

UGU DISTRICT MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the consolidated financial position of Ugu District Municipality and Ugu-South Coast Tourism (Pty) Ltd Entity at 30 June 2012 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 2010/11 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 2012 indicates an increase in Net Assets, and an increase in both Non-current Liabilities and 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 increase in Current Liabilities.

2. KEY FINANCIAL INDICATORS

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

2.1 Financial Statement Ratios:

INDICATOR	2012	2011
Surplus / (Deficit) before Appropriations	160 519 758	107 599 882
Surplus / (Deficit) at the end of the Year	1 550 792 368	1 390 272 610
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	29.71%	29.87%
Remuneration of Councillors	0.93%	0.83%
Collection Costs	(0.00)%	0.00%
Depreciation and Amortisation	7.31%	6.57%
Impairment Losses	6.03%	3.75%
Repairs and Maintenance	2.28%	2.91%
Interest Paid	2.37%	2.87%
Bulk Purchases	4.44%	4.23%
Contracted Services	2.51%	2.28%
Grants and Subsidies Paid	20.39%	18.19%
General Expenses	24.04%	28.50%
Current Ratio:		
Trade Creditors Days	123	120
Debtors from Exchange Transactions Days	52	60

2.2 Performance Indicators:

INDICATOR	2012	2011
Borrowing Management:		
Capital Charges to Operating Expenditure	4.39%	7.60%
Capital Charges to Own Revenue	8.23%	14.98%
Borrowed Funding to Own Capital Expenditure	0.00%	8.78%
Borrowing to Total Capital Assets	10.16%	11.85%
Safety of Capital:		
Gearing	12.77%	15.48%
Liquidity:		
Current Ratio	0.45	0.42
Liquidity Ratio	0.18	0.14
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	95.34%	86.75%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	0.00%	52.84%
Revenue Management:		
Current Debtors Collection Rate	78.75%	85.15%
Outstanding Debtors to Revenue	10.41%	7.92%
Creditors Management:		
Creditors to Cash and Investments	305.71%	361.33%
Financial Viability:		
Debt Coverage	22.99	9.12
Outstanding Service Debtors to Revenue	21.53%	18.62%
Cost Coverage	0.08	0.06

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 2012 are as follows:

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Revenue:					
Opening surplus / (deficit)	676 674 736	251 613 763	168.93	-	100.00
Operating revenue for the year	933 565 203	860 466 453	8.50	765 718 403	21.92
Appropriations for the year	(186 824 691)	(93 849 074)	99.07	-	100.00
	1 423 415 249	1 018 231 143	39.79	765 718 403	85.89
Expenditure:					
Operating expenditure for the year	773 045 445	752 866 571	2.68	766 885 325	0.80
Sundry transfers	-	(411 310 164)	(100.00)	-	-
Closing surplus / (deficit)	650 369 804	676 674 736	(3.89)	(1 166 923)	(55 833.76)
	1 423 415 249	1 018 231 143	39.79	765 718 403	85.89

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 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Revenue	195 159 069	221 823 909	(12.02)	247 975 866	(21.30)
Expenditure	179 754 946	200 923 890	(10.54)	222 423 864	(19.18)
Surplus / (Deficit)	15 404 124	20 900 019	(26.30)	25 552 003	(39.71)
Surplus / (Deficit) as % of total income	7.89%	9.42%		10.30%	

Variance from 2010/11 actual:

The 12.02% decrease on last year's actual revenue is primarily as a result of the decrease in the Investment Income and a reduction on Internal Recoveries. The 10.54% decrease on last year's actual expenditure is primarily as a result of the moratorium that resulted in reduction in Employee Related Costs; other cost cutting initiatives and a reduction in Internal Charges.

Variance from 2011/12 budget:

The 21.30% decrease on the reporting year's budget is primarily as a result of internal recoveries being lower than anticipated due to curtailment of expenditure and Rental of Facilities were lower than budgeted for. The 19.18% decrease on the reporting year's budget is primarily as a result of curtailment of expenditure due to cash flow constraints.

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 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Revenue	95 025 050	98 460 982	(3.49)	95 424 428	(0.42)
Expenditure	72 376 324	71 961 812	0.58	78 929 943	(8.30)
Surplus / (Deficit)	22 648 725	26 499 171	(14.53)	16 494 485	37.31
Surplus / (Deficit) as % of total income	23.83%	26.91%		17.29%	

Variance from 2010/11 actual:

The 3.49% decrease on last year's actual revenue is primarily as a result of the decrease in the Public Contributions utilised to fund capital expenditure. The 0.58% increase on last year's actual expenditure is as a result of increased Employee Related Cost.

Variance from 2011/12 budget:

The 0.42% decrease on the reporting year's budget is primarily as a result of an under collection on Service Charges. The 8.30% 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 327 836 (2011: R31 839 355). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Revenue	643 381 084	540 181 562	19.10	422 318 108	52.35
Expenditure	520 914 175	479 980 869	8.53	465 531 519	11.90
Surplus / (Deficit)	122 466 909	60 200 692	103.43	(43 213 410)	(383.40)
Surplus / (Deficit) as % of total income	19.03%	11.14%		(10.23)%	

Variance from 2010/11 actual:

The 19.10% 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 8.53% increase on last year's actual expenditure is primarily as a result of increases in Employee Related Cost, Repairs & Maintenance and Contracted Services.

Variance from 2011/12 budget:

The 52.35% 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 11.90% increase on the reporting year's budget is primarily as a result of depreciation and impairment charges under budgeted for.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R190 605 297 (2011: R209 167 486). Full details of Assets are disclosed in Notes 9, 10, 11 and Appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R190 605 297 was financed as follows:

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Capital Replacement Reserve	7 380 704	32 058 631	(76.98)	4 583 122	61.04
External Loans	-	61 180 921	(100.00)	35 443 400	(100.00)
Grants and Subsidies	183 151 688	104 524 915	75.22	295 065 695	(37.93)
Public Contributions	-	11 260 219	(100.00)	-	-
Revenue	72 905	142 799	(48.95)	150 000	(51.40)
	190 605 297	209 167 486	(8.87)	335 242 217	(43.14)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2012	2011
Capital Replacement Reserve	3.87%	15.33%
External Loans	-	29.25%
Grants and Subsidies	96.09%	49.97%
Public Contributions	-	5.38%
Revenue	0.04%	0.07%
	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	2012	2011
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(1 166 923)	(1 495 951)
Revenue variances	167 846 801	89 055 850
Expenditure variances:		
Employee Related Costs	18 345 381	72 210
Remuneration of Councillors	(12 097)	40 516
Collection Costs	20 412	14 588
Depreciation and Amortisation	(6 432 782)	(3 215 254)
Impairment Losses	(37 313 069)	(20 520 418)
Repairs and Maintenance	7 857 659	13 618 146
Interest Paid	116 160	(6 201 599)
Bulk Purchases	2 278 476	2 198 285
Contracted Services	2 076 877	4 491 474
Grants and Subsidies Paid	(53 275 010)	(16 557 812)
General Expenses	60 177 874	46 101 025
Loss on disposal of Property, Plant and Equipment	(0)	(1 177)
Actual surplus before appropriations	160 519 758	107 599 882

DETAILS	2012	2011
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(1 166 923)	(1 495 951)
Executive and Council	(5 867 651)	(8 972 074)
Finance and Administration	(23 026 711)	14 068 714
Public Safety	4 269 779	379 480
Sport and Recreation	262 219	-
Environmental Protection	1 479 382	580 095
Waste Management	6 154 240	24 698 575
Water	165 680 320	69 318 939
Other	10 196 369	7 251 178
Actual surplus before appropriations	160 519 758	107 599 882

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 2011/12 R	Actual 2010/11 R	Variance actual 2011/12 / 2010/11 R	Budgeted 2011/12 R	Variance actual/ budgeted R
Executive and Council	637 652	322 706	314 945	3 418 227	(2 780 575)
Finance and Administration	5 471 964	584 479	4 887 485	1 164 895	4 307 069
Planning and Development	147 781 252	356 212	147 425 040	150 000	147 631 252
Community and Social Services	-	2 572 567	(2 572 567)	-	-
Public Safety	-	611 286	(611 286)	16 650 000	(16 650 000)
Sport and Recreation	76 793	2 206 606	(2 129 813)	-	76 793
Environmental Protection	-	3 649	(3 649)	-	-
Waste Management	3 980 224	17 843 873	(13 863 648)	59 552 000	(55 571 776)
Roads and Transport	-	55 980 691	(55 980 691)	-	-
Water	32 657 412	87 273 295	(54 615 883)	254 307 095	(221 649 683)
Electricity	-	35 190 328	(35 190 328)	-	-
Other	-	2 855 458	(2 855 458)	-	-
	190 605 297	205 801 149	(15 195 852)	335 242 217	(144 636 920)

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 2012 amounted to R1 550 792 368 (30 June 2011: R1 390 272 610) and is made up as follows:

Capital Replacement Reserve	144 924
Capitalisation Reserve	35 143 482
Donations and Public Contributions Reserve	21 328 447
Government Grants Reserve	843 805 711
Accumulated Surplus	<u>650 369 804</u>
	<u>1 550 792 368</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 2012 was R198 015 541 (30 June 2011: R215 184 195).

Loans to the amount of R0 (2010/11: 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 2012 was R18 959 976 (30 June 2011: R22 123 367).

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 R9 055 346 as at 30 June 2012 (30 June 2011: R7 892 532) and is made up as follows:

Provision for Long-term Service	<u>9 055 346</u>
	<u>9 055 346</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 R316 740 404 as at 30 June 2012 (30 June 2011: R312 012 756) and is made up as follows:

Consumer Deposits	Note 14	18 790 162
Provisions	Note 15	2 360 841
Payables	Note 16	163 937 214
Unspent Conditional Grants and Receipts	Note 17	117 193 475
Operating Lease Liabilities	Note 18	34 244
Bank Overdraft	Note 7	7 183
Current Portion of Long-term Liabilities	Note 19	<u>14 417 285</u>
		<u>316 740 404</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 R1 936 936 943 as at 30 June 2012 (30 June 2011: R1 802 298 626).

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

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R12 975 116 as at 30 June 2012 (30 June 2011: R13 816 567).

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. LONG-TERM RECEIVABLES

Long-term Receivables of R9 562 at 30 June 2012 (30 June 2011: R26 248) are made up as follows:

Relocation Loans	11 897
Sundry Loans	11 093
	<hr/>
	22 990
Less: Short-term portion included in Current Assets	13 427
	<hr/>
	<u>9 562</u>

Refer to Note 13 for more detail.

14. CURRENT ASSETS

Current Assets amounted R143 642 012 as at 30 June 2012 (30 June 2011: R131 344 020) and is made up as follows:

Inventories	Note 2	8 959 936
Receivables from Exchange Transactions	Note 4	42 652 997
Receivables from Non-exchange Transactions	Note 5	25 104 017
VAT Receivable	Note 6	10 119 936
Cash and Cash Equivalents	Note 7	56 791 698
Current Portion of Long-term Receivables	Note 13	13 427
		<hr/>
		<u>143 642 012</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.

15. 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.

16. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 56.

17. 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 all staff who assisted with the collation of year-end information, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

28 September 2012

UGU DISTRICT MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Note	Municipality		Group	
		2012 R	2011 R	2012 R	2011 R
ASSETS					
Current Assets		140 862 479	129 011 924	143 642 012	131 344 020
Inventories	2	8 959 936	7 217 725	8 959 936	7 217 725
Non-current Assets Held-for-Sale	3	0	1 054 544	0	1 054 544
Receivables from Exchange Transactions	4	42 652 997	39 216 650	42 652 997	39 216 650
Receivables from Non-exchange Transactions	5	24 684 684	8 369 360	25 104 017	8 870 685
VAT Receivable	6	9 908 578	31 430 291	10 119 936	31 493 583
Cash and Cash Equivalents	7	54 642 857	41 709 927	56 791 698	43 477 405
Current Portion of Long-term Receivables	13	13 427	13 427	13 427	13 427
Non-Current Assets		1 949 411 465	1 815 486 544	1 949 921 622	1 816 141 440
Property, Plant and Equipment	9	1 936 487 604	1 801 766 306	1 936 936 943	1 802 298 626
Intangible Assets	10	12 914 198	13 693 891	12 975 116	13 816 567
Non-current Investments	12	100	100	-	-
Long-term Receivables	13	9 562	26 248	9 562	26 248
Total Assets		2 090 273 944	1 944 498 468	2 093 563 634	1 947 485 460
LIABILITIES					
Current Liabilities		319 619 882	313 831 453	316 740 404	312 012 756
Consumer Deposits	14	18 790 162	18 266 771	18 790 162	18 266 771
Provisions	15	2 165 513	2 911 578	2 360 841	3 026 366
Payables	16	167 046 264	150 709 826	163 937 214	148 748 391
Unspent Conditional Grants and Receipts	17	117 193 475	129 080 442	117 193 475	129 080 442
Operating Lease Liabilities	18	-	-	34 244	27 950
Bank Overdraft	7	7 183	-	7 183	-
Current Portion of Long-term Liabilities	19	14 417 285	12 862 836	14 417 285	12 862 836
Non-Current Liabilities		226 030 862	245 200 094	226 030 862	245 200 094
Long-term Liabilities	19	198 015 541	215 184 195	198 015 541	215 184 195
Retirement Benefit Liabilities	20	18 959 976	22 123 367	18 959 976	22 123 367
Non-current Provisions	21	9 055 346	7 892 532	9 055 346	7 892 532
Total Liabilities		545 650 745	559 031 547	542 771 266	557 212 850
Total Assets and Liabilities		1 544 623 200	1 385 466 921	1 550 792 368	1 390 272 610
NET ASSETS		1 544 623 200	1 385 466 921	1 550 792 368	1 390 272 610
Accumulated Surplus	22	1 544 623 200	1 385 466 921	1 550 792 368	1 390 272 610
Total Net Assets		1 544 623 200	1 385 466 921	1 550 792 368	1 390 272 610

UGU DISTRICT MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Note	Municipality		Group	
		2012 R	2011 R	2012 R	2011 R
REVENUE					
Revenue from Non-exchange Transactions					
Government Grants and Subsidies Received	23	519 188 683	456 906 035	521 418 183	459 096 035
Public Contributions and Donations	24	250 000	19 186 143	250 000	19 186 143
Revenue from Exchange Transactions					
Service Charges	25	297 466 286	240 280 488	297 466 286	240 280 488
Rental of Facilities and Equipment	26	580 219	955 738	580 219	955 738
Interest Earned - External Investments	27	2 183 303	6 161 362	2 300 983	6 272 109
Interest Earned - Outstanding Debtors	27	16 758 750	17 071 412	16 758 750	17 071 412
Other Revenue	28	93 850 348	115 798 262	94 728 523	116 779 676
Gains on Disposal of Property, Plant and Equipment		62 259	824 851	62 259	824 851
Total Revenue		930 339 849	857 184 292	933 565 203	860 466 453
EXPENDITURE					
Employee Related Costs	29	226 075 557	221 280 163	229 668 877	224 870 477
Remuneration of Councillors	30	7 046 209	6 191 830	7 154 209	6 248 830
Collection Costs		(20 412)	20 412	(20 412)	20 412
Depreciation and Amortisation	31	56 280 905	49 236 092	56 478 258	49 440 688
Impairment Losses	32	46 592 646	27 900 418	46 592 646	28 250 418
Repairs and Maintenance		17 598 368	21 873 851	17 650 109	21 943 364
Finance Costs	33	18 292 580	21 598 033	18 292 597	21 598 221
Bulk Purchases	34	34 327 836	31 839 355	34 327 836	31 839 355
Contracted Services	35	19 266 484	16 883 563	19 424 880	17 137 493
Grants and Subsidies Paid	36	167 060 093	145 916 321	157 610 093	136 916 321
General Expenses	37	178 663 305	207 119 347	185 857 393	214 599 813
Loss on Disposal of Property, Plant and Equipment		-	-	8 960	1 177
Total Expenditure		771 183 570	749 859 384	773 045 445	752 866 571
SURPLUS / (DEFICIT) FOR THE YEAR		159 156 279	107 324 907	160 519 758	107 599 882
Refer to Appendix E(1) for explanation of budget variances		0.00		0.00	

UGU DISTRICT MUNICIPALITY

MUNICIPALITY - STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

Description	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2011			
Balance at 30 June 2010	-	866 831 850	866 831 850
Change in Accounting Policy (Note 39)		-	-
Correction of Error (Note 40)	-	411 310 164	411 310 164
Restated Balance	-	1 278 142 014	1 278 142 014
Surplus / (Deficit) for the year		107 324 907	107 324 907
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 2011	-	1 385 466 921	1 385 466 921
2012			
Change in Accounting Policy (Note 39)		-	-
Correction of Error (Note 40)		-	-
Restated Balance	-	1 385 466 921	1 385 466 921
Surplus / (Deficit) for the year		159 156 279	159 156 279
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	-	1 544 623 200	1 544 623 200
	-	-	-

UGU DISTRICT MUNICIPALITY

GROUP - STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

Description	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2011			
Balance at 30 June 2010	-	871 362 564	871 362 564
Change in Accounting Policy (Note 39)		-	-
Correction of Error (Note 40)	-	411 310 164	411 310 164
Restated Balance	-	1 282 672 728	1 282 672 728
Surplus / (Deficit) for the year		107 599 882	107 599 882
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 2011	-	1 390 272 610	1 390 272 610
2012			
Change in Accounting Policy (Note 39)		-	-
Correction of Error (Note 40)		-	-
Restated Balance	-	1 390 272 610	1 390 272 610
Surplus / (Deficit) for the year		160 519 758	160 519 758
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	-	1 550 792 368	1 550 792 368
	-	-	-

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

UGU DISTRICT MUNICIPALITY
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	Municipality		Group	
		2012 R	2011 R	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
Grants	23	535 851 083	506 574 111	521 418 183	508 764 111
Public Contributions and Donations	24	(4 525 433)	26 018 521	(4 525 433)	26 018 521
Service Charges	25	247 437 293	219 129 727	247 437 293	219 129 727
Interest Received	27	2 183 303	6 161 362	2 300 983	6 272 109
Other Receipts		92 684 030	4 450 148	110 156 079	6 873 549
Payments					
Employee Related Costs	29	(228 822 199)	(218 028 429)	(233 497 794)	(221 503 955)
Remuneration of Councillors	30	(7 046 209)	(6 191 830)	(7 154 209)	(6 248 830)
Interest Paid	33	(18 292 580)	(21 598 033)	(18 292 597)	(21 598 221)
Suppliers Paid		(54 856 249)	(42 839 839)	(56 214 003)	(46 057 262)
Other Payments		(345 929 520)	(346 030 848)	(342 519 966)	(344 463 036)
NET CASH FLOWS FROM OPERATING ACTIVITIES		218 683 519	127 644 888	219 108 536	127 186 711
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Property, Plant and Equipment	9	(187 443 724)	(209 024 687)	(187 502 704)	(209 154 621)
Purchase of Intangible Assets	10	(3 088 668)	(3 167 704)	(3 102 593)	(3 180 569)
Proceeds on Disposal of Property, Plant and Equipment		372 139	969 795	400 655	978 095
Proceeds on Disposal of Intangible Assets		-	-	736	-
Decrease / (Increase) in Long-term Receivables	13	16 685	2 541	16 685	2 541
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(190 143 567)	(211 220 055)	(190 187 221)	(211 354 555)
CASH FLOWS FROM FINANCING ACTIVITIES					
New Loans raised	19	-	8 199 317	-	8 199 317
Loans repaid	19	(15 614 206)	(35 646 440)	(15 614 206)	(35 646 440)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		(15 614 206)	(27 447 124)	(15 614 206)	(27 447 124)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	7	12 925 746	(111 022 291)	13 307 110	(111 614 967)
Cash and Cash Equivalents at the beginning of the year		41 709 927	152 732 218	43 477 405	155 092 372
Cash and Cash Equivalents at the end of the year		54 635 674	41 709 927	56 784 515	43 477 405

UGU DISTRICT MUNICIPALITY
CONSOLIDATED BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

Municipality:
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
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	-	5 946	179.47	179.47
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	-	(14 193)	40.25	40.25
Total Assets	1 446 959 736	(52 035 758)	-	1 394 923 978	2 090 273 944	-	695 349 967	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	-	(1 798 332)	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	545 569 358	(22 198 651)	-	523 370 707	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	-	673 069 929	177.23	171.36
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	901 390 377	(29 837 107)	-	871 553 270	1 544 623 200	-	673 069 929	177.23	171.36
Total Net Assets	901 390 377	(29 837 107)	-	871 553 270	1 544 623 200	-	673 069 929	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	-	-	1 244 040	16 758 750	-	15 514 710	1 347.12	1 347.12
Other Income	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	846 667 225	(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	-	-	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	(32 703 096)	-	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	832 653 621	(69 995 097)	-	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	3 418 227	-	-	3 418 227	637 652	-	(2 780 575)	18.65	18.65
Finance and Administration	1 164 895	-	-	1 164 895	5 471 964	4 307 069	4 307 069	469.74	469.74
Planning and Development	-	-	-	-	147 708 347	147 708 347	147 708 347	0.00	0.00
Community and Social Services	-	-	-	-	-	-	-	0.00	0.00
Public Safety	16 650 000	-	-	16 650 000	-	-	(16 650 000)	0.00	0.00
Sport and Recreation	-	-	-	-	76 793	76 793	76 793	0.00	0.00
Environmental Protection	-	-	-	-	-	-	-	0.00	0.00
Waste Management	59 552 000	-	-	59 552 000	3 980 224	-	(55 571 776)	6.68	6.68
Roads and Transport	-	-	-	-	-	-	-	0.00	0.00
Water	254 307 095	-	-	254 307 095	32 657 412	-	(221 649 683)	12.84	12.84
Electricity	-	-	-	-	-	-	-	0.00	0.00
Other	-	-	-	-	-	-	-	0.00	0.00
Total Sources of Capital Funds	335 092 217	-	-	335 092 217	190 532 392	152 092 209	(144 559 825)	56.86	56.86

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	-	(42 725 477)	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)	-	-	-	-	-	0.00	0.00
Loans repaid	(1 287 697)	(15 269 075)	-	(16 556 772)	(15 614 206)	942 566	942 566	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	513 159 832	(3 392 592)	79.21	13.71

Group:
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
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	25 104 017	-	16 449 607	290.07	103.93
VAT Receivable	-	-	-	-	10 119 936	-	10 119 936	0.00	0.00
Bank, Cash and Cash Equivalents	13 311 003	9 000 000	-	22 311 003	56 791 698	-	34 480 695	254.55	426.65
Current Portion of Long-term Receivables	7 482	-	-	7 482	13 427	-	5 946	179.47	179.47
Non-Current Assets									
Property, Plant and Equipment	1 334 122 843	(35 535 758)	-	1 298 587 085	1 936 936 943	-	638 349 858	149.16	145.18
Intangible Assets	14 265 000	-	-	14 265 000	12 975 116	-	(1 289 884)	90.96	90.96
Non-current Investments	-	-	-	-	-	-	-	0.00	0.00
Long-term Receivables	23 756	-	-	23 756	9 562	-	(14 193)	40.25	40.25
Total Assets	1 446 959 736	(52 035 758)	-	1 394 923 978	2 093 563 634	-	698 639 657	150.08	144.69
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	2 360 841	-	(1 603 005)	59.56	121.80
Payables	132 384 750	(15 000 000)	-	117 384 750	163 937 214	-	46 552 464	139.66	123.83
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	545 569 358	(22 198 651)	-	523 370 707	542 771 266	-	19 400 559	103.71	99.49
Total Assets and Liabilities	901 390 377	(29 837 107)	-	871 553 270	1 550 792 368	-	679 239 098	177.93	172.04
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	901 390 377	(29 837 107)	-	871 553 270	1 550 792 368	-	679 239 098	177.93	172.04
Total Net Assets	901 390 377	(29 837 107)	-	871 553 270	1 550 792 368	-	679 239 098	177.93	172.04

FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Government Grants and Subsidies Received	287 018 665	25 190 832	-	312 209 497	337 699 548	-	25 490 050	108.16	117.66
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	11 068 016	(8 983 000)	-	2 085 016	2 300 983	-	215 967	110.36	20.79
Interest Earned - Outstanding Debtors	1 244 040	-	-	1 244 040	16 758 750	-	15 514 710	1 347.12	1 347.12
Other Income	158 050 912	(21 544 105)	-	136 506 807	94 728 523	-	(41 778 283)	69.39	59.94
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	62 259	-	62 259	0.00	0.00
Total Revenue	849 718 773	(84 000 371)	-	765 718 403	749 846 568	-	(15 871 834)	97.93	88.25
Expenditure									
Employee Related Costs	273 632 173	(25 617 915)	-	248 014 258	229 668 877	-	(18 345 381)	92.60	83.93
Remuneration of Councillors	7 142 112	-	-	7 142 112	7 154 209	12 097	12 097	100.17	100.17
Collection Costs	-	-	-	-	(20 412)	-	(20 412)	0.00	0.00
Depreciation and Amortisation	50 045 476	-	-	50 045 476	56 478 258	6 432 782	6 432 782	112.85	112.85
Impairment Losses	9 279 577	-	-	9 279 577	46 592 646	37 313 069	37 313 069	502.10	502.10
Repairs and Maintenance	41 679 638	(16 171 870)	-	25 507 769	17 650 109	-	(7 857 659)	69.20	42.35
Finance Costs	14 468 909	3 939 848	-	18 408 757	18 292 597	-	(116 160)	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	25 913 215	(4 411 458)	-	21 501 757	19 424 880	-	(2 076 877)	90.34	74.96
Grants and Subsidies Paid	96 972 000	7 363 082	-	104 335 082	157 610 093	53 275 010	53 275 010	151.06	162.53
General Expenses	278 738 363	(32 703 096)	-	246 035 267	185 857 393	-	(60 177 874)	75.54	66.68
Loss on Disposal of Property, Plant and Equipment	8 960	-	-	8 960	8 960	0	0	100.00	100.00
Total Expenditure	836 880 422	(69 995 097)	-	766 885 325	773 045 445	97 032 958	6 160 120	100.80	92.37
Surplus/(Deficit)	12 838 351	(14 005 274)	-	(1 166 923)	(23 198 877)	(97 032 958)	(22 031 954)	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	12 838 351	(14 005 274)	-	(1 166 923)	160 519 758	86 685 677	161 686 681	0.00	1 250.31
Surplus/(Deficit for the Year)	12 838 351	(14 005 274)	-	(1 166 923)	160 519 758	86 685 677	161 686 681	-	1 250.31
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	3 418 227	-	-	3 418 227	637 652	-	(2 780 575)	18.65	18.65
Finance and Administration	1 164 895	-	-	1 164 895	5 471 964	4 307 069	4 307 069	469.74	469.74
Planning and Development	150 000	-	-	150 000	147 781 252	147 631 252	147 631 252	98 520.83	98 520.83
Community and Social Services	-	-	-	-	-	-	-	0.00	0.00
Public Safety	16 650 000	-	-	16 650 000	-	-	(16 650 000)	0.00	0.00
Sport and Recreation	-	-	-	-	76 793	76 793	76 793	0.00	0.00
Environmental Protection	-	-	-	-	-	-	-	0.00	0.00
Waste Management	59 552 000	-	-	59 552 000	3 980 224	-	(55 571 776)	6.68	6.68
Roads and Transport	-	-	-	-	-	-	-	0.00	0.00
Water	254 307 095	-	-	254 307 095	32 657 412	-	(221 649 683)	12.84	12.84
Electricity	-	-	-	-	-	-	-	0.00	0.00
Other	-	-	-	-	-	-	-	0.00	0.00
Total Sources of Capital Funds	335 242 217	-	-	335 242 217	190 605 297	152 015 114	(144 636 920)	56.86	56.86

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	-	(42 725 477)	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)	-	-	-	-	-	0.00	0.00
Loans repaid	(1 287 697)	(15 269 075)	-	(16 556 772)	(15 614 206)	942 566	942 566	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	513 159 832	(3 392 592)	79.21	13.71

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.

Municipality:

30 June 2011

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	7 887 616	394 381	-	8 281 997	7 217 725	-	(1 064 272)	87.15	91.51
Non-current Assets Held-for-Sale	-	-	-	-	1 054 544	-	1 054 544	0.00	0.00
Receivables from Exchange Transactions	56 215 109	5 694 891	-	61 910 000	39 216 650	-	(22 693 350)	63.34	69.76
Receivables from Non-exchange Transactions	99 105 196	-	-	99 105 196	8 369 360	-	(90 735 836)	8.44	8.44
VAT Receivable	-	-	-	-	31 430 291	-	31 430 291	0.00	0.00
Bank, Cash and Cash Equivalents	132 498 891	4 534 245	-	137 033 136	41 709 927	-	(95 323 208)	30.44	31.48
Current Portion of Long-term Receivables	7 540	377	-	7 917	13 427	-	5 510	169.60	178.08
Non-Current Assets									
Property, Plant and Equipment	835 857 387	56 270 759	-	892 128 146	1 801 766 306	-	909 638 160	201.96	215.56
Intangible Assets	7 595 725	379 786	-	7 975 511	13 693 891	-	5 718 380	171.70	180.28
Non-current Investments	13 776 686	-	-	13 776 686	100	-	(13 776 586)	0.00	0.00
Long-term Receivables	78 690	3 935	-	82 625	26 248	-	(56 377)	31.77	33.36
Total Assets	1 153 022 840	67 278 373	-	1 220 301 213	1 944 498 468	-	724 197 255	159.35	168.64
Current Liabilities									
Consumer Deposits	18 348 232	917 412	-	19 265 644	18 266 771	-	(998 873)	94.82	99.56
Provisions	1 953 407	97 670	-	2 051 077	2 911 578	-	860 501	141.95	149.05
Payables	106 471 000	5 323 550	-	111 794 550	150 709 826	-	38 915 276	134.81	141.55
Unspent Conditional Grants and Receipts	95 892 000	4 794 600	-	100 686 600	129 080 442	-	28 393 842	128.20	134.61
Current Portion of Long-term Liabilities	8 137 021	813 702	-	8 950 723	12 862 836	-	3 912 112	143.71	158.08
Non-Current Liabilities									
Long-term Liabilities	127 555 000	(18 085 000)	-	109 470 000	215 184 195	-	105 714 195	196.57	168.70
Retirement Benefit Liabilities	23 784 000	2 012 740	-	25 796 740	22 123 367	-	(3 673 373)	85.76	93.02
Non-current Provisions	5 134 200	9 800	-	5 144 000	7 892 532	-	2 748 532	153.43	153.72
Total Liabilities	387 274 860	(4 115 526)	-	383 159 334	559 031 547	-	175 872 212	145.90	144.35
Total Assets and Liabilities	765 747 980	71 393 899	-	837 141 879	1 385 466 921	-	548 325 042	165.50	180.93
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	765 747 980	71 393 899	-	837 141 879	1 385 466 921	-	548 325 042	165.50	180.93
Total Net Assets	765 747 980	71 393 899	-	837 141 879	1 385 466 921	-	548 325 042	165.50	180.93

FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Government Grants and Subsidies Received	257 525 398	3 667 680	-	261 193 078	347 488 967	-	86 295 888	133.04	134.93
Public Contributions and Donations	-	-	-	-	-	-	-	0.00	0.00
Revenue from Exchange Transactions									
Service Charges	348 386 248	-	-	348 386 248	240 280 488	-	(108 105 760)	68.97	68.97
Rental of Facilities and Equipment	993 972	-	-	993 972	955 738	-	(38 234)	96.15	96.15
Interest Earned - External Investments	7 983 000	-	-	7 983 000	6 161 362	-	(1 821 638)	77.18	77.18
Interest Earned - Outstanding Debtors	1 199 899	-	-	1 199 899	17 071 412	-	15 871 513	1 422.74	1 422.74
Other Revenue	162 619 032	(14 051 618)	-	148 567 414	115 798 262	-	(32 769 152)	77.94	71.21
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	824 851	-	824 851	0.00	0.00
Total Revenue	778 707 548	(10 383 938)	-	768 323 610	728 581 080	-	(39 742 531)	94.83	93.56
Expenditure									
Employee Related Costs	220 473 077	642 191	-	221 115 268	221 280 163	164 895	164 895	100.07	100.37
Remuneration of Councillors	7 665 424	(1 466 078)	-	6 199 346	6 191 830	-	(7 516)	99.88	80.78
Collection Costs	35 000	-	-	35 000	20 412	-	(14 588)	58.32	58.32
Depreciation and Amortisation	48 799 109	(2 827 286)	-	45 971 823	49 236 092	3 264 269	3 264 269	107.10	100.90
Impairment Losses	7 380 000	-	-	7 380 000	27 900 418	20 520 418	20 520 418	378.05	378.05
Repairs and Maintenance	35 488 343	-	-	35 488 343	21 873 851	-	(13 614 492)	61.64	61.64
Finance Costs	19 503 072	(4 106 450)	-	15 396 622	21 598 033	6 201 411	6 201 411	140.28	110.74
Bulk Purchases	29 037 640	5 000 000	-	34 037 640	31 839 355	-	(2 198 285)	93.54	109.65
Contracted Services	21 367 800	-	-	21 367 800	16 883 563	-	(4 484 237)	79.01	79.01
Grants and Subsidies Paid	118 679 132	10 679 377	-	129 358 509	145 916 321	16 557 812	16 557 812	112.80	122.95
General Expenses	270 278 951	(18 305 692)	-	251 973 259	207 119 347	-	(44 853 913)	82.20	76.63
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00	0.00
Total Expenditure	778 707 548	(10 383 938)	-	768 323 610	749 859 384	46 708 805	(18 464 226)	97.60	96.30
Surplus/(Deficit)	0	(0)	-	-	(21 278 305)	(46 708 805)	(21 278 305)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	109 417 069	109 417 069	109 417 069	0.00	0.00
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	19 186 143	19 186 143	19 186 143	0.00	0.00
Surplus/(Deficit) after Capital Transfers and	0	(0)	-	-	107 324 907	81 894 407	107 324 907	0.00	46 663.07
Surplus/(Deficit for the Year)	0	(0)	-	-	107 324 907	81 894 407	107 324 907	-	46 663.07
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	2 000 000	-	-	2 000 000	75 334	-	(1 924 666)	3.77	3.77
Finance and Administration	950 000	-	-	950 000	4 250 412	3 300 412	3 300 412	447.41	447.41
Planning and Development	-	-	-	-	18 251	18 251	18 251	0.00	0.00
Public Safety	3 000 000	-	-	3 000 000	18 251	-	(2 981 749)	0.61	0.61
Sport and Recreation	23 631 863	-	-	23 631 863	6 874 501	-	(16 757 362)	29.09	29.09
Waste Management	59 788 700	-	-	59 788 700	41 214 472	-	(18 574 228)	68.93	68.93
Water	216 432 118	-	-	216 432 118	156 186 696	-	(60 245 422)	72.16	72.16
Other	-	-	-	-	386 770	386 770	386 770	0.00	0.00
Total Sources of Capital Funds	305 802 681	-	-	305 802 681	209 024 687	3 705 433	(96 777 994)	68.35	68.35

CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Grants	491 423 044	-	-	491 423 044	506 574 111	15 151 067	15 151 067	103.08	103.08
Public Contributions and Donations	-	-	-	-	26 018 521	26 018 521	26 018 521	0.00	0.00
Service Charges	388 889 000	-	-	388 889 000	219 129 727	-	(169 759 273)	56.35	56.35
Interest Received	18 898 266	-	-	18 898 266	6 161 362	-	(12 736 904)	32.60	32.60
Other Receipts	918 000	-	-	918 000	4 450 148	3 532 148	3 532 148	484.77	484.77
Employee Related Costs	-	-	-	-	(218 028 429)	-	(218 028 429)	0.00	0.00
Remuneration of Councillors	-	-	-	-	(6 191 830)	-	(6 191 830)	0.00	0.00
Interest Paid	(18 896 621)	-	-	(18 896 621)	(21 598 033)	-	(2 701 412)	0.00	0.00
Suppliers Paid	(489 735 000)	-	-	(489 735 000)	(42 839 839)	446 895 161	446 895 161	0.00	0.00
Other Payments	-	-	-	-	(346 030 848)	-	(346 030 848)	0.00	0.00
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	(380 667 850)	-	-	(380 667 850)	(209 024 687)	171 643 163	171 643 163	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	(3 167 704)	-	(3 167 704)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	969 795	969 795	969 795	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	(59 999 620)	-	(59 999 620)	-	59 999 620	59 999 620	0.00	0.00
Decrease / (Increase) in Long-term Receivables	4 000	-	-	4 000	2 541	-	(1 459)	63.52	63.52
Cash Flows from/(used in) Financing Activities									
New Loans raised	18 085 000	-	-	18 085 000	8 199 317	-	(9 885 683)	45.34	45.34
Loans repaid	(1 362 642)	-	-	(1 362 642)	(35 646 440)	-	(34 283 798)	0.00	0.00
Cash and Cash Equivalents at End of the Year	27 555 197	(59 999 620)	-	(32 444 423)	(111 022 291)	724 209 474	(78 577 867)	0.00	0.00

Group:
30 June 2011

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	7 887 616	394 381	-	8 281 997	7 217 725	-	(1 064 272)	87.15	91.51
Receivables from Exchange Transactions	56 215 109	5 694 891	-	61 910 000	39 216 650	-	(22 693 350)	63.34	69.76
Receivables from Non-exchange Transactions	99 105 196	-	-	99 105 196	8 870 685	-	(90 234 511)	8.95	8.95
VAT Receivable	-	-	-	-	31 493 583	-	31 493 583	0.00	0.00
Bank, Cash and Cash Equivalents	132 498 891	4 534 245	-	137 033 136	43 477 405	-	(93 555 730)	31.73	32.81
Current Portion of Long-term Receivables	7 540	377	-	7 917	13 427	-	5 510	169.60	178.08
Non-Current Assets									
Property, Plant and Equipment	835 857 387	56 270 759	-	892 128 146	1 802 298 626	-	910 170 480	202.02	215.62
Intangible Assets	7 595 725	379 786	-	7 975 511	13 816 567	-	5 841 056	173.24	181.90
Non-current Investments	13 776 686	-	-	13 776 686	-	-	(13 776 686)	0.00	0.00
Long-term Receivables	78 690	3 935	-	82 625	26 248	-	(56 377)	31.77	33.36
Total Assets	1 153 022 840	67 278 373	-	1 220 301 213	1 947 485 460	-	727 184 247	159.59	168.90
Current Liabilities									
Consumer Deposits	18 348 232	917 412	-	19 265 644	18 266 771	-	(998 873)	94.82	99.56
Provisions	1 953 407	97 670	-	2 051 077	3 026 366	-	975 289	147.55	154.93
Payables	106 471 000	5 323 550	-	111 794 550	148 748 391	-	36 953 841	133.06	139.71
Unspent Conditional Grants and Receipts	95 892 000	4 794 600	-	100 686 600	129 080 442	-	28 393 842	128.20	134.61
Bank Overdraft	-	-	-	-	-	-	-	0.00	0.00
Current Portion of Long-term Liabilities	8 137 021	813 702	-	8 950 723	12 862 836	-	3 912 112	143.71	158.08
Non-Current Liabilities									
Long-term Liabilities	127 555 000	(18 085 000)	-	109 470 000	215 184 195	-	105 714 195	196.57	168.70
Retirement Benefit Liabilities	23 784 000	2 012 740	-	25 796 740	22 123 367	-	(3 673 373)	85.76	93.02
Non-current Provisions	5 134 200	9 800	-	5 144 000	7 892 532	-	2 748 532	153.43	153.72
Total Liabilities	387 274 860	(4 115 526)	-	383 159 334	557 212 850	-	174 053 516	145.43	143.88
Total Assets and Liabilities	765 747 980	71 393 899	-	837 141 879	1 390 272 610	-	553 130 731	166.07	181.56
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	765 747 980	71 393 899	-	837 141 879	1 390 272 610	-	553 130 731	166.07	181.56
Total Net Assets	765 747 980	71 393 899	-	837 141 879	1 390 272 610	-	553 130 731	166.07	181.56

FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Government Grants and Subsidies Received	259 715 398	3 667 680	-	263 383 078	349 678 967	-	86 295 888	132.76	134.64
Public Contributions and Donations	-	-	-	-	-	-	-	0.00	0.00
Revenue from Exchange Transactions									
Service Charges	348 386 248	-	-	348 386 248	240 280 488	-	(108 105 760)	68.97	68.97
Rental of Facilities and Equipment	993 972	-	-	993 972	955 738	-	(38 234)	96.15	96.15
Interest Earned - External Investments	8 107 865	-	-	8 107 865	6 272 109	-	(1 835 756)	77.36	77.36
Interest Earned - Outstanding Debtors	1 199 899	-	-	1 199 899	17 071 412	-	15 871 513	1 422.74	1 422.74
Other Income	163 391 159	(14 051 618)	-	149 339 541	116 779 676	-	(32 559 865)	78.20	71.47
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	824 851	-	824 851	0.00	0.00
Total Revenue	781 794 540	(10 383 938)	-	771 410 602	731 863 241	-	(39 547 361)	94.87	93.61
Expenditure									
Employee Related Costs	224 300 496	642 191	-	224 942 687	224 870 477	-	(72 210)	99.97	100.25
Remuneration of Councillors	7 755 424	(1 466 078)	-	6 289 346	6 248 830	-	(40 516)	99.36	80.57
Collection Costs	35 000	-	-	35 000	20 412	-	(14 588)	58.32	58.32
Depreciation and Amortisation	49 052 720	(2 827 286)	-	46 225 434	49 440 688	3 215 254	3 215 254	106.96	100.79
Impairment Losses	7 730 000	-	-	7 730 000	28 250 418	20 520 418	20 520 418	365.46	365.46
Repairs and Maintenance	35 561 510	-	-	35 561 510	21 943 364	-	(13 618 146)	61.71	61.71
Finance Costs	19 503 072	(4 106 450)	-	15 396 622	21 598 221	6 201 599	6 201 599	140.28	110.74
Bulk Purchases	29 037 640	5 000 000	-	34 037 640	31 839 355	-	(2 198 285)	93.54	109.65
Contracted Services	21 628 967	-	-	21 628 967	17 137 493	-	(4 491 474)	79.23	79.23
Grants and Subsidies Paid	109 679 132	10 679 377	-	120 358 509	136 916 321	16 557 812	16 557 812	113.76	124.83
General Expenses	279 006 530	(18 305 692)	-	260 700 838	214 599 813	-	(46 101 025)	82.32	76.92
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	1 177	1 177	1 177	0.00	0.00
Total Expenditure	783 290 491	(10 383 938)	-	772 906 553	752 866 571	46 496 260	(20 039 983)	97.41	96.12
Surplus/(Deficit)	(1 495 951)	(0)	-	(1 495 951)	(21 003 330)	(46 496 260)	(19 507 379)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	109 417 069	109 417 069	109 417 069	0.00	0.00
Contributions Recognised - Capital and Contributed Assets	-	-	-	-	19 186 143	19 186 143	19 186 143	0.00	0.00
Surplus/(Deficit) after Capital Transfers and	(1 495 951)	(0)	-	(1 495 951)	107 599 882	82 106 952	109 095 833	0.00	0.00
Surplus/(Deficit for the Year)	(1 495 951)	(0)	-	(1 495 951)	107 599 882	82 106 952	109 095 833	-	-
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	2 000 000	-	-	2 000 000	75 334	-	(1 924 666)	3.77	3.77
Finance and Administration	950 000	-	-	950 000	4 250 412	3 300 412	3 300 412	447.41	447.41
Planning and Development	335 000	-	-	335 000	161 051	-	(173 949)	48.07	48.07
Community and Social Services	-	-	-	-	-	-	-	0.00	0.00
Public Safety	3 000 000	-	-	3 000 000	18 251	-	(2 981 749)	0.61	0.61
Sport and Recreation	23 631 863	-	-	23 631 863	6 874 501	-	(16 757 362)	29.09	29.09
Environmental Protection	-	-	-	-	-	-	-	0.00	0.00
Waste Management	59 788 700	-	-	59 788 700	41 214 472	-	(18 574 228)	68.93	68.93
Roads and Transport	-	-	-	-	-	-	-	0.00	0.00
Water	216 432 118	-	-	216 432 118	156 186 696	-	(60 245 422)	72.16	72.16
Electricity	-	-	-	-	-	-	-	0.00	0.00
Other	-	-	-	-	386 770	386 770	386 770	0.00	0.00
Total Sources of Capital Funds	306 137 681	-	-	306 137 681	209 167 486	3 687 182	(96 970 195)	68.32	68.32

CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Grants	491 423 044	-	-	491 423 044	506 574 111	15 151 067	15 151 067	103.08	103.08
Public Contributions and Donations	-	-	-	-	26 018 521	26 018 521	26 018 521	0.00	0.00
Service Charges	388 889 000	-	-	388 889 000	219 129 727	-	(169 759 273)	56.35	56.35
Interest Received	18 898 266	-	-	18 898 266	6 161 362	-	(12 736 904)	32.60	32.60
Other Receipts	918 000	-	-	918 000	4 450 148	3 532 148	3 532 148	484.77	484.77
Employee Related Costs	-	-	-	-	(218 028 429)	-	(218 028 429)	0.00	0.00
Remuneration of Councillors	-	-	-	-	(6 191 830)	-	(6 191 830)	0.00	0.00
Interest Paid	(18 896 621)	-	-	(18 896 621)	(21 598 033)	-	(2 701 412)	0.00	0.00
Suppliers Paid	(489 735 000)	-	-	(489 735 000)	(42 839 839)	446 895 161	446 895 161	0.00	0.00
Other Payments	-	-	-	-	(346 030 848)	-	(346 030 848)	0.00	0.00
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	(380 667 850)	-	-	(380 667 850)	(209 024 687)	171 643 163	171 643 163	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	(3 167 704)	-	(3 167 704)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	969 795	969 795	969 795	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	(59 999 620)	-	(59 999 620)	-	59 999 620	59 999 620	0.00	0.00
Decrease / (Increase) in Long-term Receivables	4 000	-	-	4 000	2 541	-	(1 459)	63.52	63.52
Cash Flows from/(used in) Financing Activities									
New Loans raised	18 085 000	-	-	18 085 000	8 199 317	-	(9 885 683)	45.34	45.34
Loans repaid	(1 362 642)	-	-	(1 362 642)	(35 646 440)	-	(34 283 798)	0.00	0.00
Cash and Cash Equivalents at End of the Year	27 555 197	(59 999 620)	-	(32 444 423)	(111 022 291)	724 209 474	(78 577 867)	0.00	0.00

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

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

Description	Municipality			Group	
	2011/12	2010/11		2011/12	2010/11
	R	R		R	R
Net surplus/(deficit) per the statement of financial performance	159 156 279	107 324 907		160 519 758	107 599 882
Revenue from Non-exchange Transactions					
Government Grants and Subsidies Received	(209 208 686)	(195 712 957)		(209 208 686)	(195 712 957)
Public Contributions and Donations	(250 000)	(19 186 143)		(250 000)	(19 186 143)
Revenue from Exchange Transactions					
Service Charges	15 114 652	108 105 760		15 114 652	108 105 760
Rental of Facilities and Equipment	511 886	38 234		511 886	38 234
Interest Earned - External Investments	(183 303)	1 821 638		(215 967)	1 835 756
Interest Earned - Outstanding Debtors	(15 514 710)	(15 871 513)		(15 514 710)	(15 871 513)
Other Revenue	41 919 427	32 769 152		41 778 283	32 559 865
Gains on Disposal of Property, Plant and Equipment	(62 259)	(824 851)		(62 259)	(824 851)
Expenditure					
Employee Related Costs	(17 606 229)	164 895		(18 345 381)	(72 210)
Remuneration of Councillors	43 957	(7 516)		12 097	(40 516)
Collection Costs	(20 412)	(14 588)		(20 412)	(14 588)
Depreciation and Amortisation	6 501 721	3 264 269		6 432 782	3 215 254
Impairment Losses	37 313 069	20 520 418		37 313 069	20 520 418
Repairs and Maintenance	(7 828 302)	(13 614 492)		(7 857 659)	(13 618 146)
Finance Costs	(116 177)	6 201 411		(116 160)	6 201 599
Bulk Purchases	(2 278 476)	(2 198 285)		(2 278 476)	(2 198 285)
Contracted Services	(2 063 370)	(4 484 237)		(2 076 877)	(4 491 474)
Grants and Subsidies Paid	53 275 010	16 557 812		53 275 010	16 557 812
Research and Development Costs	-	-		-	-
General Expenses	(58 695 747)	(44 853 913)		(60 177 874)	(46 101 025)
Loss on Disposal of Property, Plant and Equipment	-	-		0	1 177
Net surplus/deficit per approved budget	8 330	0		(1 166 923)	(1 495 951)

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
1. GENERAL INFORMATION				
<p>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).</p> <p>Ugu - South Coast Tourism is a municipal entity in Port Shepstone, Kwazulu-Natal. The addresses of its registered office and principal place of business are disclosed in the introduction and overview of the Annual Report. The principal activities of the entity are disclosed in the Annual Report.</p>				
2. INVENTORIES				
Consumable Stores - at cost	2 058 458	943 050	2 058 458	943 050
Maintenance Materials - at cost	5 696 626	5 084 742	5 696 626	5 084 742
Water - at cost	1 163 397	1 148 698	1 163 397	1 148 698
Goods Held for Resale	41 455	41 235	41 455	41 235
Total Inventories	8 959 936	7 217 725	8 959 936	7 217 725

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 R5,19 per kilolitre (2011: R5,05 per kilolitre).

The cost of Inventories recognised as an expense during the period was R6 761 167 (2011: R5 576 332).

Inventories of R804 349 (2011: R765 259) are expected to be utilised only after more than twelve months.

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

3. NON-CURRENT ASSETS HELD-FOR-SALE

Property Held-for-Sale - at cost	0	1 054 544	0	1 054 544
Total Non-current Assets Held-for-Sale	0	1 054 544	0	1 054 544
Liabilities associated with Non-current Assets Held-for-Sale	-	-	-	-
Net Non-current Assets Held-for-Sale	0	1 054 544	0	1 054 544

3.1 Property Held-for-Sale

The municipality disposed of some of its Property, Plant and Equipment through public auction during the past twelve months. No impairment loss was recognised on reclassification of the property as held-for-sale, nor at 30 June 2012.

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Municipality / Group:

	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
As at 30 June 2011			
Service Debtors:	83 377 765	58 454 082	24 923 683
Sewerage	26 691 891	12 109 898	14 581 993
Water	56 685 874	46 344 184	10 341 690
Water Rates	17 201 820	8 491 663	8 710 157
Other Trade	9 280 879	3 698 070	5 582 809
Total Receivables from Exchange Transactions	109 860 465	70 643 815	39 216 650

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012	2011	2012	2011
	R	R	R	R

Receivables from Exchange Transactions have been restated to correctly record the expenditure for interest on late payments, previously accrued for in Receivables. Refer to Note 40.3 on "Correction of Error" for details of the restatement.

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 2012, the municipality is owed R15 163 581 (30 June 2011: R9 048 646) by National and Provincial Government.

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

4.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2012

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Sewerage:					
Gross Balances	6 854 773	2 485 737	2 438 535	17 446 108	29 225 154
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	7 901 185
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	65 136 115
Net Balances	13 962 217	3 845 032	2 102 149	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

As at 30 June Receivables of R23 170 653 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	10 906 439	9 405 307	107 774 758	128 086 505
Less: Provision for Impairment	5 541 590	6 184 851	93 189 412	104 915 852
Net Balances	5 364 850	3 220 456	14 585 346	23 170 653

As at 30 June 2011

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Sewerage:					
Gross Balances	13 083 900	1 877 218	1 332 721	10 398 053	26 691 891
Less: Provision for Impairment	1 440 915	1 474 595	783 581	8 410 806	12 109 898
Net Balances	11 642 985	402 623	549 140	1 987 246	14 581 993
Water:					
Gross Balances	9 076 887	3 811 202	3 020 640	40 777 144	56 685 874
Less: Provision for Impairment	8 515 394	2 206 424	2 371 506	33 250 859	46 344 184
Net Balances	561 493	1 604 778	649 134	7 526 285	10 341 690
Water Rates:					
Gross Balances	8 610 157	-	100 000	8 491 663	17 201 820
Less: Provision for Impairment	13 439	-	53 802	8 424 423	8 491 663
Net Balances	8 596 719	-	46 198	67 240	8 710 157
Other Trade:					
Gross Balances	-	-	-	9 280 879	9 280 879
Less: Provision for Impairment	-	-	-	3 698 070	3 698 070
Net Balances	-	-	-	5 582 809	5 582 809

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R

As at 30 June Receivables of R18 415 453 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	5 688 420	4 453 362	68 947 739	79 089 521
Less: Provision for Impairment	3 681 020	3 208 889	53 784 159	60 674 067
Net Balances	2 007 400	1 244 472	15 163 581	18 415 453

4.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Domestic	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
<u>Current:</u>				
0 - 30 days	19 412 753	8 970 480	3 419 721	-
<u>Past Due:</u>				
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

	Domestic	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2011				
<u>Current:</u>				
0 - 30 days	19 135 176	9 445 763	2 190 005	-
<u>Past Due:</u>				
31 - 60 Days	3 609 963	1 740 487	337 969	-
61 - 90 Days	2 843 646	1 284 951	324 765	-
+ 90 Days	45 756 919	11 159 278	2 750 663	9 280 879
Sub-total	71 345 705	23 630 479	5 603 402	9 280 879
Less: Provision for Impairment	60 367 952	6 577 793	-	3 698 070
Total Receivables by Customer Classification	10 977 753	17 052 686	5 603 402	5 582 809

4.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	70 643 815	43 433 956	70 643 815	43 433 956
Impairment Losses recognised	46 592 646	27 209 859	46 592 646	27 209 859
Impairment Losses reversed	-	-	-	-
Amounts written off as uncollectable	-	-	-	-
Balance at end of year	117 236 461	70 643 815	117 236 461	70 643 815

In terms of the financial instruments classification (Note 49.1), management has classified consumer debtors as loans and receivables for the purposes of assessing interest rate risk, credit risk and liquidity (Notes 49.4, 49.6.2 and 49.8). The concentration of credit risk has been on residential consumers. Consequently, in determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been more aggressive in the year under review, and has been made in accordance with IAS 39, paragraph 64. In management's professional judgement, no further credit provision is required in excess of the Provision for Impairment.

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

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

4.4 Ageing of impaired Receivables from Exchange Transactions

<u>Current:</u>				
0 - 30 Days	12 320 608	9 969 747	12 320 608	9 969 747
<u>Past Due:</u>				
31 - 60 Days	5 541 590	3 681 020	5 541 590	3 681 020
61 - 90 Days	6 184 851	3 208 889	6 184 851	3 208 889
+ 90 Days	93 189 412	53 784 159	93 189 412	53 784 159
Total	117 236 461	70 643 815	117 236 461	70 643 815

4.5 Derecognition of Financial Assets

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

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS				
	Gross Balances R	Provision for Impairment R	Net Balances R	
As at 30 June 2012				
Municipality:				
Payments made in Advance	317 930	-	317 930	
Government Subsidy Claims	1 640 646	1 613 200	27 446	
Insurance Claims	297 588	-	297 588	
Municipal Entities	74 950	-	74 950	
Sundry Deposits	1 017 415	-	1 017 415	
Sundry Debtors	24 911 938	1 962 583	22 949 354	
Total Receivables from Non-exchange Transactions	28 260 467	3 575 783	24 684 684	
Group:				
Payments made in Advance	317 930	-	317 930	
Government Subsidy Claims	2 332 646	1 963 200	369 446	
Insurance Claims	297 588	-	297 588	
Municipal Entities	-	-	-	
Sundry Deposits	1 017 415	-	1 017 415	
Sundry Debtors	25 091 261	1 989 623	23 101 638	
Total Receivables from Non-exchange Transactions	29 056 841	3 952 823	25 104 017	
	Gross Balances R	Provision for Impairment R	Net Balances R	
As at 30 June 2011				
Municipality:				
Payments made in Advance	1 728 112	-	1 728 112	
Government Subsidy Claims	5 243 855	1 613 200	3 630 655	
Insurance Claims	901 215	-	901 215	
Municipal Entities	50 979	-	50 979	
Sundry Deposits	1 017 415	-	1 017 415	
Sundry Debtors	3 003 568	1 962 583	1 040 985	
Total Receivables from Non-exchange Transactions	11 945 143	3 575 783	8 369 360	
Group:				
Payments made in Advance	1 728 112	-	1 728 112	
Government Subsidy Claims	6 049 855	1 963 200	4 086 655	
Insurance Claims	901 215	-	901 215	
Municipal Entities	-	-	-	
Sundry Deposits	1 017 415	-	1 017 415	
Sundry Debtors	3 124 459	1 987 171	1 137 289	
Total Receivables from Non-exchange Transactions	12 821 056	3 950 371	8 870 685	

Receivables from Non-exchange Transactions have been restated to correctly record the accrual for prepaid expenditure, previously expensed in the 2010/11 financial year. Refer to Note 40.3 on "Correction of Error" for details of the restatement.

Included in Receivables from Non-exchange Transactions is an amount of R16,9 million (2011: R3,1 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 (2011: 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality			Group	2011
	2012	2011	2012	2011	R
	R	R	R	R	R

5.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2012

Municipality:

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

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

Group:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Payments made in Advance:					
Gross Balances	317 930	-	-	-	317 930
Less: Provision for Impairment	-	-	-	-	-
Net Balances	317 930	-	-	-	317 930
Government Subsidy Claims:					
Gross Balances	-	-	-	2 332 646	2 332 646
Less: Provision for Impairment	-	-	-	1 963 200	1 963 200
Net Balances	-	-	-	369 446	369 446
Insurance Claims:					
Gross Balances	-	-	-	297 588	297 588
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	297 588	297 588
Municipal Entities:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

				Municipality		Group	
				2012 R	2011 R	2012 R	2011 R
Sundry Deposits:							
Gross Balances	-	-	-	1 017 415	1 017 415		
Less: Provision for Impairment	-	-	-	-	-		
Net Balances	-	-	-	1 017 415	1 017 415		

Sundry Debtors:							
Gross Balances	-	-	-	25 091 261	25 091 261		
Less: Provision for Impairment	-	-	-	1 989 623	1 989 623		
Net Balances	-	-	-	23 101 638	23 101 638		

As at 30 June Receivables of R24 786 087 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	-	-	-	28 738 911
Less: Provision for Impairment	-	-	-	3 952 823
Net Balances	-	-	-	24 786 087

As at 30 June 2011

Municipality:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Payments made in Advance:					
Gross Balances	1 728 112	-	-	-	1 728 112
Less: Provision for Impairment	-	-	-	-	-
Net Balances	1 728 112	-	-	-	1 728 112

Government Subsidy Claims:					
Gross Balances	-	-	-	5 243 855	5 243 855
Less: Provision for Impairment	-	-	-	1 613 200	1 613 200
Net Balances	-	-	-	3 630 655	3 630 655

Insurance Claims:					
Gross Balances	-	-	-	901 215	901 215
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	901 215	901 215

Municipal Entities:					
Gross Balances	-	-	-	50 979	50 979
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	50 979	50 979

Sundry Deposits:					
Gross Balances	-	-	-	1 017 415	1 017 415
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	1 017 415	1 017 415

Sundry Debtors:					
Gross Balances	-	-	-	3 003 568	3 003 568
Less: Provision for Impairment	-	-	-	1 962 583	1 962 583
Net Balances	-	-	-	1 040 985	1 040 985

As at 30 June Receivables of R6 641 248 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	-	-	-	10 217 032
Less: Provision for Impairment	-	-	-	3 575 783
Net Balances	-	-	-	6 641 248

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality				Group	
	2012 R	2011 R	2012 R	2011 R	2012 R	2011 R
Group:						
	Current	Past Due			Total	
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>		
Payments made in Advance:						
Gross Balances	1 728 112	-	-	-	1 728 112	
Less: Provision for Impairment	-	-	-	-	-	
Net Balances	1 728 112	-	-	-	1 728 112	
Government Subsidy Claims:						
Gross Balances	456 000	-	-	5 593 855	6 049 855	
Less: Provision for Impairment	-	-	-	1 963 200	1 963 200	
Net Balances	456 000	-	-	3 630 655	4 086 655	
Insurance Claims:						
Gross Balances	-	-	-	901 215	901 215	
Less: Provision for Impairment	-	-	-	-	-	
Net Balances	-	-	-	901 215	901 215	
Municipal Entities:						
Gross Balances	-	-	-	-	-	
Less: Provision for Impairment	-	-	-	-	-	
Net Balances	-	-	-	-	-	
Sundry Deposits:						
Gross Balances	-	-	-	1 017 415	1 017 415	
Less: Provision for Impairment	-	-	-	-	-	
Net Balances	-	-	-	1 017 415	1 017 415	
Sundry Debtors:						
Gross Balances	22 181	-	-	3 102 278	3 124 459	
Less: Provision for Impairment	-	-	-	1 987 171	1 987 171	
Net Balances	22 181	-	-	1 115 108	1 137 289	
As at 30 June Receivables of R6 664 393 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		-	-	10 614 763	10 614 763	
Less: Provision for Impairment		-	-	3 950 371	3 950 371	
Net Balances		-	-	6 664 393	6 664 393	
5.2 Reconciliation of Provision for Impairment						
Balance at beginning of year		3 575 783	2 885 225	3 950 371	2 885 225	
Impairment Losses recognised		-	1 962 583	2 453	2 337 171	
Impairment Losses reversed		-	(1 272 025)	-	(1 272 025)	
Amounts written off as uncollectable		-	-	-	-	
Balance at end of year		3 575 783	3 575 783	3 952 823	3 950 371	
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 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	1 963 200	1 963 200	
Sundry Debtors		1 962 583	1 962 583	1 989 623	1 987 171	
Total Provision for Impairment on Receivables from Non-exchange Transactions		3 575 783	3 575 783	3 952 823	3 950 371	

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
6. VAT RECEIVABLE				
Vat Receivable	<u>9 908 578</u>	<u>31 430 291</u>	<u>10 119 936</u>	<u>31 493 583</u>

Municipality:

VAT is payable on the payments basis. Once payment is received from debtors, VAT is paid over to SARS.

Entity:

VAT is payable on the invoice basis. When an invoice is raised, the amount of VAT is payable 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.

7. CASH AND CASH EQUIVALENTS

Current Investments	3 119 372	16 741 235	4 256 469	17 413 655
Bank Accounts	51 518 575	24 963 783	52 527 219	26 054 902
Bank Overdraft	(7 183)	-	(7 183)	-
Cash and Cash Equivalents	4 910	4 910	8 011	8 848
Total Cash and Cash Equivalents	<u>54 635 674</u>	<u>41 709 927</u>	<u>56 784 515</u>	<u>43 477 405</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.

7.1 Current Investment Deposits

Call Deposits	3 119 372	16 741 235	4 216 030	17 377 655
Notice Deposits	0	0	40 439	36 000
Total Current Investment Deposits	<u>3 119 372</u>	<u>16 741 235</u>	<u>4 256 469</u>	<u>17 413 655</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3,90% to 4,40% (2010/11: 5,25% to 6,25%) per annum.

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

Unspent Conditional Grants	3 119 372	16 741 235	3 119 372	16 741 235
Total Deposits attributable to Commitments of the Municipality	<u>3 119 372</u>	<u>16 741 235</u>	<u>3 119 372</u>	<u>16 741 235</u>

7.2 Bank Accounts

Cash in Bank	51 518 575	24 963 783	52 527 219	26 054 902
Bank Overdraft	(7 183)	-	(7 183)	-
Total Bank Accounts	<u>51 511 392</u>	<u>24 963 783</u>	<u>52 520 035</u>	<u>26 054 902</u>

The Municipality has the following bank accounts:

Absa Bank Ltd - Port Shepstone

Account Number 406 668 6529 (Primary Bank Account):

Cash book balance at beginning of year	25 167	12 033 008
Cash book balance at end of year	<u>417 019</u>	<u>25 167</u>
Bank statement balance at beginning of year	84 862	30 042 339
Bank statement balance at end of year	<u>417 019</u>	<u>84 862</u>

Account Number 406 668 6472 (General Bank Account):

Cash book balance at beginning of year	2 367 405	4 984 163
Cash book balance at end of year	<u>8 484 145</u>	<u>2 367 405</u>
Bank statement balance at beginning of year	2 364 705	4 898 155
Bank statement balance at end of year	<u>8 295 102</u>	<u>2 364 705</u>

Account Number 406 668 6294 (Collection Account):

Cash book balance at beginning of year	804 620	735 260
Cash book balance at end of year	<u>774 823</u>	<u>804 620</u>
Bank statement balance at beginning of year	815 424	49 775
Bank statement balance at end of year	<u>798 759</u>	<u>815 424</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012	2011	2012	2011
	R	R	R	R
<i>Account Number 406 671 0647 (Consumer Deposits Bank Account):</i>				
Cash book balance at beginning of year	652 933	(4 465)		
Cash book balance at end of year	<u>2 224 671</u>	<u>652 933</u>		
Bank statement balance at beginning of year	1 228 042	546 714		
Bank statement balance at end of year	<u>2 502 930</u>	<u>1 228 042</u>		
 <i>Account Number 406 660 3763 (Salaries Account):</i>				
Cash book balance at beginning of year	111 894	366		
Cash book balance at end of year	<u>(7 183)</u>	<u>111 894</u>		
Bank statement balance at beginning of year	205 500	52 518		
Bank statement balance at end of year	<u>38 891</u>	<u>205 500</u>		
 <i>Account Number 406 757 0977 (Sanlam Group Life Account):</i>				
Cash book balance at beginning of year	4 601 481	3 849 306		
Cash book balance at end of year	<u>4 439 838</u>	<u>4 601 481</u>		
Bank statement balance at beginning of year	4 601 481	3 462 447		
Bank statement balance at end of year	<u>4 439 838</u>	<u>4 601 481</u>		
 <i>Account Number 406 668 6367 (MIG Project Account):</i>				
Cash book balance at beginning of year	5 785 698	9 032 140		
Cash book balance at end of year	<u>13 430 402</u>	<u>5 785 698</u>		
Bank statement balance at beginning of year	5 785 698	7 550 367		
Bank statement balance at end of year	<u>13 430 402</u>	<u>5 785 698</u>		
 <i>Account Number 407 187 0797 (Disaster Account):</i>				
Cash book balance at beginning of year	207 171	209 722		
Cash book balance at end of year	<u>204 082</u>	<u>207 171</u>		
Bank statement balance at beginning of year	207 171	212 170		
Bank statement balance at end of year	<u>204 082</u>	<u>207 171</u>		
 <i>Account Number 407 198 0239 (Market Account):</i>				
Cash book balance at beginning of year	533 418	13 274		
Cash book balance at end of year	<u>304 145</u>	<u>533 418</u>		
Bank statement balance at beginning of year	553 418	461 736		
Bank statement balance at end of year	<u>304 145</u>	<u>553 418</u>		
 <i>Account Number 407 626 7341 (EFF Bank Account):</i>				
Cash book balance at beginning of year	3 559	72 000 000		
Cash book balance at end of year	<u>2 991</u>	<u>3 559</u>		
Bank statement balance at beginning of year	3 559	-		
Bank statement balance at end of year	<u>2 991</u>	<u>3 559</u>		
 <i>Account Number 407 755 1917 (Conditional Grants Account):</i>				
Cash book balance at beginning of year	9 870 437	-		
Cash book balance at end of year	<u>21 236 458</u>	<u>9 870 437</u>		
Bank statement balance at beginning of year	9 870 437	-		
Bank statement balance at end of year	<u>21 236 458</u>	<u>9 870 437</u>		
 The Entity has the following bank accounts:				
Absa Bank Ltd - Port Shepstone				
<i>Account Number 4074 2365 6586 (Primary Bank Account):</i>				
Cash book balance at beginning of year			1 091 119	815 697
Cash book balance at end of year			<u>1 008 644</u>	<u>1 091 119</u>
Bank statement balance at beginning of year			1 267 490	852 781
Bank statement balance at end of year			<u>998 501</u>	<u>1 267 490</u>
 Bank Accounts are attributable to Funds as follows:				
Unspent Conditional Grants	114 074 102	112 339 207		
Capital Replacement Reserve	144 924	275 628		
Consumer Deposits	18 790 162	18 266 771		
Creditors	167 046 264	150 709 826		
Available for / (Utilised by) Operational Purposes	(248 544 061)	(256 627 649)		
Total Bank and Cash attributable to Commitments of the Municipality	<u>51 511 392</u>	<u>24 963 783</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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
7.3 Cash and Cash Equivalents				
Cash Floats and Advances	4 910	4 910	8 011	8 848
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>4 910</u>	<u>4 910</u>	<u>8 011</u>	<u>8 848</u>
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.				
8. CURRENT PORTION OF LONG-TERM RECEIVABLES				
Relocation Loans	9 827	9 827	9 827	9 827
Sundry Loans	3 600	3 600	3 600	3 600
Total Current Portion of Long-term Receivables	<u>13 427</u>	<u>13 427</u>	<u>13 427</u>	<u>13 427</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9 PROPERTY, PLANT AND EQUIPMENT

Municipality:
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
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)
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
- Borrowing Costs Capitalised	-	-	-	-	-
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)
Carrying value of Disposals:	(127 797)	-	-	(182 083)	(309 880)
- Cost	(127 797)	-	-	(1 583 790)	(1 711 586)
- Accumulated Impairment Losses	-	-	-	66 101	66 101
- Accumulated Depreciation	-	-	-	1 335 605	1 335 605
- Based on Cost	-	-	-	1 335 605	1 335 605
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-
- Cost	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
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
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
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
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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

Group:
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	45 538 598	1 802 298 626
Cost	498 279 348	2 001 993 148	146 765 659	116 465 412	2 763 503 566
- Completed Assets	488 658 045	1 553 516 503	140 608 114	113 413 445	2 296 196 106
- Under Construction	9 621 303	448 476 645	6 157 544	3 051 967	467 307 460
Accumulated Impairment Losses	(0)	-	-	(6 767 631)	(6 767 631)
Accumulated Depreciation:	(9 860 060)	(875 109 319)	(5 308 747)	(64 159 183)	(954 437 309)
- Cost	(9 860 060)	(875 109 319)	(5 308 747)	(64 159 183)	(954 437 309)
Acquisitions	1 616 866	53 479 402	76 793	3 341 292	58 514 353
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
- Borrowing Costs Capitalised	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-
Depreciation:	(3 855 725)	(33 104 328)	(6 303 400)	(9 271 498)	(52 534 950)
- Based on Cost	(3 855 725)	(33 104 328)	(6 303 400)	(9 271 498)	(52 534 950)
Carrying value of Disposals:	(127 797)	-	-	(201 639)	(329 436)
- Cost	(127 797)	-	-	(1 627 887)	(1 755 684)
- Accumulated Impairment Losses	-	-	-	66 101	66 101
- Accumulated Depreciation	-	-	-	1 360 147	1 360 147
- Based on Cost	-	-	-	1 360 147	1 360 147
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-
- Cost	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
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
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
Carrying values at 30 June 2012	486 172 825	1 275 493 265	135 230 305	40 040 549	1 936 936 943
Cost	499 888 609	2 183 706 912	146 842 452	118 812 612	2 949 250 586
- Completed Assets	490 147 114	1 679 385 088	140 684 907	115 126 849	2 425 343 959
- Under Construction	9 741 495	504 321 824	6 157 544	3 685 764	523 906 627
Accumulated Impairment Losses	(0)	-	-	(6 701 530)	(6 701 530)
Accumulated Depreciation:	(13 715 785)	(908 213 647)	(11 612 147)	(72 070 534)	(1 005 612 113)
- Cost	(13 715 785)	(908 213 647)	(11 612 147)	(72 070 534)	(1 005 612 113)

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

Municipality:
30 June 2011

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2010	474 019 740	982 301 679	138 008 278	53 242 571	1 647 572 268
Cost	480 063 614	1 830 533 417	139 504 387	115 440 792	2 565 542 210
- Completed Assets	458 060 915	1 469 988 366	21 061 707	112 388 825	2 061 499 813
- Under Construction	22 002 699	360 545 051	118 442 680	3 051 967	504 042 397
Accumulated Impairment Losses	(0)	(338 113)	-	(6 767 631)	(7 105 744)
Accumulated Depreciation:	(6 043 874)	(847 893 624)	(1 496 109)	(55 430 590)	(910 864 197)
- Cost	(6 043 874)	(847 893 624)	(1 496 109)	(55 430 590)	(910 864 197)
Acquisitions	18 215 734	4 497 182	3 821 904	2 084 444	28 619 264
Borrowing Costs Capitalised	-	-	-	-	-
Capital under Construction - Additions:	-	176 966 056	3 439 367	-	180 405 423
- Cost	-	176 966 056	3 439 367	-	180 405 423
- Borrowing Costs Capitalised	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-
Depreciation:	(3 816 186)	(29 860 293)	(3 812 638)	(10 117 271)	(47 606 388)
- Based on Cost	(3 816 186)	(29 860 293)	(3 812 638)	(10 117 271)	(47 606 388)
Carrying value of Disposals:	-	-	-	(144 944)	(144 944)
- Cost	-	-	-	(904 594)	(904 594)
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	759 650	759 650
- Based on Cost	-	-	-	759 650	759 650
Carrying value of Transfers to Held-for-Sale:	-	5 018	-	(58 523)	(53 505)
- Cost	0	(2 977 694)	-	(1 034 064)	(4 011 758)
- Accumulated Impairment Losses	-	338 113	-	-	338 113
- Accumulated Depreciation	(0)	2 644 598	-	975 541	3 620 139
- Based on Cost	(0)	2 644 598	-	975 541	3 620 139
Impairment Losses	-	-	-	-	-
Capital under Construction - Completed	(12 381 396)	(89 034 461)	(115 724 503)	-	(217 140 360)
Other Movements	12 381 396	82 008 648	115 724 503	-	210 114 547
- Cost	12 381 396	82 008 648	115 724 503	-	210 114 547
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
Carrying values at 30 June 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
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)

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

Group:
30 June 2011

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2010	474 019 740	982 301 679	138 008 278	53 778 098	1 648 107 795
Cost	480 063 614	1 830 533 417	139 504 387	116 204 119	2 566 305 537
- Completed Assets	458 060 915	1 469 988 366	21 061 707	113 152 152	2 062 263 140
- Under Construction	22 002 699	360 545 051	118 442 680	3 051 967	504 042 397
Accumulated Impairment Losses	(0)	(338 113)	-	(6 767 631)	(7 105 744)
Accumulated Depreciation:	(6 043 874)	(847 893 624)	(1 496 109)	(55 658 390)	(911 091 997)
- Cost	(6 043 874)	(847 893 624)	(1 496 109)	(55 658 390)	(911 091 997)
Acquisitions	18 215 734	4 497 182	3 821 904	2 214 378	28 749 199
Borrowing Costs Capitalised	-	-	-	-	-
Capital under Construction - Additions:	-	176 966 056	3 439 367	-	180 405 423
- Cost	-	176 966 056	3 439 367	-	180 405 423
- Borrowing Costs Capitalised	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-
Depreciation:	(3 816 186)	(29 860 293)	(3 812 638)	(10 243 289)	(47 732 406)
- Based on Cost	(3 816 186)	(29 860 293)	(3 812 638)	(10 243 289)	(47 732 406)
Carrying value of Disposals:	-	-	-	(152 066)	(152 066)
- Cost	-	-	-	(919 021)	(919 021)
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	766 955	766 955
- Based on Cost	-	-	-	766 955	766 955
Carrying value of Transfers to Held-for-Sale:	-	5 018	-	(58 523)	(53 505)
- Cost	0	(2 977 694)	-	(1 034 064)	(4 011 758)
- Accumulated Impairment Losses	-	338 113	-	-	338 113
- Accumulated Depreciation	(0)	2 644 598	-	975 541	3 620 139
- Based on Cost	(0)	2 644 598	-	975 541	3 620 139
Impairment Losses	-	-	-	-	-
Capital under Construction - Completed	(12 381 396)	(89 034 461)	(115 724 503)	-	(217 140 360)
Other Movements	12 381 396	82 008 648	115 724 503	-	210 114 547
- Cost	12 381 396	82 008 648	115 724 503	-	210 114 547
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
Carrying values at 30 June 2011	488 419 288	1 126 883 829	141 456 912	45 538 598	1 802 298 626
Cost	498 279 348	2 001 993 148	146 765 659	116 465 412	2 763 503 566
- Completed Assets	488 658 045	1 553 516 503	140 608 114	113 413 445	2 296 196 106
- Under Construction	9 621 303	448 476 645	6 157 544	3 051 967	467 307 460
Accumulated Impairment Losses	(0)	-	-	(6 767 631)	(6 767 631)
Accumulated Depreciation:	(9 860 060)	(875 109 319)	(5 308 747)	(64 159 183)	(954 437 309)
- Cost	(9 860 060)	(875 109 319)	(5 308 747)	(64 159 183)	(954 437 309)

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, Plant and Equipment has been restated to correctly record and disclose Land owned by the municipality, previously not recognised. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

Furthermore, *Property, Plant and Equipment* has been restated to correctly record and disclose Land not owned by the municipality, previously recognised. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

Furthermore, *Property, Plant and Equipment* has been restated to correctly record and disclose Vehicles owned by the municipality, previously not recognised. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

Included in Other Movements of Property, Plant and Equipment are Work-in-Progress of R72 389 184 (2011: R217 140 360) 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 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 379 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	3 219 388	-	3 219 388	-
Infrastructure	5 530 208	1 607 173	5 530 208	1 607 173
Other	28 207 674	25 624 428	28 207 674	25 624 428
Gross Carrying Amount of PPE fully depreciated and still in use	<u>36 957 269</u>	<u>27 231 602</u>	<u>36 957 269</u>	<u>27 231 602</u>
9.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal				
Other	0	1 054 544	0	1 054 544
Carrying Amount of PPE retired from active use and held for disposal	<u>0</u>	<u>1 054 544</u>	<u>0</u>	<u>1 054 544</u>
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				
No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.				
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 financial year:				
Executive and Council	13 020	75 837	13 020	75 837
Finance and Administration	18 153	2 155 709	18 153	2 155 709
Planning and Development	152 540	22 936	152 540	22 936
Health	424	-	424	-
Public Safety	-	2 433	-	2 433
Environmental Protection	-	2 140	-	2 140
Waste Management	-	358 463	-	358 463
Water	387 814	1 311 144	387 814	1 311 144
Other	34 083	-	34 083	-
Total Change in Estimate for Useful Life of Property, Plant and Equipment	<u>606 034</u>	<u>3 928 662</u>	<u>606 034</u>	<u>3 928 662</u>
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	-	175 180	-
Carrying value of lost assets	(3 344)	-	(3 344)	-
Surplus / (Deficit) on Compensation received for Lost PPE	<u>171 836</u>	<u>-</u>	<u>171 836</u>	<u>-</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
10 INTANGIBLE ASSETS				
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	12 914 198	13 693 891	12 975 116	13 816 567

The movement in Intangible Assets is reconciled as follows:

Municipality:

	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:	3 061 838	26 830	3 088 668
Purchased	3 061 838	26 830	3 088 668
Internally Developed	-	-	-
Amortisation:	(3 868 360)	-	(3 868 360)
Purchased	(3 868 360)	-	(3 868 360)
Internally Developed	-	-	-
Disposals:	-	-	-
At Cost	-	-	-
At Accumulated Amortisation	-	-	-
Transfers:	-	-	-
At Cost	-	-	-
At Accumulated Amortisation	-	-	-
Carrying values at 30 June 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)

Group:

	Computer Software	Servitudes	Total
Carrying values at 01 July 2011	11 283 325	2 533 242	13 816 567
Cost	24 176 659	2 533 242	26 709 900
Accumulated Amortisation	(12 893 334)	-	(12 893 334)
Acquisitions:	3 075 763	26 830	3 102 593
Purchased	3 075 763	26 830	3 102 593
Internally Developed	-	-	-
Amortisation:	(3 943 308)	-	(3 943 308)
Purchased	(3 943 308)	-	(3 943 308)
Internally Developed	-	-	-
Disposals:	(736)	-	(736)
At Cost	(5 404)	-	(5 404)
At Accumulated Amortisation	4 668	-	4 668
Transfers:	-	-	-
At Cost	-	-	-
At Accumulated Amortisation	-	-	-
Carrying values at 30 June 2012	10 415 045	2 560 072	12 975 116
Cost	27 247 018	2 560 072	29 807 090
Accumulated Amortisation	(16 831 974)	-	(16 831 974)

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality			Group	
	2012 R	2011 R	2012 R	2011 R	
Municipality:					
	Computer Software	Servitudes	Total		
Carrying values at 01 July 2010	9 777 918	2 377 972	12 155 890		
Cost	20 953 099	2 377 972	23 331 071		
Accumulated Amortisation	(11 175 181)	-	(11 175 181)		
Acquisitions:	3 012 435	155 269	3 167 704		
Purchased	3 012 435	155 269	3 167 704		
Internally Developed	-	-	-		
Amortisation:	(1 629 704)	-	(1 629 704)		
Purchased	(1 629 704)	-	(1 629 704)		
Internally Developed	-	-	-		
Disposals:	-	-	-		
At Cost	-	-	-		
At Accumulated Amortisation	-	-	-		
Transfers:	-	-	-		
At Cost	(32 339)	-	(32 339)		
At Accumulated Amortisation	32 339	-	32 339		
Carrying values at 30 June 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)		
Group:					
	Computer Software	Servitudes	Total		
Carrying values at 01 July 2010	9 966 307	2 377 972	12 344 280		
Cost	21 183 698	2 377 972	23 561 670		
Accumulated Amortisation	(11 217 391)	-	(11 217 391)		
Acquisitions:	3 025 299	155 269	3 180 569		
Purchased	3 025 299	155 269	3 180 569		
Internally Developed	-	-	-		
Amortisation:	(1 708 282)	-	(1 708 282)		
Purchased	(1 708 282)	-	(1 708 282)		
Internally Developed	-	-	-		
Disposals:	-	-	-		
At Cost	-	-	-		
At Accumulated Amortisation	-	-	-		
Transfers:	-	-	-		
At Cost	(32 339)	-	(32 339)		
At Accumulated Amortisation	32 339	-	32 339		
Carrying values at 30 June 2011	11 283 325	2 533 242	13 816 567		
Cost	24 176 659	2 533 242	26 709 900		
Accumulated Amortisation	(12 893 334)	-	(12 893 334)		

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.

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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
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	1 486 723	1 486 723	1 486 723	1 486 723
Carrying Value of Servitudes: Water Reticulation	1 073 348	1 046 518	1 073 348	1 046 518
Total Carrying Amount of Intangible Assets with Indefinite Useful Lives	2 560 072	2 533 242	2 560 072	2 533 242

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

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	-	-
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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.

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:

Ugu South Coast Tourism (Pty) Ltd:

Issued Share Capital (R)	100	100	-	-
Percentage controlled by Council (%)	100.00%	100.00%	0.00%	0.00%
Current Liabilities	1 129 381	1 256 523	-	-
Non-Current Assets	510 257	654 997	-	-
Current Assets	6 783 082	5 428 879	-	-
Total Revenue	12 666 892	12 326 106	-	-
Total Expenditure	11 308 719	12 029 565	-	-
Grant allocated to Municipal Entity (R)	9 450 000	9 000 000	-	-
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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
13 LONG-TERM RECEIVABLES				
<u>Municipality / Group:</u>				
	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			<u><u>9 562</u></u>	
	Gross Balances R	Provision for Impairment R	Net Balances R	
As at 30 June 2011				
Relocation Loans	24 982	-	24 982	
Sundry Loans	14 693	-	14 693	
	<u>39 675</u>	<u>-</u>	<u>39 675</u>	
Less: Current Portion transferred to Current Receivables:-			13 427	
Relocation Loans			9 827	
Sundry Loans			3 600	
Total Long-term Receivables			<u><u>26 248</u></u>	

RELOCATION LOANS

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

SUNDRY LOANS

Sundry Loans comprise expenditure recoverable from officials for damages caused to municipal property. The debt is repaid by monthly deductions.

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.

	2012 R	2011 R	2012 R	2011 R
13.1 Ageing of Long-term Receivables				
<u>Past Due:</u>				
+ 120 Days	<u>22 990</u>	<u>39 675</u>	<u>22 990</u>	<u>39 675</u>
Total	<u><u>22 990</u></u>	<u><u>39 675</u></u>	<u><u>22 990</u></u>	<u><u>39 675</u></u>

As at 30 June Long-term Receivables of R22 990 (2011: R39 675) 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	<u>22 990</u>	<u>39 675</u>	<u>22 990</u>	<u>39 675</u>
Total	<u><u>22 990</u></u>	<u><u>39 675</u></u>	<u><u>22 990</u></u>	<u><u>39 675</u></u>

14 CONSUMER DEPOSITS

Water	18 790 162	18 266 771	18 790 162	18 266 771
Total Consumer Deposits	<u><u>18 790 162</u></u>	<u><u>18 266 771</u></u>	<u><u>18 790 162</u></u>	<u><u>18 266 771</u></u>
Guarantees held in lieu of Water Deposits	<u><u>553 580</u></u>	<u><u>553 580</u></u>	<u><u>553 580</u></u>	<u><u>553 580</u></u>

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

No interest is paid on Consumer Deposits held.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
15 PROVISIONS				
Performance Bonuses	683 576	683 576	878 904	798 364
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 18)	771 816	754 068	771 816	754 068
Current Portion of Non-Current Provisions (See Note 19):	710 121	1 473 934	710 121	1 473 934
Long-term Service	710 121	1 473 934	710 121	1 473 934
Total Provisions	2 165 513	2 911 578	2 360 841	3 026 366

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

The movement in current provisions are reconciled as follows:

Current Provisions:

Performance Bonuses:

Balance at beginning of year	683 576	635 885	798 364	635 885
Contributions to provision	683 576	47 691	764 116	162 480
Expenditure incurred	(683 576)	-	(683 576)	-
Balance at end of year	683 576	683 576	878 904	798 364

Municipality / Group:

Current Portion of Non-Current Provisions:

	Long-term Service R	Post-retirement R		
	30 June 2012			
Balance at beginning of year	1 473 934	754 068		
Transfer from non-current	710 121	771 816		
Expenditure incurred	(1 473 934)	(754 068)		
Balance at end of year	710 121	771 816		
	Long-term Service R	Post-retirement R		
30 June 2011				
Balance at beginning of year	890 890	632 004		
Transfer from non-current	1 473 934	754 068		
Expenditure incurred	(890 890)	(632 004)		
Balance at end of year	1 473 934	754 068		
	2012 R	2011 R	2012 R	2011 R

16 PAYABLES

Trade Creditors	16 894 927	61 952 793	13 416 319	59 557 712
Payments received in Advance	2 495 833	2 853 255	2 495 833	2 853 255
Projects	52 743 423	33 794 957	52 743 423	33 794 957
Retentions	1 375 275	1 375 275	1 375 275	1 375 275
Staff Bonuses	8 297 873	7 843 118	8 297 873	7 843 118
Staff Leave Accrued	11 905 513	8 426 016	12 172 765	8 645 150
Other Creditors	73 333 420	34 464 412	73 435 725	34 678 925
Total Payables	167 046 264	150 709 826	163 937 214	148 748 391

Payables have been restated to correctly classify the liability in respect of Creditors of the municipality. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

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 123 (2011: 120) 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 payment of its Payables. However, no terms for payment have been re-negotiated by the municipality.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
17 UNSPENT CONDITIONAL GRANTS AND RECEIPTS				
17.1 Conditional Grants from Government	66 175 455	82 837 855	66 175 455	82 837 855
National Government Grants	28 786 849	29 781 792	28 786 849	29 781 792
Provincial Government Grants	34 846 968	50 980 190	34 846 968	50 980 190
Other Spheres of Government	2 541 638	2 075 873	2 541 638	2 075 873
17.2 Other Conditional Receipts	51 018 020	46 242 587	51 018 020	46 242 587
Developers Contributions	45 543 967	42 773 163	45 543 967	42 773 163
Public Contributions	5 474 052	3 469 424	5 474 052	3 469 424
Total Conditional Grants and Receipts	117 193 475	129 080 442	117 193 475	129 080 442

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.

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

See Note 23 for the reconciliation of Grants from Government and Note 24 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

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. No liability existed at 30 June as none of the contracts has any escalation clauses.

Balance at beginning of year	-	3 954	27 950	5 857
Operating Lease expenses recorded	1 167 139	1 153 751	1 616 722	1 540 561
Operating Lease payments effected	(1 167 139)	(1 157 705)	(1 610 428)	(1 518 469)
Total Operating Lease Liabilities	-	-	34 244	27 950

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:	436 648	892 469	436 648	892 469
Within one year	436 648	574 374	436 648	574 374
In the second to third years, inclusive	-	318 095	-	318 095
Over three years	-	-	-	-
Total Operating Lease Arrangements	436 648	892 469	436 648	892 469

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

Minimum lease payments	1 167 139	1 153 751	1 616 722	1 540 561
Total Operating Lease Expenses	1 167 139	1 153 751	1 616 722	1 540 561

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
- (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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
19 LONG-TERM LIABILITIES				
Annuity Loans	211 977 763	225 191 257	211 977 763	225 191 257
Finance Lease Liabilities	455 063	2 855 774	455 063	2 855 774
Sub-total	<u>212 432 825</u>	<u>228 047 031</u>	<u>212 432 825</u>	<u>228 047 031</u>
Less: Current Portion transferred to Current Liabilities:-	14 417 285	12 862 836	14 417 285	12 862 836
Annuity Loans	13 962 222	10 462 124	13 962 222	10 462 124
Finance Lease Liabilities	455 063	2 400 712	455 063	2 400 712
Total Long-term Liabilities (Neither past due, nor impaired)	<u><u>198 015 541</u></u>	<u><u>215 184 195</u></u>	<u><u>198 015 541</u></u>	<u><u>215 184 195</u></u>

Long-term Liabilities have been restated to correctly record the liabilities of the municipality towards Finance Leases fully redeemed at 30 June 2010, previously not recognised. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

19.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 1 to 17 (2011: 1 to 18) years and at interest rates varying from 2,65% to 11,00% (2011: 2,65% to 11,00%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates to Vehicles with lease term periods of 2 (2011: 2) years. The effective interest rate on Finance Leases is 11,41% (2011: 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 (2011: 3 years). The effective interest rate on Finance Leases is 11,41% (2011: 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.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2012 R	2011 R	2012 R	2011 R
Amounts payable under finance leases:				
Within one year	471 739	2 599 032	471 739	2 599 032
In the second to third years, inclusive	-	471 739	-	471 739
	<u>471 739</u>	<u>3 070 770</u>	<u>471 739</u>	<u>3 070 770</u>
Less: Future Finance Obligations	16 676	214 996	16 676	214 996
Present Value of Minimum Lease Obligations	<u><u>455 063</u></u>	<u><u>2 855 774</u></u>	<u><u>455 063</u></u>	<u><u>2 855 774</u></u>
Less: Amounts due for settlement within 12 months (Current Portion)			(455 063)	(2 400 712)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u><u>(0)</u></u>	<u><u>455 063</u></u>

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 455 063	R 2 855 774
- Installments are payable monthly in arrears		
- Average period outstanding	3 months	11 months
- Average effective interest rate, based on prime	11.41%	11.41%
- Average monthly installment	R 9 557	R 7 958

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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
20 RETIREMENT BENEFIT LIABILITIES				
20.1 Post-retirement Health Care Benefits Liability				
Balance at beginning of Year	22 123 367	21 537 738	22 123 367	21 537 738
Contributions to Provision	(2 391 575)	1 339 696	(2 391 575)	1 339 696
			-	-
Balance at end of Year	<u>19 731 792</u>	<u>22 877 435</u>	<u>19 731 792</u>	<u>22 877 435</u>
Transfer to Current Provisions	(771 816)	(754 068)	(771 816)	(754 068)
Total Post-retirement Health Care Benefits Liability	<u>18 959 976</u>	<u>22 123 367</u>	<u>18 959 976</u>	<u>22 123 367</u>
<p>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.</p>				
<p>The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 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.</p>				
<p>The members of the Post-employment Health Care Benefit Plan are made up as follows:</p>				
In-service Members (Employees)	467	427	467	427
Continuation Members (Retirees, widowers and orphans)	44	44	44	44
Total Members	<u>511</u>	<u>471</u>	<u>511</u>	<u>471</u>
<p>The unfunded liability in respect of past service has been estimated as follows:</p>				
In-service Members	7 662 856	10 495 579	7 662 856	10 495 579
Continuation Members	12 068 936	12 381 856	12 068 936	12 381 856
Total Liability	<u>19 731 792</u>	<u>22 877 435</u>	<u>19 731 792</u>	<u>22 877 435</u>
<p>The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:</p> <ul style="list-style-type: none"> - Bonitas - Hosmed - Keyhealth - LA Health - Samwumed 				
<p>The Current-service Cost for the year ending 30 June 2012 is estimated to be R1 277 147, whereas the cost for the ensuing year is estimated to be R840 086 (30 June 2011: R1 264 965 and R1 277 147 respectively).</p>				
<p>The principal assumptions used for the purposes of the actuarial valuations were as follows:</p>				
Discount Rate	7.69%	8.63%	7.69%	8.63%
Health Care Cost Inflation Rate	6.72%	7.27%	6.72%	7.27%
Net Effective Discount Rate	91.00%	1.27%	91.00%	1.27%
Expected Retirement Age - Females	63	63	63	63
Expected Retirement Age - Males	63	63	63	63
<p>Movements in the present value of the Defined Benefit Obligation were as follows:</p>				
Balance at the beginning of the year	22 877 435	20 622 628	22 877 435	20 622 628
Current service costs	1 277 147	1 264 965	1 277 147	1 264 965
Interest cost	1 943 555	1 855 981	1 943 555	1 855 981
Benefits paid	(754 068)	(632 004)	(754 068)	(632 004)
Actuarial losses / (gains)	(5 612 277)	(234 135)	(5 612 277)	(234 135)
Present Value of Fund Obligation at the end of the Year	<u>19 731 792</u>	<u>22 877 435</u>	<u>19 731 792</u>	<u>22 877 435</u>
Actuarial losses / (gains) unrecognised	-	-	-	-
Total Recognised Benefit Liability	<u>19 731 792</u>	<u>22 877 435</u>	<u>19 731 792</u>	<u>22 877 435</u>
<p>The amounts recognised in the Statement of Financial Position are as follows:</p>				
Present value of fund obligations	19 731 792	22 877 435	19 731 792	22 877 435
Unfunded Accrued Liability	19 731 792	22 877 435	19 731 792	22 877 435
Unrecognised Actuarial Gains / (Losses)	-	-	-	-
Total Benefit Liability	<u>19 731 792</u>	<u>22 877 435</u>	<u>19 731 792</u>	<u>22 877 435</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
The amounts recognised in the Statement of Financial Performance are as follows:				
Current service cost	1 277 147	1 264 965	1 277 147	1 264 965
Interest cost	1 943 555	1 855 981	1 943 555	1 855 981
Actuarial losses / (gains)	(5 612 277)	(1 781 249)	(5 612 277)	(1 781 249)
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	<u>(2 391 575)</u>	<u>1 339 696</u>	<u>(2 391 575)</u>	<u>1 339 696</u>

The history of experienced adjustments is as follows:

	2012 R	2011 R	2010 R	2009 R	2008 R
Present Value of Defined Benefit Obligation	19 731 792	22 877 435	20 622 628	20 526 171	17 761 372
Deficit	<u>19 731 792</u>	<u>22 877 435</u>	<u>20 622 628</u>	<u>20 526 171</u>	<u>17 761 372</u>
Experienced adjustments on Plan Liabilities	(6 769 737)	1 949 195	(214 812)	855 881	(1 367 240)

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2006 reporting period.

	2012 R	2011 R	2012 R	2011 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	621 500	620 000	621 500	620 000
Effect on the defined benefit obligation	2 627 886	3 760 143	2 627 886	3 760 143
Decrease:				
Effect on the aggregate of the current service cost and the interest cost	(490 400)	(488 900)	(490 400)	(488 900)
Effect on the defined benefit obligation	(2 188 937)	(3 030 410)	(2 188 937)	(3 030 410)

The municipality expects to make a contribution of R2,329 million (2011: R3,221 million) to the Defined Benefit Plans during the next financial year.

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

21 NON-CURRENT PROVISIONS

Provision for Long Service Awards	9 055 346	7 892 532	9 055 346	7 892 532
Total Non-current Provisions	<u>9 055 346</u>	<u>7 892 532</u>	<u>9 055 346</u>	<u>7 892 532</u>

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

Long-term Service

Balance at beginning of year	7 892 532	5 979 226	7 892 532	5 979 226
Contributions to provision	1 872 935	3 387 240	1 872 935	3 387 240
	<u>9 765 467</u>	<u>9 366 466</u>	<u>9 765 467</u>	<u>9 366 466</u>
Transfer to current provisions	(710 121)	(1 473 934)	(710 121)	(1 473 934)
Balance at end of year	<u>9 055 346</u>	<u>7 892 532</u>	<u>9 055 346</u>	<u>7 892 532</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 2012 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year-end, 891 (2011: 952) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2012 is estimated to be R1 498 752, whereas the cost for the ensuing year is estimated to be R1 357 080 (30 June 2011: R1 255 246 and R1 498 752 respectively).

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

Discount Rate	6.66%	7.89%	6.66%	7.89%
Cost Inflation Rate	5.96%	6.29%	5.96%	6.29%
Net Effective Discount Rate	0.66%	1.51%	0.66%	1.51%
Expected Retirement Age - Females	63	63	63	63
Expected Retirement Age - Males	63	63	63	63

UGU DISTRICT MUNICIPALITY
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	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
Movements in the present value of the Defined Benefit Obligation were as follows:				
Balance at the beginning of the year	9 366 466	6 870 116	9 366 466	6 870 116
Current service costs	1 498 752	1 255 246	1 498 752	1 255 246
Interest cost	682 282	581 565	682 282	581 565
Benefits paid	(1 473 934)	(890 890)	(1 473 934)	(890 890)
Actuarial losses / (gains)	(308 099)	1 550 429	(308 099)	1 550 429
Present Value of Fund Obligation at the end of the Year	9 765 467	9 366 466	9 765 467	9 366 466
Actuarial losses / (gains) unrecognised	-	-	-	-
Total Recognised Benefit Liability	9 765 467	9 366 466	9 765 467	9 366 466
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	9 765 467	9 366 466	9 765 467	9 366 466
Unfunded Accrued Liability	9 765 467	9 366 466	9 765 467	9 366 466
Actuarial gains / (losses) not recognised	-	-	-	-
Total Benefit Liability	9 765 467	9 366 466	9 765 467	9 366 466
The amounts recognised in the Statement of Financial Performance are as follows:				
Current service cost	1 498 752	1 255 246	1 498 752	1 255 246
Interest cost	682 282	581 565	682 282	581 565
Actuarial losses / (gains)	(308 099)	1 550 429	(308 099)	1 550 429
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	1 872 935	3 387 240	1 872 935	3 387 240

The history of experienced adjustments is as follows:

	2012 R	2011 R	2010 R	2009 R	2008 R
Present Value of Defined Benefit Obligation	9 765 467	9 366 466	6 870 116	5 356 719	3 606 304
Deficit	9 765 467	9 366 466	6 870 116	5 356 719	3 606 304
Experienced adjustments on Plan Liabilities	(991 516)	870 061	755 438	492 099	663 002

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2006 reporting period.

	2012 R	2011 R	2012 R	2011 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	154 201	113 719	154 201	113 719
Effect on the defined benefit obligation	793 533	687 644	793 533	687 644
Decrease:				
Effect on the aggregate of the current service cost and the interest cost	(136 415)	(101 102)	(136 415)	(101 102)
Effect on the defined benefit obligation	(708 467)	(614 794)	(708 467)	(614 794)

The municipality expects to make a contribution of R1 984 190 (2011: R2 181 034) to the defined benefit plans during the next financial year.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
22 ACCUMULATED SURPLUS				
The Accumulated Surplus consists of the following Internal Funds and Reserves:				
Capital Replacement Reserve (CRR)	144 924	275 628	144 924	275 628
Capitalisation Reserve	35 143 482	38 821 586	35 143 482	38 821 586
Donations and Public Contributions Reserve	21 328 447	21 634 354	21 328 447	21 634 354
Government Grants Reserve	843 805 711	652 866 306	843 805 711	652 866 306
Accumulated Surplus / (Deficit) due to the results of Operations	644 200 635	671 869 047	650 369 804	676 674 736
Total Accumulated Surplus	1 544 623 200	1 385 466 921	1 550 792 368	1 390 272 610

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	192 659 000	161 009 000	192 659 000	161 009 000
Levies Replacement	42 329 000	38 831 516	42 329 000	38 831 516
Other Grants Received	1 980 033	4 400 257	4 209 533	6 590 257
Operational Grants	236 968 033	204 240 773	239 197 533	206 430 773
Conditional Grants	282 220 650	252 665 262	282 220 650	252 665 262
National: FMG Grant	1 970 168	1 111 817	1 970 168	1 111 817
National: DEAT Grant	5 673	777 170	5 673	777 170
National: MIG Grant	239 130 815	207 378 065	239 130 815	207 378 065
National: DWAF Grant	11 947 128	3 814 372	11 947 128	3 814 372
National: Local Government Grants	453 690	2 495 663	453 690	2 495 663
Provincial: Dept of Cooperative Governance and Traditional Affairs Grant	25 687 779	33 046 537	25 687 779	33 046 537
Provincial: Dept of Sport & Recreation Grant	941 193	1 698 437	941 193	1 698 437
Provincial: Dept of Transport Grant	1 121 010	283 576	1 121 010	283 576
Other Spheres of Government Grants: DBSA	963 193	2 059 625	963 193	2 059 625
Total Government Grants and Subsidies	519 188 683	456 906 035	521 418 183	459 096 035

Government Grants and Subsidies have been restated to record the revenue for conditions met on grants, not previously recognised. Refer to Note 40.5 on "Correction of Error" for details of the

Operational Grants:

23.1 National: Equitable Share

Balance unspent at beginning of year	-	-	-	-
Current year receipts	192 659 000	161 009 000	192 659 000	161 009 000
Interest allocated	-	-	-	-
Conditions met - transferred to Revenue: Operating Expenses	(192 659 000)	(161 009 000)	(192 659 000)	(161 009 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	-	-	-	-

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

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
Conditional Grants:				
23.2 National: Finance Management Grant (FMG)				
Balance unspent at beginning of year	985 890	1 097 707	985 890	1 097 707
Current year receipts	1 250 000	1 000 000	1 250 000	1 000 000
Interest allocated	-	-	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 970 168)	(1 111 817)	(1 970 168)	(1 111 817)
Conditions met - transferred to Revenue: Capital Expenses	-	-	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>265 722</u>	<u>985 890</u>	<u>265 722</u>	<u>985 890</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	2 701 709	651 600	2 701 709	651 600
Current year receipts	(5 256)	2 827 280	(5 256)	2 827 280
Interest allocated	-	-	-	-
Conditions met - transferred to Revenue: Operating Expenses	(5 673)	(390 400)	(5 673)	(390 400)
Conditions met - transferred to Revenue: Capital Expenses	-	(386 770)	-	(386 770)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>2 690 780</u>	<u>2 701 709</u>	<u>2 690 780</u>	<u>2 701 709</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	82 200 825	11 374 293	82 200 825
Current year receipts	239 046 000	135 257 000	239 046 000	135 257 000
Interest allocated	2 656 160	1 294 533	2 656 160	1 294 533
Conditions met - transferred to Revenue: Operating Expenses	(84 085 854)	(114 029 434)	(84 085 854)	(114 029 434)
Conditions met - transferred to Revenue: Capital Expenses	(155 044 961)	(93 348 632)	(155 044 961)	(93 348 632)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>13 945 639</u>	<u>11 374 293</u>	<u>13 945 639</u>	<u>11 374 293</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.

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

Balance unspent at beginning of year	14 719 899	4 520 271	14 719 899	4 520 271
Current year receipts	8 565 628	14 014 000	8 565 628	14 014 000
Interest allocated	-	-	-	-
Conditions met - transferred to Revenue: Operating Expenses	(4 300 000)	(2 039 761)	(4 300 000)	(2 039 761)
Conditions met - transferred to Revenue: Capital Expenses	(7 647 128)	(1 774 611)	(7 647 128)	(1 774 611)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>11 338 399</u>	<u>14 719 899</u>	<u>11 338 399</u>	<u>14 719 899</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	-	1 471 916	-	1 471 916
Current year receipts	1 000 000	1 023 747	1 000 000	1 023 747
Interest allocated	-	-	-	-
Conditions met - transferred to Revenue: Operating Expenses	(453 690)	(2 495 663)	(453 690)	(2 495 663)
Conditions met - transferred to Revenue: Capital Expenses	-	-	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>546 310</u>	<u>-</u>	<u>546 310</u>	<u>-</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	49 852 997	37 948 961	49 852 997	37 948 961
Current year receipts	9 929 760	44 950 574	9 929 760	44 950 574
Interest allocated	-	-	-	-
Conditions met - transferred to Revenue: Operating Expenses	(4 661 233)	(19 991 731)	(4 661 233)	(19 991 731)
Conditions met - transferred to Revenue: Capital Expenses	(21 026 546)	(13 054 806)	(21 026 546)	(13 054 806)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>34 094 979</u>	<u>49 852 997</u>	<u>34 094 979</u>	<u>49 852 997</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 the assessment of water service delivery mechanisms, water delivery planning and water services technical support. Funding was also received to assist with the construction of the Ugu Sports and Leisure Centre. No funds were withheld.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
23.8 Provincial: Dept of Sport and Recreation Grant				
Balance unspent at beginning of year	1 127 193	2 825 629	1 127 193	2 825 629
Current year receipts	-	-	-	-
Interest allocated	-	-	-	-
Conditions met - transferred to Revenue: Operating Expenses	(941 193)	(846 187)	(941 193)	(846 187)
Conditions met - transferred to Revenue: Capital Expenses	-	(852 249)	-	(852 249)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>185 999</u>	<u>1 127 193</u>	<u>185 999</u>	<u>1 127 193</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.

23.9 Provincial: Dept of Transport Grant

Balance unspent at beginning of year	0	283 576	0	283 576
Current year receipts	1 687 000	-	1 687 000	-
Interest allocated	-	-	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 121 010)	(283 576)	(1 121 010)	(283 576)
Conditions met - transferred to Revenue: Capital Expenses	-	-	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>565 990</u>	<u>0</u>	<u>565 990</u>	<u>0</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	1 938 429	1 368 002	1 938 429	1 368 002
Current year receipts	1 428 958	2 630 053	1 428 958	2 630 053
Interest allocated	-	-	-	-
Conditions met - transferred to Revenue: Operating Expenses	(963 193)	(2 059 625)	(963 193)	(2 059 625)
Conditions met - transferred to Revenue: Capital Expenses	-	-	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>2 404 194</u>	<u>1 938 429</u>	<u>2 404 194</u>	<u>1 938 429</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	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 17)	<u>137 444</u>	<u>137 444</u>	<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	-	19 392 059	-	19 392 059
Other Donations	250 000	-	250 000	-
Donations included in Government Grants and Subsidies	-	(205 916)	-	(205 916)
Total Public Contributions and Donations	<u>250 000</u>	<u>19 186 143</u>	<u>250 000</u>	<u>19 186 143</u>

24.1 Reconciliation of Conditional Public Contributions and Donations

24.1.1 Developers' Contributions

Balance unspent at beginning of year	42 773 163	52 948 239	42 773 163	52 948 239
Current year receipts	2 770 804	9 011 067	2 770 804	9 011 067
Interest allocated	-	-	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(19 186 143)	-	(19 186 143)
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>45 543 967</u>	<u>42 773 163</u>	<u>45 543 967</u>	<u>42 773 163</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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
24.1.2 Public Contributions				
Balance unspent at beginning of year	3 469 424	126 725	3 469 424	126 725
Current year receipts	2 004 628	3 548 615	2 004 628	3 548 615
Interest allocated	-	-	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(205 916)	-	(205 916)
Conditions met - transferred to Revenue: Capital Expenses	-	-	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	-	-	-	-
	5 474 052	3 469 424	5 474 052	3 469 424
The District Municipality receives funds from Public Donors to provide humanitarian aid in various instances. These contributions were utilised for these purposes. No funds have been withheld.				
25 SERVICE CHARGES				
Sale of Water	210 494 499	168 240 781	210 494 499	168 240 781
Sewerage and Sanitation Charges	86 971 787	72 039 707	86 971 787	72 039 707
Total Service Charges	297 466 286	240 280 488	297 466 286	240 280 488
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	225 935	271 659	225 935	271 659
Rental Revenue from Buildings	28 557	330 691	28 557	330 691
Rental Revenue from Other Facilities	325 727	353 388	325 727	353 388
Total Rental of Facilities and Equipment	580 219	955 738	580 219	955 738
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.				
27 INTEREST EARNED				
External Investments:				
Bank Account	2 092 826	3 297 946	2 210 505	3 408 693
Short-term Investments	90 477	402 301	90 477	402 301
Long-term Investments	-	2 461 115	-	2 461 115
	2 183 303	6 161 362	2 300 983	6 272 109
Outstanding Debtors:				
Outstanding Billing Debtors	2 070 730	1 606 472	2 070 730	1 606 472
Fair Value adjustment of Service Charges	14 688 020	15 464 940	14 688 020	15 464 940
	16 758 750	17 071 412	16 758 750	17 071 412
Total Interest Earned	18 942 053	23 232 774	19 059 733	23 343 521
Interest Earned on Financial Assets, analysed by category of asset, is as follows:				
Available-for-Sale Financial Assets	2 183 303	3 700 247	2 300 983	3 810 994
Held-to-Maturity Investments	-	2 461 115	-	2 461 115
Loans and Receivables	16 758 750	17 071 412	16 758 750	17 071 412
	18 942 053	23 232 774	19 059 733	23 343 521
28 OTHER REVENUE				
Administration Fees	47 886	59 504	47 886	59 504
Agents' Commission	276 163	194 586	276 163	194 586
Building Plan Fees	70 742	40 563	70 742	40 563
Connection Fees	2 070 906	3 627 444	2 070 906	3 627 444
Reconnection Fees	116 685	127 694	116 685	127 694
Restriction Fees	549 907	926 624	549 907	926 624
Septic Tank Clearance Fees	-	80 833	-	80 833
Tender Deposits	296 597	181 344	296 597	181 344
Water Rates Certificates	219 570	436 660	219 570	436 660
Other Revenue	530 692	3 638 765	530 692	3 638 765
Internal Recoveries	89 671 200	106 484 245	90 549 375	107 465 659
Total Other Revenue	93 850 348	115 798 262	94 728 523	116 779 676
The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Internal Recoveries are journalised from other trading and economic services.				

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
29 EMPLOYEE RELATED COSTS				
Employee Related Costs - Salaries and Wages	148 974 274	144 564 478	151 974 829	147 471 870
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	33 133 650	31 249 589	33 389 003	31 519 247
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	22 800 319	20 350 395	22 870 224	20 397 576
Housing Benefits and Allowances	968 233	1 025 310	968 233	1 025 310
Overtime Payments	22 191 655	19 363 455	22 271 446	19 474 853
Performance Bonuses	-	-	187 716	254 685
Defined Benefit Plan Expense:	(1 992 574)	4 726 936	(1 992 574)	4 726 936
Current Service Cost	1 301 965	2 520 211	1 301 965	2 520 211
Interest Cost	2 625 837	2 437 546	2 625 837	2 437 546
Net Actuarial (gains)/losses recognised	(5 920 376)	(230 820)	(5 920 376)	(230 820)
Total Employee Related Costs	226 075 557	221 280 163	229 668 877	224 870 477

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 13.

Remuneration of Section 57 Employees:

Municipality:

Remuneration of the Municipal Manager

Annual Remuneration	634 477	612 745	634 477	612 745
Leave Encashed	-	-	-	-
Car, Entertainment, Housing, Subsistence and Other Allowances	462 858	426 654	462 858	426 654
Contributions to UIF, Medical and Pension Funds	11 896	11 337	11 896	11 337
Total	1 109 231	1 050 736	1 109 231	1 050 736

Remuneration of the Deputy Municipal Manager

Annual Remuneration	348 817	690 635	348 817	690 635
Leave Encashed	242 051	-	242 051	-
Car, Entertainment, Housing, Subsistence and Other Allowances	133 939	257 323	133 939	257 323
Contributions to UIF, Medical and Pension Funds	7 541	9 965	7 541	9 965
Total	732 348	957 923	732 348	957 923

The post became vacant in December 2011. The position has not been filled yet at 30 June 2012.

Remuneration of the Chief Financial Officer

Annual Remuneration	400 885	397 753	400 885	397 753
Leave Encashed	235 625	-	235 625	-
Car, Entertainment, Housing, Subsistence and Other Allowances	358 127	373 139	358 127	373 139
Contributions to UIF, Medical and Pension Funds	94 411	113 091	94 411	113 091
Total	1 089 048	883 983	1 089 048	883 983

The General Manager: Financial Services resigned on 31 March 2012. The Manager: Budget Office assumed the acting position from April 2012 to June 2012.

Remuneration of the General Manager: Corporate Services

Annual Remuneration	659 483	636 894	659 483	636 894
Leave Encashed	-	-	-	-
Car, Entertainment, Housing, Subsistence and Other Allowances	241 341	219 741	241 341	219 741
Contributions to UIF, Medical and Pension Funds	10 055	9 606	10 055	9 606
Total	910 879	866 241	910 879	866 241

Remuneration of the General Manager: Infrastructure and Economic Development

Annual Remuneration	659 483	636 894	659 483	636 894
Leave Encashed	-	-	-	-
Car, Entertainment, Housing, Subsistence and Other Allowances	259 625	226 314	259 625	226 314
Contributions to UIF, Medical and Pension Funds	10 201	9 649	10 201	9 649
Total	929 309	872 857	929 309	872 857

Remuneration of the General Manager: Water Services

Annual Remuneration	661 563	636 895	661 563	636 895
Leave Encashed	-	-	-	-
Car, Entertainment, Housing, Subsistence and Other Allowances	255 035	212 298	255 035	212 298
Contributions to UIF, Medical and Pension Funds	8 558	8 067	8 558	8 067
Total	925 156	857 260	925 156	857 260

Remuneration of the General Manager: Operations

Annual Remuneration	255 163	554 796	255 163	554 796
Leave Encashed	129 227	-	129 227	-
Car, Entertainment, Housing, Subsistence and Other Allowances	152 610	294 397	152 610	294 397
Contributions to UIF, Medical and Pension Funds	5 915	9 565	5 915	9 565
Total	542 915	858 758	542 915	858 758

The post became vacant in December 2011. The position has not been filled yet at 30 June 2012.

Remuneration of the Senior Manager: Strategy and Shared Services

Annual Remuneration	504 598	485 782	504 598	485 782
Leave Encashed	-	32 121	-	32 121
Car, Entertainment, Housing, Subsistence and Other Allowances	182 492	161 927	182 492	161 927
Contributions to UIF, Medical and Pension Funds	8 025	7 972	8 025	7 972
Total	695 115	687 802	695 115	687 802

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:				
Post Employment Benefits:-				
Chief Financial Officer	-	46 949	-	46 949
Total	-	46 949	-	46 949
Other Long-term Benefits:-				
Chief Financial Officer	-	44 186	-	44 186
Total	-	44 186	-	44 186
Staff Leave Benefits:-				
Municipal Manager	192 218	151 789	192 218	151 789
Deputy Municipal Manager	-	175 974	-	175 974
Chief Financial Officer	-	63 696	-	63 696
General Manager: Corporate Services	100 559	66 772	100 559	66 772
General Manager: Infrastructure & Economic Development	75 669	56 047	75 669	56 047
General Manager: Water Services	98 284	82 664	98 284	82 664
General Manager: Operations	-	59 629	-	59 629
Special Advisor	98 022	63 051	98 022	63 051
Total	564 752	719 622	564 752	719 622
Entity:				
Remuneration of the Chief Executive Officer				
Annual Remuneration			783 298	653 888
Car, Entertainment, Housing, Subsistence and Other Allowances			15 972	13 640
Performance Bonus			33 852	75 576
Contributions to UIF, Medical and Pension Funds			9 452	8 915
Total			842 574	752 019
Remuneration of the General Manager: Finance and Human Resources				
Annual Remuneration			332 928	303 912
Car, Entertainment, Housing, Subsistence and Other Allowances			12 777	11 264
Performance Bonus			23 048	32 160
Contributions to UIF, Medical and Pension Funds			4 900	4 725
Total			373 653	352 061
Remuneration of the General Manager: Development				
Annual Remuneration			332 928	303 912
Car, Entertainment, Housing, Subsistence and Other Allowances			12 777	11 264
Performance Bonus			23 048	32 160
Contributions to UIF, Medical and Pension Funds			4 820	4 561
Total			373 573	351 897
Remuneration of the General Manager: Marketing				
Annual Remuneration			313 077	289 440
Car, Entertainment, Housing, Subsistence and Other Allowances			12 777	11 264
Performance Bonus			27 229	34 840
Contributions to UIF, Medical and Pension Funds			4 582	4 272
Total			357 665	339 816

30 REMUNERATION OF COUNCILLORS / BOARD MEMBERS

Mayor	350 281	285 283	350 281	285 283
Deputy Mayor	262 267	175 422	262 267	175 422
Speaker	258 918	211 935	258 918	211 935
Executive Committee Members	1 711 726	820 962	1 711 726	820 962
Councillors / Board Members	762 938	855 063	870 938	912 063
Company Contributions to UIF, Medical and Pension Funds	430 182	376 095	430 182	376 095
Other Allowances (Cellular Phones, Housing, Transport, etc)	3 269 897	3 467 070	3 269 897	3 467 070
Total Councillors' Remuneration	7 046 209	6 191 830	7 154 209	6 248 830

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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
31 DEPRECIATION AND AMORTISATION				
Depreciation: Property, Plant and Equipment	52 412 545	47 606 388	52 534 950	47 732 406
Amortisation: Intangible Assets	3 868 360	1 629 704	3 943 308	1 708 282
Total Depreciation and Amortisation	56 280 905	49 236 092	56 478 258	49 440 688

Depreciation and Amortisation have been restated to correctly disclose the expense on Property, Plant and Equipment for vehicles not previously recognised in terms of GRAP 17. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

32 IMPAIRMENT LOSSES

32.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:

Property, Plant and Equipment	-	-	-	-
Intangible Assets	-	-	-	-

Impairment Losses Reversed:

Property, Plant and Equipment	-	-	-	-
Intangible Assets	-	-	-	-

32.2 Impairment Losses on Financial Assets

Impairment Losses Recognised:

Consumer Debtors	46 592 646	29 172 443	46 592 646	29 522 443
Other Debtors	46 592 646	27 209 859	46 592 646	27 559 859
	-	1 962 583	-	1 962 583

Impairment Losses Reversed:

Consumer Debtors	-	(1 272 025)	-	(1 272 025)
Other Debtors	-	(1 272 025)	-	(1 272 025)

Total Impairment Losses

46 592 646	27 900 418	46 592 646	28 250 418
46 592 646	27 900 418	46 592 646	28 250 418

33 FINANCE COSTS

Creditors Overdue	482 388	758 752	482 405	758 940
Loans and Payables at amortised cost	17 810 192	20 839 281	17 810 192	20 839 281
Total Interest Paid on External Borrowings	18 292 580	21 598 033	18 292 597	21 598 221

Finance Costs have been restated to correctly record the expenditure for interest on late payments, previously accrued for in Consumer Debtors. Refer to Note 40.5 on "Correction of Error" for details of the restatement.

The weighted average capitalisation rate on funds borrowed generally is 8.38% per annum (2011: 9.14% per annum).

34 BULK PURCHASES

Water	34 327 836	31 839 355	34 327 836	31 839 355
Total Bulk Purchases	34 327 836	31 839 355	34 327 836	31 839 355

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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
35 CONTRACTED SERVICES				
Agency Services	1	114 855	1	114 855
Cleaning Services	2 052 957	1 248 798	2 052 957	1 248 798
Internal Audit Services	-	223 476	-	223 476
Professional Services:				
- Chemistry	1 668 170	480 306	1 668 170	480 306
- Dam Safety	2 369 909	2 247 725	2 369 909	2 247 725
- Engineering Services	1 378 507	3 073 576	1 378 507	3 073 576
- Other Professional Services	239 360	59 840	335 760	203 953
Security Services:				
- Alarm Monitoring	-	30 068	-	30 068
- Cash Banking	153 364	138 100	153 364	138 100
- General Security	8 813 695	8 945 771	8 875 690	9 055 588
Sewerage Purification Services	236 104	217 327	236 104	217 327
Other Contracted Services	2 354 418	103 721	2 354 418	103 721
Total Contracted Services	19 266 484	16 883 563	19 424 880	17 137 493

Contracted Services have been restated to correctly classify expenditure incurred during the previous financial year, previously not accrued for. Refer to Note 40.5 on "Correction of Error" for details of the restatement.

36 GRANTS AND SUBSIDIES PAID				
Conditional Grants Paid	966 676	6 457 024	966 676	6 457 024
Community Projects	92 079 314	69 749 544	82 629 314	60 749 544
Low Income Subsidy	48 514 473	46 652 553	48 514 473	46 652 553
Other Grants and Subsidies Paid	25 499 630	23 057 201	25 499 630	23 057 201
Total Grants and Subsidies	167 060 093	145 916 321	157 610 093	136 916 321

Grants and Subsidies Paid have been restated to correctly classify expenditure incurred for Grants and Subsidies Paid, previously not accrued for. Refer to Note 40.5 on "Correction of Error" for details of the restatement.

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. Refer to Note 23.1.

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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
37 GENERAL EXPENSES				
Included in General Expenses are the following:				
2010 FIFA Soccer World Cup Contingency	-	113 206	-	113 206
Accommodation, Seminars and Travelling	705 497	1 792 525	847 818	1 903 938
Advertising	161 325	494 140	1 499 870	2 056 380
Audit Fees	2 303 318	2 169 322	2 588 632	2 498 942
Bank Charges	523 593	541 655	545 026	561 145
Catering Expenses	410	30	410	30
Cellphones, Internet and Telephones	3 406 108	3 821 484	3 676 985	4 085 777
Cleaning Materials and Chemicals	246 537	363 311	261 364	363 311
Commission Paid	988 965	978 836	988 965	978 836
Consultant IT Support	444 316	2 600 640	444 316	2 600 640
Consumables	54 741	-	54 741	-
Electricity	33 566 807	27 738 785	33 634 858	27 797 557
Entertainment	4 695	10 088	4 695	10 088
Events and Programmes	1 481 739	3 794 842	5 174 829	7 313 337
Fuel and Oil	8 704 296	9 195 595	8 704 296	9 195 595
Gardening Services	1 126 892	3 869 272	1 126 892	3 869 272
Insurance General	3 674 562	1 448 827	3 702 347	1 479 447
Kwanaloga Games	1 456 987	1 327 670	1 456 987	1 327 670
Kwanaloga Subscriptions	1 426 781	1 297 858	1 426 781	1 297 858
Legal Expenses	1 548 311	3 840 441	1 582 844	3 876 230
Licences	2 538 979	2 576 936	2 538 979	2 576 936
Loose/Small Tools	207 186	1 182 272	207 186	1 182 272
Marketing Expenses	1 232 327	1 533 286	1 338 480	1 541 201
Materials	5 423 120	7 249 115	5 423 120	7 249 115
Postage	1 511 171	1 802 788	1 513 173	1 808 163
Printing and Stationery	425 851	656 595	575 844	750 203
Property Transfers	-	639 412	-	639 412
Public Participation	8 763	723 474	71 941	848 733
Refreshments	554 683	664 129	584 075	709 957
Rentals - Property, Plant and Equipment	4 395 057	3 944 743	4 870 488	4 369 311
Sports and Leisure Centre	144 665	2 790 537	144 665	2 790 537
Staff Training	429 616	1 389 864	700 381	1 859 127
Subscriptions	30 750	43 568	94 658	43 568
Subsistence	-	6 817	-	6 817
Training Cost	9 357	80 809	9 357	82 309
Transport Costs	5 940 858	4 693 465	5 943 025	4 703 262
Uniforms and Protective Clothing	815 739	635 630	816 667	635 630
Vehicle Tracking	601 776	684 073	601 776	684 073
Workmen's Compensation Insurance	-	1 219 859	-	1 219 859
Other General Expenses	2 896 328	2 719 205	3 029 722	3 085 822
Internal Charges	89 671 200	106 484 245	89 671 200	106 484 245
Total General Expenses	178 663 305	207 119 347	185 857 393	214 599 813

General Expenses have been restated to correctly classify expenditure incurred during the previous financial year, previously not accrued for. Refer to Note 40.5 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to correctly record the accrual for prepaid expenditure, previously expensed in the 2010/11 financial year. Refer to Note 40.5 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Soccer World Cup Contingency are in respect of costs incurred to host Team Algeria at the Ugu Sports and Leisure Centre, being the base camp for training.

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.

37.1 Material Losses

	18 149 010	17 524 858	18 149 010	17 524 858
Distribution Losses:				
Water Losses	18 149 010	17 524 858	18 149 010	17 524 858

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 (See Note 59.9).

No extra-ordinary expenses were incurred.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
38 DISCONTINUED OPERATIONS				
<u>Municipality / Group:</u>				
38.1 Ugu Fresh Produce Market Services discontinued				
The operations of the Ugu Fresh Produce Market were discontinued during the year. Staff, equipment, vehicles and immovable property remain with the municipality for strategic purposes and service delivery. However, the Banana Ripening Plant is being continued. Part of the buildings are now being utilised for own operations, whilst tenders have been invited to let the remaining property.				
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	-	29 830		
Other Income	304 720	505 546		
Total Income	304 720	535 376		
LESS: EXPENDITURE	3 277 227	4 484 124		
Employee Related Costs	1 622 408	2 642 163		
Repairs and Maintenance	-	68 636		
Interest Paid	92 893	52 631		
Contracted Services	806 349	1 001 614		
Grants and Subsidies Paid	-	111 377		
General Expenses	755 576	607 702		
Net Surplus/(Deficit) from Discontinued Operations	(2 972 507)	(3 948 749)		
Cash Flows from Discontinued Operations				
Net Cash Flows from Operating Activities	(2 972 507)	(3 948 749)		
	(2 972 507)	(3 948 749)		

39 CHANGE IN ACCOUNTING POLICY

Municipality / Group:

The municipality adopted no Accounting Standards for the first time during the financial year 2011/12 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1.

40 CORRECTION OF ERROR

Municipality / Group:

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.

The effect of the changes are as follows:

	Accumulated Surplus
Balances published as at 30 June 2010	871 362 564
Correction of Error:-	
Reclassify Property, Plant & Equipment - Note 40.2	408 245 279
Reclassify Long-term Liabilities - Note 40.3	64 885
Reclassify Unspent Grants - Note 40.3	3 000 000
Restated Balances as at 30 June 2010	1 282 672 728
Transactions incurred for the Year 2010/11	107 599 882
Restated Balances as at 30 June 2011	1 390 272 610

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Municipality		Group	
2012	2011	2012	2011
R	R	R	R

40.2 Reclassification of Impairment Losses, Property, Plant & Equipment, Creditors and Accumulated Surplus:

The **opening balances** of Property, Plant & Equipment and Accumulated Surplus have been restated to correctly record and classify Land owned by the municipality as at 30 June 2010, not previously recognised.

Furthermore, the **opening balances** of Property, Plant & Equipment and Accumulated Surplus have been restated to correctly record and classify Land not owned by the municipality as at 30 June 2010, and previously recognised as owned property.

Furthermore, the **opening balances** of Property, Plant & Equipment and Accumulated Surplus have been restated to correctly record and classify Vehicles owned by the municipality as at 30 June 2010, not previously recognised.

The **prior year amounts** of Property, Plant & Equipment and Expenditure for Depreciation have been restated to correctly the expense incurred for depreciation on vehicles not previously recognised.

The effect of the Correction of Error is as follows:

	Property, Plant & Equip	Depreciation
Balances previously published per AFS as at 30 June 2010	1 239 862 516	
Reclassify PPE to reflect Land not previously recognised	407 943 547	
Reclassify PPE to reflect Land previously erroneously recognised	(367 428)	
Reclassify PPE to reflect Vehicles not previously recognised	669 160	
Balances now published per AFS as at 30 June 2010	1 648 107 795	
Expenditure as per AFS previously published for 2010/11		49 358 347
Transactions incurred for the Year 2010/11	154 273 172	
Reclassification of Depreciation Charges on Vehicles	(82 341)	82 341
Balances now published per AFS as at 30 June 2011	1 802 298 626	49 440 688

40.3 Reclassification of Consumer Debtors, Other Debtors and Expenditure:

The **prior year amounts** of Consumer Debtors and Expenditure have been restated to correctly record the expenditure for interest on late payments, previously accrued for in Consumer Debtors.

The **prior year amounts** of Other Debtors and Expenditure have been restated to correctly record the accrual for prepaid expenditure, previously expensed in the 2010/11 financial year.

The effect of the Correction of Error is as follows:

	Consumer Debtors	Other Debtors
Balances previously published per AFS as at 30 June 2010	45 275 748	6 089 149
Balances now published per AFS as at 30 June 2010	45 275 748	6 089 149
Transactions incurred for the Year 2010/11	(5 438 643)	2 536 731
Reclassify Receivables to accrue for expenditure	(620 455)	-
Reclassify Receivables to accrue for pre-paid expenditure	-	244 805
Balances now published per AFS as at 30 June 2011	39 216 650	8 870 685

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Municipality		Group	
2012 R	2011 R	2012 R	2011 R

40.4 Reclassification of Long-term Liabilities, Payables, Unspent Conditional Grants and Accumulated Surplus:

The **opening balances** of Long-term Liabilities and Accumulated Surplus have been restated to correctly record the liabilities of the municipality towards Finance Leases fully redeemed at 30 June 2010, previously not recognised.

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 a receipt duplicated in 2009/10.

The **prior year amounts** of Payables and Expenditure have been restated to correctly record the liabilities of the municipality towards Creditors not accrued for in the 2010/11 financial year.

The **prior year amounts** of Unspent Conditional Grants and Revenue have been restated to correctly record the revenue for conditions met on grants, not previously recognised.

The effect of the Correction of Error is as follows:

	Long-term Liabilities	Payables	Unspent Grants
Balances previously published per AFS as at 30 June 2010	221 274 202	123 885 441	188 580 895
Reclassify Lease Liabilities to reverse lease fully redeemed	(64 885)	-	-
Reclassify Unspent Grants to reverse duplicated Receipt	-	-	(3 000 000)
Balances now published per AFS as at 30 June 2010	221 209 318	123 885 441	185 580 895
Transactions incurred for the Year 2010/11	(6 025 122)	23 459 334	(49 958 276)
Reclassify Payables to accrue for expenditure	-	1 403 616	-
Reclassify Unspent Grants for conditions met	-	-	(6 542 177)
Balances now published per AFS as at 30 June 2011	215 184 195	148 748 391	129 080 442

40.5 Reclassification of Expenditure and Revenue

The **prior year amounts** of Collection Costs, Repairs & Maintenance, Contracted Services, Grants & Subsidies Paid, General Expenses and Payables have been restated to correctly record the expenditure of the municipality not accrued for in the 2010/11 financial year.

The **prior year amounts** of Finance Costs and Consumer Debtors have been restated to correctly record the expenditure for interest on late payments, previously accrued for in Consumer Debtors.

The **prior year amounts** of General Expenses and Other Debtors have been restated to correctly record the accrual for prepaid expenditure, previously expensed in the 2010/11 financial year.

The **prior year amounts** of Government Grants Received and Unspent Conditional Grants have been restated to correctly record the revenue for conditions met on grants, not previously recognised.

The effect of the Correction of Error is as follows:

	Collection Costs	Repairs & Maintenance	Finance Costs
Amount per AFS previously published for 2010/11	-	21 903 237	20 977 766
Reclassify Expenditure to accrue for creditors	20 412	40 127	-
Reclassify Expenditure included in debtors	-	-	620 455
Restated Amount currently disclosed for 2010/11	20 412	21 943 364	21 598 221

	Contracted Services	Grants & Subsidies Paid	General Expenses	Grants Received
Amount per AFS previously published for 2010/11	16 755 596	136 715 087	214 084 673	(452 553 859)
Reclassify Expenditure to accrue for creditors	381 897	201 235	759 945	-
Reclassify Expenditure to accrue for pre-paid expenditure	-	-	(244 805)	-
Reclassify Grants Received for conditions met	-	-	-	(6 542 177)
Restated Amount currently disclosed for 2010/11	17 137 493	136 916 321	214 599 813	(459 096 035)

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	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
41 CHANGE IN ACCOUNTING ESTIMATES				
Municipality / Group:				
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)	(3 928 662)		
Increase / (Decrease) in Depreciation of PPE	(606 034)	(3 928 662)		
Depreciation as previously stated	56 886 939	53 164 754		
Adjustment due to Change in Accounting Estimate	(606 034)	(3 928 662)		
Depreciation as per Note 31	56 280 905	49 236 092		
42 CASH GENERATED BY OPERATIONS				
Surplus / (Deficit) for the Year	159 156 279	107 324 907	160 519 758	107 599 882
Adjustment for:				
Depreciation and Amortisation	56 280 905	49 236 092	56 478 258	49 440 688
Losses / (Gains) on Disposal of Property, Plant and Equipment	(62 259)	(824 851)	(71 219)	(826 029)
Property, Plant and Equipment transferred to Assets Held-for-Sale	-	53 505	-	53 505
Other Movement on Property, Plant and Equipment	-	7 025 813	-	7 025 813
Contribution to Retirement Benefit Liabilities	(2 391 575)	1 339 696	(2 391 575)	1 339 696
Expenditure incurred from Retirement Benefit Liabilities	(754 068)	(632 004)	(754 068)	(632 004)
Contribution to Provisions - Current	683 576	47 691	764 116	162 480
Contribution to Provisions - Non-current	1 872 935	3 387 240	1 872 935	3 387 240
Expenditure incurred from Provisions - Current	(2 157 510)	(890 890)	(2 157 510)	(890 890)
Contribution to Impairment Provision	46 592 646	27 900 418	46 595 099	28 275 005
Operating Surplus before working capital changes	259 220 928	193 967 617	260 855 794	194 935 386
Decrease/(Increase) in Inventories	(1 742 211)	329 263	(1 742 211)	329 263
Decrease/(Increase) in Non-Current Assets Held-for-Sale	1 054 544	(53 505)	1 054 544	(53 505)
Decrease/(Increase) in Receivables from Exchange Transactions	(50 028 993)	(21 150 761)	(50 028 993)	(21 150 761)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(16 315 324)	(5 242 997)	(16 235 785)	(3 846 682)
Decrease/(Increase) in VAT Receivable	21 521 713	(11 956 213)	21 373 647	(11 910 541)
Decrease/(Increase) in Current Portion of Long-term Receivables	-	(2 269)	-	(2 269)
Increase/(Decrease) in Consumer Deposits	523 391	501 230	523 391	501 230
Increase/(Decrease) in Payables	16 336 438	27 756 930	15 188 822	24 862 950
Increase/(Decrease) in Conditional Grants and Receipts	(11 886 967)	(56 500 453)	(11 886 967)	(56 500 453)
Increase/(Decrease) in Operating Lease Liabilities	-	(3 954)	6 294	22 093
Cash generated by / (utilised in) Operations	218 683 519	127 644 888	219 108 536	127 186 711
43 NON-CASH INVESTING AND FINANCING TRANSACTIONS				
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2011/12 financial year.				
44 FINANCING FACILITIES				
Unsecured Credit Card Facility, reviewed annually and payable monthly:				
- Amount used	-	-	-	-
- Amount unused	-	80 000	-	80 000
	-	80 000	-	80 000
Unsecured Fleet Card Facility, reviewed annually and payable monthly:				
- Amount used	1 291 030	1 135 794	1 291 030	1 135 794
- Amount unused	208 970	364 206	208 970	364 206
	1 500 000	1 500 000	1 500 000	1 500 000
Unsecured Vehicle and Asset Finance Facility, reviewed annually:				
- Amount used	2 500 000	159 842	2 500 000	159 842
- Amount unused	-	2 840 158	-	2 840 158
	2 500 000	3 000 000	2 500 000	3 000 000
Unsecured DBSA Loan Facility with maturity date to be determined upon final disbursement:				
- Amount used	-	62 000 000	-	62 000 000
- Amount unused	-	-	-	-
	-	62 000 000	-	62 000 000

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	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
Secured Bank Loan Facilities with various maturity dates through to 2011 and which may be extended by mutual agreement:				
- Amount used	-	4 430 381	-	4 430 381
- Amount unused	-	-	-	-
	<u>-</u>	<u>4 430 381</u>	<u>-</u>	<u>4 430 381</u>

45 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 19)	212 432 825	228 047 031	212 432 825	228 047 031
Used to finance Property, Plant and Equipment - at cost	(212 429 835)	(228 043 472)	(212 429 835)	(228 043 472)
Sub-total	<u>2 991</u>	<u>3 559</u>	<u>2 991</u>	<u>3 559</u>
Cash set aside for the Repayment of Long-term Liabilities (See Notes 7 and 12)	-	-	-	-
Cash invested for Repayment of Long-term Liabilities	<u>2 991</u>	<u>3 559</u>	<u>2 991</u>	<u>3 559</u>

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

Reconciliation of Unauthorised Expenditure:				
Opening balance	57 530 155	10 708 144	57 684 826	10 870 353
Unauthorised Expenditure current year	45 239 756	46 822 011	45 287 709	47 076 682
Approved by Council / Board or condoned	(102 769 911)	-	(102 924 582)	(262 209)
To be recovered – contingent asset (see Note 51)	-	-	-	-
Transfer to receivables for recovery (see Note 5)	-	-	-	-
Unauthorised Expenditure awaiting authorisation	<u>0</u>	<u>57 530 155</u>	<u>47 953</u>	<u>57 684 826</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted amounts exceeded:-</i>	<i>To be condoned by Executive Committee</i>
- Employee Related Costs - (2011: R164 895)	
- Depreciation and Amortisation - (2011: R3 181 928)	
- Impairment Losses - (2011: R20 520 418)	
- Finance Costs - (2011: R5 580 956)	
- Grants and Subsidies Paid - (2011: R16 365 577)	
- Infrastructure & Economic Development - R42 819 728 (2011: R0)	
- Water - R2 420 028 (2011: R0)	
General Expenses include an amount of R0 (2011: R113 206) paid in respect of hosting the Algerian Football Association	<i>To be condoned by Executive Committee</i>
- Total Expenditure - R8 525 046 (2011: R0)	
Entity:	
- Expenditure in excess of Budget - R47 953 (2011: R154 671)	<i>To be condoned by Board (2011: Condoned by Board)</i>
- Umuziwabantu Show - R0 (2011: R100 000)	<i>Condoned by Board</i>

46.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:				
Opening balance	767 460	8 708	767 460	18 160
Fruitless and Wasteful Expenditure current year	482 388	758 752	482 388	758 752
Condoned or written off by Council / Board	(31 216)	-	(31 216)	(9 452)
To be recovered – contingent asset (see Note 51)	-	-	-	-
Transfer to receivables for recovery (see Note 5)	-	-	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>1 218 632</u>	<u>767 460</u>	<u>1 218 632</u>	<u>767 460</u>

Incident	Disciplinary Steps / Criminal Proceedings
Interest on late payments - R482 388 (2011: R758 752)	<i>A report will be adopted by the Executive Committee, condoning the "Fruitless and Wasteful Expenditure".</i>

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	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
46.3 Irregular Expenditure				
Reconciliation of Irregular Expenditure:				
Opening balance	21 474 801	24 030 357	21 646 206	24 067 175
Irregular Expenditure current year	18 413 725	21 474 801	21 323 272	21 646 206
Condoned or written off by Council	(22 284 800)	(24 030 357)	(22 456 205)	(24 067 175)
To be recovered – contingent asset (see Note 51)	-	-	-	-
Transfer to receivables for recovery (see Note 5)	-	-	-	-
Irregular Expenditure awaiting condonement	<u>17 603 725</u>	<u>21 474 801</u>	<u>20 513 272</u>	<u>21 646 206</u>

Incident	Disciplinary Steps / Criminal Proceedings
Expenditure of R7 239 706 (2011: R4 014 570) contrary to the provisions of paragraph 44 of the Municipal Supply Chain Management Regulations as described in Note 58.8	A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".
Irregular expenditure also includes R10 131 156 (2011: R17 460 230) million for expenditure incurred contrary to Supply Chain Management processes as described in Note 58.7	A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".
Irregular expenditure also includes R1 042 863 (2011: R0) million for expenditure incurred contrary to Supply Chain Management Policy	A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".
Entity:	
- Payments to providers without tax clearance certificate - R17 100 (2011: R0)	To be condoned by Board
- Payments to entity whose member is in service of the State - R0 (2011: R2 1 000)	Condoned by Board
- Payments to entity whose director is listed on National Treasury's Restricted Service Providers Database - R0 (2011: R61 229)	Condoned by Board
- Payments to entity without obtaining 3 quotations - R2 682 972 (2011: R89 176)	To be condoned by Board
- Non-compliance to PPPFA - R209 475 (2011: R0)	To be condoned by Board

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

47.1 Contributions to organised local government - SALGA

Opening Balance	-	-	-	-
Council Subscriptions	1 426 782	1 297 858	1 426 782	1 297 858
Amount Paid - current year	(1 426 782)	(1 297 858)	(1 426 782)	(1 297 858)
Amount Paid - previous years	-	-	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

47.2 Audit Fees

Opening Balance	66 840	8 520	66 840	8 520
Current year Audit Fee	2 240 132	2 170 682	2 483 816	2 470 087
Amount Paid - current year	(1 970 989)	(2 103 842)	(2 214 673)	(2 403 247)
Amount Paid - previous years	(66 840)	(8 520)	(66 840)	(8 520)
Balance Unpaid (included in Creditors)	<u>269 143</u>	<u>66 840</u>	<u>269 143</u>	<u>66 840</u>

The balance unpaid represents the audit fee for pre-audit of and planning the audit for the 2011/12 financial year and is payable by 31 July 2012.

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	2 581 851	-	2 581 851	-
Current year Payroll Deductions	35 356 418	34 350 686	35 920 578	34 899 974
Amount Paid - current year	(32 770 571)	(31 768 835)	(33 334 731)	(32 318 123)
Amount Paid - previous years	(2 581 851)	-	(2 581 851)	-
Balance Unpaid (included in Creditors)	<u>2 585 847</u>	<u>2 581 851</u>	<u>2 585 847</u>	<u>2 581 851</u>

The balance represents PAYE, UIF, and SDL deducted from employees and councillors in the June 2012 payroll and are payable by 07 July 2012.

47.5 Pension and Medical Aid Deductions

Opening Balance	3 433 284	-	3 433 284	-
Current year Payroll Deductions and Council Contributions	44 544 336	39 840 974	44 747 997	40 062 116
Amount Paid - current year	(42 211 324)	(36 407 690)	(42 414 985)	(36 628 832)
Amount Paid - previous years	(3 433 284)	-	(3 433 284)	-
Balance Unpaid (included in Creditors)	<u>2 333 012</u>	<u>3 433 284</u>	<u>2 333 012</u>	<u>3 433 284</u>

The balance represents Pension and Medical Aid contributions deducted from employees and councillors in the June 2012 payroll, as well as the municipality's contributions to these funds and are payable by 07 July 2012.

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	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R

47.6 Councillor's arrear Consumer Accounts

Municipality / Group:

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

30 June 2012	Total	Outstanding up to 90 days	Outstanding more than 90 days
Gumede ST	196	119	77
Total Councillor Arrear Consumer Accounts	196	119	77

30 June 2011	Total	Outstanding up to 90 days	Outstanding more than 90 days
Khawula SA	5 944	2 128	3 816
Madlala NA	360	56	304
Manyoni MA	647	84	563
Mhlongo ZA	184	87	97
Myende L	1 854	56	1 798
Njoko HD	2 106	1 324	782
Total Councillor Arrear Consumer Accounts	11 095	3 735	7 360

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

30 June 2012	Highest amount outstanding	Ageing
Gumede ST	77	> 90 Days

30 June 2011	Highest amount outstanding	Ageing
Khawula SA	3 816	> 90 Days
Madlala NA	304	> 90 Days
Manyoni MA	563	> 90 Days
Mhlongo ZA	97	> 90 Days
Myende L	1 798	> 90 Days
Njoko HD	782	> 90 Days

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

No known matters existed at reporting date.

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

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

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

Department	Date	Successful Tenderer	Reason	Amount
Municipal Manager's Office - Legal Section	July 2011	Desahn Naidoo	Urgency of the matter	26 050.00 Including VAT
<i>Engage services of a private firm of attorneys to present the municipality in application to court made by Mabinza Welding Works</i>				
Municipal Manager's Office - Youth Development Section	July 2011	Lucky's Sports	Cheaper option due to cash flow challenges	5 540.00 Including VAT
<i>Provision of paraphernalia</i>				
Water Services - Purification	July 2011	Laboratory Consumable & Chemicals	Urgency, Laboratory has run out of critical consumables	7 246.00 Including VAT
<i>Procurement of critical consumables required for water sample analysis by Laboratory Services</i>				
Municipal Manager's Office - Communications	August 2011	MB Electrical	Additional work	16 909.00 Including VAT
<i>Supply of electricity on the grounds for the PVA during the Soccer World Cup</i>				
Municipal Manager's Office - Special Programmes	August 2011	N Gabela	Urgency	7 500.00 Including VAT
<i>Provision of petty cash for registration fee for 3 people for conference Centre of Early Childhood Development</i>				
Municipal Manager's Office - Special Programmes	August 2011	X Dlamini	Urgency	5 000.00 Including VAT
<i>Provision of petty cash to provide meals and transport for 106 delegates attending Provincial Golden Games</i>				
Municipal Manager's Office - Youth Development Section	August 2011	Southern Natal Cricket Union	Reasonable and fair prices	8 000.00 Including VAT
<i>Training for Kwanaloga Games</i>				
Municipal Manager's Office - Youth Development Section	August 2011	Lucky's Sports	Shortage in the equipment to be used	10 560.00 Including VAT
<i>Procuring of soccer balls, first aid kit and Adidas soccer kit</i>				

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Department	Date	Successful Tenderer	Reason	Amount	Municipality		Group	
					2012 R	2011 R	2012 R	2011 R
Municipal Manager's Office - Youth Development Section	August 2011	Lucky's Sports	Top Management resolved not to provide the paraphernalia	5 486.00 Including VAT				
<i>Training facility and catering for Ugu athletes team for Kwanaloga Games 2010</i>								
Corporate Services - Auxiliary Services	August 2011	RNF Contractors	Extension of contract	8 687.00 Including VAT				
<i>Procurement of Handyman Services</i>								
Water Services - Operations	August 2011	One Up Pump	Urgency	48 876.00 Including VAT				
<i>Strip and repair</i>								
Water Services - Operations	August 2011	One Up Pump	Urgency	55 719.00 Including VAT				
<i>Strip and repair</i>								
Municipal Manager's Office - Communications	September 2011	Move On Up	Urgency	10 000.00 Including VAT				
<i>Provision of sound at Kwandelu Sports Grounds</i>								
Municipal Manager's Office - Legal Section	September 2011	Heydricks Civils	Proven success in this kind of matters for Supply Chain	153 558.00 Including VAT				
<i>Heydricks tender was deemed to be to be non-responsive and not further evaluated</i>								
Municipal Manager's Office - Special Programmes	September 2011	M Ngcobo	Urgency	2 597.00 Including VAT				
<i>Provision of petty cash for laundry of sport kits for the Provincial Tournament</i>								
Municipal Manager's Office - Special Programmes	September 2011	N Ndlovu	Urgency	3 000.00 Including VAT				
<i>Provision of petty cash for expenditure on logistics of the HIV & AIDS Strategy Workshop</i>								
Corporate Services - Auxiliary Services	September 2011	Bright Rose	Tender not yet awarded	58 000.00 Including VAT				
<i>Extension of cleaning contract</i>								
Water Services - Fleet Section	September 2011	SS Maintenance	Extension of contract for two months	123 061.00 Including VAT				
<i>Supply of emergency water in Harding</i>								
Water Services - Fleet Section	September 2011	Kambodi Ju Yun Da International	Extension of contract for two months	280 000.00 Including VAT				
<i>Supply of emergency water in Harding</i>								
Municipal Manager's Office - Communications	October 2011	Move On Up 1137 cc	Urgency	2 500.00 Including VAT				
<i>Urgent meeting with Auditor-General at Hibiscus Civic Centre</i>								
Municipal Manager's Office - Youth Development Section	October 2011	Nando's Port Shepstone	Short notice	4 190.00 Including VAT				
<i>Selection trials for SALGA KZN Games for 2011</i>								
Corporate Services - Auxiliary Services	October 2011	Lootch Security	Awaiting appointment of new supplier	3 871 031.00 Including VAT				
<i>Extension of Security Guard Services Contract No: Ugu-09-914-2009</i>								
Corporate Services - Auxiliary Services	October 2011	Sukuma Services	Awaiting appointment of new supplier	3 502 381.00 Including VAT				
<i>Extension of Security Guard Services Contract No: Ugu-09-914-2009</i>								
Corporate Services - Auxiliary Services	October 2011	Be Safe Security	Awaiting appointment of new supplier	1 404 729.00 Including VAT				
<i>Extension of Security Guard Services Contract No: Ugu-09-914-2009</i>								
Water Services - Electrical Section	October 2011	One Up Pump	Strip and Repair	26 883.00 Including VAT				
<i>Strip and repair 30 kw Aerator Pump</i>								
Water Services - Water Treatment	October 2011	Associated Pumping Services CC	Strip and repair	11 500.00 Including VAT				
<i>Repairs to a 1,5 kw pump</i>								
Water Services - Water Treatment	October 2011	One Up Pump	Strip and repair	43 471.00 Including VAT				
<i>Strip and repair immersible pump</i>								
Municipal Manager's Office - Communications	November 2011	Maharaj Hiring Services	Short notice	3 500.00 Including VAT				
<i>VIP Marquee for Mayoral Imbizo KwaSgewu Ward 2</i>								

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	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
Department	Date	Successful Tenderer	Reason	Amount
Corporate Services - EAP Section	November 2011	Dr Moosa Desai	Further management of clients	10 000.00 Including VAT
<i>Assessment and further management of EAP clients</i>				
Corporate Services - EAP Section	November 2011	Dr Ayooob Moosa Bux	Further management of clients	12 000.00 Including VAT
<i>Assessment and further management of EAP clients</i>				
Water Services - Electrical Section	January 2012	One Up Pump	Strip and repair	43 685.00 Including VAT
<i>Strip and repair a 110kw pump for Uvongo No. 2</i>				
Water Services - Mechanical Section	January 2012	Pump and General	Strip and repair	31 111.00 Including VAT
<i>Strip and repair the 2.6 kw, 380v submersible pump, Port Shepstone No. 12</i>				
Water Services - Mechanical Section	January 2012	Pump and General	Strip and repair	7 456.00 Including VAT
<i>Strip and repair low lift pump for Hlokozi WTW</i>				
Water Services - Mechanical Section	January 2012	Pump and General	Strip and repair	18 426.00 Including VAT
<i>Strip and repair KSBWKLN40/3 multistage pump at Domba</i>				
Water Services - Mechanical Section	January 2012	Pumpserve	Strip and repair	23 168.00 Including VAT
<i>Strip and repair 2120BE-H2.6 submersible pump</i>				
Water Services - Mechanical Section	January 2012	One Up Pump	Strip and repair	75 567.00 Including VAT
<i>Strip and repair a Motor and Pump Unit for Margate 4A sewage pump</i>				
Water Services - Mechanical Section	January 2012	One Up Pump	Strip and repair	35 686.00 Including VAT
<i>Strip and repair a 75 kw non-standard motor for Margate 4A sewage pump</i>				
Water Services - Purification	January 2012	Pumpserve	Emergency	79 728.00 Including VAT
<i>Repair 48kw submersible pump, Port Edward No. 2 sewerage pump</i>				
Water Services - Water Treatment	January 2012	KSB Pump SA (Pty) Ltd.	Strip and repair	10 234.00 Including VAT
<i>Strip and repair the effluent pump</i>				
Corporate Services - Auxilliary Services	February 2012	Seskhona Air Conditioning	Awaiting appointment of new supplier	48 660.00 Including VAT
<i>Extension of contract: Ugu-05-1039-2010</i>				
Corporate Services - IT Section	February 2012	Eaton Electris South Africa (Pty) Ltd.	Contract with supplier	10 120.00 Including VAT
<i>Maintenance of UPS System</i>				
Corporate Services - Auxilliary Services	April 2012	RNF Contractors	Extension of contract on month-to-month basis	19 341.00 Including VAT
<i>Procurement of Handyman Services</i>				

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group		
	2012 R	2011 R	2012 R	2011 R	
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
Silangwe & Vezi Funeral Services	T E Vezi	Councillor		-	2 300
Dan's Cleaning Services	T Malishe	Employee		-	41 520
Ncokwane Trading Enterprise	P P Chili	Employee		-	33 550
Victorson Building CC	T B Mhlongo	Employee		86 528	157 700
Vovolethu Function & Catering	Z Mbhele	Employee		-	40 538
Amphephethwa Trading & Farming Project	C Z Nzimande	KZN Education		-	7 414
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	-
Bhayi Ka Ketshe Investments CC	S Cetywa	NAT: Correctional Services		-	45 018
Bigen Africa Consulting Engine	I Abedian	NAT: Minerals Resources		-	117 306
Blueline Transport CC	C T Cele	KZN Health		-	3 600
Botlebembali Trading CC	L T Chemane	KZN Education		-	12 000
DPI Ichweba	M B Ntuli	KZN Legislature		-	529
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	7 831
Fahama Trading Enterprise CC	P I Mhlanga	KZN Sport and Recreation		-	177 952
Gender Links	T Mintso	NAT: International Relat & Coop		-	3 420
Hlalunolwazi Development Enter	B G Dunywa	KZN Education		-	37 700
Isifiso Sika Ndlovu Contracting & Trading	F S Ndlovu	KZN Education		1 932 154	1 044 751
Isiqunga Transporst CC	P H Cele	KZN Health		-	69 100
Jays Studio	M Mayadevi	SA Police Service		7 284	-
Khalamazo Trading & Investments CC	N Z Zulu	KZN Health		-	27 421
Lwandiliso Construction & Projects CC	B Mankwali	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	5 250
Masibusiseke Trading CC	H N Majola	KZN Health		-	71 986
Masizikhulise Construction & Other Servi	D L Ndlovu	KZN Transport		-	205 972
Mbandu Trading CC	B E Sibulawa	EC Education & Culture		50 000	-
Mlethi Catering	R T Mlethi	KZN Education		6 700	26 390
Mnqobi Catering & Services	N P Ntozakhe	KZN Education		-	10 500
Mohlapone Trading CC	M Mohapi	Gauteng Education		-	30 825
Mpheme Trading	P P Phumlile Patricia	KZN Education		14 000	-
Nelimo Trading	M N Nzama	KZN Education		133 756	24 415
Nhlanhla & Thobi Trading CC	B J Chiliza	KZN Health		73 252	11 112
Pure Magic Trading 23 CC	S A Duma	KZN Provincial Legislature		-	791 779
SHK Construction CC	S E Mncwabe	KZN Education		-	55 005
Sibiya Ngwazi Construction Supplies	J Khomo	KZN Health		-	3 665
Sihloniphe Business Trading Primary Coc	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	387 545
Sthembu Buntu General Trading	O Q Cele	KZN Education		50 000	20 000
Thengani Lodge CC	B G Zungu	KZN Education		-	535
Trading for Real 19	T M Topsis Malitinpe	SA Police Service		27 100	-
UWP Consulting (Pty) Ltd	R R Sumbana	Limpopo Local Government		106 430	-
Ubucubu Home Industries CC	T D Mkhwanazi	KZN Agri Env Aff Rural Develop		-	34 713
Valucorp 333 CC	V A Ndamase	KZN Transport		35 700	-
Vanmor Electrical	M Reddy	KZN Education		-	112 748
Victorson Building CC	F N Madlala	SA Police Service		86 528	-
Vuka Africa Aerial Surveys & Mapping	L Ncwane	NAT: Justice & Constition Devel		47 750	94 750
Xabe Mjelo Trading Enterprise CC	M Mjelo	KZN Education		19 035	119 339
Zin Zan General Suppliers CC	E Z Memela	KZN Education		-	80 000
Zongwana Projects CC	N M Zongwana	KZN Education		-	98 392
Total Purchases				7 239 706	4 014 570

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R

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 2012	Unaccounted Water Losses	<u>10 310 489</u>	<u>1.7602</u>	<u>18 149 010</u>
30 June 2011	Unaccounted Water Losses	<u>11 612 000</u>	<u>1.5092</u>	<u>17 524 858</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 ongoing 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 as part of the implementation plan:

	2012 R	2011 R	2012 R	2011 R
Volumes in Ml/year:				
System Input Volume	35 919	35 430	35 919	35 430
Billed Authorised Consumption	25 609	23 818	25 609	23 818
Unbilled Authorised Consumption	708	984	708	984
Apparent Losses	2 394	3 254	2 394	3 254
Real Losses	7 208	7 374	7 208	7 374
Estimated Non-revenue Water (NRW)	10 310	11 612	10 310	11 612
Estimated Percentage Non-revenue Water (NRW)	28.70%	32.77%	28.70%	32.77%

48 COMMITMENTS FOR EXPENDITURE

48.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure
Community
Other

	122 631 015	108 143 960	122 631 015	108 143 960
Infrastructure	110 281 338	105 364 318	110 281 338	105 364 318
Community	-	67 447	-	67 447
Other	12 349 677	2 712 195	12 349 677	2 712 195

- Approved but Not Yet Contracted for:-

Infrastructure
Community
Other

	76 351 729	62 377 533	76 351 729	62 377 533
Infrastructure	65 379 054	32 528 749	65 379 054	32 528 749
Community	-	-	-	-
Other	10 972 675	29 848 784	10 972 675	29 848 784

Total Capital Commitments

	<u>198 982 744</u>	<u>170 521 492</u>	<u>198 982 744</u>	<u>170 521 492</u>
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This expenditure will be financed from:

Government Grants
Own Resources

Government Grants	146 232 969	105 142 378	146 232 969	105 142 378
Own Resources	52 749 774	65 379 114	52 749 774	65 379 114
	<u>198 982 744</u>	<u>170 521 492</u>	<u>198 982 744</u>	<u>170 521 492</u>

48.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 18 and 19.

48.3 Other Commitments

Entity:

Commitments for Expenditure:

Within one Year
Thereafter

	892 096	886 245
	1 212 626	1 945 022
	<u>2 104 722</u>	<u>2 831 267</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Municipality		Group	
		2012 R	2011 R	2012 R	2011 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	2 069	15 155	2 069	15 155
Sundry Loans	Amortised cost	7 493	11 093	7 493	11 093
Receivables from Exchange Transactions					
Sewerage	Amortised cost	7 901 185	14 581 993	7 901 185	14 581 993
Water	Amortised cost	26 848 407	10 341 690	26 848 407	10 341 690
Water Rate	Amortised cost	4 022 868	8 710 157	4 022 868	8 710 157
Other Trade	Amortised cost	3 880 538	5 582 809	3 880 538	5 582 809
Receivables from Non-exchange Transactions					
Payments made in Advance	Amortised cost	317 930	1 728 112	317 930	1 728 112
Government Subsidy Claims	Amortised cost	27 446	3 630 655	369 446	4 086 655
Insurance Claims	Amortised cost	297 588	901 215	297 588	901 215
Municipal Entities	Amortised cost	74 950	50 979	-	-
Sundry Deposits	Amortised cost	1 017 415	1 017 415	1 017 415	1 017 415
Sundry Debtors	Amortised cost	22 949 354	1 040 985	23 101 638	1 137 289
Cash and Cash Equivalents					
Call Deposits	Fair value	3 119 372	16 741 235	4 216 030	17 377 655
Notice Deposits	Amortised cost	0	0	40 439	36 000
Bank Balances	Fair value	51 518 575	24 963 783	52 527 219	26 054 902
Cash Floats and Advances	Fair value	4 910	4 910	8 011	8 848
Current Portion of Long-term Receivables					
Relocation Loans	Amortised cost	9 827	9 827	9 827	9 827
Sundry Loans	Amortised cost	3 600	3 600	3 600	3 600
SUMMARY OF FINANCIAL ASSETS					
Financial Assets at Amortised Cost:					
Long-term Receivables	Relocation Loans	2 069	15 155	2 069	15 155
Long-term Receivables	Sundry Loans	7 493	11 093	7 493	11 093
Receivables from Exchange Transactions	Sewerage	7 901 185	14 581 993	7 901 185	14 581 993
Receivables from Exchange Transactions	Water	26 848 407	10 341 690	26 848 407	10 341 690
Receivables from Exchange Transactions	Water Rate	4 022 868	8 710 157	4 022 868	8 710 157
Receivables from Exchange Transactions	Other Trade	3 880 538	5 582 809	3 880 538	5 582 809
Receivables from Non-exchange Transactions	Payments made in Advance	317 930	1 728 112	317 930	1 728 112
Receivables from Non-exchange Transactions	Government Subsidy Claims	27 446	3 630 655	369 446	4 086 655
Receivables from Non-exchange Transactions	Insurance Claims	297 588	901 215	297 588	901 215
Receivables from Non-exchange Transactions	Municipal Entities	74 950	50 979	-	-
Receivables from Non-exchange Transactions	Sundry Deposits	1 017 415	1 017 415	1 017 415	1 017 415
Receivables from Non-exchange Transactions	Sundry Debtors	22 949 354	1 040 985	23 101 638	1 137 289
Current Portion of Long-term Receivables	Relocation Loans	9 827	9 827	9 827	9 827
Current Portion of Long-term Receivables	Sundry Loans	3 600	3 600	3 600	3 600
Bank, Cash and Cash Equivalents	Notice Deposits	0	0	40 439	36 000
		<u>67 360 671</u>	<u>47 625 685</u>	<u>67 820 443</u>	<u>48 163 010</u>
Financial Assets at Fair Value:					
Cash and Cash Equivalents	Call Deposits	3 119 372	16 741 235	4 216 030	17 377 655
Cash and Cash Equivalents	Bank Balances	51 518 575	24 963 783	52 527 219	26 054 902
Cash and Cash Equivalents	Cash Floats and Advances	4 910	4 910	8 011	8 848
		<u>54 642 857</u>	<u>41 709 927</u>	<u>56 751 260</u>	<u>43 441 405</u>
Total Financial Assets		<u>122 003 528</u>	<u>89 335 612</u>	<u>124 571 703</u>	<u>91 604 415</u>

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Municipality		Group	
		2012 R	2011 R	2012 R	2011 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	198 015 541	214 729 133	198 015 541	214 729 133
Finance Lease Liabilities	Amortised cost	(0)	455 063	(0)	455 063
Payables					
Trade Creditors	Amortised cost	16 894 927	61 952 793	13 416 319	59 557 712
Payments received in Advance	Fair value	2 495 833	2 853 255	2 495 833	2 853 255
Projects	Fair value	52 743 423	33 794 957	52 743 423	33 794 957
Retentions	Amortised cost	1 375 275	1 375 275	1 375 275	1 375 275
Staff Bonuses	Amortised cost	8 297 873	7 843 118	8 297 873	7 843 118
Staff Leave Accrued	Amortised cost	11 905 513	8 426 016	12 172 765	8 645 150
Other Creditors	Amortised cost	73 333 420	34 464 412	73 435 725	34 678 925
Bank Overdraft					
Bank Overdraft	Fair value	7 183	-	7 183	-
Current Portion of Long-term Liabilities					
Annuity Loans	Amortised cost	13 962 222	10 462 124	13 962 222	10 462 124
Finance Lease Liabilities	Amortised cost	455 063	2 400 712	455 063	2 400 712
SUMMARY OF FINANCIAL LIABILITIES					
Financial Liabilities at Amortised Cost:					
Long-term Liabilities	Annuity Loans	198 015 541	214 729 133	198 015 541	214 729 133
Long-term Liabilities	Finance Lease Liabilities	(0)	455 063	(0)	455 063
Payables	Trade Creditors	16 894 927	61 952 793	13 416 319	59 557 712
Payables	Projects	52 743 423	33 794 957	52 743 423	33 794 957
Payables	Retentions	1 375 275	1 375 275	1 375 275	1 375 275
Payables	Staff Bonuses	8 297 873	7 843 118	8 297 873	7 843 118
Payables	Staff Leave Accrued	11 905 513	8 426 016	12 172 765	8 645 150
Payables	Other Creditors	73 333 420	34 464 412	73 435 725	34 678 925
Current Portion of Long-term Liabilities	Annuity Loans	13 962 222	10 462 124	13 962 222	10 462 124
Current Portion of Long-term Liabilities	Finance Lease Liabilities	455 063	2 400 712	455 063	2 400 712
		<u>376 983 257</u>	<u>375 903 602</u>	<u>373 874 207</u>	<u>373 942 167</u>
Financial Liabilities at Fair Value:					
Payables	Payments received in Advance	2 495 833	2 853 255	2 495 833	2 853 255
Bank Overdraft	Bank Overdraft	7 183	-	7 183	-
		<u>2 503 016</u>	<u>2 853 255</u>	<u>2 503 016</u>	<u>2 853 255</u>
Total Financial Liabilities		<u>379 486 273</u>	<u>378 756 857</u>	<u>376 377 223</u>	<u>376 795 423</u>

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.

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.

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Municipality		Group	
2012	2011	2012	2011
R	R	R	R

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 2012, 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.

Group:

30 June 2012

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	4 216 030	-	4 216 030
Bank Balances and Cash	-	52 535 229	-	52 535 229
Total Financial Assets	-	56 751 260	-	56 751 260
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Payments Received in Advance	-	2 495 833	-	2 495 833
Bank Overdraft	-	7 183	-	7 183
Total Financial Liabilities	-	2 503 016	-	2 503 016
Total Financial Instruments	-	54 248 244	-	54 248 244

30 June 2011

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	17 377 655	-	17 377 655
Bank Balances and Cash	-	26 063 750	-	26 063 750
Total Financial Assets	-	43 441 405	-	43 441 405
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Payments Received in Advance	-	2 853 255	-	2 853 255
Bank Overdraft	-	-	-	-
Total Financial Liabilities	-	2 853 255	-	2 853 255
Total Financial Instruments	-	40 588 150	-	40 588 150

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 2011.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Municipality		Group	
2012	2011	2012	2011
R	R	R	R

Gearing Ratio

Municipality:

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 aggressive ratio is as a result of the developmental challenges faced by the municipality. Some of the borrowings are below market related rates.

Entity:

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

	2012	2011	2012	2011
	R	R	R	R
The gearing ratio at the year-end was as follows:				
Debt	212 432 825	228 047 031	212 432 825	228 047 031
Cash and Cash Equivalents	(51 513 665)	(24 958 873)	(52 535 229)	(26 063 750)
Net Debt	160 919 160	203 088 158	159 897 596	201 983 281
Equity	1 544 623 200	1 385 466 921	1 550 792 368	1 390 272 610
Net debt to equity ratio	10.42%	14.66%	10.31%	14.53%

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 19.

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.

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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Municipality		Group	
2012	2011	2012	2011
R	R	R	R

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 timeous 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.

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:

Municipality:

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 2012 would have decreased / increased by R481 715 (30 June 2011: decreased / increased by R855 544). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

Group:

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

- Surplus for the year ended 30 June 2012 would have decreased / increased by R500 879 (30 June 2011: decreased / increased by R875 715). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Municipality		Group	
2012	2011	2012	2011
R	R	R	R

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 exposed 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 ongoing 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.

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

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

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 ongoing 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.

Municipality:

Counterparty and Location	30 June 2012		30 June 2011	
	Credit Limit	Carrying Amount	Credit Limit	Carrying Amount
	R	R	R	R
P Karuhije	-	1 858 479	-	-
Sisonke District Municipality	-	1 262 852	-	426 960
T Tukuma	-	1 154 320	-	-
Ugu Fresh Produce Market	-	980 548	-	-
Esayidi FET College	-	743 221	-	-
Hyprop Investments	-	-	-	615 951
San Lameer Estate Management	-	-	-	472 342
South African Police Services (Jail)	-	-	-	413 025
Umdoni Municipality (Fire Hydrants)	-	-	-	384 428

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	Municipality		Group	
	2012 R	2011 R	2012 R	2011 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	22 990	39 675	22 990	39 675
Consumer Debtors	159 889 458	109 860 465	159 889 458	109 860 465
Other Debtors	28 260 467	11 945 143	29 056 841	12 821 056
Bank, Cash and Cash Equivalents	54 635 674	41 709 927	56 784 515	43 477 405
Maximum Credit and Interest Risk Exposure	242 808 689	163 555 310	245 753 803	166 198 601
The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:				
	%	%	%	%
Consumer Debtors:				
- Household	60.67%	58.57%	60.67%	58.57%
- Industrial / Commercial	15.47%	19.40%	15.47%	19.40%
- National and Provincial Government	4.81%	4.60%	4.81%	4.60%
- Other Classes	4.03%	7.62%	4.03%	7.62%
Other Debtors:				
- Other not Classified	15.02%	9.81%	15.02%	9.81%
Total Credit Risk	100.00%	100.00%	100.00%	100.00%
Bank and Cash Balances				
ABSA Bank Ltd	54 614 406	35 950 137	56 754 174	37 705 431
First National Bank of SA Ltd	16 358	5 754 880	17 892	5 763 126
Cash Equivalents	4 910	4 910	8 011	8 848
Total Bank and Cash Balances	54 635 674	41 709 927	56 780 076	43 477 405
			(4 438.76)	
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	22 990	39 675	22 990	39 675
Group 2	-	-	-	-
Group 3	-	-	-	-
Total Long-term Receivables	22 990	39 675	22 990	39 675
Receivables from Exchange Transactions				
Counterparties without external credit rating:-				
Group 1	19 482 345	20 801 197	19 482 345	20 801 197
Group 2	-	-	-	-
Group 3	-	-	-	-
	19 482 345	20 801 197	19 482 345	20 801 197
Total Receivables from Exchange Transactions	19 482 345	20 801 197	19 482 345	20 801 197
Receivables from Non-exchange Transactions				
Group 1	-	-	-	-
Group 2	-	-	-	-
Group 3	317 930	1 728 112	317 930	2 206 293
Total Receivables from Non-exchange Transactions	317 930	1 728 112	317 930	2 206 293

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

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

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

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

Municipality:

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 2012								
Non-interest Bearing			167 046 264	167 046 264	-	-	-	-
Variable Interest Rate Instruments			7 183	7 183	-	-	-	-
Fixed Interest Rate Instruments			290 456 273	13 341 575	14 022 221	27 855 736	86 821 869	148 414 872
			457 509 721	180 395 023	14 022 221	27 855 736	86 821 869	148 414 872
30 June 2011								
Non-interest Bearing			150 709 826	150 709 826	-	-	-	-
Variable Interest Rate Instruments			-	-	-	-	-	-
Fixed Interest Rate Instruments			320 820 055	13 341 575	14 116 575	28 138 796	88 884 789	176 338 319
			471 529 881	164 051 401	14 116 575	28 138 796	88 884 789	176 338 319

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Group:

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 2012								
Non-interest Bearing			163 937 214	163 937 214	-	-	-	-
Variable Interest Rate Instruments			7 183	7 183	-	-	-	-
Fixed Interest Rate Instruments			290 456 273	13 341 575	14 022 221	27 855 736	86 821 869	148 414 872
			454 400 670	177 285 972	14 022 221	27 855 736	86 821 869	148 414 872
30 June 2011								
Non-interest Bearing			148 748 391	148 748 391	-	-	-	-
Variable Interest Rate Instruments			-	-	-	-	-	-
Fixed Interest Rate Instruments			320 820 055	13 341 575	14 116 575	28 138 796	88 884 789	176 338 319
			469 568 446	162 089 966	14 116 575	28 138 796	88 884 789	176 338 319

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

Municipality:

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 2012								
Non-interest Bearing		0.00%	67 365 581	67 365 581	-	-	-	-
Variable Interest Rate Instruments		4.59%	54 637 947	54 637 947	-	-	-	-
Fixed Interest Rate Instruments		0.00%	0	0	-	-	-	-
			122 003 528	122 003 528	-	-	-	-
30 June 2011								
Non-interest Bearing		0.00%	47 630 595	47 630 595	-	-	-	-
Variable Interest Rate Instruments		4.35%	41 705 017	41 705 017	-	-	-	-
Fixed Interest Rate Instruments		0.00%	0	0	-	-	-	-
			89 335 612	89 335 612	-	-	-	-

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Group:

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 2012								
Non-interest Bearing		0.00%	67 788 015	67 788 015	-	-	-	-
Variable Interest Rate Instruments		0.00%	56 743 249	56 743 249	-	-	-	-
Fixed Interest Rate Instruments		0.00%	40 439	40 439	-	-	-	-
			124 571 703	124 571 703	-	-	-	-
30 June 2011								
Non-interest Bearing		0.00%	48 135 858	48 135 858	-	-	-	-
Variable Interest Rate Instruments		0.00%	43 432 557	43 432 557	-	-	-	-
Fixed Interest Rate Instruments		0.00%	36 000	36 000	-	-	-	-
			91 604 415	91 604 415	-	-	-	-

The municipality has access to financing facilities, the total unused amount which is R208 970 (2011: R444 206), at the reporting 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. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 2012

Municipality:

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	-	-	-	-	-
Notice Deposits	7		0	-	-	-	-	-
Unsecured Bank Facilities	18		(211 977 763)	-	-	(350 803)	(16 676 442)	(194 950 517)
ABSA		11.51%	(90 253 471)	-	-	-	-	(90 253 471)
DBSA		10.00%	(350 803)	-	-	(350 803)	-	-
DBSA		2.65%	(2 969 533)	-	-	-	(2 969 533)	-
DBSA		5.00%	(20 566 435)	-	-	-	-	(20 566 435)
DBSA		5.00%	(23 596 682)	-	-	-	-	(23 596 682)
DBSA		5.00%	(60 533 930)	-	-	-	-	(60 533 930)
DBSA (Ex Hibiscus Coast)		Various	(12 688 271)	-	-	-	(12 688 271)	-
DBSA (Ex Umdoni)		Various	(658 112)	-	-	-	(658 112)	-
DBSA (Ex Umuziwabantu)		Various	(360 527)	-	-	-	(360 527)	-
Total Fixed Rate Instruments			(211 977 763)	-	-	(350 803)	(16 676 442)	(194 950 517)
VARIABLE RATE INSTRUMENTS								
Call Deposits	7		3 119 372	3 119 372	-	-	-	-
Bank Balances and Cash	7		51 518 575	51 518 575	-	-	-	-
Total Variable Rate Instruments			54 637 947	54 637 947	-	-	-	-

UGU DISTRICT MUNICIPALITY
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30 June 2012

Group:

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			40 439	-	36 000	-	-	-
Notice Deposits	7		40 439	-	36 000	-	-	-
Unsecured Bank Facilities	18		(211 977 763)	-	-	(350 803)	(16 676 442)	(194 950 517)
ABSA		11.51%	(90 253 471)	-	-	-	-	(90 253 471)
DBSA		10.00%	(350 803)	-	-	(350 803)	-	-
DBSA		2.65%	(2 969 533)	-	-	-	(2 969 533)	-
DBSA		5.00%	(20 566 435)	-	-	-	-	(20 566 435)
DBSA		5.00%	(23 596 682)	-	-	-	-	(23 596 682)
DBSA		5.00%	(60 533 930)	-	-	-	-	(60 533 930)
DBSA (Ex Hibiscus Coast)		Various	(12 688 271)	-	-	-	(12 688 271)	-
DBSA (Ex Umdoni)		Various	(658 112)	-	-	-	(658 112)	-
DBSA (Ex Umuziwabantu)		Various	(360 527)	-	-	-	(360 527)	-
Total Fixed Rate Instruments			(211 937 324)	-	36 000	(350 803)	(16 676 442)	(194 950 517)
VARIABLE RATE INSTRUMENTS								
Call Deposits	7		4 216 030	4 216 030	-	-	-	-
Bank Balances and Cash	7		52 527 219	52 527 219	-	-	-	-
Total Variable Rate Instruments			56 743 249	56 743 249	-	-	-	-

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30 June 2011

Municipality:

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	-	-	-	-	-
Notice Investment Deposits	7		0	-	-	-	-	-
Unsecured Bank Facilities	17		(225 191 257)	-	-	(669 009)	(18 652 423)	(205 869 824)
ABSA		11.51%	(96 775 583)	-	-	-	-	(96 775 583)
DBSA		10.00%	(669 009)	-	-	(669 009)	-	-
DBSA		2.65%	(3 664 038)	-	-	-	(3 664 038)	-
DBSA		5.00%	(22 115 943)	-	-	-	-	(22 115 943)
DBSA		5.00%	(25 000 000)	-	-	-	-	(25 000 000)
DBSA		5.00%	(61 978 298)	-	-	-	-	(61 978 298)
DBSA (Ex Hibiscus Coast)		Various	(13 664 619)	-	-	-	(13 664 619)	-
DBSA (Ex Umdoni)		Various	(840 870)	-	-	-	(840 870)	-
DBSA (Ex Umuziwabantu)		Various	(482 896)	-	-	-	(482 896)	-
Total Fixed Rate Instruments			(225 191 257)	-	-	(669 009)	(18 652 423)	(205 869 824)
VARIABLE RATE INSTRUMENTS								
Call Investment Deposits	7		16 741 235	16 741 235	-	-	-	-
Bank Balances and Cash	7		24 963 783	24 963 783	-	-	-	-
Total Variable Rate Instruments			41 705 017	41 705 017	-	-	-	-

UGU DISTRICT MUNICIPALITY
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30 June 2011

Group:

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			36 000	-	36 000	-	-	-
Notice Investment Deposits	7		36 000	-	36 000	-	-	-
Unsecured Bank Facilities	17		(225 191 257)	-	-	(669 009)	(18 652 423)	(205 869 824)
ABSA		11.51%	(96 775 583)	-	-	-	-	(96 775 583)
DBSA		10.00%	(669 009)	-	-	(669 009)	-	-
DBSA		2.65%	(3 664 038)	-	-	-	(3 664 038)	-
DBSA		5.00%	(22 115 943)	-	-	-	-	(22 115 943)
DBSA		5.00%	(25 000 000)	-	-	-	-	(25 000 000)
DBSA		5.00%	(61 978 298)	-	-	-	-	(61 978 298)
DBSA (Ex Hibiscus Coast)		Various	(13 664 619)	-	-	-	(13 664 619)	-
DBSA (Ex Umdoni)		Various	(840 870)	-	-	-	(840 870)	-
DBSA (Ex Umuziwabantu)		Various	(482 896)	-	-	-	(482 896)	-
Total Fixed Rate Instruments			(225 155 257)	-	36 000	(669 009)	(18 652 423)	(205 869 824)
VARIABLE RATE INSTRUMENTS								
Call Investment Deposits	7		17 377 655	17 377 655	-	-	-	-
Bank Balances and Cash	7		26 054 902	26 054 902	-	-	-	-
Total Variable Rate Instruments			43 432 557	43 432 557	-	-	-	-

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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Municipality		Group	
2012	2011	2012	2011
R	R	R	R

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 R20 372 472 (2011: R19 100 659) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

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

DEFINED BENEFIT SCHEMES

Retirement Fund:

The scheme is subject to a tri-annual actuarial valuation. The last 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 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.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Municipality		Group	
2012	2011	2012	2011
R	R	R	R

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 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 2011 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2011 revealed that the market value of the fund was R1 056,2 (31 March 2010: R836,4) 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 Interest of Related Parties

Municipality:

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

Name of Related Person	Designation	Description of Related Party Relationship
Chiliza M A	Councillor	Owner of Taxi Operator Licence; Spouse the owner of Prizalli Construction
Dzingwa T N	Councillor	Director of Giya Trades with 50% Interest
Mohamed S M	Councillor	Shareholding in Oasis Crescent Equity; 25% Beneficiary of Dr A Mohamed Family Trust
Moosa Bux E	Councillor	Trustee of EB Family Trust; Spouse the owner of MB Electrical & Lighting
Mtshane M P	Councillor	Nogadu Trading CC
Nair Y	Councillor	20% Shareholding in NITS Investment
Nyawuza S G	Councillor	40% Interest in Shayamoya Supply Store; Partnership in Zamakahle B Enterprise
Shusha N F	Councillor	NAWA KZN; Greenville Investment owned by family
Zuma S M	Councillor	Director of Changing Tides 1149; 20% Interest in Thingz Caterers; 2% Interest in A+P, trading as Mbali Construction; Interest in The Business Zones; 100% Beneficiary of Sisonke Trust
Mbonane Z	General Manager	Southern Africa Institute for Urban Mngement; DUT/SEDA Innovation Incubator; Invo Tech
Mnyandu M B	General Manager	40% Membership in Ezamagedeza Trading
Mnyayiza O T	General Manager	Director of Hibiscus Development Agency; Board Member of Vezumnotho Investment
Pawandiwa M N	General Manager	Spouse the owner of Valotech 46 CC

Entity:

Board Members and/or management of the entity have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Harris J	Board Member	Sole proprietor of South Coast Events and www.scottburgh.co.za
Jeffreys PT	Board Member	100% Membership in Wild Five Adventures CC
Kelly HR	Board Member	50% Partnership in Riverbend Farm
Ugu District Municipality	Shareholder	100% Shareholding in the Entity

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012	2011	2012	2011
	R	R	R	R

51.2 Services rendered to Related Parties

Municipality:

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

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

For the Year ended 30 June 2011

Councillors	50 443	82 593	-	15 879
Municipal Manager and Section 57 Personnel	3 691	21 951	-	1 716
Total Services	54 134	104 544	-	17 595

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

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

51.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 13 to the Annual Financial Statements.

51.4 Compensation of Related Parties

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

51.5 Purchases from Related Parties

The municipality procured goods and / or services from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year	Purchases for the Year	Purchases for the Year
Silangwe and Vezi Funeral Services	TE Vezi		Councillor	-	2 300	-	2 300
MB Electrical & Lighting	Cllr Moosa Bux		Councillor	22 054	169 862	22 054	169 862
Paul Preston Attorney's	P Preston		Audit Committee	57 663	111 969	57 663	111 969
Shelly Travel CC	CV Elliott		Audit Committee	-	283 548	-	283 548
Dan's Cleaning Services	T Malishe		Employee	20 760	41 520	20 760	41 520
RNF Contractors	M Goberdaan		Employee	273 185	774 569	273 185	774 569
Vovolethu Function and Catering	Z Mbhele		Employee	21 888	40 538	21 888	40 538
Victorson Building CC	TB Mhlongo		Employee	86 528	157 700	86 528	157 700
Ncokwane Trading Enterprise	PP Chili		Employee	2 600	33 550	2 600	33 550
Total Purchases				484 677	1 615 556	484 677	1 615 556

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

51.6 Other Related Party Transactions

Entity:

The entity utilised Wild Five Adventures CC, of which Board Member PT Jeffreys is a 100% member, for familiarisation trips. Payments to the amount of R1 900 (2011: R0) were made.

The entity has an Information Office situated at Riverbend Crocodile Farm, in which Board Member HR Kelly is a 50% partner in the business 'Riverbend Farm'. Payments to the amount of R8 400 (2011: R8 737) in respect of rent were made.

The entity utilised the services of www.scottburgh.co.za, in which Board Member Ms J Harris is the sole proprietor, for seasonal event co-ordination. Payments to the amount of R88 300 (2011: R67 500) were made.

A grant of R9 450 000 (2011: R9 000 000) was committed to the entity by Ugu District Municipality during the year.

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
52 CONTINGENT LIABILITIES				
52.1 Guarantees:	2 862 000	2 862 000	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 the electricity accounts of the municipality.	10 000	10 000	10 000	10 000
(ii) Eskom: The municipality issued a bank guarantee in favour of Eskom to cover deposits on the electricity accounts of the municipality.	2 852 000	2 852 000	2 852 000	2 852 000
52.2 Powers and Functions:	12 947 266	12 947 266	12 947 266	12 947 266
(i) Environmental Health: It has come to the attention of management that a local municipality has indicated its intention of raising a claim against the district to recover expenses incurred in respect of the Environmental Health Powers and Functions. Negotiations have been entered into in this regard between the municipalities. Currently management is of the opinion that there are no legal grounds to entertain a possible claim.	5 075 295	5 075 295	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	7 871 971	7 871 971
52.3 Court Proceedings:	16 845 671	573 474	16 845 671	573 474
(i) Dispute on Expenditure Claimed: Council is involved in a dispute with Sublime Marketing (the applicant), where the applicant is claiming an amount of R227 142, with interest estimated at R192 432, in respect of functions performed on behalf of Eziqoleni Municipality / Horseshoe Farm. The municipality is currently defending the estimated claim and is awaiting the enrollment of the matter for trial. The outcome of the legal processes is unknown at this stage. The Municipality denies any agreement with Sublime, and therefore will not be settling on this matter. We await court action from Sublime.	419 574	419 574	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	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).	875 248	-	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 Muller'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.	122 324	-	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	-

UGU DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Municipality		Group	
	2012 R	2011 R	2012 R	2011 R
(ix) Dispute on Expenditure Claimed: The municipality is expectant of litigation from Shosholoza JV where they claim for non-payment of invoices in respect of work done on Sports Complex. The matter will be handled through arbitration hearing in September 2012.	6 584 968	-	6 584 968	-
(ix) Dispute on Expenditure Claimed: The municipality is involved in litigation with Mabinza Welding, who is claiming for non-payment by municipality. A counter claim was made for non-performance. The matter is currently at negotiation stage, with arbitration pending if negotiations fail.	1 030 375	-	1 030 375	-
(x) Dispute on Damages Claimed: The municipality is involved in litigation with JD Group emanating from a motor vehicle accident between a municipal vehicle and a JDG vehicle. The municipality has entered an appearance to defence, but litigation costs are yet unknown.	-	-	-	-
52.4 Insurance Claims:	592 181	592 181	592 181	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.	592 181	592 181	592 181	592 181

53 CONTINGENT ASSETS

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

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

Municipality:

The municipality was not a party to any Private Public Partnerships during the financial year 2011/12.

Entity:

The entity was party to the following Private Public Partnerships during the financial year 2011/12.

The entity has entered into a 5 year agreement with Hibiscus Coast Municipality, Ugu District Municipality and Harley-Davidson Middle East & Africa (Pty) (2007/030773/07) to host the Annual Africa Bike Week event in Margate for a period of 5 years. The financial commitment for the remaining 3 years of this 5 year contract from Ugu-South Coast Tourism is approximately R1 391 537. The contract concludes in May 2015, with an automatic extension for a further 5 years unless amended in writing by all parties.

56 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2012.

57 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 39) and Prior Period Errors (Note 40).

58 GOING CONCERN ASSESSMENT

Municipality:

Unspent Conditional Grants were not cash backed by an amount of R62 550 617 at 30 June 2012 (30 June 2011: R87 370 515).

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
MUNICIPALITY / GROUP - SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2011	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2012
	R				R	R	R	R
ANNUITY LOANS								
ABSA	102 000 000	11.51%	4076267341	30/06/2020	96 775 583	-	6 522 112	90 253 471
DBSA	3 194 261	10.00%	8249/102	31/03/2013	669 009	-	318 206	350 803
DBSA	5 000 000	2.65%	100932/001	30/06/2015	3 664 038	-	694 506	2 969 533
DBSA	25 000 000	5.00%	101980/001	31/03/2022	22 115 943	-	1 549 509	20 566 435
DBSA	25 000 000	5.00%	101980/002	30/06/2023	25 000 000	-	1 403 318	23 596 682
DBSA	62 000 000	5.00%	102756/001	30/06/2029	61 978 298	-	1 444 368	60 533 930
DBSA (Ex Hibiscus Coast)	18 573 441	Various	Various	Various	13 664 619	-	976 348	12 688 271
DBSA (Ex Umdoni)	2 500 000	Various	Various	Various	840 870	-	182 759	658 112
DBSA (Ex Umuziwabantu)	1 850 000	Various	Various	Various	482 896	-	122 369	360 527
Total Annuity Loans	245 117 702				225 191 257	-	13 213 494	211 977 763
CAPITAL LEASE LIABILITIES								
Nedbank	20 100 000	11.41%	2867230 (79)	Various	2 855 774	-	2 400 712	455 063
Total Capital Lease Liabilities	20 100 000				2 855 774	-	2 400 712	455 063
TOTAL EXTERNAL LOANS	285 517 702				228 047 031	-	15 614 206	212 432 825

APPENDIX A
UGU DISTRICT MUNICIPALITY
MUNICIPALITY / GROUP - SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

ANNUITY LOANS

ABSA (Infrastructure):

Structured unsecured 10 year loan. Original loan capital of R102 000 000 is repayable quarterly in fixed instalments of capital and interest, the first payment commencing in September 2010.

DBSA (Umzinto Water Scheme):

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

DBSA (Ugu Fresh Produce Market):

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

DBSA (Phase 1 - Sanitation Refurbishment):

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

DBSA (Phase 2 - Sanitation Refurbishment):

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

DBSA (Phase 1 - Umzimkulu Water Augmentation):

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

DBSA (Ex Hibiscus, Umdoni and Umuziwabantu):

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

CAPITALISED LEASE LIABILITIES

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

APPENDIX B
UGU DISTRICT MUNICIPALITY
GROUP - ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

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	399 746 179	1 588 065	-	-	-	401 334 244	-	-	-	-	-	401 334 244	-
Land: Undeveloped	24 675 246	-	-	-	(127 797)	24 547 450	-	-	-	-	-	24 547 450	-
<i>Buildings:</i>													
Office Buildings	63 322 851	28 801	9 697 635	-	-	73 049 287	9 819 152	3 821 781	-	-	13 640 932	59 408 355	-
Workshops and Depots	8 873	-	-	-	-	8 873	3 169	211	-	-	3 380	5 493	-
Other Buildings	879 557	-	43 860	-	-	923 416	35 786	29 835	-	-	65 621	857 796	16 500 000
Fittings and Fixtures	25 339	-	-	-	-	25 339	1 954	3 897	-	-	5 851	19 487	-
	488 658 045	1 616 866	9 741 495	-	(127 797)	499 888 609	9 860 060	3 855 725	-	-	13 715 785	486 172 825	16 500 000
Infrastructure													
<i>Security Measures:</i>													
Fencing / Perimeter Protection	2 280 453	-	-	76 930	-	2 357 384	144 506	108 480	-	-	252 987	2 104 397	-
Security Systems	106 078	-	-	-	-	106 078	62 727	6 257	-	-	68 984	37 093	-
<i>Sewerage:</i>													
Raising Mains	1 653 800	-	-	-	-	1 653 800	29 023	33 159	-	-	62 182	1 591 618	-
Reticulation	-	1 030 928	89 067 289	2 707 232	-	92 805 449	-	19 697	-	-	19 697	92 785 753	59 002 000
Pumping Stations	65 538 594	-	15 487 859	-	-	81 026 454	41 362 037	1 279 284	-	-	42 641 322	38 385 132	-
Treatment Works	158 866 923	2 949 296	36 528 430	13 829 619	-	212 174 268	107 732 101	4 128 991	-	-	111 861 092	100 313 176	-
<i>Water:</i>													
Dams and Weirs	297 808 003	-	-	-	-	297 808 003	193 751 962	1 252 923	-	-	195 004 885	102 803 118	-
Reservoirs and Tanks	757 209 059	3 197 736	15 861 220	290 574	-	776 558 589	419 241 032	15 923 622	-	-	435 164 654	341 393 935	-
Pipework	-	-	19 016 646	-	-	19 016 646	-	-	-	-	-	19 016 646	-
Pumping Stations	57 844 317	40 053 690	986 741	48 089 866	-	146 974 614	25 742 103	3 068 219	-	-	28 810 323	118 164 291	-
Treatment Works	61 691 144	-	11 292 298	-	-	72 983 442	34 604 425	1 573 388	-	-	36 177 814	36 805 628	-
Reticulation	139 844 195	5 032 596	209 803 337	7 336 146	-	362 016 273	52 053 739	5 112 946	-	-	57 166 685	304 849 588	229 413 695
Meters	5 710 032	701 021	-	-	-	6 411 053	262 714	314 340	-	-	577 053	5 834 000	21 000 000
Bulk Meters	-	-	451 523	-	-	451 523	-	-	-	-	-	451 523	-
Standpipes	299 181	514 135	-	58 818	-	872 134	11 114	73 935	-	-	85 050	787 084	-
Supply & Reticulation	-	-	105 575 946	-	-	105 575 946	-	-	-	-	-	105 575 946	-
Tanks	799 887	-	-	-	-	799 887	28 781	55 079	-	-	83 860	716 027	-
Telemetry Systems	312 830	-	-	-	-	312 830	7 091	21 839	-	-	28 930	283 901	-
Valves	2 750 224	-	-	-	-	2 750 224	65 518	111 863	-	-	177 381	2 572 843	-
Electrical Equipment	-	-	250 534	-	-	250 534	-	-	-	-	-	250 534	-
Mechanical Equipment	801 781	-	-	-	-	801 781	10 444	20 306	-	-	30 750	771 032	-
	1 553 516 503	53 479 402	504 321 824	72 389 184	-	2 183 706 912	875 109 319	33 104 328	-	-	908 213 647	1 275 493 265	309 415 695

APPENDIX B
UGU DISTRICT MUNICIPALITY
GROUP - ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

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
Community Assets													
<i>Sports Facilities:</i>													
Indoor Sports Facilities	24 176 585	-	-	-	-	24 176 585	652 437	1 238 113	-	-	1 890 550	22 286 036	-
Sports Complexes	71 547 597	76 793	3 439 367	-	-	75 063 757	1 704 823	3 243 554	-	-	4 948 378	70 115 380	-
Soccer Fields	8 407 333	-	-	-	-	8 407 333	244 768	465 637	-	-	710 405	7 696 928	-
Floodlighting	7 356 133	-	-	-	-	7 356 133	198 515	376 717	-	-	575 232	6 780 902	-
<i>Other Facilities:</i>													
Markets	29 120 466	-	2 718 177	-	-	31 838 643	2 508 204	979 379	-	-	3 487 583	28 351 061	-
	140 608 114	76 793	6 157 544	-	-	146 842 452	5 308 747	6 303 400	-	-	11 612 147	135 230 305	-
Other Assets						0.00							
<i>Computer Equipment:</i>													
Computer Hardware	21 971 744	748 683	1 407 615	-	(723 999)	23 404 042	14 846 376	2 254 317	-	(827 048)	16 273 645	7 130 397	534 895
<i>Furniture and Fittings:</i>													
Cabinets and Cupboards	426 458	-	-	-	(164 772)	261 686	229 257	45 066	-	(136 601)	137 722	123 964	-
Chairs	46 841	-	-	-	(7 900)	38 940	18 896	5 090	-	(5 449)	18 536	20 404	-
Desks and Tables	772 368	-	-	-	(214 116)	558 253	263 203	64 488	-	(88 313)	239 378	318 875	-
Other Furniture and Fittings	4 739 610	42 550	-	-	(219 829)	4 562 331	709 435	349 115	-	(78 393)	980 157	3 582 174	60 000
<i>Motor Vehicles:</i>													
Bakkies (LDV's)	4 256 319	1 833 368	-	-	-	6 089 688	998 925	487 769	-	-	1 486 694	4 602 994	2 843 400
Motor Cars	4 773 458	546 727	-	-	-	5 320 185	2 971 117	423 133	-	-	3 394 250	1 925 935	946 727
Tractors	1 615 797	-	-	-	-	1 615 797	361 058	86 412	-	-	447 470	1 168 327	-
Trailers and Accessories	341 666	-	-	-	-	341 666	53 099	28 910	-	-	82 008	259 658	150 000
Trucks	46 447 947	-	-	-	-	46 447 947	31 036 994	4 197 507	-	-	35 234 501	11 213 446	1 200 000
<i>Office Equipment:</i>													
Air Conditioners	2 420 497	118 259	-	-	(21 054)	2 517 702	452 621	133 296	-	(21 295)	564 621	1 953 080	170 000
Audiovisual Equipment	129 963	-	-	-	-	129 963	55 780	6 335	-	-	62 115	67 848	-
Kitchen Appliances	7 321	-	-	-	-	7 321	7 321	-	-	-	7 321	-	-
Office Equipment / Machines	361 910	-	-	-	(1 580)	360 330	194 698	29 122	-	(1 449)	222 371	137 959	-
Photographic Equipment	90 827	10 525	-	-	-	101 352	13 051	4 568	-	-	17 619	83 734	-
Other Office Equipment	35 287	-	-	-	-	35 287	12 217	4 549	-	-	16 767	18 520	-

APPENDIX B
UGU DISTRICT MUNICIPALITY
GROUP - ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

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>Plant and Equipment:</i>													
Compaction Equipment	73 990	-	-	-	-	73 990	30 746	2 888	-	-	33 633	40 357	-
Compressors, Generators & Allied	449 056	-	-	-	-	449 056	369 328	11 430	-	-	380 758	68 298	-
Fire Arms	53 070	-	-	-	-	53 070	22 744	7 602	-	-	30 347	22 724	-
Gardening Equipment	317 841	41 180	-	-	-	359 021	307 931	4 527	-	-	312 458	46 563	-
Laboratory Equipment	1 192 730	-	-	-	-	1 192 730	632 834	66 871	-	-	699 705	493 024	-
Pumps / Plumbing / Purification / S	662 838	-	-	-	-	662 838	92 123	69 542	-	-	161 665	501 173	-
Radio Equipment	8 077	-	-	-	-	8 077	8 077	-	-	-	8 077	(0)	-
Security Equipment / Systems / M	1 463 700	-	-	-	-	1 463 700	443 625	263 554	-	-	707 178	756 522	-
Telecommunication Equipment	2 134 310	-	-	-	-	2 134 310	751 618	282 578	-	-	1 034 195	1 100 115	-
Other Plant and Equipment	17 940 299	-	2 278 149	-	(274 637)	19 943 811	15 475 920	430 306	-	(267 699)	15 638 527	4 305 283	-
<i>Specialised Vehicles:</i>													
Graders	651 270	-	-	-	-	651 270	539 571	12 524	-	-	552 095	99 175	-
Watercraft	28 250	-	-	-	-	28 250	28 250	-	-	-	28 250	-	-
	113 413 445	3 341 292	3 685 764	-	(1 627 887)	118 812 612	70 926 814	9 271 498	-	(1 426 248)	78 772 064	40 040 549	5 905 022
Total PPE	2 296 196 106	58 514 353	523 906 627	72 389 184	(1 755 684)	2 949 250 586	961 204 940	52 534 950	-	(1 426 248)	1 012 313 642	1 936 936 943	331 820 717

UGU DISTRICT MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2012

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	24 176 659	3 075 763	-	-	(5 404)	27 247 018	12 893 334	3 943 308	-	(4 668)	16 831 974	10 415 045	2 921 500
Copyrights, Patents and Tradema	-	-	-	-	-	-	-	-	-	-	-	-	-
Documents and Charts	-	-	-	-	-	-	-	-	-	-	-	-	-
Rights and Servitudes	2 533 242	26 830	-	-	-	2 560 072	-	-	-	-	-	2 560 072	500 000
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Intangible Assets	26 709 900	3 102 593	-	-	(5 404)	29 807 090	12 893 334	3 943 308	-	(4 668)	16 831 974	12 975 116	3 421 500
Total Asset Register	2 322 906 007	61 616 946	523 906 627	72 389 184	(1 761 088)	2 979 057 676	974 098 274	56 478 258	-	(1 430 916)	1 029 145 616	1 949 912 059	335 242 217

APPENDIX C
UGU DISTRICT MUNICIPALITY
GROUP - SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	32 292 139	637 652	2 052 521	-	(188 105)	34 794 207	3 987 859	1 734 535	-	(46 807)	5 675 587	29 118 620
Finance and Administration	99 901 292	5 461 195	26 042 558	-	(1 072 476)	130 332 568	33 506 165	8 405 492	-	(910 753)	41 000 904	89 331 664
Planning and Development	2 148 136	72 905	232 425 830	-	(104 969)	234 541 903	914 395	302 111	-	(84 263)	1 132 243	233 409 660
Health	-	-	-	-	-	-	-	-	-	-	-	-
Community and Social Services	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	153 898	-	-	-	-	153 898	119 670	9 134	-	-	128 804	25 094
Sport and Recreation	114 285 931	76 793	3 439 367	-	-	117 802 091	2 901 230	5 510 573	-	-	8 411 803	109 390 288
Environmental Protection	445 254	-	-	-	(5 200)	440 054	241 004	16 805	-	(4 355)	253 454	186 600
Waste Management	157 230 912	3 980 224	85 792 422	16 613 781	(19 755)	263 597 584	105 142 813	4 908 451	-	(23 320)	110 027 943	153 569 641
Roads and Transport	-	-	-	-	-	-	-	-	-	-	-	-
Water	1 886 934 261	51 388 177	171 435 751	55 775 403	(356 165)	2 165 177 427	824 502 017	34 579 095	-	(351 050)	858 730 062	1 306 447 365
Electricity	-	-	-	-	-	-	-	-	-	-	-	-
Other	29 514 185	-	2 718 177	-	(14 418)	32 217 944	2 783 122	1 012 062	-	(10 367)	3 784 816	28 433 128
Total	2 322 906 007	61 616 946	523 906 627	72 389 184	(1 761 088)	2 979 057 676	974 098 274	56 478 258	-	(1 430 916)	1 029 145 616	1 949 912 059

APPENDIX D
UGU DISTRICT MUNICIPALITY
GROUP - SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)	Description	2012 Actual Income	2012 Actual Expenditure	2012 Surplus/ (Deficit)
R	R	R		R	R	R
42 350 006	51 322 082	(8 972 076)	Executive and Council	37 613 481	43 481 133	(5 867 652)
139 983 575	110 738 095	29 245 480	Finance and Administration	127 201 987	108 130 865	19 071 122
3 282 161	3 007 186	274 975	Planning and Development	3 225 355	1 861 875	1 363 480
836 709	457 228	379 480	Public Safety	5 854 682	1 584 903	4 269 779
-	-	-	Sport and Recreation	225 935	3 594 319	(3 368 384)
2 479 595	5 819 708	(3 340 114)	Environmental Protection	2 381 673	5 605 249	(3 223 576)
98 460 982	71 961 812	26 499 171	Waste Management	95 025 050	72 376 324	22 648 725
540 181 562	479 980 869	60 200 692	Water	643 381 084	520 914 175	122 466 909
32 891 863	29 579 590	3 312 274	Other	18 655 956	15 496 602	3 159 354
860 466 453	752 866 571	107 599 882	Total	933 565 203	773 045 445	160 519 758

APPENDIX E(1)
UGU DISTRICT MUNICIPALITY
GROUP - ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

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					
Government Grants and Subsidies	521 418 183	312 209 497	209 208 686	67.01	Unbudgeted grants received for Water Infrastructure
Public Contributions and Donations	250 000	-	250 000	100.00	Capital commitments met from public contributions realised in income
Service Charges	297 466 286	312 580 938	(15 114 652)	(4.84)	
Rental of Facilities and Equipment	580 219	1 092 105	(511 886)	(46.87)	The usage of facilities was less than budgeted for
Interest Earned - External investments	2 300 983	2 085 016	215 967	10.36	
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
Other Revenue	94 728 523	136 506 807	(41 778 283)	(30.61)	Internal Recoveries lower due to curtailment of expenditure
Gains on Disposal of Property, Plant and Equipment	62 259	-	62 259	100.00	Not material
Total Revenue	933 565 203	765 718 403	167 846 801	21.92	
EXPENDITURE					
Employee Related Costs	229 668 877	248 014 258	(18 345 381)	(7.40)	
Remuneration of Councillors	7 154 209	7 142 112	12 097	0.17	
Collection Costs	(20 412)	-	(20 412)	100.00	Not material
Depreciation	56 478 258	50 045 476	6 432 782	12.85	Due to earlier completion of projects depreciation charges were higher than budgeted
Impairment Losses	46 592 646	9 279 577	37 313 069	402.10	Revised calculation method in terms of IAS 39 resulted in increased impairment
Repairs and Maintenance	17 650 109	25 507 769	(7 857 659)	(30.80)	Refurbishment of infrastructure resulted in savings on repairs and maintainance
Interest Paid	18 292 597	18 408 757	(116 160)	(0.63)	
Bulk Purchases	34 327 836	36 606 311	(2 278 476)	(6.22)	
Contracted Services	19 424 880	21 501 757	(2 076 877)	(9.66)	
Grants and Subsidies Paid	157 610 093	104 335 082	53 275 010	51.06	Expenditure on VIP toilets was fast tracked to obtain 100% expense of MIG Grant
General Expenses	185 857 393	246 035 267	(60 177 874)	(24.46)	Internal Charges lower due to curtailment of expenditure
Loss on disposal of Property, Plant and Equipment	8 960	8 960	0	0.00	
Total Expenditure	773 045 445	766 885 325	6 160 120	0.80	
NET SURPLUS / (DEFICIT) FOR THE YEAR	160 519 758	(1 166 923)	161 686 681	(13 855.82)	

APPENDIX E(1)
UGU DISTRICT MUNICIPALITY

GROUP - ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/11 Actual	2010/11 Budget	2010/11 Variance	2010/11 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Government Grants and Subsidies	459 096 035	263 383 078	195 712 957	74.31	Unbudgeted grants received for Water Infrastructure
Public Contributions and Donations	19 186 143	-	19 186 143	100.00	Capital commitments met from public contributions realised in income
Service Charges	240 280 488	348 386 248	(108 105 760)	(31.03)	Actual billing less than budgeted for
Rental of Facilities and Equipment	955 738	993 972	(38 234)	(3.85)	
Interest Earned - External investments	6 272 109	8 107 865	(1 835 756)	(22.64)	Own cash utilised for capital expenses to be funded from external loans
Interest Earned - Outstanding debtors	17 071 412	1 199 899	15 871 513	1 322.74	Result of the discounting of service charges in terms of IAS 39
Other Revenue	116 779 676	149 339 541	(32 559 865)	(21.80)	Internal Recoveries lower due to curtailment of expenditure
Gains on Disposal of Property, Plant and Equipment	824 851	-	824 851	100.00	Proceeds from insurance on lost assets not budgeted for
Total Revenue	860 466 453	771 410 602	89 055 850	11.54	
EXPENDITURE					
Employee Related Costs	224 870 477	224 942 687	(72 210)	(0.03)	
Remuneration of Councillors	6 248 830	6 289 346	(40 516)	(0.64)	
Collection Costs	20 412	35 000	(14 588)	(41.68)	Included in budget for Legal Fees
Depreciation	49 440 688	46 225 434	3 215 254	6.96	
Impairment Losses	28 250 418	7 730 000	20 520 418	265.46	Under budgeted for Provision of Bad Debts
Repairs and Maintenance	21 943 364	35 561 510	(13 618 146)	(38.29)	Borehole repairs and spring protection funded from grants
Interest Paid	21 598 221	15 396 622	6 201 599	40.28	Budget adjustment process inadvertently reduced the budget
Bulk Purchases	31 839 355	34 037 640	(2 198 285)	(6.46)	
Contracted Services	17 137 493	21 628 967	(4 491 474)	(20.77)	Tenders not awarded for certain planned contracted services
Grants and Subsidies Paid	136 916 321	120 358 509	16 557 812	13.76	Unbudgeted grants expended for Water Infrastructure
General Expenses	214 599 813	260 700 838	(46 101 025)	(17.68)	Internal Charges lower due to curtailment of expenditure
Loss on disposal of Property, Plant and Equipment	1 177	-	1 177	100.00	Not material
Total Expenditure	752 866 571	772 906 553	(20 039 983)	(2.59)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	107 599 882	(1 495 951)	109 095 833	(7 292.74)	

APPENDIX E(2)
UGU DISTRICT MUNICIPALITY

GROUP - 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	637 652	-	637 652	3 418 227	(2 780 575)	(81.35)	Moratorium placed on internally funded capital expenditure
Finance and Administration	5 461 195	10 769	5 471 964	1 164 895	4 307 069	369.74	Expenditure budgeted for under Water Department
Planning and Development	72 905	147 708 347	147 781 252	150 000	147 631 252	98 420.83	Expenditure budgeted for under Water and Waste Water Management
Public Safety	-	-	-	16 650 000	(16 650 000)	(100.00)	Moratorium placed on internally funded capital expenditure
Sport and Recreation	76 793	-	76 793	-	76 793	100.00	Expenditure not material
Waste Management	3 980 224	-	3 980 224	59 552 000	(55 571 776)	(93.32)	Expended under Planning and Development
Water	51 388 177	(18 730 765)	32 657 412	254 307 095	(221 649 683)	(87.16)	Expended under Planning & Development and Finance & Administration
Other	-	-	-	-	-	0.00	
Total	61 616 946	128 988 351	190 605 297	335 242 217	(144 636 920)	(43.14)	

GROUP - ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/11	2010/11	2010/11	2010/11	2010/11	2010/11	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	161 051	-	161 051	335 000	(173 949)	(51.93)	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	28 762 063	180 405 423	209 167 486	306 137 681	(96 970 195)	(31.68)	

APPENDIX F

UGU DISTRICT MUNICIPALITY

MUNICIPALITY / GROUP - 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	165 011	443 864	463 737	885 121	177 446	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share	National Treasury	0	98 224 000	78 580 000	58 184 000	0	48 708 353	50 443 485	51 370 735	52 748 185	80 425 595	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Sports and Recreation	Dept Sport & Rec	0	0	0	0	0	1 589 605	615 775	0	0	325 418	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Ugu Agricultural Market	Dept Agriculture	1 505 256	0	0	0	0	0	0	0	5 673	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Rural Transport Services	Dept Transport	0	0	1 687 000	0	0	0	0	139 799	289 995	671 095	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Gijima	DEAT	0	0	0	0	0	386 770	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various Provincial	DLGTA	498 750	125 393	962 865	8 841 502	0	21 047 409	963 278	395 896	22 606 630	4 575 109	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various National (inc. MIG)	DPLG	0	106 099 000	75 367 000	58 580 000	2 656 160	116 855 999	37 867 037	33 177 485	44 652 130	123 827 929	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DWAF	DWAF	913 000	1 347 453	107 500	7 110 675	0	1 121 428	0	5 170 055	594 011	7 845 636	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various	DBSA	0	839 029	424 256	165 672	0	509 866	790 450	1 333 273	291 878	185 635	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Various (Public Contributions)	Other	6 161 063	0	0	1 475 926	528 703	19 186 143	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		9 078 069	207 884 875	157 128 622	134 357 775	3 184 863	209 570 584	91 123 889	92 050 980	122 073 625	218 033 863	0	0	0	0	0				

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