buildings	3 897 456	3 219 388
Infrastructure	12 058 762	5 530 208
Community	-	-
Heritage	-	-
Other	32 732 918	28 207 674
Gross Carrying Amount of PPE fully depreciated and still in use	48 689 136	36 957 269
9.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal		
No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.		
9.3 Assets pledged as security		
The municipality did not pledge any of its assets as security.		
The municipality's obligations under Finance Leases (see Note 19) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.		
9.4 Impairment of Property, Plant and Equipment		
An impairment loss has been recognised on the restatement to fair value of the Ugu Fresh Produce Market, previously owner-occupied, transferred to Investment Property in the current year (see 9.8 and Note 32)		
9.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed		
A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the previous financial year, there was no change in the estimated useful life in the current year:		
Executive and Council	-	13 020
Finance and Administration	-	18 153
Planning and Development	-	152 540
Health	-	424
Public Safety	-	-
Environmental Protection	-	-
Waste Management	-	-
Water	-	387 814
Other	-	34 083
Total Change in Estimate for Useful Life of Property, Plant and Equipment	-	606 034
9.6 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.		
9.7 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	-	175 180
Carrying value of lost assets	-	(3 344)

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
Surplus / (Deficit) on Compensation received for Lost PPE	-	171 836

9.8 Owner-occupied Property transferred to Investment Property

The municipality has taken the decision that the buildings of the Ugu Fresh Produce Market, previously owner-occupied and carried under the cost model, will from the beginning of the current year be held to earn rentals and should therefore be transferred to Investment Property carried under the fair value model. Please note that no depreciation was recognised in the current year as the transfer was done at the beginning of the financial year.

Ugu Fresh Produce Market

Opening balance	25 632 883	26 612 262
Cost	29 120 466	29 120 466
Accumulated depreciation and impairment losses	(3 487 583)	(2 508 204)
<i>Additions</i>	-	-
<i>Depreciation</i>	-	(979 379)
<i>Impairment loss</i>	(632 883)	-
Carrying amount of transfers	25 000 000	-
Cost	29 120 466	-
Accumulated depreciation and impairment losses	(4 120 466)	-
Transfer to investment property (see Note 11)	(25 000 000)	-
Closing balance	-	25 632 883
Cost	-	29 120 466
Accumulated depreciation and impairment losses	-	(3 487 583)

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R	
10 INTANGIBLE ASSETS			
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>10 585 423</u>	<u>12 914 198</u>	
The movement in Intangible Assets is reconciled as follows:			
	Computer Software	Servitudes	Total
Carrying values at 01 July 2012	10 354 127	2 560 072	12 914 198
Cost	26 995 033	2 560 072	29 555 105
Accumulated Amortisation	(16 640 906)	-	(16 640 906)
Acquisitions:			
Purchased	364 400	19 730	384 130
	364 400	19 730	384 130
Amortisation:			
Purchased	2 712 905	-	(2 712 905)
Internally Developed	2 712 905	-	(2 712 905)
	-	-	-
Carrying values at 01 July 2013	13 431 432	2 579 802	10 585 423
Cost	27 359 433	2 579 802	29 939 235
Accumulated Amortisation	(13 928 001)	-	(13 928 001)
	Computer Software	Servitudes	Total
Carrying values at 01 July 2011	11 160 649	2 533 242	13 693 891
Cost	23 933 195	2 533 242	26 466 437
Accumulated Amortisation	(12 772 546)	-	(12 772 546)
Acquisitions:			
Purchased	3 061 838	26 830	3 088 668
Internally Developed	3 061 838	26 830	3 088 668
	-	-	-
Amortisation:			
Purchased	(3 868 360)	-	(3 868 360)
Internally Developed	(3 868 360)	-	(3 868 360)
	-	-	-
Carrying values at 01 July 2012	10 354 127	2 560 072	12 914 198
Cost	26 995 033	2 560 072	29 555 105
Accumulated Amortisation	(16 640 906)	-	(16 640 906)

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

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:

- 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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2012**
R **R**

10.1 Significant Intangible Assets

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

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

10.2 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	1 513 553	1 486 723
Carrying Value of Servitudes: Water Reticulation	1 073 348	1 073 348

Total Carrying Amount of Intangible Assets with Indefinite Useful Lives	2 586 902	2 560 072
--	------------------	------------------

Servitudes are regarded as having Indefinite Useful Lives as they are registered permanently, the agreements not having a maturing date.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

10.3 Impairment of Intangible Assets

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

11 INVESTMENT PROPERTY

The Municipality has classified the Ugu Fresh Produce Market as Investment Property in terms of its Asset Management Policy. The property is situated at Bhobhoyi - in the Port Shepstone Town Planning Scheme, lot no 3249 and measures approximately 85000 square metres. The property was valued in February 2012 by Elliot Properties, a qualified industrialist property specialist (DIPICIS) CCIS, using the income method of valuation. The market offers 18 vendor stalls for retailers, refrigerated storage, a wholesale/agents sales hall, a state-of-the-art multi-purpose ripening facility, an office block, ample parking space, a taxi rank and plenty ablution facilities. The whole facility is secured with 24-hour security guards.

The Municipality uses the fair value model to value its investment properties. For the year ending 30 June 2013, Management did not deem it necessary to revalue the market at fair value. This was due to market conditions remaining the same as at the original valuation done in February 2012 and no other material factors that could impact on the value of the property, and the work in progress of the packhouse at year end.

Opening balance	-	-
Transfer from property, and equipment (see Note 9.8)	25 000 000	-
Closing balance	25 000 000	-
At Fair Value	25 000 000	-

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	1 178 664	-
Direct Operating Expenses	(1 235 603)	-

11.1 Investment Property carried at Fair Value

The land and buildings was valued using the Income Method. The method entails using the total income less total expenditure which equals to net operating income. The net operating income is then adjusted for factors such as market related rates and lease conditions.

The following assumptions were used:

Discount Rate	11%	-
---------------	-----	---

Due to an existing wetland between the electrical servitude and the property fence, no development on this land can take place, as it would have an environmental impact. This land area could therefore not be included in the calculation as useable land.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

The area on which the land and buildings are situated has not been zoned by the local Municipality. Therefore an accurate valuation is not possible, according to the valuator.

12 NON-CURRENT INVESTMENTS

Unlisted

Investment in Municipal Entities - at cost

	100	100
	100	100

Total Investments

All Investments

100 100

Less: Short-term Portion transferred to Current Investments

- -

Total Non-current Investments

	100	100
	100	100

Council's valuation of Unlisted Investments

Investment in Municipal Entities

	100	100
	100	100

Unlisted Investments comprise the following:

- (i) Investments in Municipal Entities as described below.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
12.1 Investment in Municipal Entities		
The municipality exercises control in the following company, located and commencing its operations on 1 July 2009 in the Ugu District Municipal area, where the value of the investment is considered to be R100, being the issued share capital:		
<i>Ugu South Coast Tourism (Pty) Ltd:</i>		
Issued Share Capital (R)	100	100
Percentage controlled by Council (%)	100.00%	100.00%
Current Liabilities	928 663	1 132 975
Non-Current Assets	644 015	510 257
Current Assets	9 370 452	6 791 983
Total Revenue	12 598 440	11 679 500
Total Expenditure	10 821 801	11 311 856
Grant allocated to Municipal Entity (R)	10 017 000	9 450 000
Management's valuation of the investment in the Municipal Entity (R)	100	100

All thirteen members serving on the board of directors of the Municipal Entity are nominated by the municipality's Executive Committee (13/13 = 100.00%).

The municipality's maximum liability towards the Municipal Entity is R100.

13 LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Relocation Loans	110 623	-	110 623
Sundry Loans	11 093	-	11 093
	<u>121 716</u>	<u>-</u>	<u>121 716</u>
Less: Current Portion transferred to Current Receivables:-			51 424
Relocation Loans			47 824
Sundry Loans			3 600
Total Long-term Receivables			70 292
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Relocation Loans	11 897	-	11 897
Sundry Loans	11 093	-	11 093
	<u>22 990</u>	<u>-</u>	<u>22 990</u>
Less: Current Portion transferred to Current Receivables:-			13 427
Relocation Loans			9 827
Sundry Loans			3 600
Total Long-term Receivables			9 562

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

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.

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

2013
R

2012
R

13.1 Ageing of Long-term Receivables

Past Due:

+ 120 Days

Total

	121 716	22 990
	121 716	22 990

As at 30 June Long-term Receivables of R121 716 (2012: R22 990) were past due but not impaired. No terms for payment have been re-negotiated. The age analysis of these Long-term Receivables is as follows:

+ 120 Days

Total

	121 716	22 990
	121 716	22 990

14 CONSUMER DEPOSITS

Water

Total Consumer Deposits

Guarantees held in lieu of Water Deposits

	19 379 146	18 790 162
	19 379 146	18 790 162
	553 580	553 580

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.

15 PROVISIONS

Performance Bonuses

Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 20)

Current Portion of Non-Current Provisions Long-term Service (See Note 21):

Total Provisions

	(0)	683 576
	854 208	771 816
	931 680	710 121
	931 680	710 121
	1 785 888	2 165 513

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R
2012
R

The movement in current provisions are reconciled as follows:

Current Provisions:

Performance Bonuses:

Balance at beginning of year	683 576	683 576
Contributions to provision	(683 576)	683 576
Expenditure incurred	-	(683 576)
Balance at end of year	(0)	683 576

Current Portion of Post-retirement Medical Aid Benefits Liability

Balance at beginning of year	771 816	754 068
Transfer from non-current	854 208	771 816
Expenditure incurred	(771 816)	(754 068)
Balance at end of year	854 208	771 816

Current Portion of Non-Current Provisions Long Term Service

Balance at beginning of year	710 121	1 473 934
Transfer from non-current	931 680	710 121
Expenditure incurred	(710 121)	(1 473 934)
Balance at end of year	931 680	710 121

2013
R
2012
R

16 PAYABLES

Trade Creditors	18 506 575	16 894 927
Payments received in Advance	-	2 495 833
Projects	13 538 425	52 743 423
Retentions	25 057 306	1 375 275
Staff Bonuses	9 248 785	8 297 873
Staff Leave Accrued	15 268 199	11 905 513
Other Creditors	16 875 009	73 333 420
Total Payables	98 494 299	167 046 264

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.

The average credit period on purchases is 85 (2012: 132) days, as opposed to 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 did default on payments of its Payables. No terms for payment have been re-negotiated by the municipality.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
17 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
17.1 Conditional Grants from Government	59 685 369	49 136 672
National Government Grants	24 276 334	14 841 186
Provincial Government Grants	32 943 325	31 753 848
Other Spheres of Government	2 465 710	2 541 638
17.2 Other Conditional Receipts	49 872 318	51 018 020
Developers Contributions	44 752 488	45 543 967
Public Contributions	5 119 829	5 474 052
Total Conditional Grants and Receipts	109 557 686	100 154 692

Unspent Conditional Grants and Receipts have been restated to correctly classify amounts for conditions not met for Grants Received. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

See Note 24 for the reconciliation of Grants from Government and Note 25 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

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

18 OPERATING LEASE LIABILITIES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13.

Balance at beginning of year	-	-
Operating Lease expenses recorded	363 151	1 167 139
Operating Lease payments effected	(329 140)	(1 167 139)
Total Operating Lease Liabilities	34 011	-

18.1 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.

18.2 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:

Other Equipment:	1 538 494	436 648
Within one year	597 154	436 648
In the second to third years, inclusive	941 340	-
Over three years	-	-
Total Operating Lease Arrangements	1 538 494	436 648

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

Minimum lease payments	363 151	1 167 139
Total Operating Lease Expenses	363 151	1 167 139

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2012**
R **R**

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 lessor.
- (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 lessor upon termination of the agreement.
- (iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

19 LONG-TERM LIABILITIES

Annuity Loans	196 417 375	211 977 763
Finance Lease Liabilities	6 938 939	455 063
Sub-total	203 356 314	212 432 825
Less: Current Portion transferred to Current Liabilities:-	16 909 779	14 417 285
Annuity Loans	14 610 464	13 962 222
Finance Lease Liabilities	2 299 314	455 063
Total Long-term Liabilities (Neither past due, nor impaired)	186 446 535	198 015 541

19.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 1 to 17 (2012: 1 to 18) years and at interest rates varying from 2,65% to 11,51% (2012: 2,65% to 11,00%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates to Vehicles with lease term periods of 3 (2012: 2) years. The effective interest rate on Finance Leases is 6,6% (2012: 11,41%). Capitalised Lease Liabilities are secured over the items of vehicles leased.

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

19.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 3 years (2012: 3 years). The effective interest rate on Finance Leases is 6,6% (2012: 11,41%).

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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2013 R	2012 R	2013 R	2012 R
Amounts payable under finance leases:				
Within one year	2 690 721	471 739	2 690 721	471 739
In the second to third years, inclusive	4 940 297	-	4 940 297	-
	7 631 018	471 739	7 631 018	471 739
Less: Future Finance Obligations	692 080	16 676	692 080	16 676
Present Value of Minimum Lease Obligations	6 938 939	455 063	6 938 939	455 063
Less: Amounts due for settlement within 12 months (Current Portion)			(2 299 314)	(455 063)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			4 639 624	(0)

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 6 938 939	R 455 063
- Instalments are payable monthly in arrears		
- Average period outstanding	3 months	3 months
- Average effective interest rate, based on prime	6,6%	11.41%
- Average monthly instalment	R 6 406	R 9 557

19.3 Breach of Loan Agreement

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the municipality.

20 RETIREMENT BENEFIT LIABILITIES

20.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	18 959 976	22 123 367
Contributions to Provision	3 269 874	(2 391 575)
Balance at end of Year	22 229 850	19 731 792
Transfer to Current Provisions	(854 208)	(771 816)
Total Post-retirement Health Care Benefits Liability	21 375 642	18 959 976

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 2013 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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	494	467
Continuation Members (Retirees, widowers and orphans)	48	44
Total Members	542	511

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

In-service Members	9 061 962	7 662 856
Continuation Members	13 167 888	12 068 936
Total Liability	22 229 850	19 731 792

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 2013 is estimated to be R840 086, whereas the cost for the ensuing year is estimated to be R959 255 (30 June 2012: R1 277 147 and R840 086 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.33%	7.69%
Health Care Cost Inflation Rate	7.49%	6.72%
Net Effective Discount Rate	78.00%	91.00%
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	19 731 792	22 877 435
Current service costs	840 086	1 277 147
Interest cost	1 488 763	1 943 555
Benefits paid	(771 816)	(754 068)
Actuarial losses / (gains)	941 025	(5 612 277)
Present Value of Fund Obligation at the end of the Year	22 229 850	19 731 792

Actuarial losses / (gains) unrecognised

- -

Total Recognised Benefit Liability

22 229 850 **19 731 792**

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	22 229 850	19 731 792
Unfunded Accrued Liability	22 229 850	19 731 792
Unrecognised Actuarial Gains / (Losses)	-	-
Total Benefit Liability	22 229 850	19 731 792

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	840 086	1 277 147
Interest cost	1 488 763	1 943 555
Actuarial losses / (gains)	941 025	(5 612 277)
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	3 269 874	(2 391 575)

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R	2011 R	2010 R	2009 R
The history of experienced adjustments is as follows:					
	2013 R	2012 R	2011 R	2010 R	2009 R
Present Value of Defined Benefit Obligation	22 229 850	19 731 792	22 877 435	20 526 171	17 761 372
Deficit	<u><u>22 229 850</u></u>	<u><u>19 731 792</u></u>	<u><u>22 877 435</u></u>	<u><u>20 526 171</u></u>	<u><u>17 761 372</u></u>

Experienced adjustments on Plan Liabilities	(488 790)	(6 769 737)	1 949 195	(214 812)	855 881
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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.

	2013 R	2012 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	318 700	621 500
Effect on the defined benefit obligation	2 935 287	2 627 886
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(264 800)	(490 400)
Effect on the defined benefit obligation	(2 446 080)	(2 188 937)

The municipality expects to make a contribution of R2,775 million (2012: R2,329 million) to the Defined Benefit Plans during the next financial year.

Refer to Note 51, "Multi-employer Retirement Benefit Information", for more information regarding the municipality's other retirement funds that are Provincially and Nationally administered.

21 NON-CURRENT PROVISIONS

Provision for Long Service Awards	8 440 747	9 055 346
Total Non-current Provisions	<u><u>8 440 747</u></u>	<u><u>9 055 346</u></u>

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

Long-term Service

Balance at beginning of year	9 055 346	7 892 532
Contributions to provision	317 081	1 872 935
	<u>9 372 427</u>	<u>9 765 467</u>
Transfer to current provisions	(931 680)	(710 121)
Balance at end of year	<u><u>8 440 747</u></u>	<u><u>9 055 346</u></u>

21.1 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 10 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 2013 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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2012**
R

At year-end, 832 (2012: 891) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2013 is estimated to be R1 357 080, whereas the cost for the ensuing year is estimated to be R1 107 699 (30 June 2012: R1 498 752 and R1 357 080 respectively).

2013
R **2012**
R

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.56%	6.66%
Cost Inflation Rate	6.85%	5.96%
Net Effective Discount Rate	0.66%	0.66%
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	9 765 467	9 366 466
Current service costs	1 357 080	1 498 752
Interest cost	627 110	682 282
Benefits paid	(931 680)	(1 473 934)
Actuarial losses / (gains)	(1 667 109)	(308 099)

Present Value of Fund Obligation at the end of the Year

9 150 868 **9 765 467**

Actuarial losses / (gains) unrecognised

- -

Total Recognised Benefit Liability

9 150 868 **9 765 467**

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

9 150 868 9 765 467

Unfunded Accrued Liability

9 150 868 9 765 467

Actuarial gains / (losses) not recognised

- -

Total Benefit Liability

9 150 868 **9 765 467**

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost

1 357 080 1 498 752

Interest cost

627 110 682 282

Actuarial losses / (gains)

(1 667 109) (308 099)

Total Post-retirement Benefit included in Employee Related Costs (Note 29)

317 081 **1 872 935**

The history of experienced adjustments is as follows:

	2013 R	2012 R	2011 R	2010 R	2009 R
Present Value of Defined Benefit Obligation	9 150 868	9 765 467	9 366 466	6 870 116	5 356 719
Deficit	9 150 868	9 765 467	9 366 466	6 870 116	5 356 719

Experienced adjustments on Plan Liabilities

(1 664 673) (991 516) 870 061 755 438 492 099

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.

2013
R **2012**
R

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	165 185	154 201
Effect on the defined benefit obligation	221 559	793 533
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(145 890)	(136 415)
Effect on the defined benefit obligation	(221 559)	(708 467)

The municipality expects to make a contribution of R1 781 800 (2012: R1 984 190) to the defined benefit plans during the next financial year.

22 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	72 267	144 924
Capitalisation Reserve	37 672 849	35 143 482
Donations and Public Contributions Reserve	21 040 164	21 328 447
Government Grants Reserve	972 601 295	843 805 711
Accumulated Surplus / (Deficit) due to the results of Operations	792 781 270	661 239 418
Total Accumulated Surplus	1 824 167 845	1 561 661 982

Accumulated Surplus has been restated for various reasons indicated in Note 40 on "Correction of Error".

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is invested in Financial Instrument Investments.

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.

23 GOVERNMENT GRANTS AND SUBSIDIES

Provincial Equitable Share	202 522 000	192 659 000
Levies Replacement	46 138 000	42 329 000
Other Grants Received	(8 469 671)	1 980 033
Operational Grants	240 190 329	236 968 033
Conditional Grants	354 619 997	296 603 249
National: FMG Grant	1 106 802	1 970 168
National: DEAT Grant	1 078 727	5 673
National: MIG Grant	303 924 639	253 076 453
National: DWAF Grant	29 943 525	11 947 128
National: Local Government Grants	854 655	453 690
Provincial: Dept of Cooperative Governance and Traditional Affairs Grant	15 500 089	25 938 740
Provincial: Dept of Sport & Recreation Grant	185 999	1 127 193
Provincial: Dept of Transport Grant	1 745 559	1 121 010
Other Spheres of Government Grants: DBSA	280 002	963 193
Total Government Grants and Subsidies	594 810 326	533 571 282

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2012**
R **R**

Government Grants and Subsidies have been restated to record the revenue for conditions met on grants, not previously recognised. Refer to Note 40 on "Correction of Error" for details of the restatement.

Operational Grants:

23.1 National: Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	202 522 000	192 659 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(202 522 000)	(192 659 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</u>

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.

Conditional Grants:

23.2 National: Finance Management Grant (FMG)

Balance unspent at beginning of year	265 722	985 890
Current year receipts	1 250 000	1 250 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(932 719)	(1 970 168)
Conditions met - transferred to Revenue: Capital Expenses	(174 084)	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>408 920</u>	<u>265 722</u>

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

23.3 National: Economic Affairs and Tourism Grant (DEAT)

Balance unspent at beginning of year	2 690 780	2 701 709
Current year receipts	-	(5 256)
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 078 727)	(5 673)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>1 612 053</u>	<u>2 690 780</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.

23.4 National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	11 374 293
Current year receipts	289 979 000	239 046 000
Interest allocated	-	2 656 160
Conditions met - transferred to Revenue: Operating Expenses	(130 883 724)	(81 429 670)
Conditions met - transferred to Revenue: Capital Expenses	(159 095 277)	(155 044 961)
Correction of Prior Period Error - Interest Allocated		(2 656 160)
Correction of Prior Period Error - Conditions met -transferred to Revenue: Operational Expenses		(13 945 662)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
23.5 National: Dept of Water Affairs and Forestry Grant (DWAF)		
Balance unspent at beginning of year	11 338 399	14 719 899
Current year receipts	28 585 335	8 565 628
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(6 094 583)	(4 300 000)
Conditions met - transferred to Revenue: Capital Expenses	(23 848 942)	(7 647 128)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>9 980 208</u>	<u>11 338 399</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.

23.6 National: Local Government Grants

Balance unspent at beginning of year	546 310	-
Current year receipts	1 000 000	1 000 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(854 655)	(453 690)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>691 655</u>	<u>546 310</u>

Various grants are paid by National 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.

23.7 Provincial: Dept of Cooperative Governance and Traditional Affairs Grant

Balance unspent at beginning of year	33 844 017	49 852 997
Current year receipts	13 752 004	9 929 760
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(8 264 686)	(4 661 233)
Conditions met - transferred to Revenue: Capital Expenses	(7 033 999)	(21 026 546)
Correction of Prior Period Error - Conditions met -transferred to Revenue: Operational Expenses	-	(250 962)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>32 297 337</u>	<u>33 844 017</u>

Grants received from CoGTA 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 shared services in the district, disaster management and water and sanitation services . No funds were withheld.

23.8 Provincial: Dept of Sport and Recreation Grant

Balance unspent at beginning of year	-	1 127 193
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(941 193)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Correction of Prior Period Error - Conditions met -transferred to Revenue: Operational Expenses	-	(185 999)
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>-</u>	<u>-</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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
23.9 Provincial: Dept of Transport Grant		
Balance unspent at beginning of year	565 990	0
Current year receipts	1 776 000	1 687 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(1 121 010)
Conditions met - transferred to Revenue: Capital Expenses	(1 745 559)	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>596 431</u>	<u>565 990</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.

23.10 Other Spheres of Government Grants: DBSA

Balance unspent at beginning of year	2 404 194	1 938 429
Current year receipts	204 073	1 428 958
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(280 002)	(963 193)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>2 328 266</u>	<u>2 404 194</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.

23.11 Other Government: Industrial Development Corporation

Balance unspent at beginning of year	137 444	137 444
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>137 444</u>	<u>137 444</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.

23.12 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2011), government grant funding is expected to increase over the forthcoming three financial years.

24 PUBLIC CONTRIBUTIONS AND DONATIONS

Conditional Contributions	3 171 874	-
Other Donations	-	250 000
Donations included in Government Grants and Subsidies	-	-
Total Public Contributions and Donations	<u>3 171 874</u>	<u>250 000</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
24.1 Reconciliation of Conditional Public Contributions and Donations		
24.1.1 Developers' Contributions		
Balance unspent at beginning of year	45 543 967	42 773 163
Current year receipts	2 026 172	2 770 804
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(2 817 651)	-
Conditions still to be met - transferred to Liabilities	<u>44 752 488</u>	<u>45 543 967</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.

24.1.2 Public Contributions

Balance unspent at beginning of year	5 474 052	3 469 424
Current year receipts	-	2 004 628
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(354 223)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities	<u>5 119 829</u>	<u>5 474 052</u>

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

25 SERVICE CHARGES

Sale of Water	201 739 233	210 494 499
Sewerage and Sanitation Charges	89 657 879	86 971 787
Total Service Charges	<u>291 397 112</u>	<u>297 466 286</u>

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

26 RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Amenities	341 910	225 935
Rental Revenue from Buildings	1 188 571	28 557
Rental Revenue from Other Facilities	162 654	325 727
Total Rental of Facilities and Equipment	<u>1 693 135</u>	<u>580 219</u>

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

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
27 INTEREST EARNED		
External Investments:		
Bank Account	2 299 256	2 092 826
Short-term Investments	(382 177)	90 477
Correction of Prior Period Error	-	2 656 160
	1 917 079	4 839 463
Outstanding Debtors:		
Outstanding Billing Debtors	2 706 132	2 070 730
Fair Value adjustment of Service Charges	15 670 105	14 688 020
	18 376 237	16 758 750
Total Interest Earned	20 293 315	21 598 213
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	1 917 079	2 183 303
Held-to-Maturity Investments	-	2 656 160
Loans and Receivables	18 376 237	16 758 750
	20 293 315	21 598 213

28 OTHER REVENUE

Administration Fees	56 409	47 886
Agents' Commission	72 236	276 163
Building Plan Fees	81 176	70 742
Connection Fees	2 356 870	2 070 906
Reconnection Fees	117 082	116 685
Restriction Fees	677 798	549 907
Septic Tank Clearance Fees	-	-
Tender Deposits	334 711	296 597
Water Rates Certificates	135 090	219 570
Other Revenue	2 203 412	530 692
Total Other Revenue	6 034 784	4 179 148

The amounts disclosed above for Other Revenue are in respect of services, other than described in Note 25, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Internal Recoveries are journalised from other trading and economic services.

29 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	149 611 926	148 974 274
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	37 350 586	33 133 650
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	24 036 726	22 800 319
Housing Benefits and Allowances	1 137 058	968 233
Overtime Payments	28 678 133	22 191 655
Defined Benefit Plan Expense:	2 876 834	(1 992 574)
Current Service Cost	1 487 045	1 301 965
Interest Cost	2 115 873	2 625 837
Net Actuarial (gains)/losses recognised	(726 084)	(5 920 376)
Total Employee Related Costs	243 691 262	226 075 557

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 14.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Remuneration of Section 57 Employees:		
Remuneration of the Municipal Manager		
Annual Remuneration	708 207	634 477
Leave Encashed	403 892	-
Car, Entertainment, Housing, Subsistence and Other Allowances	394 758	462 858
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	82 015	11 896
Total	1 588 872	1 109 231

The Municipal Manager resigned in January 2013 and the new Municipal Manager was appointed in March 2013.

Remuneration of the Deputy Municipal Manager		
Annual Remuneration	-	348 817
Leave Encashed	-	242 051
Car, Entertainment, Housing, Subsistence and Other Allowances	-	133 939
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	-	7 541
Total	-	732 348

The post became vacant in December 2011. The position has not been filled as at 30 June 2013.

Remuneration of the Chief Financial Officer		
Annual Remuneration	368 576	400 885
Leave Encashed	-	235 625
Car, Entertainment, Housing, Subsistence and Other Allowances	441 584	358 127
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	63 422	94 411
Total	873 582	1 089 048

The General Manager: Financial Services resigned on 31 March 2012. The Manager: Budget Office assumed the acting position from April 2012 to August 2012 and was appointed as the Chief Financial Officer on 1 September 2012.

Remuneration of the General Manager: Corporate Services		
Annual Remuneration	409 340	659 483
Leave Encashed	141 853	-
Car, Entertainment, Housing, Subsistence and Other Allowances	490 745	241 341
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	11 273	10 055
Total	1 053 211	910 879

Remuneration of the General Manager: Infrastructure and Economic Development		
Annual Remuneration	658 728	659 483
Leave Encashed	118 879	-
Car, Entertainment, Housing, Subsistence and Other Allowances	229 315	259 625
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	11 165	10 201
Total	1 018 087	929 309

Remuneration of the General Manager: Water Services		
Annual Remuneration	613 449	661 563
Leave Encashed	129 426	-
Car, Entertainment, Housing, Subsistence and Other Allowances	203 980	255 035
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	9 363	8 558
Total	956 218	925 156

Remuneration of the General Manager: Operations		
Annual Remuneration		255 163
Leave Encashed		129 227
Car, Entertainment, Housing, Subsistence and Other Allowances		152 610
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds		5 915
Total	-	542 915

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R

The post became vacant in December 2011. The position has not been filled as at 30 June 2013.

Remuneration of the Senior Manager: Strategy and Shared Services

Annual Remuneration	547 954	504 598
Leave Encashed	-	-
Car, Entertainment, Housing, Subsistence and Other Allowances	180 361	182 492
Performance Bonus	-	-
Contributions to UIF, Medical and Pension Funds	8 635	8 025
Total	736 950	695 115

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2012**
R **R**

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

Staff Leave Benefits:-

Municipal Manager	28 988	192 218
Deputy Municipal Manager	-	-
Chief Financial Officer	44 589	-
General Manager: Corporate Services	28 800	100 559
General Manager: Infrastructure & Economic Development	34 375	75 669
General Manager: Water Services	12 841	98 284
General Manager: Operations	-	-
Special Advisor	106 998	98 022
Total	256 591	564 752

30 REMUNERATION OF COUNCILLORS

Mayor	343 056	285 283
Deputy Mayor	261 568	175 422
Speaker	258 918	211 935
Executive Committee Members	1 473 300	820 962
Councillors	1 131 961	1 852 527
Company Contributions to UIF, Medical and Pension Funds	460 096	430 182
Group Life Insurance	-	-
Medical Aid	153 944	125 801
Pension Fund	239 254	246 614
Skills Development Levy	66 891	57 767
UIF	-	-
Other Allowances (Cellular Phones, Housing, Transport, etc.)	3 919 640	3 269 897
Total Councillors' Remuneration	7 848 538	7 046 209

In-kind Benefits

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

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

The following additional personal support is provided by the municipality:

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

31 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	50 041 420	52 412 545
Amortisation: Intangible Assets	2 712 905	3 868 360
Total Depreciation and Amortisation	52 754 325	56 280 905

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
32 IMPAIRMENT LOSSES		
32.1 Impairment Losses on Fixed Assets		
Impairment Losses Recognised:	632 883	-
Property, Plant and Equipment	632 883	-
Intangible Assets	-	-
Impairment Losses Reversed:	-	-
Property, Plant and Equipment	-	-
Intangible Assets	-	-
	632 883	-
32.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	-	46 592 646
Consumer Debtors	-	46 592 646
Other Debtors	-	-
Impairment Losses Reversed:	(25 808 598)	-
Consumer Debtors	(25 808 598)	-
Other Debtors	-	-
	(25 808 598)	46 592 646
Total Impairment Losses	(25 175 715)	46 592 646

33 FINANCE COSTS

The municipality did not incur any Finance Cost.

Creditors Overdue	788 184	482 388
Loans and Payables at amortised cost	16 171 745	17 810 192
Total Interest Paid on External Borrowings	16 959 930	18 292 580

The weighted average capitalisation rate on funds borrowed generally is 7.94% per annum (2012: 8.38% per annum).

34 BULK PURCHASES

Water	34 650 454	34 327 836
Total Bulk Purchases	34 650 454	34 327 836

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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
35 CONTRACTED SERVICES		
Agency Services	(22)	1
Cleaning Services	2 206 762	2 052 957
Internal Audit Services	15	-
Professional Services:		
- Chemistry	1 327 430	1 668 170
- Dam Safety	1 714 419	2 369 909
- Engineering Services	197 671	1 378 507
- Other Professional Services	541 392	239 360
Security Services:		
- Alarm Monitoring	9 789	-
- Cash Banking	152 019	153 364
- General Security	8 999 373	8 813 695
Sewerage Purification Services	189 810	236 104
Other Contracted Services	4 067 510	2 354 418
Total Contracted Services	19 406 168	19 266 484
36 GRANTS AND SUBSIDIES PAID		
Conditional Grants Paid	-	966 676
Community Projects	132 310 857	92 079 314
Low Income Subsidy	49 829 465	48 514 473
Other Grants and Subsidies Paid	16 862 399	25 499 630
Total Grants and Subsidies	199 002 722	167 060 093

Conditional Grants paid is in respect of projects undertaken by municipalities within the municipality's area of jurisdiction and funded by Ugu District Municipality.

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.

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

In respect of **Other Grants and Subsidies Paid**, 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 2013

	2013	2012
	R	R
37 GENERAL EXPENSES		
Included in General Expenses are the following:		
2010 FIFA Soccer World Cup Contingency	-	-
Accommodation, Seminars and Travelling	350 280	705 497
Advertising	220 878	161 325
Audit Fees	2 341 651	2 303 318
Bank Charges	655 502	523 593
Catering Expenses	(4)	410
Cellphones, Internet and Telephones	3 221 801	3 406 108
Cleaning Materials and Chemicals	237 249	246 537
Commission Paid	1 011 748	988 965
Consultant IT Support	131 800	444 316
Consumables	214 454	54 741
Electricity	42 721 857	33 566 807
Entertainment	11 606	4 695
Events and Programmes	2 553 629	1 481 739
Fuel and Oil	9 256 931	8 704 296
Gardening Services	(55 669)	1 126 892
Insurance General	60 660	3 674 562
Kwanaloga Games	1 736 585	1 456 987
Kwanaloga Subscriptions	2 238 687	1 426 781
Legal Expenses	831 417	1 548 311
Licences	1 774 080	2 538 979
Loose/Small Tools	264 970	207 186
Marketing Expenses	218 198	1 232 327
Materials	6 912 742	5 423 120
Postage	1 440 409	1 511 171
Printing and Stationery	430 920	425 851
Property Transfers	-	-
Public Participation	174 174	8 763
Refreshments	678 487	554 683
Rentals - Property, Plant and Equipment	3 733 553	4 395 057
Sports and Leisure Centre	(2 083)	144 665
Staff Training	983 723	429 616
Subscriptions	14 633	30 750
Subsistence	1 073	-
Training Cost	105 435	9 357
Transport Costs	5 947 001	5 940 858
Uniforms and Protective Clothing	679 311	815 739
Vehicle Tracking	289 492	601 776
Workmen's Compensation Insurance	1 435 909	-
Other General Expenses	1 386 671	2 896 328
Total General Expenses	94 209 758	88 992 105

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 journalised to other trading and economic services for support services rendered.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
37.1 Material Losses	21 477 821	18 149 010
Distribution Losses:		
Water Losses	21 477 821	18 149 010

The amounts disclosed above for **Water Losses** are in respect of production costs incurred in the extraction, purification, storage and distribution of water by the municipality and not directly attributable to a specific service or class of expense.

No extra-ordinary expenses were incurred.

38 DISCONTINUED OPERATIONS

38.1 Ugu Fresh Produce Market Services discontinued

The operations of the Ugu Fresh Produce Market were discontinued during the prior year. Staff, equipment and vehicles remain with the municipality for strategic purposes and service delivery. The immovable property is now being held to earn rentals, with tenants already entering into lease agreements in the current year. The immovable property has been transferred to Investment Property in the current year.

38.2 Analysis of Surplus / (Deficit) for the year from Discontinued Operations

The results of the Discontinued Operations included in the Statement of Financial Performance are set out below. The comparative Surplus/(Deficit) and Cash Flows from Discontinued Operations have been represented to include those operations classified as discontinued in the current period.

REVENUE

Rental of Facilities and Equipment	-	-
Other Income	-	304 720
Total Income	-	304 720

LESS: EXPENDITURE

Employee Related Costs	-	3 277 227
Repairs and Maintenance	-	1 622 408
Interest Paid	-	-
Contracted Services	-	92 893
Grants and Subsidies Paid	-	806 349
General Expenses	-	-
	-	755 576
	-	(2 972 507)

Gain / (Loss) on remeasurement to Fair Value, less Costs to Sell	-	-
Gain / (Loss) on disposal of Operation	-	-
Net Surplus/(Deficit) from Discontinued Operations	-	(2 972 507)

Cash Flows from Discontinued Operations

Net Cash Flows from Operating Activities	-	(2 972 507)
Net Cash Flows from Investing Activities	-	-
Net Cash Flows from Financing Activities	-	-
Depreciation	-	-
	-	(2 972 507)

39 CHANGE IN ACCOUNTING POLICY

The municipality adopted no Accounting Standards for the first time during the financial year 2012/13 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R 2012
R

40 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

40.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

In terms of National Treasury Circular 58 the municipality is required to recognise Vat and Interest as own revenue from a project funded by a conditional grant. During the prior years this was not accounted for correctly resulting in an overstatement of unspent conditional grants.

The effect of the changes are as follows:	reported 2012	correction 2012	Restated 2012
Decrease in Unspent Conditional Grants and Receipts	<u>117 193 475</u>	<u>17 038 783</u>	<u>100 154 692</u>
Increase in Government Grants and Subsidies Received	<u>519 188 683</u>	<u>14 282 195</u>	<u>533 470 878</u>
Interest Earned - External Investments	<u>2 183 303</u>	<u>2 656 160</u>	<u>4 839 463</u>
Increase in Accumulated Surplus	<u>1 544 623 200</u>	<u>100 428</u>	<u>1 544 522 772</u>

The **opening balances** of Unspent Conditional Grants and Accumulated Surplus have been restated to correctly record the liabilities of the municipality towards Conditional Grants received and not spent, adjusting for VAT and interest earned but not recognised as own revenue.

The effect of the changes are as follows:

	Accumulated Surplus
Balances published as at 30 June 2011	1 385 466 921
Correction of Error:-	
Reclassify Conditions Met Transferred to Revenue	<u>100 428</u>
Restated Balances published as at 30 June 2011	1 385 567 349
Transactions incurred for the Year 2011/12	(100 428)
Balances now published per AFS as at 30 June 2012	<u>1 385 466 921</u>

40.2 Reclassification of Unspent Conditional Grants:

The **prior year amounts** of Unspent Conditional Grants and Revenue have been restated to correctly record the revenue for conditions met on grants,

The effect of the Correction of Error is as follows:

	Unspent Grants
Balances published as at 30 June 2012	117 193 475
Reclassify Unspent Grants for conditions met	(14 382 623)
Reclassification of External Interest Earned	(2 656 160)
Balances now published per AFS as at 30 June 2012	<u>100 154 692</u>

40.3 Reclassification of External Interest Earned and Conditions Met:

The prior year figures of Revenue for Interest Earned on External Investments and Government Grants and Subsidies Received have been restated to

The effect of the Correction of Error is as follows:

Conditions Met External Interest

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
		Earned
Balances published as at 30 June 2012	519 188 683	2 183 303
Reclassification of External Interest Earned	-	-
	14 382 623	2 656 160
Balances now published per AFS as at 30 June 2012	<u><u>533 571 306</u></u>	<u><u>4 839 463</u></u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R

41 CHANGE IN ACCOUNTING ESTIMATES

The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of GRAP 3.

41.1 Depreciation Expenditure:

The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2010. Adjustments to the residual values and useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:

Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	-	(606 034)
Increase / (Decrease) in Depreciation of PPE	<u>-</u>	<u>(606 034)</u>
Depreciation as previously stated		
Adjustment due to Change in Accounting Estimate	-	54 303 679
	<u>-</u>	<u>(606 034)</u>
Depreciation as per Note 31	<u>-</u>	<u>53 697 645</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
42 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	262 505 860	176 195 038
Adjustment for:		
Correction of Prior Year Errors	(100 428)	-
Depreciation and Amortisation	52 754 325	56 280 905
Impairment Losses on Property, Plant and Equipment	632 883	-
Losses / (Gains) on Disposal of Property, Plant and Equipment	-	(62 259)
Property, Plant and Equipment transferred to Assets Held-for-Sale	-	-
Other Movement on Property, Plant and Equipment	-	-
Contribution to Retirement Benefit Liabilities	3 269 874	(2 391 575)
Expenditure incurred from Retirement Benefit Liabilities	(771 816)	(754 068)
Contribution to Provisions - Current	(683 576)	683 576
Contribution to Provisions - Non-current	317 081	1 872 935
Expenditure incurred from Provisions - Current	(710 121)	(2 157 510)
Contribution to Impairment Provision	(25 808 598)	46 592 646
Operating Surplus before working capital changes	291 405 484	276 259 688
Decrease/(Increase) in Inventories	(555 257)	(1 742 211)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	-	1 054 544
Decrease/(Increase) in Receivables from Exchange Transactions	(15 522 725)	(50 028 994)
Decrease/(Increase) in Receivables from Non-exchange Transactions	8 095 806	(16 315 324)
Decrease/(Increase) in VAT Receivable	(9 626 885)	21 521 713
Decrease/(Increase) in Operating Lease Receivables	(43 785)	-
Decrease/(Increase) in Current Portion of Long-term Receivables	(37 996)	-
Increase/(Decrease) in Consumer Deposits	588 984	523 391
Increase/(Decrease) in Payables	(68 551 966)	16 336 438
Increase/(Decrease) in Conditional Grants and Receipts	9 402 994	(28 925 726)
Increase/(Decrease) in Operating Lease Liabilities	34 011	-
Cash generated by / (utilised in) Operations	215 188 665	218 683 520
43 NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2012/13 financial year.		
44 FINANCING FACILITIES		
The municipality did not have any Financing Facilities available at any time during the two financial years.		
Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	5 000 000	5 000 000
- Amount unused	-	-
	5 000 000	5 000 000
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	468 678	1 291 030
- Amount unused	1 031 322	208 970
	1 500 000	1 500 000
Unsecured Vehicle and Asset Finance Facility, reviewed annually:		
- Amount used	7 294 544	2 500 000
- Amount unused	2 705 456	-
	10 000 000	3 000 000
Unsecured DBSA Loan Facility with maturity date to be determined upon final disbursement:		
- Amount used		-
- Amount unused		-
		-

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Secured Bank Loan Facilities with various maturity dates through to 2011 and which may be extended by mutual agreement:		
- Amount used	85 433 000	-
- Amount unused	-	-
	85 433 000	-

45 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 19)	203 356 314	212 432 825
Used to finance Property, Plant and Equipment - at cost	(203 353 968)	(212 429 835)
Sub-total	2 346	2 991
Cash set aside for the Repayment of Long-term Liabilities (See Notes 6)	-	-
Cash invested for Repayment of Long-term Liabilities	2 346	2 991

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

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.

Reconciliation of Unauthorised Expenditure:

Opening balance	0	57 530 155
Unauthorised Expenditure current year	8 125 720	45 239 756
Approved by Council or condoned		(102 769 911)
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	8 125 720	0

Incident	Disciplinary Steps / Criminal Proceedings	Amount	
Budgeted amounts exceeded:-	<i>To be condoned by Executive Committee</i>		
- Infrastructure & Economic Development		7 038 102	42 819 728
- Water			2 420 028
- Environmental Protection		1 087 618	
Total Expenditure		8 125 720	45 239 756

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.

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	1 218 632	767 460
Fruitless and Wasteful Expenditure current year	788 184	482 388
Condoned or written off by Council	-	(31 216)
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	2 006 816	1 218 632

Incident	Disciplinary Steps / Criminal Proceedings
Interest on late payments - R788 184 (2012: R482 388)	A report will be adopted by the Executive Committee, condoning the "Fruitless and Wasteful Expenditure" for the current year. Disciplinary action is in progress for the prior year's Fruitless and Wasteful Expenditure.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
46.3 Irregular Expenditure		
Reconciliation of Irregular Expenditure:		
Opening balance	17 603 725	21 474 801
Irregular Expenditure current year	15 584 595	18 413 725
Condoned or written off by Council	-24 060 681	(22 284 800)
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Irregular Expenditure awaiting condonement	9 127 639	17 603 725

Incident	Disciplinary Steps / Criminal Proceed	Amount	
Expenditure contrary to the provisions of Regulation 44 of the Municipal Supply Chain Management Regulations as described in Note 47.8	A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".	9 091 654	7 239 706
Expenditure according to the provisions of Regulation 36 of the Municipal Supply Chain Management Regulations as described in Note 47.8	A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".	5 968 655	10 131 156
Irregular expenditure incurred contrary to the Supply Chain Management Policy	A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".	524 286	1 042 863
Total Expenditure		15 584 595	18 413 725

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

47.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	2 238 688	1 426 782
Amount Paid - current year	(2 238 688)	(1 426 782)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

47.2 Audit Fees

Opening Balance	269 143	66 840
Current year Audit Fee	2 372 713	2 240 132
Amount Paid - current year	(2 168 554)	(1 970 989)
Amount Paid - previous years	(269 143)	(66 840)
Balance Unpaid (included in Creditors)	204 159	269 143

The balance unpaid represents the audit fee for pre-audit of and planning the audit for the 2012/13 financial year and is payable by 31 July 2013.

47.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.

47.4 PAYE, Skills Development Levy and UIF

Opening Balance	2 585 847	2 581 851
Current year Payroll Deductions	35 356 418	35 356 418
Amount Paid - current year	(35 356 418)	(32 770 571)
Amount Paid - previous years	(2 585 847)	(2 581 851)
Balance Unpaid (included in Creditors)	-	2 585 847

The balance represents PAYE, UIF, and SDL deducted from employees and councillors in the June 2013 payroll and are payable by 07 July 2013.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
47.5 Pension and Medical Aid Deductions		
Opening Balance	2 333 012	3 433 284
Current year Payroll Deductions and Council Contributions	44 544 336	44 544 336
Amount Paid - current year	(44 544 336)	(42 211 324)
Amount Paid - previous years	(2 333 012)	(3 433 284)
Balance Unpaid (included in Creditors)	-	2 333 012

The balance represents Pension and Medical Aid contributions deducted from employees and councillors in the June 2013 payroll, as well as the municipality's contributions to these funds and are payable by 07 July 2013.

47.6 Councillor's arrear Consumer Accounts

During the financial year under review Councillor (present or past) was in arrear with the settlement of their municipal accounts.

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2013			
Gumede ST	936	548	388
Dzingwa TN	1 729	1 216	513
Ntanza VL	2 696	2 092	604
Mavundla IM	115	87	28
Total Councillor Arrear Consumer Accounts	5 476	2 179	632
30 June 2012			
Gumede ST	196	119	77
Total Councillor Arrear Consumer Accounts	196	119	77

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

No known matters existed at reporting date.

The municipality has developed a supply chain management policy which was only approved by Council in September 2005.

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	September 2012	Pump and General	Urgency of the matter	312 000.00 Including VAT
Engage services of the Agents for the repair of pumps in Margate Pumpstation to prevent sewer spillage into Margate Beach				
Water Services	September 2012	Drain-a-way	Urgency of the matter	7 650.00
Procurement of Window Server 2008 R2 Standard Edition volume licenses				
Water Services	September 2012	Drain Experts	Urgency of the matter	167 100.00 Including VAT
To reduce overflow of sewerage at Margate 4A, while the pumps are sent for repairs				
Water Services	September 2012	J Moodley Construction	Urgency of the matter	115 650.00 Including VAT
Mr N Moodley's contract of employment with the municipality was not renewed				
Water Services	September 2012	Imperial Truck Rental	Impractical to follow SCM process	210 000.00 Including VAT

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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Extension of hire of fleet whilst awaiting delivery of new fleet				
Water Services	January 2013	Sanitech/ ta Waco	Impractical to follow SCM process	156 590.40 Including VAT
Provision of mobile toilets at Umzinto informal settlement whilst tender was awaiting to be awarded				
Corporate Services	March 2013	Digital Voice Processing	Agents	6 060.24 Including VAT
Agents for the repair of the voice recording machines used by Secretariat				
Water Services	May 2013	Hampson Delta	Agents	25 203.66 Including VAT
Hampson Delta are agents for Nissan and carried out service to Nissan vehicles				
Water Services	May 2013	Bates and Johnstone Motors	Agents	10 383.51 Including VAT
Bates are agents for Isuzu and repaired Isuzu vehicles				
Water Services	May 2013	Halfway Toyota	Agents	4 783.99 Including VAT
Replacement on laptop lcds that are still under warranty				
Water Services	May 2013	Bates and Johnstone Motors	Urgency of the matter	1 228 310.82 Including VAT
Emergency repairs to the broken line which took a period of 4 days from Sunday, the 26th of June 2011				
Water Services - Fleet Section	June 2013	Total Fleet Solutions	Urgency of the matter	1 313 412.00 Including VAT
Extension of tracker contract. Advertised contract could not be awarded and monitoring of vehicles must be enforced to reduce abuse of fleet				
Water Services - Fleet Section	June 2013	Brian Thompson	Agents	455 400.00 Including VAT
Repairs to Nissan models for Water Services Area North and South				
Water Services - Fleet Section	June 2013	Bates and Johnstone Motors	Agents	387 600.00 Including VAT
Bates are agents for Isuzu and repaired Isuzu vehicles				
Water Services - Fleet Section	June 2013	Union Motors	Agents	68 400.00 Including VAT
Repairs to Trucks purchased from Union Motors				
Water Services - Fleet Section	June 2013	Halfway Toyota	Agents	45 600.00 Including VAT
To repair Toyota models for which they are agents.				
Water Services - Fleet Section	June 2013	Hampson Delta	Agents	290 000.00 Including VAT
Hampson Delta are agents for Nissan and carried out service to Nissan vehicles				
Water Services	June 2013	Sanitech	Impractical to follow SCM process	800 000.00 Including VAT
Supply of mobile toilets to Umzinto informal settlement. Contract was awarded and an objection was received and work couldn't commence.				
Economic Development - Ugu Sports and Leisure Centre	June 2013	Margate Engineering	Urgency of the matter	199 948.00 Including VAT
Delay in the installation of the Turnstiles could have caused injury and loss of life to patrons attending the Ugu Jazz Festival.				
Water Services - Fleet Section	June 2013	Imperial Group (Pty) Ltd	Extension of contract	164 562.80 Including VAT
Extension of vehicle hire contract whilst awaiting for delivery of new vehicles.				

2013
R

2012
R

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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Furthermore, the municipality has made the following awards to persons in service of Government Institutions contrary to the provisions of paragraphs 44 and 45 of the Municipal Supply Chain Management Regulations:

Company Name	Related Person	Municipal Capacity	Company Capacity	Purchases for the Year	Purchases for the Year
Nothevuyo Trading and Projects	ZL Cele	Ugu DM Employee		299 244	
Shelly Travel CC	CV Elliot	Audit Committee member		610 294	
Victorson Building CC	T B Mhlongo	Ugu DM Employee		86 528	86 528
Asipheyena Catering and Trading Enterprise	Gloria Nondumiso	KZN Education		1 755	
Bathenjini Trading Enterprise	M H Mthembu	KZN Education			196 428
Besafe Security Services	T H Tintswalo Hlulan	KZN Rural Dev & Land Reform			4 047 587
Besafe Security Services	Tintswalo Hlulani	KZN Rural Dev & Land Reform		898 668	
Camlulo Trading	Hombakazi	Statistics South Africa		3 982 123	
Dira Sengwe Conferences	P N Princess Nother	The Presidency			7 960
Dumani Catering & General Services	A N Mhlongo	KZN Education			126 340
Emgee Agencies	S Moodley	KZN Education			1 907
Isifiso Sika Ndllovu Contracting & Trading CC	F S Ndllovu	KZN Education			1 932 154
Jays Studio	M Mayadevi	SA Police Service			7 284
Lamsta Suppliers and Projects	Malamela Zukile	EC Agriculture & Land Affairs		959 840	
Lwandiliso Construction & Projects CC	B Mankwali	EC Education & Culture			14 100
Lwandiliso Construction & Projects CC	Bulelani	EC Education & Culture		14 100	
MD Nzimande Construction	BQ Bongwiwe Qhawe	KZN Education			7 170
Mafuthe Ngusha Trading	T C Ngcobo	KZN Agri Env Aff Rural Develop			42 000
Mahlafuna Distributors	Dumisile	KZN Education		1 141 807	
Mbandu Trading CC	B E Sibulawa	EC Education & Culture			50 000
Mlethi Catering	R T Mlethi	KZN Education			6 700
Mpheme Trading	P P Phumlile Patricia	KZN Education			14 000
Mvuthuluka General Construction	Goodness Zibuyile	KZN Education		120 686	
Nelimo Trading	M N Nzama	KZN Education			133 756
Nhlanhla & Thobi Trading CC	B J Chiliza	KZN Health			73 252
Phempu Trading and Projects	Mthunzi Andile Pear	KZN Education		558 188	
Sihloniphe Business Trading Primary Coop Lt	N M Mkhanyawo	SA Police Service			3 720
Sikhondlakhondla	S A Ntozakhe	KZN Education			102 477
Sojangwe Trading CC	N Cibane	KZN Health			13 800
Sthembu Buntu General Trading	O Q Cele	KZN Education			50 000
Thuba Lam Trading	Ruth Lulama	EC Agriculture & Land Affairs		395 921	
Trading for Real 19	T M Topsyie Malintpe	SA Police Service			27 100
UWP Consulting (Pty) Ltd	R R Sumbana	Limpopo Local Government			106 430
Valucorp 333 CC	V A Ndamase	KZN Transport			35 700
Victorson Building CC	F N Madlala	SA Police Service			86 528
Vuka Africa Aerial Surveys & Mapping	L Ncwane	NAT: Justice & Constition Devel			47 750
Xabe Mjelo Trading Enterprise CC	M Mjelo	KZN Education			19 035
Yolwayo Construction	Laura	KZN Education		22 500	
Total Purchases				9 091 654	7 239 706

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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47.9 Bulk Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Water Losses were as follows and are not recoverable:

Water:

		Lost Units	Tariff	Value
30 June 2013	Unaccounted Water Losses	<u>11 905 000</u>	<u>1.8041</u>	<u>21 477 821</u>
30 June 2012	Unaccounted Water Losses	<u>10 310 489</u>	<u>1.7602</u>	<u>18 149 010</u>

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

A five year strategic non-revenue water reduction plan was adopted and implemented by the Executive Committee in May 2008. The below-mentioned technical information was derived at as part of the implementation plan:

	2013 R	2012 R
Volumes in Ml/year:		
System Input Volume	38 621	35 919
Billed Authorised Consumption	26 716	25 609
Unbilled Authorised Consumption	492	708
Apparent Losses	2 348	2 394
Real Losses	9 065	7 208
Estimated Non-revenue Water (NRW)	11 905	10 310
Estimated Percentage Non-revenue Water (NRW)	30.83%	28.70%

48 COMMITMENTS FOR EXPENDITURE

48.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure
Community
Other

	614 446 937	122 631 015
595 268 499		110 281 338
-		-
19 178 438		12 349 677

- Approved but Not Yet Contracted for:-

Infrastructure
Community
Other

	-	76 351 729
-		65 379 054
-		-
-		10 972 675

Total Capital Commitments

	614 446 937	198 982 744
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This expenditure will be financed from:

Government Grants
Own Resources

	595 268 499	146 232 969
19 178 438		52 749 774
614 446 937		198 982 744

48.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Note 19.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
49 FINANCIAL INSTRUMENTS		
49.1 Classification		
FINANCIAL ASSETS:		
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:		
<u>Financial Assets</u>	<u>Classification</u>	
Long-term Receivables		
Relocation Loans	Amortised cost	62 799
Sundry Loans	Amortised cost	7 493
Receivables from Exchange Transactions		
Sewerage	Amortised cost	17 488 928
Water	Amortised cost	48 815 967
Water Rate	Amortised cost	13 307 081
Other Trade	Amortised cost	4 372 345
Receivables from Non-exchange Transactions		
Payments made in Advance	Amortised cost	63 406
Government Subsidy Claims	Amortised cost	(84 497)
Insurance Claims	Amortised cost	122 367
Municipal Entities	Amortised cost	50 979
Sundry Deposits	Amortised cost	1 003 908
Sundry Debtors	Amortised cost	15 432 715
Cash and Cash Equivalents		
Call Deposits	Fair value	12 011 579
Bank Balances	Fair value	59 004 192
Cash Floats and Advances	Fair value	4 910
Current Portion of Long-term Receivables		
Relocation Loans	Amortised cost	47 824
Sundry Loans	Amortised cost	3 600
SUMMARY OF FINANCIAL ASSETS		
Financial Assets at Amortised Cost:		
Long-term Receivables	Relocation Loans	62 799
Long-term Receivables	Sundry Loans	7 493
Receivables from Exchange Transactions	Sewerage	17 488 928
Receivables from Exchange Transactions	Water	48 815 967
Receivables from Exchange Transactions	Water Rate	13 307 081
Receivables from Exchange Transactions	Other Trade	4 372 345
Receivables from Non-exchange Transactions	Payments made in Advance	63 406
Receivables from Non-exchange Transactions	Government Subsidy Claims	(84 497)
Receivables from Non-exchange Transactions	Insurance Claims	122 367
Receivables from Non-exchange Transactions	Municipal Entities	50 979
Receivables from Non-exchange Transactions	Sundry Deposits	1 003 908
Receivables from Non-exchange Transactions	Sundry Debtors	15 432 715
Current Portion of Long-term Receivables	Relocation Loans	47 824
Current Portion of Long-term Receivables	Sundry Loans	3 600
	<u>74 352 719</u>	<u>67 360 671</u>
Financial Assets at Fair Value:		
Cash and Cash Equivalents	Call Deposits	12 011 579
Cash and Cash Equivalents	Bank Balances	59 004 192
Cash and Cash Equivalents	Cash Floats and Advances	4 910
	<u>71 020 681</u>	<u>54 642 857</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Total Financial Assets	<u><u>145 373 399</u></u>	<u><u>122 003 528</u></u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	181 806 910	198 015 541
Finance Lease Liabilities	Amortised cost	4 639 625	(0)
Payables			
Trade Creditors	Amortised cost	18 506 575	16 894 927
Payments received in Advance	Fair value	-	2 495 833
Projects	Fair value	13 538 425	52 743 423
Retentions	Amortised cost	25 057 306	1 375 275
Staff Bonuses	Amortised cost	9 248 785	8 297 873
Staff Leave Accrued	Amortised cost	15 268 199	11 905 513
Other Creditors	Amortised cost	16 875 009	73 333 420
Bank Overdraft			
Bank Overdraft	Fair value	(3 195 209)	(7 183)
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	14 610 464	13 962 222
Finance Lease Liabilities	Amortised cost	2 299 314	455 063
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	181 806 910	198 015 541
Long-term Liabilities	Finance Lease Liabilities	4 639 625	(0)
Payables	Trade Creditors	18 506 575	16 894 927
Payables	Projects	13 538 425	52 743 423
Payables	Retentions	25 057 306	1 375 275
Payables	Staff Bonuses	9 248 785	8 297 873
Payables	Staff Leave Accrued	15 268 199	11 905 513
Payables	Other Creditors	16 875 009	73 333 420
Current Portion of Long-term Liabilities	Annuity Loans	14 610 464	13 962 222
Current Portion of Long-term Liabilities	Finance Lease Liabilities	2 299 314	455 063
		301 850 613	376 983 257
Financial Liabilities at Fair Value:			
Payables	Payments received in Advance	-	2 495 833
Bank Overdraft	Bank Overdraft	(3 195 209)	(7 183)
		(3 195 209)	2 488 649
Total Financial Liabilities		298 655 404	379 471 906

49.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

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

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2013, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by IFRS 7. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
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 2010.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 3, 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%, decreasing to 90%. This ratio is as a result of the developmental challenges faced by the municipality. Some of the borrowings are below market related rates.

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 20.

Equity 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

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R

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

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

Further quantitative disclosures are included throughout these Annual Financial Statements.

49.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 49.8 and 49.9 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.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

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.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R

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 sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Notes 49.8 and 49.9 below.

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2013 would have decreased / increased by R628 269 (30 June 2012: decreased / increased by R481 715). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

49.7 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 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.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposure to any significant credit risk.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and sanitation services rendered to them.

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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2012**
R **R**

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. On-going 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.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a rates clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an on-going customer relationship in response to an adverse change in the circumstances of the customer.

Long-term Receivables and Other Debtors are individually evaluated annually at Statement of Financial Position 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 2013		30 June 2012	
	Credit Limit	Carrying Amount	Credit Limit	Carrying Amount
	R	R	R	R
P Karuhije	-	-	-	1 858 479
Sisonke District Municipality	-	-	-	1 262 852
T Tukuma	-	-	-	1 154 320
Ugu Fresh Produce Market	-	-	-	980 548
Esayidi FET College	-	-	-	743 221
Ukusa River Estate Development	-	656 512	-	-
GJ Crookes Hospital	-	582 323	-	-
Ithala Developments Finance Corporation	-	563 852	-	-
San Lameer Estate Management	-	498 633	-	-
SA Botlink (Pty) Ltd	-	436 951	-	-

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R
2013	2012
R	R

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:

Fixed Deposit Investments	100	100
Long-term Receivables	121 716	22 990
Consumer Debtors	175 412 183	159 889 458
Other Debtors	20 164 661	28 260 467
Bank, Cash and Cash Equivalents	71 020 681	54 642 857
Maximum Credit and Interest Risk Exposure	266 719 341	242 815 872

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Consumer Debtors:		
- Household	64.78%	60.67%
- Industrial / Commercial	16.76%	15.47%
- National and Provincial Government	4.02%	4.81%
- Other Classes	4.13%	4.03%
Other Debtors:		
- Other not Classified	-3.16%	15.02%
Total Credit Risk	86.53%	100.00%

Bank and Cash Balances

ABSA Bank Ltd	70 999 413	54 614 406
First National Bank of SA Ltd	16 358	16 358
Cash Equivalents	4 910	4 910
Total Bank and Cash Balances	71 020 681	54 635 674

Credit quality of Financial Assets:

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:

Long-term Receivables

Group 1	121 716	22 990
Group 2	-	-
Group 3	-	-
Total Long-term Receivables	121 716	22 990

Receivables from Exchange Transactions

Counterparties without external credit rating:-

Group 1	21 226 315	19 842 345
Group 2	-	-
Group 3	-	-
Total Receivables from Exchange Transactions	21 226 315	19 842 345

Receivables from Non-exchange Transactions

Group 1	-	-
Group 2	-	-
Group 3	63 406	317 930
Total Receivables from Non-exchange Transactions	63 406	317 930

Credit quality Groupings:

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 on-going funding needs may enlarge financing requirement. The risk of non-payment is small.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

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R

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 2013

49 FINANCIAL INSTRUMENTS (Continued)

49.8 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 municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have 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	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2013								
Non-interest Bearing			98 494 299	98 494 299	-	-	-	-
Variable Interest Rate Instruments			3 195 209	3 195 209	-	-	-	-
Fixed Interest Rate Instruments			290 456 273	13 341 575	14 022 221	27 855 736	86 821 869	148 414 872
			392 145 781	115 031 083	14 022 221	27 855 736	86 821 869	148 414 872
30 June 2012								
Non-interest Bearing			167 046 264	167 046 264	-	-	-	-
Variable Interest Rate Instruments			#REF!	#REF!	-	-	-	-
Fixed Interest Rate Instruments			320 820 055	13 341 575	14 116 575	28 138 796	88 884 789	176 338 319
			#REF!	#REF!	14 116 575	28 138 796	88 884 789	176 338 319

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

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
30 June 2013								
Non-interest Bearing		0.00%	100 699 824	100 699 824	-	-	-	-
Variable Interest Rate Instruments		3.05%	71 015 771	71 015 771	-	-	-	-
Fixed Interest Rate Instruments		0.00%	0	0	-	-	-	-
			171 715 595	171 715 595	-	-	-	-
30 June 2012								
Non-interest Bearing		0.00%	67 365 581	67 365 581	-	-	-	-
Variable Interest Rate Instruments		4.53%	54 637 947	54 637 947	-	-	-	-
Fixed Interest Rate Instruments		0.00%	0	0	-	-	-	-
			122 003 528	122 003 528	-	-	-	-

The municipality has access to financing facilities, the total unused amount which is R9,268 million at the balance sheet date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio, within 20-25% limits increasing it to 25%. This will be achieved through the issue of new debt and the increased use of secured bank loan facilities.

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

49.9 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 2013

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			0	-	-	-	-	-
Unsecured Bank Facilities	19		(196 417 375)	-	-	(350 803)	(16 676 442)	(194 950 517)
ABSA		11.51%	(82 917 262)	-	-	-	-	(90 253 471)
DBSA		10.00%	-	-	-	(350 803)	-	-
DBSA		2.65%	(2 256 232)	-	-	-	(2 969 533)	-
DBSA		5.00%	(18 936 108)	-	-	-	-	(20 566 435)
DBSA		5.00%	(22 119 542)	-	-	-	-	(23 596 682)
DBSA		5.00%	(58 279 886)	-	-	-	-	(60 533 930)
DBSA (Ex Hibiscus Coast)		Various	(11 305 961)	-	-	-	(12 688 271)	-
DBSA (Ex Umdoni)		Various	(469 959)	-	-	-	(658 112)	-
DBSA (Ex Umuziwabantu)		Various	(132 425)	-	-	-	(360 527)	-
Total Fixed Rate Instruments			(196 417 375)	-	-	(350 803)	(16 676 442)	(194 950 517)
VARIABLE RATE INSTRUMENTS								
Call Deposits	6	11.93%	12 011 579	3 119 372	-	-	-	-
Bank Balances and Cash	6	11.93%	59 004 192	51 518 575	-	-	-	-
Total Variable Rate Instruments			71 015 771	54 637 947	-	-	-	-

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2012

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			0	-	-	-	-	-
Unsecured Bank Facilities	19		(211 977 763)	-	-	(669 009)	(18 652 423)	(205 869 824)
ABSA		11.51%	(90 253 471)	-	-	-	-	(96 775 583)
DBSA		10.00%	(350 803)	-	-	(669 009)	-	-
DBSA		2.65%	(2 969 533)	-	-	-	(3 664 038)	-
DBSA		5.00%	(20 566 435)	-	-	-	-	(22 115 943)
DBSA		5.00%	(23 596 682)	-	-	-	-	(25 000 000)
DBSA		5.00%	(60 533 930)	-	-	-	-	(61 978 298)
DBSA (Ex Hibiscus Coast)		Various	(12 688 271)	-	-	-	(13 664 619)	-
DBSA (Ex Umdoni)		Various	(658 112)	-	-	-	(840 870)	-
DBSA (Ex Umuziwabantu)		Various	(360 527)	-	-	-	(482 896)	-
Total Fixed Rate Instruments			(211 977 763)	-	-	(669 009)	(18 652 423)	(205 869 824)
VARIABLE RATE INSTRUMENTS								
Call Investment Deposits	6		3 119 372	16 741 235	-	-	-	-
Bank Balances and Cash	6		51 518 575	24 963 783	-	-	-	-
Total Variable Rate Instruments			54 637 947	41 705 017	-	-	-	-

49.10 Other Price Risks

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

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

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2 012
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50 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The 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 of 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, the details of 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 R23 190 302 (2012: R20 372 472) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The total expense recognised in the Statement of Financial Performance of R12,6 million (2007: R10,5 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. As at 30 June 2008, contributions of R8 000 (2007: R8 000) due in respect of the 2008 (2007) reporting period had not been paid over to the plans. The amounts were paid over subsequent to the balance sheet date (see Note 47.5).

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 interim actuarial valuation was performed as at 31 March 2011 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2011 revealed that the fund had a shortfall of R382,3 (31 March 2010: shortfall of R242,2) million, with a funding level of 84,1% (31 March 2010: 88,2%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (29,00%) was expected to eradicate the shortfall in the fund by 31 March 2015. However, the basic contribution payable is 4,72% less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17% of pensionable emoluments, of which 1,65% is payable by members and 15,35% is payable by the local authority.

This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the surcharge be increased to 17,5% and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 34,22% with effect from 1 August 2012 for an indefinite period of time.

The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund merge with the Superannuation Fund in the near future.

Superannuation Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2011 by Arthur Els & Associates.

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

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2 012**
R **R**

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

The interim actuarial valuation performed as at 31 March 2011 revealed that the fund had a shortfall of R549,5 (31 March 2010: shortfall of R213,3) million, with a funding level of 90,9% (31 March 2010: 95,9%). The contribution rate paid by the members (9,25%) and municipalities (18,00%) is 3,63% (31 March 2010: 1,69%) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 7,0% of pensionable salaries. It was expected that the deficit will be fully funded by 2016.

This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the surcharge be increased to 17,5% and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 31,13% with effect from 1 August 2012 for an indefinite period of time.

It is intended that the Fund merge with the Retirement Fund in the near future.

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.

The interim valuation performed as at 31 March 2006 revealed that the fund had a shortfall of R93,0 million, with a funding level of 93,0%. This will be taken into account in determining future surcharges, to be met by increased employer contributions. These surcharges are as follows:

- From 1 July 2006 6%
- From 1 July 2007 6%

The above-mentioned surcharge would probably come to an end on 1 July 2008. However, the position will be monitored at the next actuarial valuation of Superannuation Fund at 1 March 2007.

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 2011.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2005 and reported a funding ratio of 147.3%.

The statutory valuation performed as at 30 June 2011 revealed that the market value of the fund was R1 446,8 (30 June 2010: R1 446,8) million. 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.

As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2011.

Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The statutory actuarial valuation performed as at 31 March 2012 revealed that the market value of the fund was R1 293,5 (31 March 2011: R1 056,2) 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 2011.

None of the above mentioned plans are State Plans.

51 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

51.1 Services rendered to Related Parties

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

Sewerage Charges R	Water Charges R	Sundry Charges R	Outstanding Balances R
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For the Year ended 30 June 2013

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R		2 012 R
Councillors	41 119	78 459		13 033
Municipal Manager and Section 57 Personnel	4 919	17 387	-	1 116
Total Services	46 038	95 846	-	14 149

For the Year ended 30 June 2012

Councillors	52 412	115 039	-	33 536
Municipal Manager and Section 57 Personnel	-	17 171	-	1 430
Total Services	52 412	132 210	-	34 966

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

51.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans,

51.3 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.

51.4 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
Silangwe and Vezi Funeral Services	TE Vezi		Councillor	-	-
MB Electrical & Lighting	Cllr Moosa Bux		Councillor	-	22 054
Paul Preston Attorney's	P Preston		Audit Committee	-	57 663
Shelly Travel CC	CV Elliott		Audit Committee	610 294	-
Dan's Cleaning Services	T Malishe		Employee	-	20 760
RNF Contractors	M Goberdaan		Employee	-	273 185
Vovolethu Function and Catering	Z Mbhele		Employee	-	21 888
Victorson Building CC	TB Mhlongo		Employee	86 528	86 528
Ncokwane Trading Enterprise	PP Chili		Employee	-	2 600
Nothevuyo Trading and Projects	ZL Cele		Employee	299 244	-
Total Purchases				996 066	484 677

The transactions were concluded in full compliance with the municipality's Supply Chain Management

	2013 R		2012 R
52 CONTINGENT LIABILITIES			
52.1 Guarantees:	2 862 000		2 862 000
(i) Hibiscus Coast Municipality: The municipality issued a bank guarantee in favour of Hibiscus Coast Municipality in lieu of a deposit on	10 000		10 000
(ii) Eskom: The municipality issued a bank guarantee in favour of Eskom to cover deposits on the electricity	2 852 000		2 852 000
52.2 Powers and Functions:	12 947 266		12 947 266

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2 012 R
(i) Environmental Health: It has come to the attention of management that a local municipality has indicated its intention of raising	5 075 295	5 075 295
(ii) Water and Sanitation: With the takeover of Water and Sanitation Schemes from the local municipalities in 2004, certain assets were funded through internal funding which these local municipalities are claiming from the district. Currently management is of the opinion that there are no legal grounds to entertain the possible claims.	7 871 971	7 871 971
52.3 Court Proceedings:	9 230 696	16 845 671
(i) Dispute on Expenditure Claimed: Council is involved in a dispute with Sublime Marketing (the applicant), where the applicant is claiming	419 574	419 574
(ii) Alleged Fraud: 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 and is still pending in the High Court. The outcome is not known at this stage. The Municipality has instructed attorneys to take the matter on review. The costs of the matter, if reviewed, are unknown at this stage.	-	-
(iii) Cession Agreement: JZZ Engineering is claiming from the municipality as per a prescribed claim against a cession agreement entered into. The possible liability amounts to R153 900, plus costs. The outcome of the matter is still unknown. The Municipality has drafted and entered its plea in the matter.	153 900	153 900
(iv) Alleged Breach of Contract: The municipality is been involved in a court case with Thumbprint events Management, where it is alleged that the municipality has unilaterally repudiated a contract. Applicant is claiming unpaid invoices and damages in terms of what would have been due to them had the contract not been repudiated by the municipality. The municipality is defending this action and awaits a court date. The claim is valued at R875 258 plus 30% of envisaged gate takings for two events and 25% of sale of floor space for two events (excluding VAT).	875 258	875 248
(v) Alleged Damages caused to Farmland: The municipality has been issued with a Court Order instructing it to immediately cease the nuisance caused on Mr Meuller's property at Lot 2007 Uvongo through the discharge of final sewer effluent into a tributary of the Uvongo River on his land, thereby causing a ravine on his land and rendering it unfarmable to him. He is further claiming for damages caused through non-usability of his land, damages for loss of profit as a result of the damage caused to his property and the subdivision and transfer of the damaged land to the municipality. The municipality is currently negotiating with him with respect to his potential claims. The costs involved towards the settlement of this matter are unknown at this stage.	-	-
(vi) Labour Dispute: The municipality dismissed an employee, N Moodley, who took the matter to arbitration and was successful. The municipality has referred the matter to the Labour Court, and awaits a set down date. The outcome of the matter is still unknown.	1 000 000	1 000 000
(vii) Cession Agreement: Premier Attraction is claiming from the municipality for allegedly not honouring a cession agreement in their favour. The outcome of the matter is still unknown.	122 682	122 324
(viii) Dispute on Expenditure Paid to Member of Joint Venture: The municipality is involved in a matter with Gigaba Properties where applicant is claiming that the municipality wrongly paid one member of a joint venture which had been awarded a contract by the municipality. The municipality is defending the matter and awaits a trial date. The claim against the Municipality is in an amount of R6 659 282 plus 15,5% interest on R16 573 819 from February 2009 until payment and 15,5% interest on R3 424 024 from October 2008 until payment.	6 659 282	6 659 282
(ix) Dispute on Expenditure Claimed: The municipality is expectant of litigation from Shosholoza JV where they claim for non-payment of	-	6 584 968
(ix) Dispute on Expenditure Claimed: The municipality is involved in litigation with Mabinza Welding, who is claiming for non-payment by		1 030 375

UGU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2 012
	R	R

(x) Dispute on Damages Claimed: The municipality is involved in litigation with JD Group emanating from a motor vehicle accident between	-	-
52.4 Insurance Claims:	-	592 181

(i) Alleged Damages Incurred:
 Claims 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.

53 CONTINGENT ASSETS

The municipality was not engaged in any transactions or events during the year under review involving

54 IN-KIND DONATIONS AND ASSISTANCE

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

55 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2012/13.

56 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2013.

57 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of prior year errors as recorded in Note 40.

58 GOING CONCERN ASSESSMENT

Unspent Conditional Grants were not cash backed by an amount of R41 732 214 at 30 June 2013 (R45 511 835 at 30 June 2012).

The Current Liabilities exceeded the Current Assets at year end, indicating that the municipality has had challenges operating as a going concern; management has adopted a plan of action, setting out clear targets to ensure that the municipality continues to operate as a going concern for the foreseeable future.

APPENDIX A
UGU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2012	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2013
	R				R	R	R	R
ANNUITY LOANS								
ABSA	102 000 000	11.51%	4076267341	30/06/2020	90 253 471	-	7 336 209	82 917 262
DBSA	3 194 261	10.00%	8249/102	31/03/2013	350 803	-	350 803	-
DBSA	5 000 000	2.65%	100932/001	30/06/2015	2 969 533	-	713 301	2 256 232
DBSA	25 000 000	5.00%	101980/001	31/03/2022	20 566 435	-	1 630 326	18 936 108
DBSA	25 000 000	5.00%	101980/002	30/06/2023	23 596 682	-	1 477 140	22 119 542
DBSA	62 000 000	5.00%	102756/001	30/06/2029	60 533 930	-	2 254 045	58 279 886
DBSA (Ex Hibiscus Coast)	18 573 441	Various	Various	Various	12 688 271	-	1 382 309	11 305 961
DBSA (Ex Umdoni)	2 500 000	Various	Various	Various	658 112	-	188 153	469 959
DBSA (Ex Umuziwabantu)	1 850 000	Various	Various	Various	360 527	-	228 102	132 425
Total Annuity Loans	245 117 702				211 977 763	-	15 560 388	196 417 375
CAPITAL LEASE LIABILITIES								
ABSA Corporate Bank	-	14.00%	LSC 3	31/05/2007	-	7 294 544	355 604	6 938 939
Nedbank	20 100 000	11.41%	2867230 (79)	Various	455 063	-	455 063	-
Total Capital Lease Liabilities	20 100 000				455 063	7 294 544	810 667	6 938 939
TOTAL EXTERNAL LOANS	285 517 702				212 432 825	7 294 544	16 371 055	203 356 315

APPENDIX A
UGU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
<i>Land:</i>													
Land: Developed	401 334 244	-	-	-	-	401 334 244	-	-	-	-	-	401 334 244	-
Land: Undeveloped	24 547 450	-	-	-	-	24 547 450	-	-	-	-	-	24 547 450	-
Farms	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Buildings:</i>													
Civic Centres	-	-	-	-	-	-	-	-	-	-	-	-	-
Laboratories	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Buildings	63 351 652	-	9 697 635	-	-	73 049 287	13 640 932	2 196 270	-	-	15 837 202	57 212 085	-
Warehouses and Storage Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops and Depots	8 873	-	-	-	-	8 873	3 380	203	-	-	3 584	5 290	-
Hostels: Public and Tourist	-	-	-	-	-	-	-	-	-	-	-	-	-
Hostels: Workers	-	-	-	-	-	-	-	-	-	-	-	-	-
Residences	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Buildings	879 557	-	43 860	-	-	923 416	65 621	28 779	-	-	94 399	829 017	16 500 000
Public Parking	-	-	-	-	-	-	-	-	-	-	-	-	-
Fittings and Fixtures	25 339	175 394	-	-	-	200 732	5 851	3 690	-	-	9 541	191 191	-
	490 147 114	175 394	9 741 495	-	-	500 064 003	13 715 785	2 228 942	-	-	15 944 727	484 119 276	16 500 000
Infrastructure													
<i>Airports:</i>													
Airport Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Aprons	-	-	-	-	-	-	-	-	-	-	-	-	-
Runways	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxiways	-	-	-	-	-	-	-	-	-	-	-	-	-
Radio Beacons	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Electricity:</i>													
Cooling Towers	-	-	-	-	-	-	-	-	-	-	-	-	-
MV Sub Stations	-	-	-	-	-	-	-	-	-	-	-	-	-
MV Switchgear	-	-	-	-	-	-	-	-	-	-	-	-	-
MV Transformers	-	-	-	-	-	-	-	-	-	-	-	-	-
MV Conductors	-	-	-	-	-	-	-	-	-	-	-	-	-
MV Cables	-	-	-	-	-	-	-	-	-	-	-	-	-
LV Conductors	-	-	-	-	-	-	-	-	-	-	-	-	-
LV Cables	-	-	-	-	-	-	-	-	-	-	-	-	-
Service Connections	-	-	-	-	-	-	-	-	-	-	-	-	-
Meters	-	-	-	-	-	-	-	-	-	-	-	-	-
High Mast Lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Gas:</i>													
Mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Meters	-	-	-	-	-	-	-	-	-	-	-	-	-
Storage Tanks	-	-	-	-	-	-	-	-	-	-	-	-	-
Supply and Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Pedestrian Malls:</i>													
Pedestrian Malls	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Roads and Transport:</i>													
Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-	-	-	-
Pavements	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Furniture	-	-	-	-	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Stormwater Drainage	-	-	-	-	-	-	-	-	-	-	-	-	-
Stormwater Pipework	-	-	-	-	-	-	-	-	-	-	-	-	-
Pavements	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Furniture	-	-	-	-	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Stormwater Drainage	-	-	-	-	-	-	-	-	-	-	-	-	-
Stormwater Pipework	-	-	-	-	-	-	-	-	-	-	-	-	-
Pavements	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Furniture	-	-	-	-	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Stormwater Drainage	-	-	-	-	-	-	-	-	-	-	-	-	-
Stormwater Pipework	-	-	-	-	-	-	-	-	-	-	-	-	-
Bus / Taxi Stops	-	-	-	-	-	-	-	-	-	-	-	-	-
Bus / Taxi Terminals	-	-	-	-	-	-	-	-	-	-	-	-	-
Car Parks	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Sanitation:</i>													

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer Stations	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Security Measures:</i>													
Access Control	-	-	-	-	-	-	-	-	-	-	-	-	-
Fencing / Perimeter Protection	2 357 384	52 020	-	-	-	2 409 404	252 987	103 438	-	-	356 425	2 052 979	-
Security Lights	-	-	-	-	-	-	-	-	-	-	-	-	-
Security Systems	106 078	-	-	-	-	106 078	68 984	5 339	-	-	74 323	31 755	-
<i>Sewerage:</i>													
Bulk Pipelines	-	-	-	-	-	-	-	-	-	-	-	-	-
Raising Mains	1 653 800	-	-	-	-	1 653 800	62 182	32 482	-	-	94 664	1 559 136	-
Outfall Sewers	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	3 738 160	-	98 622 219	-	-	102 360 380	19 697	65 461	-	-	85 158	102 275 222	59 002 000
Toilet Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Pumping Stations	65 538 594	-	19 868 960	-	-	85 407 554	42 641 322	1 208 221	-	-	43 849 542	41 558 012	-
Treatment Works	175 645 838	-	46 922 390	-	-	222 568 228	111 861 092	3 641 371	-	-	115 502 463	107 065 765	-
<i>Water:</i>													
Dams and Weirs	297 808 003	-	-	-	-	297 808 003	195 004 885	1 237 646	-	-	196 242 531	101 565 472	-
Reservoirs and Tanks	760 697 369	-	16 800 960	-	-	777 498 329	435 164 654	15 053 226	-	-	450 217 880	327 280 449	-
Underground Chambers	-	-	-	-	-	-	-	-	-	-	-	-	-
Pipework	-	-	38 699 390	-	-	38 699 390	-	-	-	-	-	38 699 390	-
Boreholes	-	-	-	-	-	-	-	-	-	-	-	-	-
Pumping Stations	145 987 872	-	986 741	-	-	146 974 614	28 810 323	6 473 964	-	-	35 284 286	111 690 327	-
Treatment Works	61 691 144	-	13 134 464	-	-	74 825 608	36 177 814	1 371 439	-	-	37 549 253	37 276 355	-
Bulk Pipelines	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	152 212 936	-	288 823 232	-	-	441 036 169	57 166 685	4 591 172	-	-	61 757 857	379 278 312	229 413 695
Meters	6 411 053	42 394	-	-	-	6 453 447	577 053	324 242	-	-	901 295	5 552 152	21 000 000
Bulk Meters	-	-	6 557 762	-	-	6 557 762	-	-	-	-	-	6 557 762	-
Standpipes	872 134	-	-	-	-	872 134	85 050	117 199	-	-	202 249	669 885	-
Supply & Reticulation	-	-	150 464 739	-	-	150 464 739	-	-	-	-	-	150 464 739	-
Tanks	799 887	-	-	-	-	799 887	83 860	51 145	-	-	135 005	664 882	-
Telemetry Systems	312 830	-	-	-	-	312 830	28 930	20 279	-	-	49 208	263 622	-
Valves	2 750 224	73 000	-	-	-	2 823 224	177 381	107 302	-	-	284 683	2 538 541	-
Electrical Equipment	-	-	523 819	-	-	523 819	-	-	-	-	-	523 819	-
Mechanical Equipment	801 781	-	-	-	-	801 781	30 750	19 785	-	-	50 535	751 247	-
	1 679 385 088	167 414	681 404 677	-	-	2 360 957 179	908 213 647	34 423 709	-	-	942 637 356	1 418 319 823	309 415 695
Community Assets													
<i>Recreational Facilities:</i>													
Aquariums	-	-	-	-	-	-	-	-	-	-	-	-	-
Beach Developments	-	-	-	-	-	-	-	-	-	-	-	-	-
Cable Cars	-	-	-	-	-	-	-	-	-	-	-	-	-
Cable Stations	-	-	-	-	-	-	-	-	-	-	-	-	-
Caravan Parks	-	-	-	-	-	-	-	-	-	-	-	-	-
Caravans	-	-	-	-	-	-	-	-	-	-	-	-	-
Cinemas	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Theatres	-	-	-	-	-	-	-	-	-	-	-	-	-
Fountains	-	-	-	-	-	-	-	-	-	-	-	-	-
Game Reserves and Rest Camps	-	-	-	-	-	-	-	-	-	-	-	-	-
Lakes and Dams	-	-	-	-	-	-	-	-	-	-	-	-	-
Mobile Homes	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums and Art Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
Organ and Case	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Centres	-	-	-	-	-	-	-	-	-	-	-	-	-
Zoos	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Sports Facilities:</i>													
Indoor Sports Facilities	24 176 585	-	-	-	-	24 176 585	1 890 550	1 172 949	-	-	3 063 499	21 113 086	-
Outdoor Sports Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Sports Complexes	71 624 390	-	3 439 367	-	-	75 063 757	4 948 378	3 067 758	-	-	8 016 136	67 047 622	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Basketball Courts	-	-	-	-	-	-	-	-	-	-	-	-	-
Bowling Greens	-	-	-	-	-	-	-	-	-	-	-	-	-
Golf Courses	-	-	-	-	-	-	-	-	-	-	-	-	-
Jukskei Pitches	-	-	-	-	-	-	-	-	-	-	-	-	-
Netball Courts	-	-	-	-	-	-	-	438 556	-	-	438 556	(438 556)	-
Soccer Fields	8 407 333	-	-	-	-	8 407 333	710 405	-	-	-	710 405	7 696 928	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Tennis Courts	-	-	-	-	-	-	-	-	-	-	-	-	-

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Floodlighting	R 7 356 133	R -	R -	R -	R -	R 7 356 133	R 575 232	R 356 890	R -	R -	R 932 121	R 6 424 012	R -

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Other Facilities:</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulance Stations	-	-	-	-	-	-	-	-	-	-	-	-	-
Care Centres	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics and Hospitals	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Centres	-	-	-	-	-	-	-	-	-	-	-	-	-
Cremators	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire Stations	-	-	-	-	-	-	-	-	-	-	-	-	-
Jetty	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	29 120 466	-	3 588 937	(29 120 466)	-	3 588 937	3 487 583	632 883	(4 120 466)	-	-	3 588 937	-
Mortuaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Nurseries	-	-	-	-	-	-	-	-	-	-	-	-	-
Old Age Homes	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Conveniences / Bathrooms	-	-	-	-	-	-	-	-	-	-	-	-	-
Schools	-	-	-	-	-	-	-	-	-	-	-	-	-
Show Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-
Training Centres	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicle Testing Centres	-	-	-	-	-	-	-	-	-	-	-	-	-
	140 684 907	-	7 028 304	(29 120 466)	-	118 592 746	11 612 147	5 669 036	(4 120 466)	-	13 160 717	105 432 029	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing Schemes: Land	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing Schemes	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Bins and Containers:</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Household Refuse Bins	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Computer Equipment:</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Hardware	21 851 509	148 486	1 407 615	-	-	23 407 610	16 157 122	1 722 611	-	-	17 879 734	5 527 877	494 895
Computer Networks	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Emergency Equipment:</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulance Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency / Rescue Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Lights	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire Fighting Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical and Allied Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Furniture and Fittings:</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Advertising Boards	-	-	-	-	-	-	-	-	-	-	-	-	-
Cabinets and Cupboards	261 686	-	-	-	-	261 686	137 722	23 768	-	-	161 491	100 195	-
Chairs	38 940	-	-	-	-	38 940	18 536	4 955	-	-	23 492	15 449	-
Desks and Tables	558 253	-	-	-	-	558 253	239 378	58 971	-	-	298 349	259 904	-
Domestic / Hostel Furniture	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Furniture and Fittings	3 974 579	-	-	-	-	3 974 579	716 721	259 723	-	-	976 445	2 998 135	-
<i>Motor Vehicles:</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Bakkies (LDV's)	6 089 688	-	-	-	-	6 089 688	1 486 694	833 246	-	-	2 319 940	3 769 747	2 843 400
Busses	-	-	-	-	-	-	-	-	-	-	-	-	-
Cycles	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor Cars	5 159 139	6 376 280	-	-	-	11 535 419	3 329 832	564 477	-	-	3 894 309	7 641 111	946 727
Tractors	1 615 797	-	-	-	-	1 615 797	447 470	99 591	-	-	547 061	1 068 735	-
Trailers and Accessories	341 666	-	-	-	-	341 666	82 008	33 274	-	-	115 282	226 384	150 000
Trucks	46 447 947	7 282 098	-	-	-	53 730 045	35 234 501	3 345 942	-	-	38 580 443	15 149 602	1 200 000

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Office Equipment:</i>													
Air Conditioners	2 517 702	-	-	-	-	2 517 702	564 621	147 915	-	-	712 536	1 805 166	170 000
Audiovisual Equipment	129 963	-	-	-	-	129 963	62 115	11 554	-	-	73 669	56 294	-
Cellular Phones	-	-	-	-	-	-	-	-	-	-	-	-	-
Chairs, Decorations and Robes	-	-	-	-	-	-	-	-	-	-	-	-	-
Cutlery and Crockery	-	-	-	-	-	-	-	-	-	-	-	-	-
Domestic Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Kitchen Appliances	7 321	-	-	-	-	7 321	7 321	-	-	-	7 321	-	-
Learning / Training Materials	-	-	-	-	-	-	-	-	-	-	-	-	-
Library Materials	-	-	-	-	-	-	-	-	-	-	-	-	-
Linen and Soft Furnishings	-	-	-	-	-	-	-	-	-	-	-	-	-
Music Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment / Machines	360 330	-	-	-	-	360 330	222 371	43 066	-	-	265 437	94 893	-
Paintings, Sculptures and Ornaments	-	-	-	-	-	-	-	-	-	-	-	-	-
Photographic Equipment	101 352	-	-	-	-	101 352	17 619	14 606	-	-	32 225	69 127	-
Other Office Equipment	35 287	-	-	-	-	35 287	16 767	3 502	-	-	20 268	15 019	-
<i>Plant and Equipment:</i>													
Agricultural / Farm Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Air Conditioning Systems	-	-	-	-	-	-	-	-	-	-	-	-	-
Cellular Routers	-	-	-	-	-	-	-	-	-	-	-	-	-
Compaction Equipment	73 990	-	-	-	-	73 990	33 633	2 930	-	-	36 563	37 427	-
Compressors, Generators & Allied Eq	449 056	14 700	-	-	-	463 756	380 758	12 641	-	-	393 400	70 356	-
Conveyors	-	-	-	-	-	-	-	-	-	-	-	-	-
Earthmoving Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Elevator Systems	-	-	-	-	-	-	-	-	-	-	-	-	-
Feeders	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire Arms	53 070	-	-	-	-	53 070	30 347	4 545	-	-	34 891	18 179	-
Gardening Equipment	359 021	-	-	-	-	359 021	312 458	10 047	-	-	322 505	36 516	-
Industrial Sewing Machines	-	-	-	-	-	-	-	-	-	-	-	-	-
Irrigation Equipment / Systems	-	-	-	-	-	-	-	-	-	-	-	-	-
Laboratory Equipment	1 192 730	-	-	-	-	1 192 730	699 705	96 100	-	-	795 805	396 925	-
Lathes	-	-	-	-	-	-	-	-	-	-	-	-	-
Laundry Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Metallurgy Machines	-	-	-	-	-	-	-	-	-	-	-	-	-
Milling Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining Machines	-	-	-	-	-	-	-	-	-	-	-	-	-
Pulverising Mills	-	-	-	-	-	-	-	-	-	-	-	-	-
Pumps / Plumbing / Purification / Sanitation Equipment	662 838	-	-	-	-	662 838	161 665	60 847	-	-	222 513	440 325	-
Quarrying Machines	-	-	-	-	-	-	-	-	-	-	-	-	-
Radio Equipment	8 077	-	-	-	-	8 077	8 077	-	-	-	8 077	(0)	-
Road Construction and Maintenance Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Saddles and Other Tack	-	-	-	-	-	-	-	-	-	-	-	-	-
Security Equipment / Systems / Materials	1 463 700	-	-	-	-	1 463 700	707 178	329 544	-	-	1 036 722	426 978	-
Sport and Recreational Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Surveying Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Equipment	2 134 310	6 999	-	-	-	2 141 309	1 034 195	312 260	-	-	1 346 455	794 854	-
Tents, Flags and Accessories	-	-	-	-	-	-	-	-	-	-	-	-	-
Textile Production Machines	-	-	-	-	-	-	-	-	-	-	-	-	-
Woodworking Machinery and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshop Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshop Tools	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Plant and Equipment	17 665 662	452 944	2 278 149	-	-	20 396 754	15 638 527	344 097	-	-	15 982 624	4 414 130	-
<i>Specialised Vehicles:</i>													
Aircraft	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire Engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Graders	651 270	-	-	-	-	651 270	552 095	12 401	-	-	564 496	86 774	-
Mechanical Horses	-	-	-	-	-	-	-	-	-	-	-	-	-
Mobile Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-
Tipplers	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Disposal Trucks	-	-	-	-	-	-	-	-	-	-	-	-	-
Watercraft	28 250	-	-	-	-	28 250	28 250	-	-	-	28 250	-	-
<i>Other Assets:</i>													
Asphalt Plant	-	-	-	-	-	-	-	-	-	-	-	-	-
Kilns	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
Laboratories	-	-	-	-	-	-	-	-	-	-	-	-	-
	114 233 133	14 281 507	3 685 764	-	-	132 200 403	78 327 687	8 352 616	-	-	86 680 302	45 520 101	5 805 022
					1 583 790	14 281 507						5 928 891,45	
Total PPE	2 424 450 243	14 624 315	701 860 240	(29 120 466)	-	3 111 814 331	1 011 869 265	50 674 303	(4 120 466)	-	1 058 423 102	2 053 391 229	331 720 717

APPENDIX B
UGU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Investment Properties													
<i>Land:</i>	192 577 928												
Land	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Held-for-Sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Farms	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Buildings:</i>													
Buildings Let-out	-	-	-	-	-	-	-	-	-	-	-	-	-
Flats Block	-	-	-	-	-	-	-	-	-	-	-	-	-
Houses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Investment Properties	192 577 928												

UGU DISTRICT MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets													
Capitalised Development Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software	26 995 033	364 400	-	-	-	27 359 433	16 640 906	2 712 905	-	-	19 353 812	8 005 621	2 871 500
Copyrights, Patents and Trademarks	-	-	-	-	-	-	-	-	-	-	-	-	-
Documents and Charts	-	-	-	-	-	-	-	-	-	-	-	-	-
Rights and Servitudes	2 560 072	19 730	-	-	-	2 579 802	-	-	-	-	-	2 579 802	500 000
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Intangible Assets	29 555 105	384 130				29 939 235	16 640 906	2 712 905			19 353 812	10 585 423	3 371 500

UGU DISTRICT MUNICIPALITY
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions #REF!
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Heritage Assets													
Antiques and Collections	-	-	-	-	-	-	-	-	-	-	-	-	-
Archives	-	-	-	-	-	-	-	-	-	-	-	-	-
Cultural Buildings / Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Historical Buildings / Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Jewellery	-	-	-	-	-	-	-	-	-	-	-	-	-
Museum Exhibits	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Monuments	-	-	-	-	-	-	-	-	-	-	-	-	-
Sculptures	-	-	-	-	-	-	-	-	-	-	-	-	-
Works of Art	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Heritage Assets													
Total Asset Register	2 646 583 275	15 008 445	701 860 240	(29 120 466)		3 141 753 566	1 028 510 171	53 387 208	(4 120 466)		1 077 776 914	2 063 976 652	335 092 217
		192 962 058,07											

APPENDIX C
UGU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	SUM
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	
Executive and Council	32 741 685	-	2 052 521	-	-	34 794 207	5 675 587	223 294	-	-	5 898 880	28 895 326	-
Finance and Administration	104 290 010	827 405	34 213 244	-	-	139 330 659	41 000 904	6 720 368	-	-	47 721 272	91 609 387	-
Planning and Development	970 371	-	337 677 363	-	-	338 647 734	496 798	107 053	-	-	603 851	338 043 883	-
Health	-	-	-	-	-	-	-	-	-	-	-	-	-
Community and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	153 898	87 697	-	-	-	241 595	128 804	6 400	-	-	135 204	106 391	-
Sport and Recreation	114 362 724	-	3 439 367	-	-	117 802 091	8 411 803	5 222 705	-	-	13 634 509	104 167 583	-
Environmental Protection	440 054	-	-	-	-	440 054	253 454	9 779	-	-	263 233	176 822	-
Waste Management	177 805 162	-	101 983 840	-	-	279 789 002	110 027 943	4 042 884	-	-	114 070 828	165 718 175	-
Roads and Transport	-	-	-	-	-	-	-	-	-	-	-	-	-
Water	1 993 741 676	14 075 800	218 904 966	-	-	2 226 722 442	858 730 062	36 396 018	-	-	895 126 079	1 331 596 363	-
Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	29 499 767	17 543	3 588 937	(29 120 466)	-	3 985 781	3 784 816	658 707	(4 120 466)	-	323 058	3 662 723	-
Total	2 454 005 347	15 008 445	701 860 240	(29 120 466)	-	3 141 753 566	1 028 510 171	53 387 208	(4 120 466)	-	1 077 776 914	2 063 976 652	-

APPENDIX D
UGU DISTRICT MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

2012 Actual Income	2012 Actual Expenditure	2012 Surplus/ (Deficit)	Description	2013 Actual Income	2013 Actual Expenditure	2013 Surplus/ (Deficit)
R	R	R		R	R	R
443 840	43 481 133	(43 037 293)	Executive and Council	2 143 825	43 644 420	(41 500 595)
74 700 428	81 229 505	(6 529 077)	Finance and Administration	117 705 127	78 629 233	39 075 894
5 854 682	1 584 903	4 269 779	Public Safety	681 127	354 167	326 960
225 935	3 594 319	(3 368 384)	Sport and Recreation	341 910	2 601 870	(2 259 960)
2 381 673	5 605 249	(3 223 576)	Environmental Protection	3 790 086	8 537 813	(4 747 727)
95 025 050	58 925 644	36 099 405	Waste Water Management	100 746 928	56 341 565	44 405 362
660 419 843	471 595 015	188 824 828	Water	681 701 503	452 316 340	229 385 164
18 655 956	15 496 602	3 159 354	Other	10 290 041	12 469 277	(2 179 236)
857 707 408	681 512 370	176 195 038	Total	917 400 547	654 894 686	262 505 862

APPENDIX E(1)
UGU DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

Description	2012/13 Actual	2012/13 Budget	2012/13 Variance	2012/13 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Government Grants and Subsidies	594 810 326	380 610 640	214 199 686	56.28	Unbudgeted grants received for Water Infrastructure
Public Contributions and Donations	3 171 874	-	3 171 874	100.00	Capital commitments met from public contributions realised in income
Service Charges	291 397 112	330 413 371	(39 016 259)	(11.81)	
Rental of Facilities and Equipment	1 693 135	2 970 098	(1 276 963)	(42.99)	The usage of facilities was less than budgeted for
Interest Earned - External investments	1 917 079	2 000 000	(82 921)	(4.15)	
Interest Earned - Outstanding debtors	18 376 237	1 873 312	16 502 924	880.95	Result of the discounting of service charges in terms of IAS 39
Other Revenue	6 034 784	3 717 076	2 317 708	62.35	Internal Recoveries lower due to curtailment of expenditure
Gains on Disposal of Property, Plant and Equipment	-	-	-	0.00	Not material
Total Revenue	917 400 547	721 584 498	195 816 049	27.14	
EXPENDITURE					
Employee Related Costs	243 691 262	248 025 694	(4 334 432)	(1.75)	
Remuneration of Councillors	7 848 538	7 313 756	534 782	7.31	
Collection Costs	258 323	-	258 323	100.00	Not material
Depreciation	52 754 325	60 861 576	(8 107 251)	(13.32)	Due to earlier completion of projects depreciation charges were higher than budgeted
Impairment Losses	(25 175 715)	11 379 155	(36 554 870)	(321.24)	Revised calculation method in terms of IAS 39 resulted in increased impairment
Repairs and Maintenance	11 288 922	22 768 732	(11 479 810)	(50.42)	Refurbishment of infrastructure resulted in savings on repairs and maintainance
Interest Paid	16 959 930	16 402 380	557 550	3.40	
Bulk Purchases	34 650 454	40 013 200	(5 362 746)	(13.40)	
Contracted Services	19 406 168	26 887 908	(7 481 740)	(27.83)	
Grants and Subsidies Paid	199 002 722	156 409 887	42 592 835	27.23	Expenditure on VIP toilets was fast tracked to obtain 100% expense of MIG Grant
General Expenses	94 209 758	122 528 793	(28 319 034)	(23.11)	Internal Charges lower due to curtailment of expenditure
Loss on disposal of Property, Plant and Equipment	-	-	-	0.00	
Total Expenditure	654 894 686	712 591 081	(57 696 395)	(8.10)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	262 505 860	8 993 417	253 512 443	2 818.87	

APPENDIX E(1)
UGU DISTRICT MUNICIPALITY

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

Description	2011/12 Actual	2011/12 Budget	2011/12 Variance	2011/12 Variance	Explanation of Significant Variances greater than 10% versus Budget
R	R	R	%		
REVENUE					
Service Charges	297 466 286	312 580 938	(15 114 652)	(4.84)	Actual billing less than budgeted for
Rental of Facilities and Equipment	580 219	1 092 105	(511 886)	(46.87)	
Interest Earned - External investments	4 839 463	2 000 000	2 839 463	141.97	Own cash utilised for capital expenses to be funded from external loans
Interest Earned - Outstanding debtors	16 758 750	1 244 040	15 514 710	1 247.12	Result of the discounting of service charges in terms of IAS 39
Government Grants and Subsidies	533 571 282	309 979 997	223 591 285	72.13	Unbudgeted grants received for Water Infrastructure
Other Revenue	4 179 148	135 769 775	(131 590 627)	(96.92)	Internal Recoveries lower due to curtailment of expenditure
Public Contributions and Donations	250 000	-	250 000	100.00	Capital commitments met from public contributions realised in income
Gains on Disposal of Property, Plant and Equipment	62 259	-	62 259	100.00	Proceeds from insurance on lost assets not budgeted for
Total Revenue	857 707 408	762 666 855	95 040 553	12.46	
EXPENDITURE					
Employee Related Costs	226 075 557	243 681 786	(17 606 229)	(7.23)	
Remuneration of Councillors	7 046 209	7 002 252	43 957	0.63	
Collection Costs	(20 412)	-	(20 412)	100.00	Included in budget for Legal Fees
Depreciation	56 280 905	49 779 184	6 501 721	13.06	
Impairment Losses	46 592 646	9 279 577	37 313 069	402.10	Under budgeted for Provision of Bad Debts
Repairs and Maintenance	17 598 368	25 426 670	(7 828 302)	(30.79)	Borehole repairs and spring protection funded from grants
Interest Paid	18 292 580	18 408 757	(116 177)	(0.63)	Budget adjustment process inadvertently reduced the budget
Bulk Purchases	34 327 836	36 606 311	(2 278 476)	(6.22)	
Contracted Services	19 266 484	21 329 854	(2 063 370)	(9.67)	Tenders not awarded for certain planned contracted services
Grants and Subsidies Paid	167 060 093	113 785 082	53 275 010	46.82	Unbudgeted grants expended for Water Infrastructure
General Expenses	88 992 105	237 359 052	(148 366 947)	(62.51)	Internal Charges lower due to curtailment of expenditure
Loss on disposal of Property, Plant and Equipment	-	-	-	0.00	
Total Expenditure	681 512 370	762 658 524	(81 146 154)	(10.64)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	176 195 038	8 330	176 186 708	2 114 984.97	

APPENDIX E(2)
UGU DISTRICT MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13	2012/13	2012/13	2012/13	2012/13	2012/13	Explanation of Significant Variances greater than 10% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance	Variance	
	R	R	R	R	R	%	
Executive and Council	-	-	-	3 418 227	(3 418 227)	(100.00)	Moratorium placed on internally funded capital expenditure
Finance and Administration	827 405	8 170 687	8 998 092	1 164 895	7 833 197	672.44	Expenditure budgeted for under Water Department
Planning and Development	-	105 251 533	105 251 533	-	105 251 533	100.00	Expenditure budgeted for under Water and Waste Water Management
Public Safety	87 697	-	87 697	16 650 000	(16 562 303)	(99.47)	Moratorium placed on internally funded capital expenditure
Sport and Recreation	-	-	-	-	-	0.00	Expenditure not material
Waste Management	-	16 191 418	16 191 418	59 552 000	(43 360 582)	(72.81)	Expended under Planning and Development
Water	14 075 800	47 469 215	61 545 015	254 307 095	(192 762 080)	(75.80)	Expended under Planning & Development and Finance & Administration
Other	17 543	870 760	888 303	-	888 303	100.00	
Total	15 008 445	177 953 613	192 962 058	335 092 217	(142 130 159)	(42.42)	

ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	Explanation of Significant Variances greater than 10% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance	Variance	
	R	R	R	R	R	%	
Executive and Council	75 334	-	75 334	2 000 000	(1 924 666)	(96.23)	Expenditure incurred under Finance and Administration
Finance and Administration	4 250 412	-	4 250 412	950 000	3 300 412	347.41	Expenditure budgeted for under Executive & Council and Public Safety
Planning and Development	18 251	-	18 251	-	18 251	100.00	Expenditure not material
Public Safety	18 251	-	18 251	3 000 000	(2 981 749)	(99.39)	Expenditure incurred under Finance and Administration
Sport and Recreation	3 435 134	3 439 367	6 874 501	23 631 863	(16 757 362)	(70.91)	Expenditure incurred in the previous financial year
Waste Management	18 789 200	22 425 271	41 214 472	59 788 700	(18 574 228)	(31.07)	Moratorium placed on projects not started
Water	1 645 911	154 540 784	156 186 696	216 432 118	(60 245 422)	(27.84)	Moratorium placed on projects not started
Other	386 770	-	386 770	-	386 770	100.00	Expenditure incurred on Ugu Fresh Produce Market not budgeted for
Total	28 619 264	180 405 423	209 024 687	305 802 681	(96 777 994)	(31.65)	

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	1 250 000	0	0	0	177 446	118 316	94 023	153 983	740 647	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2010/11 MIG & FMG unspent portion	Yes	N/A
Equitable Share	National Treasury	0	108 445 000	75 147 000	65 068 000	0	80 425 595	56 650 012	55 163 161	57 691 228	79 155 600	N/A	N/A	11 609 000	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Sports and Recreation	Dept Sport & Rec	0	0	0	0	0	325 418	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Ugu Agricultural Market	Dept Agriculture	0	0	0	0	0	0	0	0	190 060	727 243	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Gijima	DEAT	0	0	0	0	0	0	0	0	0	161 424	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various Provincial	DLGTA	0	2 102 708	1 130 000	11 705 877	11 798 131	4 575 109	931 232	4 946 281	3 112 630	8 831 914	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various National (inc. MIG)	DPLG	2 656 160	94 892 000	98 970 000	99 117 000	0	123 827 929	59 390 410	55 027 557	63 793 067	102 454 312	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various National (PW)	EPWP	0	400 000	300 000	300 000	0	0	0	138 381	213 809	216 245	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Rural Transport Services	Dep. Transp	0	1 776 000	0	0	0	671 095	0	953 192	430 859	361 749	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DWAF	DWAF	0	1 260 000	10 295 240	17 030 097	0	7 845 636	5 358 956	10 930 040	6 364 631	7 289 899	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various	DBSA	0	0	0	204 073	0	185 635	17 774	0	179 741	82 487	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various Co-operatives projects	IDC	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various (National Lottery)	National Lottery	0	0	0	0	0	0	0	94 497	9 757	249 969	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various (Public Contributions)	OTHER	528 703	717 027	291 068	353 525	664 552	0	704 413	704 413	704 413	704 413	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		3 184 863	210 842 735	186 133 307	193 778 572	12 462 683	218 033 863	123 171 111	128 051 546	132 844 177	200 975 901	0	0	11 609 000	0	0	0	0			

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