

**AMATHOLE DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**  
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**AMATHOLE DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**  
**GENERAL INFORMATION**

**MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE**

**ALDERMEN/COUNCILLORS**

Somyo, S.S.	<i>Executive Mayor</i>	
Fusa, V.N.	<i>Human Resources</i> <i>Human Resources &amp; Administration SC Chairperson</i>	PR
Jacobs, L.	<i>Community Safety</i>	PR
Janda, S.N.	<i>Local Economic Development</i> <i>Development &amp; Planning SC Chairperson</i>	PR
Malghas, K.E.	<i>Land and Housing</i>	PR
Mkebe, S.E.	<i>Budget &amp; Treasury</i>	PR
Mtongana, M.W.	<i>Water &amp; Sanitation</i> <i>Infrastructure SC Chairperson</i>	PR
Mzozoyana, W.	<i>Engineering and Infrastructure</i>	PR
Ncitha, Z.V.	<i>Administration &amp; Asset Management</i>	PR
Neale-May, H.E.	<i>Health &amp; Protection</i> <i>Community Services SC Chairperson</i>	PR
Sinuka, N.E.	<i>Community Liaison &amp; Participation</i>	PR

**GRADING OF THE DISTRICT MUNICIPALITY**

*Grade 5*

**AUDITORS**

*Auditor - General*

**BANKERS**

*MEEG Bank, East London*

**REGISTERED OFFICE**

*40 Cambridge St  
East London*

*PO Box 320  
East London  
5200*

*Telephone : 043 701 4000*

**MUNICIPAL MANAGER**

*ADV. Zenzile, M*

**CHIEF FINANCIAL OFFICER**

*Zote, Y*

**LEGISLATION**

The ADM complies with the Municipal Finance Management Act 56 of 2003.

**AMATHOLE DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**  
**MEMBERS OF THE AMATHOLE DISTRICT MUNICIPALITY**

<b>COUNCILLOR/ ALDERMAN</b>	<b>WARD</b>	<b>COUNCILLOR/ ALDERMAN</b>	<b>WARD</b>	<b>COUNCILLOR/ ALDERMAN</b>	<b>WARD</b>
Adonis, N.L.	<i>Buffalo City</i>	Mati, T.	<i>Buffalo City</i>	Neale-May, H.E.	<i>PR</i>
Booi, N.F.	<i>Nkonkobe</i>	Matika, M.D.	<i>Buffalo City</i>	Ngwane, N.	<i>Buffalo City</i>
Botha, J.P.J.	<i>PR</i>	Mawisa, A.T.	<i>Amahlathi</i>	Nombamba, N.	<i>PR</i>
Dikimolo, S.R.	<i>Buffalo City</i>	Mayekiso, G.	<i>Mbashe</i>	Ntongana, M.W.	<i>Mnquma</i>
Dlephu, T.	<i>PR</i>	Mbane, S.	<i>Amahlathi</i>	Ntontela, B.	<i>Ngqushwa</i>
Du Plessis, S.A.	<i>Buffalo City</i>	Mciteka, M.	<i>Buffalo City</i>	Nyokana, A.	<i>Mnquma</i>
Faku-Hobana, Z.C.	<i>PR</i>	Mdyesha, B.C.	<i>Mbashe</i>	Pan, N.D.	<i>Great Kei</i>
Fusa, V.N.	<i>PR</i>	Mdyolo, J.	<i>Buffalo City</i>	Pati, K.F.	<i>Buffalo City</i>
Gantolo, S.R.	<i>PR</i>	Mgezi, N.D.	<i>Buffalo City</i>	Pijoos, S.	<i>PR</i>
Gqezengele, S.E.	<i>Nxuba</i>	Mkebe, S.E.	<i>PR</i>	Qina, F.	<i>Mbashe</i>
Holiday, V.M.	<i>Buffalo City</i>	Mkosana, V.V.	<i>PR</i>	Shweni-Booyesen, N.	<i>Buffalo City</i>
Jacobs, L.	<i>PR</i>	Mlamba, N.P.	<i>Nkonkobe</i>	Sibini, N.	<i>Mnquma</i>
Jakavula, N.	<i>Buffalo City</i>	Mlondleni, N.	<i>PR</i>	Sinuka, N.E.	<i>PR</i>
Janda, S.	<i>PR</i>	Mlonyeni, S.D.	<i>PR</i>	Skotana M.	<i>Amahlathi</i>
July, T.	<i>Buffalo City</i>	Mngoma, Z.X.	<i>PR</i>	Somyo, S.	<i>PR</i>
Magaqa, S.	<i>PR</i>	Monani, M.P.	<i>PR</i>	Stevens, J.L.	<i>PR</i>
Magobhiyane, M.	<i>Mnquma</i>	Moyeni, V.	<i>Ngqushwa</i>	Tandela, T.N.	<i>PR</i>
Magodla, D.D.	<i>Mbashe</i>	Mpupusi, K.K.	<i>Buffalo City</i>	Thompson, I.	<i>Buffalo City</i>
Makhabane, N.	<i>Mnquma</i>	Mtongana, M.	<i>PR</i>	Toboti, W.	<i>PR</i>
Malghas, E.E.K.	<i>PR</i>	Mqolo, A.Z.	<i>PR</i>	Tokwe-Koboti, L.	<i>Buffalo City</i>
Mambu, M.C.	<i>Amahlathi</i>	Mzozoyana, W.	<i>PR</i>	Vallabh, D.	<i>Buffalo City</i>
Maphasa P.P.	<i>PR</i>	Ncitha, Z.V.	<i>PR</i>	Voyi, M.A.	<i>Mbashe</i>
Maphazi, M.	<i>Mnquma</i>	Ncume, M.	<i>Nkonkobe</i>	Vumendlini, M.C.	<i>PR</i>
Masebeni, T.	<i>Buffalo City</i>	Ndleleni, T.	<i>PR</i>	Zweni, N.C.	<i>Nkonkobe</i>

**MAYOR**

*Somyo, S.S.*

**SPEAKER**

*Mlondleni, N.*

**APPROVAL OF THE FINANCIAL STATEMENTS**

The annual financial statements were approved by the Municipal Manager

on \_\_\_\_\_ .

**MUNICIPAL MANAGER**

ADV. Zenzile, M

**CHIEF FINANCIAL OFFICER**

Zote, Y

## **Foreword from Executive Mayor for the Financial Statements 2007/08**

The past financial year has seen some serious challenges for the ADM, with a number of consistent water outages in certain parts of the district as a result of aging infrastructure that had to cope with huge increases in demands, for which it was not originally designed.

Scheme based costing for each water scheme, and the ongoing data cleansing exercise assisted in a 4.5% tariff increase for water and sanitation, with a reduction in sanitation tariffs in Amahlathi and Mngquma local municipalities. This was due to the identification of more water users, who were not previously recognized or billed. The ADM has also introduced bulk tariffs for consumption in excess of 500 kl to assist small businesses.

The ADM took over the water assets from all local municipalities on 1 July 2006 and a consultant was appointed to value these assets. These values were used as a basis of recording infrastructure assets in the asset register and the annual financial statements. However, the consultant's working papers reflected estimated depreciated costs and not fair value as prescribed by GAMAP 17, hence the adverse opinion by the Auditor-General in the year 2006/2007. There were also other reasons for the adverse opinion, including inventory costs for housing projects that could not be accurately accounted for; no systems in place to identify and quantify unsold water; inaccurate data bases and billing systems; and no reporting of water services employee benefits who were absorbed by the ADM. As the Auditor-General, Mr S Ngqwala, indicated at the Council Meeting where the annual report was discussed, the ADM was bound to attract an adverse opinion in taking over these services as both a water service provider and as the water services authority.

In its efforts to address the 06/07 qualification audit report matters, ADM has inter alia:

Appointed consulting engineers to re-perform the fair value calculation of the water infrastructure assets. The fair value of these assets has been corrected retrospectively in the 2007/08 financial year. The process to ensure that all water infrastructure assets are identified and recognized is still in progress. These consultants have also been tasked to determine the quantity of unsold water on hand at year end, for each scheme, based on the capacity of reservoirs and pipelines, assuming reservoirs to be 66% full. The water on hand at year end has been classified as own and purchased water. The annual financial statements disclose the value of unsold water on hand at year end.

Reviewed all expenditure classified as repairs and maintenance for subsequent expenditure, relating to an item of property, plant and equipment already recognized, which should be capitalized instead of being recognized as an expense when incurred.

Identified all housing units that have been completed and occupied by the beneficiaries and the relating expenditure incurred recognized in the Statement of Financial Performance.

Implemented the use of inventory registers in order to improve controls over the movement

of inventory, in addition, quarterly stock counts at each project site have been conducted.

Adjusted the minimum salaries of former Local Municipalities' employees that were earning less than what the South African Local Bargaining Council (SALGBC) stipulated. The other staff that came from the Local Municipalities' earning above the minimum salary were brought onto the ADM's payroll system on scales that did not match the post grades/levels as recommended by the SALGBC Salary Scales. These employees have not been graded according to Task Grade System, therefore they were placed according to job titles backdated to November 2007, with implementation date in August 2008. It is expected that these posts will be graded after the final Outcomes Report is released for ADM and during the 2nd phase of job evaluations. Once this occurs, these employees will be able to be matched with the correct post level/task grade. Therefore all the employees will be placed onto the closest higher salary notch to their existing monthly salary.

The ADM found it extremely tough to provide both bulk water services and handling the reticulation part of the operations. Consequently, in an endeavour to ease the burden and to assist in the prevention of the consistent water outages in some parts of the district, the ADM entered into a memorandum of understanding with Amatola Water, where the latter would provide bulk water services to the urban areas such as Fort Beaufort, Butterworth, Alice and Gaga-Tyume, whilst the ADM remains responsible for all other areas as well as the reticulation and customer care. This partnership has already borne fruit in improved services in the Fort Beaufort area.

The ADM has also established Customer Care and Service Centres at all the local municipalities in the district and has also instituted a share call number where communities can report all their water outages and other emergencies, and where they can phone for billing queries and other information. Communities can pay their water accounts, register as indigents, lodge any query or complaint, or request information at any of the Customer Care & Service Centres.

The ADM has also endeavoured to meet with water consumers within the district to clear up outstanding billing queries, to answer their questions regarding the services rendered, and to explain future plans. This has gone a long way to create greater understanding and endorsement of the ADM's plans and has boosted the ADM's ability to raise revenue.

Currently, only about 29% of the ADM's target population enjoy RDP standard sanitation or higher. This poses a serious challenge for the ADM if we are to meet the target of sanitation to all by 2010. Also, as funding is needed for both water and sanitation projects, as well as other projects, such as Local Economic Development, the ADM took the step of inviting interested parties to come forward, who would assist the ADM in hunting for external funds. As a result of this process, Price Waterhouse Coopers were appointed, at no cost to the ADM, to assist in this process. The ADM has also instituted a new model or concept for accelerating sanitation programmes within the district, which should speed up the implementation process. Tenders have been invited from service providers, who will produce cement panels for VIP toilets on wheels that can be easily installed in a matter of minutes. One of the criteria is for the service

provider to establish a factory within the district, to produce the materials locally, adding value to local economic development.

The ADM is also in the process of finalizing an institutional study which informs our new Establishment Plan and organograms and is now awaiting the grading of the municipality.

The shared financial services has successfully been rolled out to our local municipalities, including Nkonkobe, Amahlathi, Nxuba, Mbashe and Ngqushwa.

The ADM received a levies replacement grant from National Treasury in the amount of R146 314 000 over the past financial year.

The Municipal Infrastructure Grant allocation for 2007/08, amounting to R182 194 085 was fully spent. These projects are being implemented in a phased Programme.

On behalf of Council, I am proud to present the financial statements for 2007/08, which reflects our achievements over the past year. I would like to take this opportunity to thank all our officials for their hard work in making these successes possible. We look forward to a more productive year ahead and for all our officials and elected members to embrace the national theme of "Business unusual : all hands on deck to speed up change."

Sincerely



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ALDERMAN SAKHUMZI SOMYO  
EXECUTIVE MAYOR

AMATHOLE DISTRICT MUNICIPALITY  
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	NOTE	2007/08 R	2006/07 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
		<b>1 090 265 641</b>	<b>973 101 713</b>
Infrastructure, plant and equipment	1	1 087 752 589	971 607 084
Investment property	2	582 115	725 245
Intangible Assets	3	1 594 104	176 253
Investment in subsidiary	4.1	1 000	1 000
Long term receivables	5	335 833	592 132
<b>Current assets</b>			
		<b>709 557 822</b>	<b>583 604 935</b>
Inventory	6	34 090 342	33 419 403
Consumer receivables	7	31 867 301	(3 286 475)
Other receivables	8	17 261 066	6 127 195
Current portion of long-term receivables	5	94 710	164 301
VAT receivable	9	17 601 927	17 896 695
Financial assets	4.2	474 307 918	472 516 696
Bank balances and cash	10	134 334 557	56 767 120
<b>Total Assets</b>		<b>1 799 823 463</b>	<b>1 556 706 649</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Non-current liabilities</b>			
		<b>563 243 012</b>	<b>394 424 383</b>
Long-term loan: DBSA	11	4 905 543	5 938 756
Finance lease obligation	12	473 206	804 912
Operating lease liability	13	221 300	146 985
Deferred income	14	496 036 666	334 751 496
Post employment benefit obligation	15	55 111 905	47 246 723
Leave accrual	17	5 966 325	5 250 451
Consumer deposits	16	528 067	285 060
<b>Current liabilities</b>			
		<b>304 152 061</b>	<b>259 884 459</b>
Finance lease obligation	12	645 324	496 838
Short term portion of loan: DBSA	11	920 771	850 201
Trade and other payables	17	104 113 413	83 834 912
Deferred income	14	-	702 247
Unspent conditional grants and receipts	17	198 472 553	174 000 261
<b>Net assets</b>			
		<b>932 428 390</b>	<b>902 397 807</b>
Revaluation reserve		7 817 133	8 524 341
Accumulated surplus/(deficit)		924 611 257	893 873 466
<b>Total Net Assets and Liabilities</b>		<b>1 799 823 463</b>	<b>1 556 706 649</b>
		0	0

.....  
ADV. M. Zenzile  
MUNICIPAL MANAGER

DATE : .....

.....  
CERTIFIED AS CORRECT  
Y. Zote  
CHIEF FINANCIAL OFFICER

AMATHOLE DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED  
30 JUNE 2008

Budget			Actuals	
2006/07	2007/08	Note	2007/08	2006/07
R	R		R	R
<b>REVENUE</b>				
36 278 348	86 916 868		76 641 036	34 226 015
-	-			
117 084	123 767	18	106 238	10 911 627
17 621 834	14 355 951	19.2	17 743 381	18 811 646
326 649 340	434 936 276	19	431 548 846	331 476 548
124 835 062	127 935 213	20	4 372 486	4 048 330
292 062 709	-	21	-	601 346 851
-	-	22	-	63 400
-	-		-	-
<b>797 564 377</b>	<b>664 268 075</b>		<b>530 591 947</b>	<b>1 001 032 341</b>
<b>EXPENDITURE</b>				
127 667 629	159 577 063	23	140 418 111	123 683 013
141 314	11 312 681		9 840 841	141 314
26 670 728	39 036 211		16 870 978	61 472 868
837 659	830 461		3 639	837 658
8 066 595	70 561 591	22	41 552 268	32 399 264
13 245 921	17 277 835		13 519 640	11 346 847
9 573 650	8 361 039	28	3 470 350	3 179 618
57 657 784	59 216 513	28	24 111 842	35 895 881
250 131 543	210 907 541		267 350 385	202 187 529
-	-	22	26 930 614	165 993
1 867 629	-		-	888 716
<b>495 860 452</b>	<b>577 080 935</b>		<b>544 068 669</b>	<b>472 198 701</b>
<b>301 703 925</b>	<b>87 187 140</b>		<b>(13 476 722)</b>	<b>528 833 640</b>
3 782 215	3 083 782	30	44 790 788	36 888 541
1 403 434	2 968 282	31	576 275	1 362 704
<b>304 082 706</b>	<b>87 302 640</b>		<b>30 737 791</b>	<b>564 359 477</b>
Refer to Appendix E (1) for explanation of variances				



AMATHOLE DISTRICT MUNICIPALITY

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

	Capital replacement reserve	Government Grant Reserve	Revaluation Reserve	Accumulated Surplus/ Deficit	Total
<i>Balance at 1 July 2006</i>					
<i>Opening balance as previously reported</i>	-	-	<b>8 998 708</b>	<b>402 118 531</b>	<b>411 117 239</b>
<i>Prior year adjustments</i>	-	-	-	-72 604 541	-72 604 541
Balance at 1 July 2006 as restated	-	-	8 998 708	329 513 990	338 512 698
Surplus for the year	-	-	-	564 359 477	564 359 477
Off-setting of depreciation	-	-	-474 367	-	-474 367
	-	-	-474 367	564 359 477	563 885 110
<i>Balance at 30 June 2007</i>			<b>8 524 341</b>	<b>893 873 466</b>	<b>902 397 807</b>
<i>Balance at 1 July 2007</i>	-	-	<b>8 524 341</b>	<b>893 873 466</b>	<b>902 397 807</b>
GAMAP adjustments					-
Off-setting of depreciation			-707 208		-707 208
Surplus for the year	-	-	-	30 737 791	30 737 791
	-	-	(707 208)	30 737 791	30 030 583
<i>Balance at 30 June 2008</i>	-	-	<b>7 817 133</b>	<b>924 611 257</b>	<b>932 428 390</b>

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

	Note	2007/08 R	2006/07 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other parties		652 488 536	681 866 999
Cash paid to suppliers and employees		(465 375 237)	(381 134 413)
Cash (utilised in)/ generated from operations	33	187 113 299	300 732 586
Finance costs	31	(576 275)	(1 362 704)
Investment income	30	44 790 788	36 888 541
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>231 327 811</b>	<b>336 258 423</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(159 257 367)	(331 087 017)
Proceeds on disposal of property, plant and equipment		-	70 055
Decrease in long term receivables		325 890	312 127
Purchase of equity investment		-	-
Purchase of financial assets		(1 791 222)	(7 065 147)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(160 722 699)</b>	<b>(337 769 982)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Other capital receipts		-	-
Finance lease payments		(183 220)	97 157
(Decrease)/Increase in long term loan		(962 643)	6 788 957
Increase in post employment benefit obligation		7 865 182	8 812 970
Proceeds from consumer deposits		243 007	285 060
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>6 962 327</b>	<b>15 984 144</b>
<b>NET CASH FLOW</b>		<b>77 567 438</b>	<b>14 472 585</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>77 567 437</b>	<b>14 472 584</b>
Cash and cash equivalents at the beginning of year		56 767 120	42 294 536
Cash and cash equivalents at year end	10	134 334 557	56 767 120

AMATHOLE DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008  
ACCOUNTING POLICIES

**APPLICATION OF ACCOUNTING STANDARDS AND AMENDMENT OF ACCOUNTING POLICIES**

The exemptions obtained (Gazette 30013) regarding the implementation of certain accounting standards necessitated the disclosure of the following:  
The accounting policy of the comparative figures (2006/07) as well as the accounting policy used for the current financial year (2007/08), where applicable;  
Additional disclosures in the annual financial statements to assist users in understanding the implications on the current and comparative figures;  
The audit qualifications received in the prior year (2007/08) relating to the specific accounting policies.

**1. BASIS OF PRESENTATION**

**2006/07 Financial Year**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land, buildings and community property, which are carried at fair value.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the Standards of Generally Accepted Accounting Practices (GAMAP), prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarised as follows:

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GAMAP 4	Effects of changes in foreign exchange rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for investments in associates
GAMAP 8	Financial reporting of interests in joint ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent assets

GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements

Accounting policies for material transactions, events or conditions not covered by the above GRAP and or GAMAP Standards have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices issued by the Accounting Practices Board (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements.

The municipality has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General notice 552 of 2007:

Standard no.	Standard Title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 552 of 2007, that have been early
IAS 17 (AC 105)	Leases	Recognising operating lease payments/ receipts on a straight-line basis if the amounts are recognised on the basis of the cash
IAS 20 (AC 134)	Accounting for	Entire standard excluding paragraphs 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and
IAS 38 (AC 129)	Intangible Assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32/AC

**AMATHOLE DISTRICT MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**  
**ACCOUNTING POLICIES**

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

Assets, liabilities, revenues and expenses have not been offset except as required or permitted by a Standard of GAMAP or GRAP.

**2007/08 Financial Year**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land, buildings and community property, which are carried at fair value.

These annual financial statements have been prepared in accordance with Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practice (GRAP), prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarised as follows:

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
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GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent assets

GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements

Accounting policies for material transactions, events or conditions not covered by the above GRAP and or GAMAP Standards have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices issued by the Accounting Practices Board (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements.

The municipality has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General notice 552 of 2007:

Standard no.	Standard Title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 552 of 2007, that have been early
IAS 14 (AC 115)	Segment Accounting	Entire standard
IAS 19 (AC 116)	Employee Benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined
IAS 36 (AC 128)	Impairment of assets	Entire standard
IAS 40 (AC 135)	Investment Property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17. Disclosure of the fair value of
GAMAP 17	Property, plant and	Paragraph 59 - 61 and 77 Review of useful life in terms of PPE recognised in the annual financial statements. Review of
GAMAP 12	Inventory	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17 and to
IFRS 5	Business	Entire Standard
IFRS 5	Non-current assets held for sale and	Classification, measurement and disclosure of non-current assets held for sale (paragraph 6 - 14, 15 - 29 (in so far as it relates to non-current assts held for sale), 36 - 42)

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

**Significant areas of judgement and estimation uncertainty**

In the process of applying the ADM accounting policy's, management has made the following judgements and estimates to amounts recognised in the financial statements

- residual values, useful lives and depreciation method of assets
- water stock on hand
- water infrastructure assets
- provision for doubtful debts
- impairment of assets

Assets, liabilities, revenues and expenses have not been offset except as required or permitted by a Standard of GAMAP or GRAP.

**2. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand.

**3. GOING CONCERN ASSUMPTION**

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

**4. RESERVES**

**4.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution.

The CRR can only be used to finance items of property, plant and equipment and investment property.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in Integrated Development Plan.

**4.2 Revaluation Reserve**

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The re-valued assets are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/ (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/ (deficit) while gains or losses on disposal, based on re-valued amounts, are credited or charged to the Statement of Financial Performance.

The surplus arising from the revaluation of land and buildings is credited directly to equity in the revaluation reserve. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to equity in the revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation on re-valued buildings is charged to surplus or deficit. On the subsequent sale or retirement of a re-valued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to accumulated surplus/(deficit).

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5. **PROPERTY, PLANT AND EQUIPMENT**

**2006/07 Financial Year**

- 5.1 Property, plant and equipment is stated at cost, less accumulated depreciation except for land and buildings, which have been re-valued as indicated below.
- 5.2 The cost of an item of property, plant and equipment is recognised as an asset when:  
- it is probable that future economic benefits associated with the item will flow to the company; and  
- the cost of the item can be measured reliably.
- 5.3 Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.
- 5.4 Land and buildings are carried at the re-valued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the statement of financial position date. Land and buildings are re-valued every 3-5 years.
- 5.5 Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to equity in the revaluation reserve. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.
- 5.6 Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to equity in the revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- 5.7 The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.
- 5.8 Land is not depreciated as it is deemed to have an indefinite life.
- 5.9 Items purchased less than R1000 in value, are considered to be non capital in nature and are therefore expensed.
- 5.10 The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amounts of the assets given up.
- 5.11 Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

	<u>Years</u>		<u>Years</u>
<b>Infrastructure</b>		<b>Other</b>	
Roads and paving	10-30	Buildings	30
Pedestrian malls	20-30	Specialist vehicles	3-20
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
<b>Community</b>		Bins and containers	5
Improvements	10-30	Specialised plant and equipment	10-15
Recreational facilities	20	Other items of plant and equipment	2-5
Security	3-5		

- 5.12 The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.
- 5.13 Assets are capitalised on the last day of the month of purchase.
- 5.14 Heritage assets are not recognised in accordance with GAMAP 17.

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**Exemption**

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemption paragraphs granted in terms of GAMAP 17 Property, Plant and Equipment:

- Review of useful life of items of Property, plant and equipment recognised in the annual financial statements [paragraphs 14, 19 and 30-31]
- Review of depreciation method applied to Property, plant and equipment recognised in the annual financial statements [paragraphs 62-77]
- Impairment of cash and non-cash-generating assets [paragraphs 63-69 and 75(e)(v) - (vi)]
- IAS 36/AC 128 Impairment of Assets [Entire standard exempted]

**2007/08 Financial Year**

- 5.1 Property, plant and equipment is stated at cost, less accumulated depreciation except for land and buildings, which have been re-valued as indicated below.
- 5.2 The cost of an item of property, plant and equipment is recognised as an asset when:
  - it is probable that future economic benefits associated with the item will flow to the company; and
  - the cost of the item can be measured reliably.
- 5.3 Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.
- 5.4 Water infrastructure assets were transferred to the municipality on 1 July 2006 when the municipality assumed responsibility for the provision of water and sanitation services in its district in terms of Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998). These assets are recognised at fair value on the date of acquisition and depreciated to their estimated residual lives on the straight line basis over their estimated useful lives. A three year implementation plan for the identification and valuation of these water infrastructure assets inherited from the local municipalities has been approved by Council due to the lack of sufficient data pertaining to each scheme. The implementation plan will assist in the physical identification and condition analysis of all major components of each scheme. The identification of the water infrastructure assets is based upon assumptions and professional judgement applied by consulting engineers using best engineering practice and industry norms and standards.  
  
Where a scheme layout or size are unknown, the infrastructure is estimated based on the population demand and settlement layout. Engineering best practice and accepted norms will be used to determine the size of bulk, trunk, reticulation and other infrastructure. For infrastructure where the condition is unknown, the remaining useful life is assumed to be the worst case scenario. Where the condition of the infrastructure is known, the remaining useful life will be a percentage of its useful life.  
  
The municipality has accepted the exemption granted in accordance with Government Gazette 30013 dated 29 June for the review of useful life, depreciation method and impairment.
- 5.5 Land and buildings are carried at the re-valued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the statement of financial position date. Land and buildings are re-valued every 3-5 years.
- 5.6 Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to equity in the revaluation reserve. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.
- 5.7 Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to equity in the revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- 5.8 Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.
- 5.9 Where land and buildings are revalued, the increase in value of land and buildings are recognised as revenue to the extent that it reverses the impairment loss previously recognised as an expense.
- 5.10 The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Depreciation commences when the assets are ready for their intended use.

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- 5.11 Land is not depreciated as it is deemed to have an indefinite life.
- 5.12 Items purchased less than R5000 in value, are considered to be non capital in nature and are therefore expensed.
- 5.13 The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amounts of the assets given up.
- 5.14 Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.
- 5.15 Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

	<u>Years</u>		<u>Years</u>
<b>Infrastructure</b>		<b>Other</b>	
Roads and paving	10-30	Buildings	30
Pedestrian malls	20-30	Specialist vehicles	3-20
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
<b>Community</b>		Bins and containers	5
Improvements	10-30	Specialised plant and equipment	10-15
Recreational facilities	20	Other items of plant and equipment	2-5
Security	3-5		

- 5.16 The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.
- 5.17 Assets are capitalised on the last day of the month of purchase.
- 5.18 Heritage assets are not recognised in accordance with GAMAP 17.
- 5.19 Residual values and estimated useful lives are reviewed at least annually. Residual values are estimated at 10% of the purchase cost of the asset. The depreciable amount of an asset is determined after deducting the residual value of the asset. The residual value and estimated useful lives of the water infrastructure assets have not been reviewed due to the exemption granted in accordance with Government Gazette 30013 dated 29 June 2007.
- 5.20 Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful lives of the assets.

**Exemption**

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemption paragraphs granted in terms of GAMAP 17 Property, Plant and Equipment pertaining to water infrastructure assets:

- Review of useful life of items of Property, plant and equipment recognised in the annual financial statements [paragraphs 14, 19 and 30-31]
- Review of depreciation method applied to Property, plant and equipment recognised in the annual financial statements [paragraphs 62-77]
- Impairment of cash and non-cash-generating assets [paragraphs 63-69 and 75(e)(v) - (vi)]
- IAS 36/AC 128 Impairment of Assets [Entire standard exempted]

**6. INVESTMENT PROPERTY**

**2006/07 Financial Year**

**Exemption**

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions paragraphs granted in terms of IAS 40/AC 135 Investment Property:

- The entire standard to the extent that the property is accounted for in terms of GAMAP 17
- Disclosure of the fair value of investment property where the cost model is applied and where Amathole District Municipality has recognised the investment property in terms of IAS 40/AC 135 [paragraphs 79(e)(i)-(iii)]



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Investment Properties are held to earn rentals and are stated at cost less accumulated depreciation. Investment properties are written down for impairment where considered necessary. Investment property excludes owner-occupied property where it is used in the production or supply of goods or services or for administrative purposes or property held to provide a social service. Investment property, other than land, is depreciated on the straight-line basis over the useful lives of the assets estimated at 30 years. Land is not depreciated as it is deemed to have an indefinite life.

**7. INTANGIBLE ASSETS**

**2006/07 Financial Year**

- 7.1 An intangible asset is recognised when:  
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and  
- the cost of the asset can be measured reliably.
- 7.2 Intangible assets are initially recognised at cost.
- 7.3 Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.
- 7.4 Intangible assets are carried at cost less any accumulated amortisation.
- 7.5 Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.
- 7.6 Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software - Application software	3 years

- 7.7 An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

**Exemption**

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemption granted in terms of IAS 36/AC 128 Impairment of assets due to the impact on Intangible assets:

- The entire standard on Impairment of Assets have been exempted

**2007/08 Financial Year**

- 7.1 An intangible asset is recognised when:  
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and  
- the cost of the asset can be measured reliably.
- 7.2 Intangible assets are initially recognised at cost.
- 7.3 Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.
- 7.4 Intangible assets are carried at cost less any accumulated amortisation.
- 7.5 Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.
- 7.6 Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software - Application software	3 years

- 7.7 An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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**8. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS**

**2006/07 Financial Year**

**Exemption**

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemption paragraphs granted in terms of IAS 36/AC 128 Impairment of Assets:

- Impairment of cash and non-cash-generating assets [paragraphs 63-69 and 75(e)(v) - (vi)]
- IAS 36/AC 128 Impairment of Assets [Entire standard exempted]

**2007/08 Financial Year**

- 8.1 At each balance sheet date, the municipality reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.
- 8.2 Where the asset does not generate cash flows that are independent from other assets, the municipality estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.
- 8.3 An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.
- 8.4 Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the present value remaining service potential of an asset is determined as the depreciated replacement cost of the asset.
- 8.5 If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment is recognised immediately as an expense.
- 8.6 Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or CGU in prior years. A reversal of an impairment is recognised as income immediately.

**Exemption**

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemption paragraphs granted in terms of IAS 36/AC 128 Impairment of Assets pertaining to water infrastructure assets:

- Impairment of cash and non-cash-generating assets [paragraphs 63-69 and 75(e)(v) - (vi)]
- IAS 36/AC 128 Impairment of Assets [Entire standard exempted]

**9. INVESTMENT IN SUBSIDIARY**

**2006/07 Financial Year**

- 9.1 Investments in subsidiaries are carried at cost in the municipality's unconsolidated annual financial statements.
- 9.2 The cost of an investment in a subsidiary is the aggregate of:  
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus any costs directly attributable to the purchase of the subsidiary.
- 9.3 An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

**Exemption**

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemption granted in terms of IAS 36/AC 128 Impairment of assets due to the impact on the Investment in subsidiary:

- The entire standard on Impairment of Assets has been exempted

**2007/08 Financial Year**

- 9.1 Investments in subsidiaries are carried at cost in the municipality's unconsolidated annual financial statements.
- 9.2 The cost of an investment in a subsidiary is the aggregate of:  
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus any costs directly attributable to the purchase of the subsidiary.
- 9.3 An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

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- 9.4 Separate consolidated financial statements are prepared to account for the municipality's share of net assets and post-acquisition results of these investments.
- 9.5 Goodwill arising on business combination is allocated to the group of CGU that are expected to benefit from the synergies of the combination. Any impairment is recognised immediately in the statement of financial performance. Impairments of goodwill are not subsequently reversed.

**10. FINANCIAL INSTRUMENTS**

*2006/07 Financial Year*

**10.1 Initial recognition**

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the municipality's statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

**10.2 Loans to municipalities, municipal entities and employees**

These financial assets are initially and subsequently measured at face value plus direct transaction costs.

**10.3 Loans from municipalities and the Development Bank of South Africa**

These financial liabilities are initially and subsequently measured at face value plus direct transaction costs.

**10.4 Trade and other receivables**

Trade receivables are measured at initial and subsequent recognition at face value. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

**10.5 Trade and other payables**

Trade payables are initially and subsequently measured at face value.

**10.6 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

These are initially and subsequently recorded at face value.

**10.7 Investments**

Financial Instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

**10.8 Borrowings**

Borrowings is initially and subsequently measured at face value.

*Exemption*

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions paragraphs granted in terms of IAS 39/AC 133 Financial instruments: Recognition and measurement:

- Initially measuring financial assets and financial liabilities at fair value. (SAICA circular 09/06, paragraph 43, AG79, AG64 and AG65 of IAS 39/AC 133

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemption paragraphs granted in terms of IFRS 7/AC 144 Financial Instruments: Disclosures

- Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998.

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*2007/08 Financial Year*

**10.1 Initial recognition**

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the municipality's statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

**10.2 Loans to municipalities, municipal entities and employees**

These financial assets are initially and subsequently measured at face value plus direct transaction costs.

**10.3 Loans from municipalities and the Development Bank of South Africa**

These financial liabilities are initially and subsequently measured at face value plus direct transaction costs.

**10.4 Trade and other receivables**

Trade receivables are measured at initial and subsequent recognition at face value. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Such allowances are raised based on an assessment of debtor ageing, past experience or known customer circumstances.

**10.5 Trade and other payables**

Trade payables are initially and subsequently measured at face value.

**10.6 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

These are initially and subsequently recorded at face value.

**10.7 Investments**

Financial Instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

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

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

**10.8 Borrowings**

Borrowings are initially and subsequently measured at face value.

**10.9 Derecognition of financial assets and liabilities**

Financial assets are derecognised when the rights to receive cash flows from the asset have expired, the right to receive cash flows have been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when the associated obligation has been discharged, cancelled or has expired.

**Exemption**

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions paragraphs granted in terms of IAS 39/AC 133 Financial Instruments: Recognition and measurement:

- Initially measuring financial assets and financial liabilities at fair value. (SAICA circular 09/06, paragraph 43, AG79, AG64 and AG65 of IAS 39/AC 133

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemption paragraphs granted in terms of IFRS 7/AC 144 Financial Instruments: Disclosures

- Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998.

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**11. LEASES**

**2006/07 Financial Year**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.  
A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**11.1 Finance leases - lessee**

11.1.1 Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

11.1.2 The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

11.1.3 The lease payments are apportioned between the finance charge and reduction of the outstanding liability.

11.1.4 The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

11.1.5 Leases are classified as finance leases if the following situations in accordance with paragraphs 10 and 11 of IAS 17 individually or in combination occur:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications;
- if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equaling most of the sales proceeds at the end of the lease); and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

**11.2 Operating leases - lessor**

11.2.1 Operating lease income is recognised as an income on a straight-line basis over the lease term.

11.2.2 Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

11.2.3 Income for leases is disclosed under revenue in the Statement of Financial Performance.

**11.3 Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This asset or liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

**2007/08 Financial Year**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. In addition to lease contracts, other significant contracts are assessed to determine whether in substance, they are or contain a lease. This includes assessment whether the arrangement is dependent on use of a specific asset and right to use that asset is conveyed through the contract.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**11.1 Finance leases - lessee**

11.1.1 Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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11.1.2 The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

11.1.3 The lease payments are apportioned between the finance charge and reduction of the outstanding liability.

11.1.4 The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

11.1.5 Leases are classified as finance leases if the following situations in accordance with paragraphs 10 and 11 of IAS 17 individually or in combination occur:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications;
- if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equaling most of the sales proceeds at the end of the lease); and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

**11.2 Operating leases - lessor**

11.2.1 Operating lease income is recognised as an income on a straight-line basis over the lease term.

11.2.2 Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

11.2.3 Income for leases is disclosed under revenue in the Statement of Financial Performance.

**11.3 Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This asset or liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

**12. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

**2006/07 Financial Year**

**Exemption**

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions granted in terms of IFRS 5 Non-current assets held for sale and discontinued operations:

- Classification, measurement and disclosure of non-current assets held for sale (paragraph 6 - 14, 15 - 29 (in so far as it relates to non-current assets held for sale), 38 - 42)

**2007/08 Financial Year**

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

12.2 Non-current assets (and disposal groups) are classified as held for sale from the date these conditions are met and are measured at the lower of carrying amount and fair value less costs to sell. Any resulting impairment is reported through the Statement of financial performance. On classification as held for sale the assets are no longer depreciated. Comparative amounts are not adjusted.

12.3 Where an asset or business has been sold or is classified as held for sale and is either part of, or a single co-ordinated plan to dispose or either a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to sale, it is considered to be a "discontinued operation". Once an operation has been identified as discontinued, its net profit and cash flows are separately presented from continuing operations. Comparative information is reclassified so that the net profit and cash flows of prior periods are also separately presented.

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**13. BORROWING COSTS**

*2007/08 Financial Year*

Borrowing costs are recognised as an expense in the Statement of financial performance.

**14. INVENTORIES**

*2006/07 Financial Year*

- 14.1 Consumables stores, raw material, work-in-progress, settlements and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.
- 14.2 Unsold properties and land used for housing are valued at the lower of cost or net realisable value. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.
- 14.3 Housing development funding received is recognised as revenue and expenditure on the Statement of Financial Performance to the extent that the Municipality has complied with any of the criteria, obligations or conditions of the grant.
- 14.4 When housing development is financed from government grants, an amount equal to the note is transferred from the accumulated surplus/ (deficit) in the Statement of Changes in Net Assets and is reflected as Work in Progress Housing projects. Completed and transferred houses will be offset against the accumulated surplus/ (deficit) in the Statement of Changes in Net Assets.

Housing development inventory is valued a cost and is expensed when beneficiaries take occupation of the houses.

**Exemption**

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions granted in terms of GAMAP 12 Inventories:

- The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17; and
- The entire standard to the extent that it relates to water stock that was not purchased by the municipality.

**Audit qualification**

The disclosure in respect of inventory in the annual financial statements does not comply entirely with the requirements of *GAMAP 12: Inventories*. The most significant non-compliance noted is:

- The accounting policy for inventory does not disclose the valuation methods used for housing projects

*2007/08 Financial Year*

- 14.1 Consumables stores, raw material, work-in-progress, settlements and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.
- 14.2 Unsold properties and land used for housing are valued at the lower of cost or current replacement cost. Unsold properties and land used for housing are classified as inventory where there is an intention to develop such land and to sell or transfer it to a third party.
- 14.2 Housing development inventory is measured at cost on the first-in, first-out basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs. The carrying amount of these inventories held for distribution is recognised as an expense when beneficiaries take occupation of the houses.
- 14.3 Housing development funding received is recognised as revenue and expenditure on the Statement of Financial Performance to the extent that the Municipality has complied with any of the criteria, obligations or conditions of the grant.
- 14.4 When housing development is financed from government grants, an amount equal to the note is transferred from the accumulated surplus/ (deficit) in the Statement of Changes in Net Assets and is reflected as Work in Progress Housing projects. Completed and transferred houses will be offset against the accumulated surplus/ (deficit) in the Statement of Changes in Net Assets.
- 14.4 The cost of water purchased and own water not yet sold in the Statement of financial position comprises the purchase price, import duties, and other taxes and transport, handling and other costs attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the cost of purchase. The estimation of the water stock in the reservoirs and pipelines is based on an assumption of capacity being 66% full.

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14.5 Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

**15. EMPLOYMENT BENEFITS**

*2006/07 Financial Year*

**15.1 Short-term employee benefits**

15.1.1 The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

15.1.2 The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

15.1.3 The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

**15.2 Defined contribution plans**

15.2.1 Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

15.2.2 Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

**15.3 Defined benefit plans**

15.3.1 The municipality has accounted for the defined benefit plan as a defined contribution plan for the 2006/07 financial year as permitted in terms of Gazette 30013. Accordingly, the municipality recognises the contributions to the scheme as an expense when the employees and councilors have rendered the employment service or served office entitling them to the contributions.

*Exemption*

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions granted in terms of IAS 19 Employee benefits:

- Defined benefit accounting as far as it relates to defined benefit plans accounted for as contribution plans and the defined benefit obligation disclosed by narrative information. IAS

*2007/08 Financial Year*

**15.1 Short-term employee benefits**

15.1.1 The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

15.1.2 The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

15.1.3 The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

The municipality operates both defined contribution and defined benefit schemes for its employees and Councilors as well as post retirement medical plans.

**15.2 Defined contribution plans**

15.2.1 Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

15.2.2 Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

**15.3 Defined benefit plans**

**General**

15.3.1 For defined benefit pension and post retirement medical plans, full actuarial valuations are carried out for each financial year using the projected unit credit method.



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- 15.3.2 Actuarial gains and losses, which can arise from differences between the expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the Statement of financial performance. Any increase in the present value of plan liabilities expected to arise from employee service during the period is charged to operating surplus. The expected return on plan assets and the expected increase during the period in the present value of plan liabilities are included in investment income and interest expense.
- 15.3.3 Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight line basis over the average period until the benefits become vested.
- 15.3.3 The retirement benefit obligation recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.
- 15.3.3 The retirement benefit obligation recognised in the Statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.
- 15.3.4 The defined benefit funds, which are administered on a provincial basis, are actuarially valued at least triennially on the projected unit credit method basis. Deficits are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.
- 15.4 **Medical Aid: Continued members**  
The municipality provides post retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such a medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the municipality for the remaining 70%.
16. **PROVISIONS**
- 2006/07 Financial Year*
- 16.1 Provisions are recognised when:  
- the municipality has a present obligation as a result of a past event;  
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and  
- a reliable estimate can be made of the obligation.
- 16.2 The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.
- 16.3 Provisions are not recognised for future operating losses.
- 16.4 Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.
- 2007/08 Financial Year*
- 16.1 Provisions are recognised when:  
- the municipality has a present obligation as a result of a past event;  
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and  
- a reliable estimate can be made of the obligation.
- 16.2 The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.
- 16.3 Provisions are not recognised for future operating losses.
- 16.4 Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.
17. **CONDITIONAL GRANTS AND RECEIPTS**
- 2007/08 Financial Year*
- 17.1 Government grants are recognised when there is reasonable assurance that:  
- the municipality will comply with the conditions attaching to them; and  
- the grants will be received.
- Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

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- 17.2 A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.
- 17.3 Government grants related to assets, including non-monetary grants at fair value, are presented in the Statement of Financial Position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.
- 17.4 Grants related to income are presented as a credit in the Statement of Financial Performance.
- 17.5 Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.
- 17.6 Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.
- 18. REVENUE RECOGNITION**
- 2006/07 Financial Year**
- 18.1 When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
  - it is probable that the economic benefits associated with the transaction will flow to the company;
  - the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
  - the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.
- 18.2 When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.
- 18.3 Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable services provided in the normal course of business, net of value added tax.
- Services**
- 18.4 Service income is recognised on an invoice basis.
- Interest and rentals**
- 18.5 Interest and rentals are recognised on a time proportion basis in the Statement of Financial Performance.
- 18.6 **Agency Services**  
Income from agency services is recognised once such income has been received in accordance with a service level agreement.
- Exemption**  
In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions paragraphs granted in terms of GAMAP 9 Revenue:
- Initial measurement of fair value discounting all future receipts using an imputed rate of interest [SAICA circular 09/06 and paragraph 12]
- Audit qualification**  
Section 64 of the Municipal Finance Management Act, 2003 (Act No.56 of 2003) requires the municipal manager to ensure that effective revenue collection systems are in place.
- No estimated revenue was raised for the period between the last meter reading and the financial year end.
- 2007/08 Financial Year**
- 18.1 When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
  - it is probable that the economic benefits associated with the transaction will flow to the company;
  - the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
  - the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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- 18.2 When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.
- 18.3 Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable services provided in the normal course of business, net of value added tax.
- 18.4 An estimate for revenue is raised for the period between the last meter reading and the financial year end.
- Services**
- 18.5 Service income is recognised on an invoice basis.
- Interest and rentals**
- 18.6 Interest and rentals are recognised on a time proportion basis in the Statement of Financial Performance.
- 18.7 **Agency Services**  
Income from agency services is recognised once such income has been received in accordance with a service level agreement.
- Exemption**  
In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions paragraphs granted in terms of GAMAP 9 Revenue:
- Initial measurement of fair value discounting all future receipts using an imputed rate of interest [SAICA circular 09/06 and paragraph 12]
- 19 UNAUTHORISED EXPENDITURE**
- Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003) Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.
- 20 IRREGULAR EXPENDITURE**
- Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act ( Act No. 20 of 1998). Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.
- 21 FRUITLESS AND WASTEFUL EXPENDITURE**
- Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.
- 22 COMPARATIVE INFORMATION**
- 22.1 **Current year comparative:**  
Budgeted amounts have been included in the annual financial statements for the current financial year only.
- 22.2 **Prior year comparatives:**  
When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.
- 23. NEW GRAP ACCOUNTING STANDARDS APPROVED BUT NOT YET EFFECTIVE**
- By way of Government Gazette No. 31021, dated 9 May 2008, The Minister of Finance in terms of Section 91 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) prescribed the following Standards applicable to the to the municipality as set by the Accounting Standards Board in terms of Section 89. These Standards are effective for periods beginning on or after 1 April 2009, however the implementation of these Standards for municipalities is subject to the provisions of Notice 552 issued in Government Gazette 30013 dated 29 June 2007.

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GRAP 5 *Borrowing Costs* IAS 24 (AC 114) has been adopted in the preparation of the annual financial statements

GRAP 6 *Consolidated & Separate Financial Statements* IAS 27 has been adopted in the preparation of the annual financial statements

GRAP 9 *Revenue from Exchange Transactions* GAMAP 9 has been adopted in the preparation of the annual financial statements

GRAP 12 *Inventories* GAMAP 12 has been adopted in the preparation of the annual financial statements

GRAP 13 *Leases* IAS 17 (AC 105) has been adopted in the preparation of the annual financial statements

GRAP 14 *Events after the Reporting Date* IAS 10 has been adopted in the preparation of the annual financial statements

GRAP 16 *Investment Properties* IAS 40 (AC 135) has been adopted in the preparation of the annual financial statements

GRAP 17 *Property, plant & Equipment* GAMAP 17 has been adopted in the preparation of the annual financial statements

GRAP 19 *Provisions, Contingent Liabilities & Contingent Assets* IAS 37 has been adopted in the preparation of the annual financial statements

GRAP 100 *Non-current Assets Held for Sale & Discontinued Operations* IFRS 5 (AC 142) has been adopted in the preparation of the annual financial statements

GRAP 102 *Intangible Assets* IAS 38 (AC 129) has been adopted in the preparation of the annual financial statements

These standards are not expected to have a material impact for the municipality as the IFRS accounting standards have been adopted in the preparation of the annual financial statements.

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**SEGMENT INFORMATION**

**2006/07 Financial Year**

**Exemption**

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions paragraphs granted in terms of IAS 14 /AC 115: Segment Reporting

- Entire standard

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions paragraphs granted in terms of IFRS 8 /AC 109: Operating Segments

- Entire standard

**2007/08 Financial Year**

Based on risks and returns Council consider the primary reporting format is by business segment. Council presents segmental reports as part of the appendices to the annual financial statements.

AMATHOLE DISTRICT MUNICIPALITY  
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008  
 1. INFRASTRUCTURE, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Infrastructure	Community	Heritage	Other	Total
	R	R	R	R	R
<b>As at 1 July 2007</b>	<b>906 089 720</b>	<b>5 277 496</b>	-	-	<b>94 175 450</b>
Cost	933 138 263	5 834 647	-	-	67 552 936
Revaluation	-	-	-	-	9 617 183
Transfer In / (Out)	-	-	-	-	75 079
Accumulated depreciation	27 048 543	557 151	-	-	16 930 252
Acquisitions	141 383 796	-	-	-	16 355 440
Capital under Construction	-	-	-	-	-
Increase/decreases in revaluation	-	-	-	-	-
Depreciation based on cost	31 338 708	260 121	-	-	9 824 214
based on revaluation	31 338 708	260 121	-	-	9 824 214
Carrying value of disposals	-	-	-	-	245 756
Cost/revaluation	-	-	-	-	1 011 193
Accumulated depreciation	-	-	-	-	765 437
<b>Carrying values As at 30 June 2008</b>	<b>1 016 134 798</b>	<b>5 017 375</b>	-	-	<b>66 600 416</b>
Cost	1 074 522 049	5 834 647	-	-	82 972 262
Revaluation	-	-	-	-	9 617 183
Accumulated depreciation	58 387 251	817 272	-	-	25 989 029
Cost	58 387 251	817 272	-	-	24 854 735
Revaluation	-	-	-	-	1 134 294

  

Carrying values As at 1 July 2006	Infrastructure	Community	Heritage	Other	Total
	R	R	R	R	R
<b>12 764 080</b>	<b>4 596 072</b>	-	-	<b>54 301 686</b>	<b>71 661 838</b>
Cost	13 232 090	4 909 079	-	-	55 671 650
Revaluation	-	-	-	-	9 692 262
Accumulated depreciation	468 010	313 007	-	-	11 062 226
Cost	468 010	313 007	-	-	11 062 226
Revaluation	-	-	-	-	-
Acquisition	589 367 688	925 588	-	-	12 126 765
Capital under construction	330 538 485	-	-	-	330 538 485
Transfer in(out)	-	-	-	-	(75 079)
Increase/decreases in revaluation	-	-	-	-	-
Depreciation based on cost	26 580 533	244 144	-	-	5 942 861
based on revaluation	26 580 533	244 144	-	-	5 468 494
Carrying value of disposals	-	-	-	-	474 367
Cost/revaluation	-	-	-	-	172 644
Accumulated depreciation	-	-	-	-	247 479
Impairment losses	-	-	-	-	74 835
<b>Carrying values As at 30 June 2007</b>	<b>906 089 720</b>	<b>5 277 496</b>	-	-	<b>60 239 867</b>
Cost	933 138 263	5 834 647	-	-	67 552 936
Revaluation	-	-	-	-	9 617 183
Accumulated depreciation	27 048 543	557 151	-	-	16 930 252
Cost	27 048 543	557 151	-	-	15 795 968
Revaluation	-	-	-	-	1 134 294

In terms of Government Gazette 30013 dated 29 June 2007 the municipality has utilised the exemption under GAMAP 12 - Inventories.

The municipality possibly has housing stock which has been recognised as infrastructure, plant and equipment.

In terms of the Government Gazette, the municipality has been granted additional time to identify any items of Infrastructure, plant and equipment that should actually be recognised and disclosed as inventory.

In terms of the Government Gazette 30013 dated 29 June 2007 the municipality has utilised the exemption under IAS 40 - Investment property.

Included in community assets above are items that may meet the definition of investment property but have been included as infrastructure, plant and equipment because the municipality had not finalised the process of identifying investment property for reporting purposes. These items will be transferred to investment property once they have been identified as investment property, and that until this has been done the property has been included as infrastructure, plant and equipment in the annual financial statements.

No restriction on title exists on any assets held.

In terms of the IMFO accounting framework used by the local municipalities they were not required to maintain complete fixed asset registers. The municipality took over the infrastructure assets as required by Government Notice 849 issued in terms of section 84(3)(e) to the Municipal Structures Act, 1998 (Act No. 117 of 1998) with effect 1 July 2006. The municipality engaged the services of consulting engineers to identify and value the infrastructure assets taken over. The municipality has a plan to identify, verify, value and reconcile the infrastructure assets to the fixed asset register.

**Revaluations**

Included in other assets above are land and buildings that have been revalued.

The effective date of the revaluation was 1 December 2004. The revaluation was performed by independent valuer Penny Lindstrom (Member of the Institute of Valuers), of Penny Lindstrom Property & Valuation Services. Penny Lindstrom Property and Valuation services is not connected to the municipality.

Land and buildings are re-valued independently every 3-5 years.

The valuation was performed using depreciated replacement values

**Infrastructure, plant and equipment subjected to finance leases**

Included in the Community assets above is the following office equipment subject to finance leases:

**Office equipment**

	2007/08	2006/07
	R	R
Cost	2 592 627	2 423 236
Accumulated depreciation	(1 237 697)	(1 232 966)
	<b>1 354 930</b>	<b>1 190 270</b>

**2. Investment Property**

	2007/08	2006/07
	R	R
<b>Land and buildings</b>		
Carrying amount at beginning of period	725 245	725 236
Cost	820 656	781 714
Accumulated depreciation	95 411	58 478
Acquisitions	-	-
Depreciation	28 933	36 933
Transfer to owner-occupied property	114 197	38 942
Carrying amount at end of period	<b>582 115</b>	<b>725 245</b>
Cost	706 459	820 656
Accumulated depreciation	124 344	95 411

Investment property comprises the following:

Land situated at Erf 374, Komga,  
 Land situated at Erf 1676, Stutterheim with a house thereon.

The property is leased out in terms of an operating lease (refer note 34)

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Land situated at Erf 1640, Stutterheim with a house thereon,  
 Land situated at Erf 1641, Stutterheim with a house thereon, and  
 Land situated on Erf 303, Komga with a house thereon.

The fair value of the investment property was determined based on current prices in an active market for similar property in the same location and condition and subject to similar lease and other contracts.

**3. Intangible Assets**

	2008			2007		
	Cost	Accumulated Amortisation	Carrying value	Cost	Accumulated Amortisation	Carrying value
Computer software - Application software	2 536 355	(942 251)	1 594 104	1 018 212	(841 959)	176 253
License fees	59 624	(59 624)	-	59 624	(59 624)	-
<b>Total</b>	<b>2 595 959</b>	<b>(1 001 855)</b>	<b>1 594 104</b>	<b>1 077 816</b>	<b>(901 583)</b>	<b>176 253</b>

**Reconciliation of intangible assets - 2008**

	Opening carrying amount	Additions	Disposals	Amortisation R	Total R
Computer software - Application software	176 253	1 518 143	-	(100 292)	1 594 104
	<b>176 253</b>	<b>1 518 143</b>	<b>-</b>	<b>(100 292)</b>	<b>1 594 104</b>

**Reconciliation of intangible assets - 2007**

	Opening carrying amount	Additions	Disposals	Amortisation R	Total R
Computer software - Application software	315 576	-	-	(139 323)	176 253
	<b>315 576</b>	<b>-</b>	<b>-</b>	<b>(139 323)</b>	<b>176 253</b>

**4. INVESTMENTS**

**4.1 Investment in subsidiary**

	2007/08 R	2006/07 R
Investments in Municipal Entity - cost	1 000	1 000
<b>Total</b>	<b>1 000</b>	<b>1 000</b>
<b>Council's valuation of unlisted Investments</b>		
Investments in Municipal Entities	1 000	1 000
<b>Investments in Municipal Entities</b>		
Amathole Economic Development Agency (Pty) Ltd		
Issued Share Capital (1000 ordinary shares of R1,00 each)	1 000	1 000
Percentage owned by Council	100%	100%
<b>Related Party Transactions</b>		
Funding provided to AEDA for the operations of the agency	5 000 000	5 000 000

The Amathole Economic Development Agency was established 1 September 2005

**Place of Incorporation:** South Africa

**Principal Activity:** To promote local economic development in the Amathole Municipal District Area.

**4.2 Financial assets**

**Held to maturity financial assets**

The following fixed deposit accounts have been classified as held to maturity financial assets in accordance with IAS 39: Financial Instruments. Maturity periods are fixed and range between 3 - 12 months.

In accordance with the Municipality's risk management policy deposits are only made with major banks with quality credit standing and limits exposure to any one counter party.

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	2007/08	2006/07
	R	R
Call investment deposits	474 307 918	472 516 696
<b>Total: Call Investment Deposits</b>	<b>474 307 918</b>	<b>472 516 696</b>
<b>Call Investment Deposits</b>		
<b>Institution</b>	<b>Account No</b>	
<b>STANDARD</b>	346649	7 348 466
<b>BANK</b>	333072	10 451 726
	356104	10 327 342
	352921	13 293 515
	355421	11 429 996
	356101	11 278 466
	353664	10 130 137
	336439	10 175 945
	334925	10 337 123
<b>INVESTEC</b>	1100-176303-450	12 607 759
	1100-176303-450	13 398 334
	1100-176303-450	10 432 219
	1100-176303-450	10 457 644
	1100-176303-450	10 413 151
	1100-176303-450	10 176 658
	1100-176303-450	7 232 103
	1100-176303-450	10 090 411
	1100-176303-450	10 330 164
<b>ABSA</b>	2057-092-476	13 172 936
	2059-800-124	10 479 863
	2057-067-401	12 271 627
	2060-488-868	15 139 904
	2062-856-304	10 067 205
	2064-823-579	10 370 247
	2065-364-471	12 311 573
	2065-585-419	10 427 890
<b>FNB</b>	FD08K18003	10 173 808
	FD08H29001	10 343 233
	FD08H28003	9 301 679
	FD08L26003	12 364 537
	FD08K25007	12 268 734
	FD08H28001	12 509 721
	FD08J10001	8 206 904
	FD08L10001	10 089 384
	FD08K14005	10 133 205
<b>NEBANK</b>	037881714026/000079	12 649 332
	037881714026/000086	12 107 671
	037881714026/000083	12 369 271
	037881714026/000082	12 546 805
	037881714026/000085	10 127 726
	037881714026/000080	14 736 596
	037881714026/000084	10 226 699
	037881714026/000081	10 525 288
		474 307 918
		472 516 696

The value of the financial assets disclosed in the above note below have not been disclosed as cash and cash equivalents due to its maturity period of 3 months or less as at Statement of Financial Position date.

266 655 704

214 275 021

**5. LONG TERM RECEIVABLES**

Car loans	124 915	487 158
Deposits	249 459	225 459
Loans to Local Municipalities	56 169	42 815
	430 543	756 432
Less: Short term portion transferred to current assets	84 210	164 301
Car loans	49 919	159 646
Loans to Local Municipalities	24 891	5 655
<b>Total</b>	<b>335 833</b>	<b>592 132</b>

The car loans and loans to local municipalities have been recognised at its face value and not fair value due to the municipality utilising the exemption provided by the Government Gazette 30013 dated 29 June 2007 on IAS 39. Financial Instruments which exempts the municipality of accounting for financial assets and liabilities at fair value.

**Car loans**

Senior staff are entitled to car loans which attract interest at 0% per annum and which are payable over a maximum period of 6 years. These loans are expected to be redeemed in full by 30 June 2010.

**Loans to local municipalities**

The loans to the local municipalities represents loans to Winterstrand and Kel Road. The loans currently attracts interest at 4% per annum and is repayable over a period of 40 years.

**6. INVENTORY**

Consumable stores: at cost	1 326 082	418 699
Housing projects	5 853 083	6 512 030
Unsold properties held for resale: settlements	26 410 207	26 410 207
Water - purchased	417 026	78 468
Water - own	33 944	
<b>Total Inventory</b>	<b>34 090 342</b>	<b>33 419 403</b>

**Housing Projects**

The cost incurred on completed housing units that are occupied by beneficiaries has been transferred to the Statement of Financial Performance.

**Unsold properties held for resale: settlements**

In accordance with GAMAP 12 land owned for housing, selling or other developments have to be transferred from PPE to inventory at the lower of cost and current replacement cost. A project to identify all Council's land and improvements was undertaken in the prior financial year.

In accordance with Government Gazette 30013 dated 29 June 2007 the municipality has been granted additional time to identify any items of property, plant and equipment that should be recognised and disclosed as inventory. Infrastructure, plant and equipment may therefore include a component of inventory that has not been disclosed under the Inventory note.

**Water inventory**

In accordance with GAMAP 12 unsold purchased water has been disclosed for the prior year. Correct meter readings at the beginning and end of the financial year could not be guaranteed and in addition many schemes do not have meters installed. Consulting engineers were thus appointed to determine the water on hand for each scheme based on the capacity of reservoirs and pipelines, assuming reservoirs to be 66% full.

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

	2007/08 R	2006/07 R
<b>7. CONSUMER RECEIVABLES</b>		
<b>Levies</b>	<b>468 427</b>	<b>1 864 612</b>
- Levies	1 483 569	5 289 560
Less: Provision for bad debts	(1 015 142)	(3 404 948)
<b>Water and sanitation</b>	<b>31 398 875</b>	<b>(5 151 087)</b>
- Water	49 025 352	21 979 496
- Sanitation	47 040 390	25 057 393
- Interest on arrears component	12 091 752	6 166 483
Less : Provision for bad debts	(76 758 659)	(53 203 372)
<b>Total consumer receivables</b>	<b>31 867 301</b>	<b>(3 286 479)</b>

The ageing of debtors are as follows:-

	2007/08	2006/07
<b>Levies</b>		
Current		
30 - 60 Days		
60 - 90 Days		
90 - 120 Days		
120 - 330 Days		
+ 330 Days	1 483 569	5 289 560
<b>Total</b>	<b>1 483 569</b>	<b>5 289 560</b>

RSC levies was abolished with effect from 1 July 2006.

The levies consumer receivable recognised above represents in accordance with paragraph 52 of GAMAP 9 the estimate of levies due where levy payers had not submitted declarations in the reporting period where payment was due.

	2007/08	2006/07
<b>Water and sanitation</b>		
Current		
30 - 60 Days	9 786 463	12 242 364
60 - 90 Days	11 987 757	3 640 730
90 - 120 Days	5 499 598	2 865 313
120 - 330 Days	5 304 246	4 300 251
+ 330 Days	30 292 470	17 234 921
<b>Total</b>	<b>107 625 565</b>	<b>59 355 180</b>

Water and sanitation receivables balances relating to the take on of the water infrastructure assets from the local municipalities as at 1 July 2006, in accordance with legislation, have not been recognised. As these balances did not satisfy the recognition criteria in accordance with the accounting standards. Refer note 35

**Bad Debt Provision**

The bad debt provision is calculated on the ageing of debtors. Council's policy is to provide 100% on all debtors' balances which have been outstanding for the period between 120 days and 330 days. All balances outstanding for more than 330 days are thus 100% provided for.

The municipality has recognised consumer debtors at its face value and not fair value. This is consistent with the Circular 9 and IAS 39 Financial Instruments exemptions provided by the Government Gazette 30013 dated 29 June 2007.

**8. OTHER RECEIVABLES**

<b>Other receivables</b>	17 961 707	8 077 183
Sundry receivables	17 961 707	8 077 183
Less: Provision for bad debtors	(700 641)	(1 949 989)
<b>Total</b>	<b>17 261 066</b>	<b>6 127 194</b>

The municipality has recognised other receivables at its face value and not fair value. This is consistent with the Circular 9 and IAS 39 Financial Instruments exemptions in terms of Government Gazette 30013 dated 29 June 2007.

**9. VAT RECEIVABLE**

Vat receivable	17 601 927	17 896 695
	<b>17 601 927</b>	<b>17 896 695</b>

Amathole District Municipality is registered on the invoice basis for Value Added Tax

**10. BANK BALANCES AND CASH**

The cash position at financial year end was made up of the following:

Current Account	56 274 382	(4 035 405)
Call Account	75 910 171	60 492 555
Imprest Account	9 000	2 000
Plus: Cancelled cheques	2 141 004	307 970
<b>Total Cash Reserves</b>	<b>134 334 557</b>	<b>58 767 120</b>

**SUPPLEMENTARY BANK ACCOUNT INFORMATION**

<b>CURRENT ACCOUNTS TOTAL</b>	<b>56 274 382</b>	<b>(4 035 405)</b>
<b>MEEG BANK</b> Closing Balance	<b>55 429 828</b>	<b>(4 570 018)</b>
Opening Balance	(4 570 018)	12 142 043
Account No 4063093498 East London 5200		
<b>STANDARD BANK</b> Closing Balance	<b>844 554</b>	<b>534 613</b>
Opening Balance	534 613	18 993
Account No 061093454 East London Main Branch		
<b>CALL ACCOUNTS TOTAL</b>	<b>75 910 171</b>	<b>60 492 555</b>
<b>Call Account</b> Closing Balance	<b>65 910 171</b>	<b>50 492 555</b>
Opening Balance	50 492 555	30 000 000
MEEG BANK Account No 9157439416		
<b>Call Account</b> Closing Balance	<b>10 000 000</b>	<b>10 000 000</b>
Opening Balance	10 000 000	-
STANDARD BANK Account No 88643816001		



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	2007/08 R	2006/07 R
<b>11. LONG TERM LOAN: DBSA</b>		
Development Bank of South Africa Loan (Refer Appendix A)	5 826 314	6 788 957
	<u>5 826 314</u>	<u>6 788 957</u>
Non current portion	4 905 543	5 938 756
Current portion	920 771	850 201
	<u>5 826 314</u>	<u>6 788 957</u>
<p>The Development Bank of South Africa loans were taken over by Amathole District Municipality from the Local Municipalities effective 1 July 2006 when Amathole District Municipality effectively took over the water and sanitation function from the various Local Municipalities.</p> <p>Refer to Appendix A for the terms and conditions relating to the DBSA loans.</p>		
<b>12. FINANCE LEASE OBLIGATION</b>		
<b>Minimum lease payments due</b>		
-within one year	781 642	635 315
-in second to fifth year inclusive	541 346	945 216
-later than five years	-	-
	<u>1 322 988</u>	<u>1 580 531</u>
less: future finance charges	(204 458)	(278 781)
<b>Present value of minimum lease payments</b>	<u>1 118 530</u>	<u>1 301 750</u>
<b>Present value of minimum lease payments due</b>		
-within one year	645 324	496 838
-in second to fifth year inclusive	473 206	804 912
-later than five years	-	-
	<u>1 118 530</u>	<u>1 301 750</u>
Non current liabilities	473 206	804 912
Current liabilities	645 324	496 838
	<u>1 118 530</u>	<u>1 301 750</u>
<p>It is the municipality's policy to lease certain office equipment under finance leases.</p> <p>The average lease term was 5 years and the average effective borrowing rate was 12% (Prior Year: 12%).</p> <p>All leases have fixed repayment terms with no annual escalation rate, but varies with the changes in the prime interest rate. No arrangements have been entered into for contingent rent.</p> <p>The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.</p>		
<b>13. OPERATING LEASE LIABILITY</b>		
<p>In accordance with IAS 17/(AC 105), operating lease income and expenses have been recognised on a straight line basis over the lease term.</p> <p>The effect of accounting for operating leases on the straight line basis had the following effect:</p>		
<b>Non current liabilities</b>		
Operating lease accrual	221 300	146 985
	<u>221 300</u>	<u>146 985</u>
<b>14. DEFERRED INCOME</b>		
<p>The deferred income relates to Government Grants related to assets which have been accounted for in accordance with IAS 20/(AC 134) Government grants.</p> <p>The government grant funding that has been received has been set up as deferred income which is recognised as income on a systematic and rational basis over the useful life of the asset.</p>		
Government grants related to the construction of water infrastructure assets	329 496 501	329 496 501
Additions	186 383 695	-
Transfers to offset depreciation	(25 080 821)	-
	<u>490 799 375</u>	<u>329 496 501</u>
Government grants related to other assets	5 957 242	5 957 242
Additions	-	-
Transfers to offset depreciation	(719 951)	-
	<u>5 237 291</u>	<u>5 957 242</u>
	<u>496 036 666</u>	<u>335 453 743</u>
Non current liabilities	496 036 666	334 751 496
Current liabilities	-	702 247
	<u>496 036 666</u>	<u>335 453 743</u>
<b>15. POST EMPLOYMENT BENEFIT OBLIGATION</b>		
<p>The Post Employment Health Care Benefit plan, of which the members are made up as follows:</p>		
- In-service (employee) members	445	-
- Continuation (retiree, widow(er) and orphan) members	95	-
<b>Total</b>	<u>540</u>	-
<p>The liability in respect of past service has been estimated to be as follows:</p>		
- In-service members	28 001 320	-
- Continuation members	27 111 585	-
<b>Total</b>	<u>55 112 905</u>	-
<p>The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:</p>		
- Bonitas	-	-
- Hosmed	-	-
- Keyhealth	-	-
- LA Health	-	-
- Samwumed	-	-
<p>The future service cost for the ensuing year is estimated to be R 5 971 893 whereas the interest cost for the next year is estimated to be R 5 180 614.</p>		
<b>15.1 Reconciliation of assets and liabilities recognised in the balance sheet</b>		
Present value of fund obligations	-	-
Fair value of plan assets	-	-
Present value of unfunded obligations	55 111 905	47 246 723
<b>Present Value of Obligations in excess of Plan Assets</b>	<u>55 111 905</u>	<u>47 246 723</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Unrecognised transitional liability	-	-
<b>Net liability in Balance Sheet</b>	<u>55 111 905</u>	<u>47 246 723</u>

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	2007/08	2006/07
	R	R
The municipality has elected to recognise this full increase in this defined benefit liability immediately, as per IAS 19 Employee Benefits paragraph 155 (a)		
<b>15.2 Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	47 246 723	40 305 496
Current service costs	5 504 049	5 072 856
Expected benefits paid	(2 030 841)	(1 871 743)
Interest cost	4 381 974	3 740 114
Past service cost	-	-
Actuarial (gains)/losses	-	-
Contributions	-	-
Present value of fund obligation at the end of the year	<u>55 111 905</u>	<u>47 246 723</u>
<b>15.3 Reconciliation of fair value of plan assets:</b>		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: employer	-	-
Contributions: employee	-	-
Past service costs	-	-
Actuarial gains/(losses)	-	-
Benefits paid	-	-
Fair value of plan assets at the end of the year	<u>-</u>	<u>-</u>
<b>15.4 Trend information</b>		
Present Value of Obligations	55 111 905	47 246 723
Fair Value of Plan Assets	-	-
<b>Present Value of Obligations in Excess of Plan Assets</b>	<u>55 111 905</u>	<u>47 246 723</u>
<b>Experience adjustments</b>		
Actuarial Gain/(Loss) before changes in Assumptions	-	-
In respect of Present Value of Obligations	-	-
In respect of Fair Value of Plan Assets	-	-
<b>15.5 Key actuarial assumptions used</b>		
Health Care Cost Inflation rate		
Discount Rate		
Expected Retirement Age		
<b>Retirement Benefit Plans</b>		
The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.		
<b>15.6 Retirement benefit information</b>		
All Employees belong to one of the 6 defined contribution retirement funds, namely Cape Joint Retirement Fund, Cape Joint Pension Fund, SAMWU National Provident Fund, Eastern Cape Municipal Pension Fund, Eastern Cape Municipal Gratuity Fund and National Fund for Municipal Workers or one of the 2 defined benefit pension funds namely Government Pension Fund and South African Local Authorities.		
The defined benefit funds, which are administered on a provincial basis are subject to at least a triennial actuarial valuation, using the projected unit credit method. Sufficient information is not available to use defined benefit accounting, due to the following reasons:		
- The assets of each fund are held in one portfolio; these assets are not notionally allocated to each of the participating employers;		
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer;		
- The same rate of contribution applies to all participating employers, and no regards 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 funds have been valued using the Projected Unit Credit Method		
<b>SALA Pension Fund</b>		
The last valuation performed for the period ended 1 July 2007 (interim valuation) revealed that the fund had a surplus of R558.4 million (1 July 2006 (statutory valuation): R286.0 million surplus) with a funding level of 110% (1 July 2006: 108%). The next statutory valuation of the Fund is due on or before 1 July 2009. A future total contribution rate of 16.28% (1 July 2006: 14.81%) is estimated. The valuation recommended that the current rate of contribution be maintained. The improved funding level is mainly as a result of the high fund returns earned between 1 July 2006 and 1 July 2007. The valuation indicated that the fund is fully funded in terms of service up to the valuation date. The fund is therefore regarded as financially sound at the valuation date.		
<b>GEPF</b>		
The last valuation performed for the period ended 31 March 2006 revealed that the surplus/(deficit) still to be determined (31 March 2004: R12 775 million deficit), with a funding level of 100% (31 March 2004: 96.5%). The 2006 actuarial valuation report showed an improvement in the Fund's financial position, primary reason being the higher-than-assumed investment returns for the three consecutive years ended March 2006. The trustees declared ad-hoc catch up increases to adjust all pensions to at least 90% (2006) and then 100% (2007) of their real values at retirement. The 2007 adjustments took effect after the 2006 valuation date and their impact on the actuarial liability of the fund is therefore not fully reflected in the valuation estimate. The surplus in the Defined Benefit Section of the fund is mainly as a result of favourable investment returns. The required level of the solvency reserve has not yet been finalised by the Fund's actuaries, and will depend on the outcome of a detailed asset-liability study that is currently in progress. The actuaries have advised that the GEPF may be regarded as fully funded as at 31 March 2006, as the value of the assets exceeds the best estimate of liabilities by a sufficient margin to provide a prudent solvency reserve.		
The contributions made by Council in respect of the above defined benefit funds have been expensed. (Refer note 23)		
<b>16. CONSUMER DEPOSITS</b>		
Consumer deposits	<u>528 067</u>	<u>285 060</u>
	<u>528 067</u>	<u>285 060</u>
The consumer deposits relate to the water and sanitation function. The deposits are considered to be of a long term nature.		

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	2007/08	2006/07
	R	R
<b>17. TRADE AND OTHER PAYABLES</b>		
Trade payables	52 066 328	39 817 452
Payables - Local Municipalities	-	393 302
Other payables	47 175 565	36 865 986
RSC levies paid in advance	-	40 442
Amounts received in advance: Water and sanitation	2 242 105	2 532 339
Accrued leave pay	52 171	45 911
Accrued performance bonus	478 179	675 746
Accrued service bonus	5 900 323	2 044 249
Unspent Conditional Grants and Receipts (Refer annexure 1)	198 472 553	174 000 261
Equitable Share Projects	375 105	587 060
Indebtedness to municipal entity: Amathole Economic Development Agency	(4 177 363)	832 425
<b>Total</b>	<b>302 585 966</b>	<b>257 835 174</b>

The movement on the leave accrual balance as above for the 2007 financial year was as follows:

<b>17.1 Staff Leave Pay</b>		
Opening Balance	5 296 362	2 664 718
Plus: Contributions during the year	3 895 080	6 104 791
Leave sold during the year	(3 172 947)	(3 473 147)
<b>Total leave accrual</b>	<b>6 018 495</b>	<b>5 296 362</b>
<b>Non current portion of leave accrual</b>		
	5 968 325	5 250 451
<b>Current portion of leave accrual</b>	<b>52 171</b>	<b>45 911</b>
	<b>6 018 495</b>	<b>5 296 362</b>

The municipality makes provision for staff leave pay based upon the basic salary scale for 2006/08.

The short term portion of the provision is based on the number of accrued days versus the number of days sold.

<b>17.2 Performance Bonus</b>		
Accrual	479 179	675 746
	<b>675 746</b>	<b>675 746</b>

The accrual is calculated at 14% of the current total salary package.

<b>17.3 Service Bonus</b>		
Accrual	5 900 323	2 044 249
	<b>5 900 323</b>	<b>2 044 249</b>

The accrual calculation is based on the portion of the thirteenth cheque payable that falls due within the current financial year.

<b>18. REGIONAL SERVICE CHARGES</b>		
Levies	106 238	10 911 627
<b>Total Service Charges</b>	<b>106 238</b>	<b>10 911 627</b>

RSC levies was abolished with effect from 1 July 2006. The RSC levies that has been disclosed in the Statement of Financial Performance represents RSC revenue received by the 20th of July 2006 for RSC levies from June 2006. This is in accordance with GAMAP 9 paragraph 52 which states a reliable measurement of levies can usually only be made on the due date of payment which was 20 July 2006.

<b>19. GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	137 639 000	111 544 918
Levy replacement grant	146 313 563	128 024 000
Conditional Grants: Conditions met - transferred to revenue	13 891 293	91 205 178
Release of deferred income	-	702 453
<b>Total Government Grant and Subsidies</b>	<b>297 843 856</b>	<b>331 476 549</b>

Based on the allocations set out in the Division of Revenue Act, Act 1 of 2005) significant changes in the level of government grant funding have materialised due to the allocation of the RSC levy replacement grant.

**19.1 Equitable Share**

This grant is used to subsidise the following functions:

WSP  
 WSA  
 Engineering Services  
 Disaster Management  
 Health & Protection Services  
 Fire service  
 Building & Services Planning  
 Municipal Manager  
 PMU

**19.2 Income for Agency Services**

Balance outstanding at beginning of year	1 300 678	2 490 489
Total Income	7 063 509	17 693 769
Subsidy received	7 059 047	17 621 606
Other income	4 462	71 934
Total Expenditure	(7 792 992)	(18 883 580)
Less: Expenditure subsidy	(7 788 531)	(18 811 646)
Less: Other expenditure relating to sundry income	(4 462)	(71 934)
Conditions still to be met- transferred to creditors	<b>571 194</b>	<b>1 300 678</b>

The Municipality renders health services on behalf of the Provincial Government and is refunded 100% of the total expenditure incurred. The conditions of the grant have been met. There was a delay in receiving the subsidy due to negotiations regarding the Service Level Agreement.

<b>19.3 Conditional Grants</b>		
Balance unspent at beginning of year	169 361 519	181 708 293
Current year receipts	278 970 812	205 170 082
Interest Received	15 951 768	7 513 715
Less: Expenditure	(265 590 361)	(225 117 486)
Condition still to be met-transferred to liabilities (see note 3)	<b>199 693 719</b>	<b>169 274 604</b>
Refer to Annexure 1		

**AMATHOLE DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2007/08	2006/07
	R	R
<b>20. OTHER INCOME</b>		
Other income	4 137 222	3 013 150
Administration fees	235 264	1 035 180
<b>Total Other Income</b>	<b>4 372 486</b>	<b>4 048 330</b>
<b>21. GAIN ON TRANSFER OF WATER INFRASTRUCTURE</b>		
<p>The provisions of Provincial notice 80 dated 27 September 2000, issued in terms of section 12 of the Local Government Municipal Structures Act, provides for the transfer of the Water Service Authority and Water Service Provider duties to the Amathole District Municipality, effective 01 July 2006, for the district municipality's areas excluding Buffalo city municipality. In terms of sub-paragraph 6(1) of Provincial notice 80 "The assets, liabilities and obligations of a disestablished municipality... (are) transferred to the new municipality...".</p> <p>The ADM embarked on an asset verification program aimed at determining all immovable properties to be transferred from the local municipalities' financial records. Similarly, the ADM embarked on a process of third party confirmations and/or assessments of all consumer debtors, liabilities and obligations that were identified for transfer from the local municipalities.</p> <p>Only immovable assets identified as per the ADM's verification exercise, the identified fleet currently being utilised within operations, and incumbent liabilities are incorporated into the financial records.</p> <p>The financial records of the Amathole Local Municipality was incorporated into the financial records of the ADM (Only municipality with un-disclaimed audited financial records)            All unassessable balances will remain within the local municipalities' financial records (Mthatha LM, Mquma LM, Great Kei LM, Ngqushwe LM, Nkonkobe LM, Ntuba LM).            The value of the water receivables of 6 local municipalities at 30 June 2007 were not recognised in the annual financial statements as the applicable recognition and measurement criteria were not met.</p> <p>The incorporation of the financial records of Amathole LM and various balances from other municipalities resulted in gains in the financial records of the ADM.</p> <p>The gains (excess of assets over liabilities) are recognised through the Statement of Financial Performance.</p>		
Gain on transfer of Local Municipality water infrastructure assets	-	601 346 851
	-	<b>601 346 851</b>
<b>22. OPERATING SURPLUS</b>		
<p>Operating surplus is stated after the following:</p>		
<b>Rental Income</b>		
Rental income received for investment property	31 482	43 738
Repairs and maintenance investment property generating rental income	-	376 000
<b>Operating lease charges</b>		
Premises		
- Contractual amounts	4 181 910	3 056 532
Motor vehicles		
- Contractual amounts	7 253 782	1 251 854
Office Equipment		
- Contractual amounts	215 896	143 740
	<b>11 651 588</b>	<b>4 452 127</b>
<b>Cost of inventories</b>		
Housing inventories	658 947	11 514 122
Stores and materials	2 460 315	2 380 931
Water	27 468 853	24 633 263
	<b>30 586 114</b>	<b>38 728 316</b>
Surplus on sale of infrastructure, plant and equipment	-	(63 400)
Depreciation on infrastructure, plant and equipment	41 451 976	32 259 941
Amortisation on Intangible Assets	100 282	139 323
Loss on sale of assets	-	165 993
<b>Amount expended in respect of retirement benefit plans:</b>	<b>16 224 645</b>	<b>12 823 696</b>
Defined contribution funds	15 031 102	12 433 300
Defined benefit funds	1 193 543	390 696
<b>23. EMPLOYEE RELATED COSTS PER THE PAYROLL</b>		
Employee related costs- Salaries and Wages	85 440 572	77 342 596
Employee related costs- Contribution for UIF, pensions and medical aid.	18 733 490	15 363 840
Travel, motor car, accommodation, subsistence and other allowances	4 940 276	8 347 947
Housing benefits and allowances	965 228	896 108
Overtime payments	4 361 543	2 867 735
Bonus	9 361 943	3 947 028
Other benefits/allowances	16 615 060	14 917 760
<b>Total Employee Related Costs</b>	<b>140 418 111</b>	<b>123 683 013</b>
<b>Defined Benefit Plan (Post employment medical aid) Expense</b>	<b>9 896 023</b>	<b>8 812 970</b>
- current service cost	5 504 049	5 072 856
- interest cost	4 391 974	3 740 114
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	295 793	481 207
Performance Bonus	-	110 573
Leave Encashment	56 959	-
Acting Allowance	-	-
Cell Phone Allowance	-	-
Car Allowance	99 905	172 861
Back Pay of Remuneration	11 300	-
Contributions to UIF, Medical and Pension Funds	88 593	105 497
<b>TOTAL</b>	<b>532 550</b>	<b>871 138</b>
<b>Remuneration of the Chief Finance Officer</b>		
Annual Remuneration	191 772	378 136
Performance Bonuses	-	102 453
Leave Encashment	62 205	-
Acting Allowance	-	-
Cell Phone Allowance	-	17 700
Car Allowance	10 939	135 469
Back Pay of Remuneration	61 330	-
Contributions to UIF, Medical and Pension Funds	9 073	-
<b>Total</b>	<b>48 330</b>	<b>96 837</b>
	<b>383 649</b>	<b>730 595</b>

The position of Chief Finance Officer was vacated on 31 October 2007  
 The position of Chief Finance Officer was filled on 1 May 2008

**AMATHOLE DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2007/08	2006/07
	R	R
<b>Remuneration of the Director: Administration</b>		
Annual Remuneration	211 459	387 564
Performance Bonuses	78 806	103 592
Leave Encashment	60 985	-
Acting Allowance	-	-
Cell Phone Allowance	11 556	16 920
Car Allowance	53 929	129 406
Back Pay of Remuneration	9 073	-
Contributions to UIF, Medical and Pension Fund	50 967	91 659
<b>Total</b>	<b>476 775</b>	<b>729 141</b>
The position of Director: Administration was vacated on 31 December 2007		
<b>Remuneration of the Director: Engineering</b>		
Annual Remuneration	406 924	380 368
Performance Bonuses	68 529	96 761
Leave Encashment	30 492	-
Acting Allowance	-	-
Cell Phone Allowance	23 112	17 700
Car Allowance	133 180	135 658
Back Pay of Remuneration	9 023	-
Contributions to UIF, Medical and Pension Fund	98 321	91 696
<b>Total</b>	<b>769 581</b>	<b>722 183</b>
<b>Remuneration of the Director: Strategic Management</b>		
Annual Remuneration	378 634	386 599
Performance Bonuses	49 683	70 578
Leave Encashment	56 787	-
Acting Allowance	-	-
Cell Phone Allowance	23 278	5 010
Car Allowance	123 291	136 360
Back Pay of Remuneration	9 073	-
Contributions to UIF, Medical and Pension Fund	89 134	87 509
<b>Total</b>	<b>729 880</b>	<b>686 056</b>
The position of Director: Strategic Management was vacated on 31 May 2008		
<b>Remuneration of the Director: Human Resources</b>		
Annual Remuneration	408 236	386 995
Performance Bonuses	65 959	88 792
Leave Encashment	32 142	-
Acting Allowance	31 344	-
Cell Phone Allowance	-	-
Car Allowance	135 271	136 528
Back Pay of Remuneration	9 073	-
Contributions to UIF, Medical and Pension Fund	102 110	89 044
<b>Total</b>	<b>784 135</b>	<b>701 359</b>
<b>Remuneration of the Director: Health &amp; Protection</b>		
Annual Remuneration	414 389	388 830
Performance Bonuses	70 242	99 038
Acting Allowance	-	-
Cell Phone Allowance	23 112	17 700
Car Allowance	134 724	138 022
Back Pay of Remuneration	9 073	-
Contributions to UIF, Medical and Pension Fund	90 444	83 615
<b>Total</b>	<b>741 984</b>	<b>727 205</b>
<b>Remuneration of the Director: Executive support services</b>		
Annual Remuneration	379 682	60 273
Performance Bonuses	18 521	-
Leave Encashment	-	-
Acting Allowance	-	-
Housing subsidy	7 344	1 108
Cell Phone Allowance	23 112	3 600
Car Allowance	130 660	22 560
Back Pay of Remuneration	9 073	-
Contributions to UIF, Medical and Pension Fund	96 903	12 781
<b>Total</b>	<b>665 195</b>	<b>100 322</b>
The position for Director: Executive Services was filled on 1 May 2007		
<b>24. REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	585 222	547 282
Speaker	448 960	428 979
Mayoral Committee Members	4 328 559	4 127 169
Councillors	4 360 345	4 100 766
Councillors pension contribution	190 033	-
<b>Total Councillors' Remuneration</b>	<b>9 913 119</b>	<b>9 204 196</b>
<b>In-Kind Benefits</b>		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time		
Each is provided with an office and secretarial support at the cost of the Council.		
Mayor has use of a 2 council owned vehicles for official duties, and two full-time driver/bodyguards.		
The salaries, allowances and benefits of the political office-bearers are within the upper limits of the framework as prescribed by section 219 of the Constitution:		
<b>25. PAYE AND UIF</b>		
Opening balance	-	-
Current year payroll deductions	17 583 954	15 603 473
Amount paid-current year	(17 583 954)	(15 603 473)
Amount paid-previous year	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>26. PENSION AND MEDICAL AID DEDUCTIONS</b>		
Opening balances	-	-
Current year payroll deductions and Council Contributions	28 357 837	16 917 393
Amount paid-current year	(28 357 837)	(16 917 393)
Amount paid-previous year	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

The pension fund contributions disclosed above includes contributions to the defined benefit and defined contribution funds. The municipality has accepted the exemption provided by Government Gazette No. 30013 dated 29 June 2007 which states that defined benefit plans can be accounted for as if they were defined contribution plans. Contributions made to the defined benefit plan has therefore been disclosed as contributions which has been recognised in the Statement of Financial Performance. No plan asset or liability was recognised.

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

	2007/08	2006/07
	R	R
<b>27. GRANTS AND SUBSIDIES PAID</b>		
EC121	2 462 406	7 675 252
EC122	4 701 472	6 693 623
EC123	3 572 723	3 365 613
EC124	106 793	2 047 797
EC125	397 738	574 803
EC126	2 456 283	1 756 867
EC127	12 970 708	9 227 977
EC128	914 070	3 733 566
<b>Total Grants and Subsidies</b>	<b>27 582 193</b>	<b>39 075 499</b>
<p>The grants paid to all Local Municipalities are in terms of the District Municipality's Integrated Development plan. The above grants relates to priority project allocation to local municipalities.</p>		
<b>28. GRANTS AND SUBSIDIES OUTSTANDING</b>		
EC121	2 127 515	1 531 289
EC122	11 575 811	7 566 473
EC123	2 818 726	5 522 890
EC124	90 507	197 300
EC125	571 625	969 364
EC126	1 244 200	1 503 606
EC127	14 253 763	9 731 793
EC128	7 337 108	1 133 220
<b>Total Grants and Subsidies</b>	<b>40 019 255</b>	<b>28 155 934</b>
<p>The above grants relates to priority project allocation to local municipalities.</p>		
<b>29. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>29.1 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure		
Opening balance		
Unauthorised expenditure current year	-	10 002 889
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	(10 002 889)
	-	-
<p>The budget of the engineering services depreciation vote was exceeded due to unforeseen depreciation costs due to the take on of water assets, resulting in unauthorised expenditure of R10,002,889</p>		
<b>29.2 Fruitless and wasteful expenditure</b>		
Reconciliation of fruitless and wasteful expenditure		
Opening balance		
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered- contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-
	-	-
<b>29.3 Irregular expenditure</b>		
Reconciliation of irregular expenditure		
Opening balance		
Irregular expenditure current year	-	470 456
Condoned or written off by Council	-	(470 456)
Transfer to receivables for recovery- not yet condoned	-	-
Irregular expenditure awaiting condonement	-	-
	-	-
<b>30. INVESTMENT INCOME</b>		
<b>Interest revenue</b>		
Unlisted financial assets	34 535 580	33 467 259
Current Account	1 714 456	814 381
Loans	26 102	26 247
Interest charged on trade and other receivables	8 514 650	2 550 655
	<b>44 790 788</b>	<b>36 888 541</b>
<b>31. FINANCE COSTS</b>		
Finance leases	151 560	192 659
External borrowings	424 715	1 170 045
	<b>576 275</b>	<b>1 362 704</b>
<b>32. AUDIT FEES PAID</b>		
Fees	1 544 148	1 159 472
	<b>1 544 148</b>	<b>1 159 472</b>
<b>33. CASH GENERATED FROM OPERATIONS</b>		
Surplus for the year	30 737 791	564 359 477
<b>Adjustments for:</b>		
Disposal of property, plant and equipment	294 874	102 593
Depreciation and amortisation	41 552 268	32 399 268
Contributions to provisions - current	3 895 080	6 104 791
Contribution to bad debt provision	16 870 978	61 472 868
Non cash flow: Gain on transfer of water infrastructure from local municipalities	-	(601 346 851)
Non cash flow: Revaluation reserve off setting of depreciation	(707 208)	-
Investment income	(44 790 788)	(36 888 541)
Interest paid	576 275	1 362 704
<b>Operating surplus before working capital changes</b>	<b>48 419 270</b>	<b>27 566 394</b>
(Increase)/Decrease in inventories	(670 939)	(2 801 696)
Increase in consumer debtors	(63 158 625)	(38 841 313)
Increase in deferred income	160 582 923	328 794 254
Increase/(decrease) in conditional grants and receipts	24 472 292	(7 708 032)
Increase/(decrease) in trade and other payables	20 346 557	7 743 477
Provisions paid	(3 172 947)	(3 473 147)
Decrease/(Increase) in VAT receivable	294 768	(10 547 262)
<b>Cash generated in operations</b>	<b>187 113 299</b>	<b>300 732 586</b>

AMATHOLE DISTRICT MUNICIPALITY

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

	2007/08	2006/07
	R	R
<b>34. COMMITMENTS</b>		
<b>Authorised capital expenditure</b>		
- <b>Approved and contracted for</b>	<b>482 938 816</b>	<b>224 130 816</b>
Infrastructure	482 938 816	216 045 594
Community	-	4 614 882
Heritage	-	-
Other	-	3 470 340
Investment Properties	-	-
- <b>Approved but not yet contracted for</b>	<b>774 255 254</b>	<b>266 881 384</b>
Infrastructure	747 320 486	249 518 415
Community	26 934 768	7 612 970
Heritage	-	-
Other	-	9 750 000
Investment Properties	-	-
<b>Total</b>	<b>1 257 194 069</b>	<b>491 012 200</b>
This expenditure will be financed from:		
- External Loans	1 106 944 069	-
- District Council Grants	69 000 000	487 541 860
- Own resources	81 250 000	3 470 340
<b>Total</b>	<b>1 257 194 069</b>	<b>491 012 200</b>
<b>Operating leases</b>		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
-within one year	3 498 734	2 414 998
-in second to fifth year inclusive	1 572 578	2 317 188
-later than five years	-	-
	<b>5 071 312</b>	<b>4 732 185</b>
Operating lease payments represent rentals payable by the municipality for certain of its office properties and office equipment. Leases are negotiated for an average term of 3 years and rentals escalate on average at 10% p.a. No contingent rent is payable.		
<b>Operating leases – as lessor (income)</b>		
<b>Minimum lease payments due</b>		
-within one year	63 268	50 113
-in second to fifth year inclusive	32 744	40 091
-later than five years	-	-
	<b>96 012</b>	<b>90 205</b>
Operating lease payments represent rentals receivable by the Municipality for certain of its properties situated in Stutterheim, Komga, Cathcart, Mount Pleasant and Maclearstown.		
Leases are negotiated for an average of 4 years and rentals escalate by an average of 12% annually.		

**AMATHOLE DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2007/08 R	2006/07 R
<b>35.1 CONTINGENT LIABILITIES</b>		
The following contingent liabilities have been disclosed and not recognised:		
Iliso Consulting	-	93 588
S Holokoshe	-	87 592
Nedbank Ltd	36 783	25 000
PAS: Status quo analysis	500 596	500 000
Tigana Group (1)	114 881	-
Tigana Group (2)	203 380	-
Consumer debtors - Advance payments	15 274 156	-
Consumer debtors - Deposits	317 837	-
DBSA loan - Nkonkobe	5 726 507	-
	<u>22 174 240</u>	<u>707 179</u>

**Nedbank Ltd**

Amathole District Municipality rented a photocopier machine from Canon. The contract was allegedly ceded to Nedbank Ltd, which now claims outstanding rental. Discussions are currently in progress between Amathole District Municipality and the Provincial Government. Nedbank Ltd has threatened to issue summons.

**PAS: Status quo analysis**

PAS has sued for services rendered and damages out of breach of contract. PAS failed to carry out the full terms of the contract and breached its obligations which has resulted in termination of the contract.

The matter is the throes of proceeding to trial.

**Tigana Group (1)**

The Plaintiff instituted action against the Municipality for services rendered on a particular contract in October 2006. An Appearance to Defend was filed and it was subsequently found that the money was payable. Payment of the moneys has been made and the outstanding issue relates to the costs and interest.

**Tigana Group (2)**

Tigana Group have sent letters of demand for payment of a further invoice in respect of the Nqushwa Demand Management System, project number 8/2/5/6/2005. ADM are presently searching their records to ascertain whether payment has been made in this regard and instructions are awaited. The Plaintiff has indicated that Summons will be issued shortly.

**Consumer debtors - Advance payments and deposits**

On 1 July 2006 the municipality assumed responsibility for the provision of water and sanitation services in its district in terms of Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998). In terms of this notice, the water and sanitation function of seven local municipalities within the district were transferred. The transaction files of the consumer debtors could not be substantiated and hence were not recognised in the accounting records of the district municipality.

**DBSA loan - Nkonkobe**

The DBSA loan was not serviced in prior years hence arrears interest was accumulated. The municipality is the process of negotiating that the arrear interest be waived.

**35.2 CONTINGENT ASSET**

The following contingent asset has been disclosed and not recognised:

Give Ziyawa Construction	1 332 432	-
Consumer debtors - Mbhashe	3 398 062	-
Consumer debtors - Mngquma	83 655 296	-
Consumer debtors - Great Kei	9 960 984	-
Consumer debtors - Nqushwa	1 978 776	-
Consumer debtors - Nkonkobe	76 431 518	-
Consumer debtors - Nxuba	13 128 723	-
	<u>188 883 791</u>	<u>-</u>

**Give Ziyawa Construction**

Contractor rendered a defective service in this water project.

This constituted a breach of contract hence the contract was subsequently cancelled. It also transpired that the contractor had been overpaid and as such had been unjustly enriched.

**Consumer debtors**

On 1 July 2006 the municipality assumed responsibility for the provision of water and sanitation services in its district in terms of Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998). In terms of this notice, the water and sanitation function of seven local municipalities within the district were transferred. The transaction files of the consumer debtors could not be substantiated and hence were not recognised in the accounting records of the district municipality.



**AMATHOLE DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2007/08 R	2006/07 R
<b>36. RELATED PARTIES</b>		
<b>Relationships</b>		
Subsidiary / Municipal entity	Refer to Note 3.1	
Related party balances		
Owing (to) by Amathole Economic Development Agency	4 177 363	(832 425)
<b>Related Party Transactions</b>		
Funding provided to AEDA for the operations of the agency	5 000 000	5 000 000
<b>37. PRIOR PERIOD ERRORS</b>		
<b>Finance leases</b>		
Certain leases were not identified and classified as finance or operating leases in accordance with IAS 17 in the prior financial year. Leases were assessed against the criteria of IAS 17 in the current financial year. This resulted in the capitalisation of office equipment as well as recognising the corresponding liability. The prior period errors relating to leases have been corrected retrospectively.		
<b>Operating leases</b>		
The accrued rental calculated when straight lining the operating leases was incorrect in the prior year. The prior period error was corrected retrospectively.		
<b>Investment properties</b>		
Land was incorrectly classified as property, plant and equipment. In accordance with the IAS 40 criteria it has been classified as investment property. The prior period error relating to investment property has been corrected retrospectively. The correction of the errors resulted in adjustments as follows:		
<b>Employee benefits</b>		
In the prior year defined benefit plans were accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. This accounting treatment is inconsistent with IAS 19. The post retirement medical benefit was valued by an actuary. The municipality has recognised the post employment medical aid benefit obligation in accordance with IAS 19. The error was corrected in the current financial year and was adjusted for retrospectively.		
<b>Housing inventory</b>		
All expenditure incurred on the housing projects were capitalised as inventory. The annual financial statements did not reflect any adjustments in respect of the houses that were completed and occupied by the beneficiaries. The municipality has transferred all expenditure relating to completed and occupied houses to the Statement of Financial Performance. The error was corrected in the current financial year and was adjusted for retrospectively.		
<b>Payables - water</b>		
On 1 July 2006 the municipality assumed responsibility for the provision of water and sanitation services as required by Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998). No provision was recognised for claims in respect of unpaid water service costs that were outstanding at 1 July 2006, as no claims were submitted by the local municipalities. The municipality has recognised the payable. The error was corrected in the current financial year and was adjusted for retrospectively.		
<b>Water inventory</b>		
The uncollected water on hand at year end was not disclosed as required by GAMAP 12. The municipality has quantified the water on hand at year end and disclosed the cost as part of inventory. The error was corrected in the current financial year and was adjusted for retrospectively.		
<b>Long term loans - DBSA</b>		
On 1 July 2006 the municipality assumed responsibility for the provision of water and sanitation services as required by Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998). The municipality took over the DBSA loans relating to the financing of water and sanitation infrastructure. Interest on these loans was incorrectly accrued. The error was corrected in the current financial year and was adjusted for retrospectively.		
<b>Consumer debtors</b>		
The municipality undertook a data cleansing exercise in which material errors were noted in the billing of consumer debtors. These errors were corrected in the current financial year and was adjusted retrospectively.		
<b>Other payables</b>		
Expenditures incurred on projects was incorrectly accounted for directly against the Statement of Financial Performance instead of against the accrual recognised for projects in the prior year. This error was corrected in the prior year and corrected retrospectively.		
<b>Property plant and equipment - Infrastructure assets</b>		
On 1 July 2006 the municipality assumed responsibility for the provision of water and sanitation services as required by Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998). GAMAP 17 prescribes that where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value at the date of acquisition. The water infrastructure assets were not recognised at fair value as at 1 July 2006. The municipality has recognised the water infrastructure assets at the depreciated replacement cost, being the fair value, in accordance with GAMAP 17. In addition the motor vehicles were taken over at the incorrect value. The municipality appointed an independent valuer to determine the value of the motor vehicles. The error was corrected in the current financial year and was adjusted for retrospectively.		
<b>Finance leases</b>		
<b>Statement of Financial Position</b>		
Adjustment against opening retained earnings 30 June 2006		25 674
Increase in finance lease liability		(469 698)
Increase in infrastructure, plant and equipment		588 042
Increase in accumulated depreciation		(166 489)
Increase in interest accrual		(6 977)
		<u>(31 447)</u>
<b>Statement of Financial Performance</b>		
Increase in finance charges		77 835
Increase in depreciation		127 045
Decrease in leasing and hiring costs		(173 433)
		<u>31 447</u>
<b>Operating leases</b>		
<b>Statement of Financial Performance</b>		
Increase in rental paid		21 117
		<u>21 117</u>
<b>Statement of Financial Position</b>		
Increase in operating lease liability		(211 177)
		<u>(211 177)</u>
<b>Investment property</b>		
<b>Statement of Financial Performance</b>		
Increase in investment property		38 842
Decrease in property, plant and equipment		(38 842)
		<u>-</u>

**AMATHOLE DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2007/08 R	2006/07 R
<b>Employee Benefits</b>		
Adjustment against opening retained earnings 30 June 2006		38 433 753
<b>Statement of financial performance</b>		
Increase in employee costs		8 812 070
		<u>47 246 723</u>
<b>Statement of financial position</b>		
Increase in defined benefit obligation		(47 246 723)
		<u>(47 246 723)</u>
<b>Housing Inventory</b>		
Adjustment against opening retained earnings 30 June 2006		34 196 462
<b>Statement of financial performance</b>		
Increase cost of sales		8 986 075
		<u>43 182 537</u>
<b>Statement of financial position</b>		
Decrease in inventory		-43 182 537
		<u>(43 182 537)</u>
<b>Payables - water</b>		
<b>Statement of financial performance</b>		
Decrease in gain on transfer of water infrastructure		393 332
		<u>393 332</u>
<b>Statement of financial position</b>		
Increase in payables		(393 332)
		<u>(393 332)</u>
<b>Water Inventory</b>		
<b>Statement of financial performance</b>		
Decrease cost of sales		(78 468)
		<u>(78 468)</u>
<b>Statement of financial position</b>		
Increase in inventory		78 468
		<u>78 468</u>
<b>Long term loans</b>		
<b>Statement of financial performance</b>		
Increase in interest paid		100 963
		<u>100 963</u>
<b>Statement of financial position</b>		
Increase in sundry debtors		429 771
Increase in sundry creditors		(644 512)
Decrease in long term loans		239 763
Increase in long term loans- DBSA		(125 985)
		<u>(100 963)</u>
<b>Consumer Debtors</b>		
<b>Statement of financial performance</b>		
Decrease in revenue - water		5 049 736
Increase in revenue - sanitation		(10 512)
Decrease in revenue - interest		111 863
		<u>5 151 087</u>
<b>Statement of financial position</b>		
Decrease in consumer debtors		(5 151 087)
		<u>(5 151 087)</u>
<b>Other creditors</b>		
<b>Statement of financial performance</b>		
Decrease expenditure		(1 370 741)
		<u>(1 370 741)</u>
<b>Statement of financial position</b>		
Decrease in other payables - project accruals		1 370 741
		<u>1 370 741</u>
<b>Property, plant and equipment - Infrastructure assets</b>		
<b>Statement of financial performance</b>		
Increase in gain on transfer of water infrastructure assets		-309 677 444
Decrease in depreciation		-5 784 903
		<u>(315 462 347)</u>
<b>Statement of financial position</b>		
Increase in property, plant and equipment - infrastructure		312 469 612
Decrease in property plant and equipment - other		-2 792 168
Decrease in accumulated depreciation		5 784 903
		<u>315 462 347</u>

**38. RECLASSIFICATION OF COMPARATIVE FIGURES**

Certain comparative figures have been reclassified.

**Commitments**

The comparative commitments pertaining to operating leases was restated as leases were identified and classified in accordance with IAS 17/(AC105) as operating leases. The restatement has no effect on the statement of financial position or statement of financial performance, as the leases had no straight-lining effect.

**Investment property**

The comparative figures for investment property have been restated as land was incorrectly classified as property, plant and equipment. Refer note 37 for the effect on the statement of financial position.

**39. RISK MANAGEMENT**

**Liquidity risk**

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

**Interest rate risk**

Deposits and all call accounts attract interest at rates that vary with prime. The municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus / deficit.

At year end, financial instruments exposed to interest rate risk were as follows: balances with banks, call accounts and current accounts.

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2007/08

2006/07

R

R

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows: deposits with banks, staff loans and receivables

The municipality is exposed to the following guarantees:

Guarantees in lieu of Eskom and the Post office

130 000  
130 000

130 000  
130 000

**40. NON-COMPLIANCE WITH SECTION 89(a) OF THE MUNICIPAL FINANCE MANAGEMENT ACT**

The Municipality failed to adhere in determining the upper limits of the employee benefits and monitoring the cost of the managers of the Municipal Entity

**41. EVENTS AFTER THE REPORTING DATE AS AT 30 JUNE 2008**

No events subsequent events have been identified subsequent to reporting date

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

EXTERNAL LOANS	Loan Number	Interest Rate	Final Redemption Date	Balance at 01/07/2007	Corrections	Balance at 01/07/2007 Corrected	Received during the period	Redeemed written off during the period	Balance at 30/06/2008
<b>LONG-TERM LOANS</b>				R			R	R	R
DBSA Loan - Nkonkobe	8237	11%	2014/09/30	3 744 200	(68 884)	3 675 316		336 031	3 339 285
DBSA Loan - Great Kei	10876	15%	2019/06/30	1 766 382	(251 188)	1 515 194		39 036	1 476 158
DBSA Loan - Nxuba	11416	17%	2009/06/30	78 201		78 201		78 201	-
Loan - Amahlathi	100001	4%	2009/06/30	1 082 676	108 636	1 191 311		404 062	787 249
Loan - Amahlathi	100001	4%	2009/06/30	294 964	(78 400)	216 564		81 567	134 997
Loan - Amahlathi	100001	4%	2009/06/30	113 758	(18 811)	94 947		10 515	84 431
<b>Total long-term loans</b>				<b>7 080 181</b>	<b>(308 648)</b>	<b>6 771 534</b>	-	<b>949 414</b>	<b>5 822 120</b>
<b>CURRENT PORTION</b>									
DBSA Loan - Amahlathi [In arrears]	11641	11%	2007/06/30	7 926	-	7 926		3 732	4 194
DBSA Loan - Nxuba	11240	16%	2010/12/31	9 497	-	9 497		9 497	0
<b>Total short term loans</b>				<b>17 423</b>	-	<b>17 423</b>	-	<b>13 229</b>	<b>4 194</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>7 097 604</b>	<b>(308 648)</b>	<b>6 788 957</b>	-	<b>962 643</b>	<b>5 826 314</b>

APPENDIX B  
**AMATHOLE DISTRICT MUNICIPALITY**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
**AS AT 30 JUNE 2008**

Classification	Cost/Revaluation						Accumulated Depreciation						Carrying Value	
	Opening Balance	Transfer In / (Out)	New Opening Balance	Additions	Revalue	Disposals	Closing Balance	Opening Balance	Transfer In / (Out)	New Opening Balance	Additions	Disposals		Closing Balance
<b>INFRASTRUCTURE</b>	<b>620 668 652</b>	<b>312 469 611</b>	<b>933 138 263</b>	<b>141 383 786</b>	-	-	<b>1 074 522 049</b>	<b>31 744 260</b>	<b>(4 695 719)</b>	<b>27 048 541</b>	<b>31 338 708</b>	-	<b>58 387 250</b>	<b>1 016 134 799</b>
<b>Water</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs & Tanks	170 888 093	58 259 396	229 147 489	752 611	-	-	229 900 101	14 959 151	(311 427)	14 647 724	5 258 082	-	19 905 806	209 994 294
Supply / Reticulation	-	124 684 242	124 684 242	-	-	-	124 684 242	-	-	-	10 731 326	-	-	113 952 916
Water - Other	3 884 897	238 067	4 122 964	103 258	-	-	4 226 221	2 250 732	(1 281 356)	969 376	805 561	-	1 774 936	2 451 285
Water Mains	-	504 533	504 533	-	-	-	504 533	-	-	-	-	-	-	504 533
Meters	1 446 800	16 400 883	17 847 683	73 168	-	-	17 920 851	271 059	(177 736)	93 323	278 248	-	371 571	17 549 280
<b>Sanitation</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purification works	23 235 282	36 664 355	59 899 637	-	-	-	59 899 637	2 928 932	(369 000)	2 559 932	2 931 105	-	5 491 037	54 408 600
Sewers	90 675 095	75 718 135	166 393 230	-	-	-	166 393 230	11 334 387	(2 556 200)	8 778 187	11 334 387	-	20 112 574	146 280 656
Work in Progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure under Construction	330 538 485	-	330 538 485	140 454 749	-	-	470 993 235	-	-	-	-	-	-	470 993 235
<b>COMMUNITY</b>	<b>5 834 648</b>	<b>-</b>	<b>5 834 648</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 834 648</b>	<b>557 151</b>	<b>-</b>	<b>557 151</b>	<b>260 121</b>	<b>-</b>	<b>817 272</b>	<b>5 017 376</b>
Clinics & Hospitals	1 983 692	-	1 983 692	-	-	-	1 983 692	279 270	-	279 270	115 896	-	395 165	1 588 527
Fire Stations	3 393	-	3 393	-	-	-	3 393	788	-	788	130	-	918	2 475
Museum & Art Galleries	3 792 852	-	3 792 852	-	-	-	3 792 852	268 120	-	268 120	133 255	-	401 374	3 391 477
Security System	54 712	-	54 712	-	-	-	54 712	8 974	-	8 974	10 841	-	19 815	34 897
<b>INVESTMENT PROPERTIES</b>	<b>781 714</b>	<b>(75 255)</b>	<b>706 459</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>706 459</b>	<b>95 411</b>	<b>-</b>	<b>95 411</b>	<b>28 933</b>	<b>-</b>	<b>124 344</b>	<b>582 115</b>
Administration	781 714	(75 255)	706 459	-	-	-	706 459	95 411 21	-	95 411	28 933 00	-	124 344	582 115
<b>OTHER</b>	<b>79 333 118</b>	<b>(2 087 921)</b>	<b>77 245 196</b>	<b>16 355 441</b>	<b>-</b>	<b>1 011 193</b>	<b>92 589 445</b>	<b>17 789 822</b>	<b>(859 571)</b>	<b>16 930 251</b>	<b>9 824 215</b>	<b>765 437</b>	<b>25 989 028</b>	<b>66 600 416</b>
<b>LAND AND BUILDINGS</b>	<b>31 457 722</b>	<b>75 255</b>	<b>31 532 977</b>	<b>51 030</b>	<b>-</b>	<b>-</b>	<b>31 584 007</b>	<b>1 292 715</b>	<b>-</b>	<b>1 292 715</b>	<b>514 075</b>	<b>-</b>	<b>1 806 790</b>	<b>29 777 217</b>
Administration	23 434 687	88 706	23 523 393	-	-	-	23 523 393	579 668	-	579 668	223 655	-	803 323	22 720 070
Housing Schemes	1 139 915	-	1 139 915	-	-	-	1 139 915	29 380	-	29 380	10 082	-	39 462	1 100 453
Workshops & Depots	4 678 685	-	4 678 685	51 030	-	-	4 729 715	669 201	-	669 201	274 738	-	943 939	3 785 776
Land	2 204 436	(13 451)	2 190 985	-	-	-	2 190 985	14 466 700	-	14 466 700	5 600	-	20 067	2 170 918
<b>Office Equipment</b>	<b>12 841 541</b>	<b>602 535</b>	<b>13 444 076</b>	<b>1 746 978</b>	<b>-</b>	<b>661 696</b>	<b>14 531 357</b>	<b>6 289 822</b>	<b>163 526</b>	<b>6 453 350</b>	<b>2 411 293</b>	<b>629 850</b>	<b>8 234 793</b>	<b>6 296 564</b>
Air Conditioners	53 019	-	53 019	-	-	-	53 019	50 308	-	50 308	1 414	-	51 722	1 297
Computer Hardware	9 870 111	586 041	10 456 152	1 457 026	-	331 602	11 581 576	4 387 570	166 488	4 554 058	2 051 625	315 434	6 290 249	5 291 327
Operating Software	103 683	-	103 683	202 534	-	-	306 217	100 897	1	100 898	108 971	-	209 869	96 349
Office Machines	2 814 727	16 494	2 831 221	89 418	-	330 094	2 590 545	1 751 047	(2 961)	1 748 086	249 283	314 416	1 682 953	907 592
<b>Furniture and Fittings</b>	<b>2 246 262</b>	<b>(17 271)</b>	<b>2 228 991</b>	<b>1 959 008</b>	<b>-</b>	<b>8 290</b>	<b>4 179 709</b>	<b>867 616</b>	<b>(22 688)</b>	<b>844 928</b>	<b>1 145 160</b>	<b>5 651</b>	<b>1 994 437</b>	<b>2 195 272</b>
Cabinets & Cupboards	833 493	28 210	861 702	311 240	-	2 276	1 170 667	340 689	0	340 689	388 611	1 359	727 940	442 727
Chairs	215 926	2 472	218 397	108 186	-	4 917	321 667	87 171	2 472	89 643	111 643	3 703	197 582	124 084
Furniture and Fittings : Other	511 201	(47 363)	463 837	1 068 523	-	1 097	1 531 262	170 839	(25 159)	145 681	404 965	-	550 645	980 617
Tables & Desks	685 642	(589)	685 054	471 060	-	(0)	1 156 113	268 916	(0)	268 916	239 942	589	508 269	647 844
<b>Plant and Equipment</b>	<b>9 991 309</b>	<b>43 727</b>	<b>10 035 036</b>	<b>252 734</b>	<b>-</b>	<b>6 543</b>	<b>10 281 226</b>	<b>2 736 957</b>	<b>11 626</b>	<b>2 748 583</b>	<b>1 097 948</b>	<b>5 767</b>	<b>3 840 764</b>	<b>6 440 462</b>
Ambulance Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Compressors	5 070	-	5 070	-	-	-	5 070	2 533	-	2 533	1 015	-	3 548	1 522
Medical Equipment	21 933	(0)	21 933	-	-	-	21 933	14 731	(0)	14 731	1 288	-	16 019	5 914
Fire Equipment	197 078	-	197 078	-	-	-	197 078	28 358	-	28 358	13 138	-	41 496	155 582
Fire Arms	1 775	-	1 775	-	-	-	1 775	1 775	-	1 775	-	-	1 775	-
Laboratory Equipment	13 455	-	13 455	65 353	-	-	78 808	32 039	(19 900)	12 139	8 589	-	20 728	58 080
Lawnmowers	125 089	(1)	125 088	31 696	-	-	156 784	49 776	19 900	69 676	45 360	-	115 036	41 748
Plant & Equipment : General	407 357	42 951	450 308	155 686	-	(0)	605 994	224 631	11 626	236 257	109 472	-	345 729	260 265
Tractors	9 189 430	-	9 189 430	-	-	-	9 189 430	2 352 992	-	2 352 992	919 085	-	3 272 077	5 917 352
Radio Equipment	30 121	777	30 898	-	-	-	24 355	30 121	-	30 121	-	5 767	24 355	-
Telecommunication Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Motor Vehicles</b>	<b>22 796 285</b>	<b>(2 792 167)</b>	<b>20 004 118</b>	<b>12 343 691</b>	<b>-</b>	<b>334 663</b>	<b>32 013 145</b>	<b>6 602 712</b>	<b>(1 012 038)</b>	<b>5 590 674</b>	<b>4 655 739</b>	<b>124 170</b>	<b>10 122 243</b>	<b>21 890 901</b>
Motor Vehicles	2 355 292	1	2 355 293	389 328	-	-	2 744 621	1 104 725	-	1 104 725	451 094	-	1 555 819	1 188 802
Fire Engines	5 153 185	-	5 153 185	-	-	-	5 153 185	690 493	-	690 493	300 182	-	990 675	4 162 510
Trucks & Bakkies	15 287 807	(2 792 168)	12 495 639	11 954 363	-	334 663	24 115 338	4 807 495	(1 012 038)	3 795 457	3 904 463	124 170	7 575 750	16 539 589
<b>TOTAL</b>	<b>706 618 132</b>	<b>310 306 435</b>	<b>1 016 924 567</b>	<b>157 739 227</b>	<b>-</b>	<b>1 011 193</b>	<b>1 173 652 601</b>	<b>50 186 645</b>	<b>(5 555 290)</b>	<b>44 631 354</b>	<b>41 451 798</b>	<b>765 437</b>	<b>85 317 895</b>	<b>1 088 334 706</b>

**AMATHOLE DISTRICT MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF FIXED ASSETS PER DEPARTMENT**  
**AS AT 30 JUNE 2008**

Department	Cost/Revaluation								Accumulated Depreciation						Carrying Value
	Opening Balance	Transfer In / (Out)	Opening Balances	Transfer In / Out	Additions	Disposals	Closing Balance	New Opening Balances	Transfer In / Out	Additions	Additions On Re-value	Disposals	Closing Balance		
<b>RATES AND GENERAL</b>	<b>706 618 133</b>	<b>0</b>	<b>706 618 133</b>	<b>309 720 394</b>	<b>158 325 268</b>	<b>33 460 955</b>	<b>1 011 193</b>	<b>1 173 652 603</b>	<b>50 229 770</b>	<b>(5 764 903)</b>	<b>41 618 465</b>	<b>-</b>	<b>765 437</b>	<b>85 317 895</b>	<b>1 088 334 708</b>
<b>Council General</b>	183 635	-	183 635 24	-	38 674	-	-	222 309	364	-	53 245	-	-	53 609	168 700
<b>Mayoral Committee</b>	2 132 543	-	2 132 543	-	7 988	-	-	2 129 710	1 058 916	-	308 755	-	10 821	1 356 850	772 860
<b>Executive Support Services</b>	767 818	-	767 818	-	465 490	-	116 214	1 117 094	474 937	-	190 475	-	110 241	555 170	561 924
<b>Municipal Manager</b>	704 285	-	704 285	-	704 285	-	-	704 285	435 950	-	92 993	-	-	528 943	175 342
<b>PIMMS</b>	172 858	(0)	172 857	(172 857)	-	-	-	-	70 541	(70 541)	-	-	-	0	(0)
<b>Internal Audit</b>	406 361	-	406 361	-	1 486	-	8 400	399 447	168 159	-	79 839	-	8 400	239 598	159 848
<b>Local Economic Development</b>	9 502 575	-	9 502 575	-	152 858	-	22 757	9 632 676	2 512 964	-	991 689	-	22 757	3 481 896	6 150 780
<b>Municipal Support Unit</b>	279 783	-	279 783	172 857	10 962	-	43 301	420 302	123 791	70 541	86 214	-	36 091	244 455	175 847
<b>Strategic Management unit</b>	218 231	-	218 231	-	-	-	-	218 231	158 809	-	18 668	-	-	177 477	40 754
<b>Information Com Technology</b>	3 234 095	1	3 234 095	946 604	1 154 421	-	28 398	5 306 722	984 543	(80 648)	824 907	-	28 398	1 700 405	3 606 317
<b>Administration</b>	3 734 567	-	3 734 567	305 991	1 343 758	-	97 273	5 287 043	1 318 786	27 173	805 991	-	94 718	2 057 232	3 229 811
<b>Land and Housing</b>	28 093 105	-	28 093 105	-	10 647	-	4 896	28 098 856	960 738	-	441 916	-	3 980	1 398 674	26 700 182
<b>Buildings</b>	5 511 756	-	5 511 756	-	111 120	-	-	5 622 876	705 795	-	290 510	-	-	996 305	4 626 571
<b>Calgary Museum</b>	3 897 042	-	3 897 042	-	-	-	-	3 897 042	422 353	-	233 831	-	-	656 184	3 240 858
<b>Supply Chain Management</b>	47 327	-	47 327	(47 327)	-	-	-	-	4 582	(4 582)	-	-	-	-	-
<b>Council Support &amp; Auxiliary</b>	535 631	-	535 631	(258 664)	-	-	-	18 303	198 613	(32 433)	-	-	-	193 877	(175 574)
<b>Budget &amp; Treasury Office</b>	4 014 400	-	4 014 400	-	1 032 199	-	163 746	4 882 852	1 792 423	-	1 028 662	-	160 078	2 661 006	2 221 846
<b>Human Resources</b>	821 104	-	821 104	-	177 634	-	124 400	874 338	501 544	-	197 191	-	115 860	582 875	291 464
<b>Engineering Services</b>	1 807 510	-	1 807 510	(7 770)	4 522	-	-	1 804 262	1 443 376	(972)	205 026	-	-	1 647 431	156 832
<b>Building and Services Planning</b>	1 308 666	-	1 308 666	(198 728)	27 248	-	466	1 136 720	576 597	(89 958)	178 782	-	-	664 955	471 765
<b>Management of WSP</b>	1 029 345	-	1 029 345	(991 038)	-	-	-	38 307	348 124	(309 817)	-	-	-	38 307	(0)
<b>Mbhashe EC 121</b>	494 292	55 102 973	55 597 265	(1 170 374)	42 189	-	-	54 469 080	4 078 971	(2 319 063)	1 761 358	-	-	3 521 266	50 947 814
<b>Mbhashe Ex LM Schemes</b>	55 110 868	(55 102 973)	7 895	(7 895)	-	-	-	-	439	(439)	-	-	-	-	-
<b>Mbhashe EX DWAF Schemes</b>	2 326 891	-	2 326 891	(2 326 891)	-	-	-	-	581 723	(581 723)	-	-	-	-	-
<b>Mnquma EC 122</b>	427 357	63 193 921	63 621 278	(45 134 894)	132 268	3 612 902	-	18 618 652	8 128 669	(5 682 649)	2 458 066	-	-	4 904 086	13 714 566
<b>Mnquma Ex LM Schemes</b>	63 198 833	(63 193 921)	4 912	(4 912)	-	-	-	-	1 228	(1 228)	-	-	-	-	-
<b>Mnquma EX DWAF Schemes</b>	7 086 101	-	7 086 101	(7 086 101)	-	-	-	-	790 420	(790 420)	-	-	-	-	-
<b>Great Kei EC 123</b>	894 782	9 344 180	10 238 962	16 385 697	345 999	1 125 602	-	26 970 658	1 365 019	369 216	498 795	-	-	2 233 030	24 737 628
<b>Great Kei Ex LM Schemes</b>	9 382 271	(9 344 181)	38 090	(38 090)	-	-	-	-	5 821	(5 821)	-	-	-	-	-
<b>Amahlathi EC 124</b>	46 426	49 766 843	49 813 269	(23 440 930)	11 679	-	-	26 384 018	6 295 595	(5 014 203)	1 281 392	-	-	2 562 785	23 821 233
<b>Amahlathi Ex LM Schemes</b>	49 766 843	(49 766 843)	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Amahlathi EX DWAF Schemes</b>	208 303	0.40	208 304	(208 303)	-	-	-	0.40	52 076	(52 076)	-	-	-	-	0
<b>Nqushwa EC 126</b>	412 117	10 371 338	10 783 456	24 085 969	-	-	-	34 869 425	1 422 142	(1 422 142)	2 415 596	-	-	2 415 596	32 453 829
<b>Nqushwa Ex LM Schemes</b>	10 379 970	(10 371 338)	8 632	(8 632)	-	-	-	-	792	(792)	-	-	-	-	-
<b>Nqushwa EX DWAF Schemes</b>	887 671	-	887 671	(887 671)	-	-	-	-	221 918	(221 918)	-	-	-	-	-
<b>Nkonkobe EC 127</b>	201 690	86 767 321	86 969 011	(49 425 683)	32 826	-	-	37 576 153	8 548 867	(5 954 127)	1 815 467	-	-	4 410 207	33 165 946
<b>Nkonkobe Ex LM Schemes</b>	86 778 216	(86 767 321)	10 895	(10 895)	-	-	-	-	908	(908)	-	-	-	-	-
<b>Nkonkobe EX DWAF Schemes</b>	3 452 678	-	3 452 678	(3 452 678)	-	-	-	-	787 121	(787 121)	-	-	-	-	-
<b>Nxuba EC 128</b>	43 389	7 328 974	7 372 363	26 873 506	34 158	4 155 906	-	34 280 027	1 007 322	1 407 217	779 273	-	-	3 193 811	31 086 216
<b>Nxuba Ex LM Schemes</b>	7 334 237	(7 328 974)	5 263	(5 263)	-	-	-	-	585	(585)	-	-	-	-	-
<b>Water Service Authority</b>	183 918	-	183 918	(1 708)	270 306	-	14 539	437 977	131 045	(1 186)	42 116	-	14 539	157 436	280 542
<b>Shared Resources Water &amp; Sanitation</b>	-	-	-	9 037 206	11 414 563	2 907 167	233 882	20 217 887	2 087 619	3 300 711	23 388	-	-	5 364 942	14 852 945
<b>Mbhashe Sewerage</b>	-	-	-	7 025 068	-	-	-	7 025 068	210 901	210 901	-	-	-	421 803	6 603 265
<b>Mnquma Sewerage</b>	-	-	-	11 928 500	-	12 720 614	-	11 928 500	1 494 039	3 081 139	-	-	-	4 575 178	7 353 322
<b>Great Kei Sewerage</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Amahlathi Sewerage</b>	-	-	-	57 512 514	-	-	-	57 512 514	3 392 379	3 392 379	-	-	-	6 784 757	50 727 756
<b>Ngqushwa Sewerage</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Nkonkobe Sewerage</b>	-	-	-	29 266 195	-	-	-	29 266 195	3 658 274	3 658 274	-	-	-	7 316 549	21 949 646
<b>Nxuba Sewerage</b>	-	-	-	44 014 761	-	1 535 635	-	44 014 761	54 045	437 954	-	-	-	492 000	43 522 762
<b>Borehole Schemes</b>	-	-	-	217 052 833	142 981	7 403 128	-	217 195 814	4 889 042	9 452 507	-	-	-	14 341 549	202 854 264
<b>VIP Sanitation</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Project Management Unit</b>	331 280 738	(0)	331 280 738	-	140 590 543	-	1 353	471 869 928	363 580	103 970	579	-	-	466 971	471 402 957
<b>Health and Protection Services</b>	536 379	-	536 379	-	-	-	56 012	480 367	372 302	48 171	55 446	-	-	365 026	115 341
<b>Disaster Management</b>	919 217	-	919 217	-	168 003	-	12 509	1 074 711	429 362	158 787	11 160	-	-	576 990	497 721
<b>Municipal Health</b>	1 003 027	-	1 003 027	-	846 936	-	72 226	1 777 737	570 778	243 042	68 514	-	-	745 306	1 032 431
<b>Fire Services</b>	5 859 282	-	5 859 282	-	12 474	-	-	5 871 756	811 182	422 175	-	-	-	1 233 358	4 638 399
<b>Primary Health Care</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>SUBSIDISED SERVICES</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>ECONOMIC SERVICES</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>HOUSING SERVICES</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TRADING SERVICES</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>706 618 133</b>	<b>0</b>	<b>706 618 133</b>	<b>309 720 394</b>	<b>158 325 268</b>	<b>33 460 955</b>	<b>1 011 193</b>	<b>1 173 652 603</b>	<b>50 229 770</b>	<b>(5 764 903)</b>	<b>41 618 465</b>	<b>-</b>	<b>765 437</b>	<b>85 317 895</b>	<b>1 088 334 708</b>

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

2006/07 Actual Income	2006/07 Actual Expenditure	2006/07 Surplus/ (Deficit)		2007/08 Actual Income	2007/08 Actual Expenditure	2007/08 Actual Surplus/ (Deficit)	2007/08 Budgeted Surplus/ (Deficit)
R	R	R		R	R	R	R
1 037 920 882	473 561 405	564 359 477	<b>RATE AND GENERAL SERVICES</b>	575 382 735	544 644 944	30 732 844	(244 583 363)
1 028 541 781	464 182 304	564 359 477	<b>Community Services</b>	567 589 653	536 851 862	30 732 844	(244 583 363)
10 911 627		10 911 627	<b>Levies</b>	106 238		106 238	-
3 679	65 634 282	(65 630 603)	<b>Council General</b>	8 759	8 071 704	(8 062 944)	(9 677 456)
16 961	7 574 047	(7 557 086)	<b>Mayoral Committee</b>	730 387	7 447 258	(6 716 872)	(7 849 896)
-	300 061	(300 061)	Grants-in-aid		157 058	(157 058)	(500 000)
13 320	5 511 861	(5 498 541)	Executive Support Services	18 037	8 613 276	(8 595 239)	(11 847 878)
			<b>Speaker Support</b>		7 865 654	(7 870 601)	
			<b>Municipal Manager</b>		8 112 366	213 789 063	(8 349 896)
166 312 884	7 889 280	158 423 604	PIMMS	221 901 429	4 947	(4 947)	
10 008	1 087 835	(1 077 826)	Internal Audit	34 051	2 955 608	(2 921 557)	(3 646 899)
20 439	2 383 353	(2 362 915)	Local Economic Development	4 286 814	10 785 357	(6 498 543)	(8 770 519)
2 933 807	8 951 869	(6 018 061)	Municipal Support Manager	7 344	4 786 622	(4 779 277)	(6 549 758)
1 835 193	5 256 496	(3 421 303)	Strategic Manager	3 336 930	4 962 341	(1 625 410)	(2 267 109)
1 663	1 410 412	(1 408 749)	Information Com Technology	10 282	15 179 181	(15 168 899)	(18 209 199)
98 110	7 473 148	(7 375 038)	Projects		38 422 337	(38 422 337)	(26 978 348)
1 738 186	58 077 310	(56 339 124)	<b>Administration</b>	16 871 211	14 084 099	2 787 112	(15 008 185)
71 283	19 410 632	(19 339 349)	Land and Housing	(609 625)	19 674 677	(20 284 302)	(6 098 786)
11 649 881	3 494 963	8 154 919	Buildings	103 088	2 910 761	(2 807 673)	(3 372 895)
3 620 387	5 322 645	(1 702 259)	Calgary Museum	82 450	554 821	(472 370)	(803 164)
59 605	497 893	(438 288)	Supply Chain Management				
825	1 464 364	(1 463 539)	Council Support and Auxiliary Services				
19 131	6 287 787	(6 268 655)	<b>Financial Services</b>	1 711 523	21 373 051	(19 661 528)	(30 755 919)
1 384 557	18 355 577	(16 971 021)	Budget Reform	501 280	422 954	78 326	(35 507)
941 532	941 532	-	<b>Human Resources</b>	3 651 770	14 620 399	(10 968 629)	(11 371 233)
1 204 104	9 806 350	(8 602 246)	<b>Engineering Services</b>	98 854 151	100 629 611	(1 775 460)	(2 104 659)
57 115 632	58 119 532	(1 003 900)	Building and Services Planning	38 660	5 083 766	(5 045 107)	(6 257 749)
5 546 690	4 828 521	718 169	<b>WSA</b>	1 474	2 051 445	(2 049 971)	
			Water Services	196 237 607	141 141 258	55 096 349	8 716 382
723 835 106	128 707 341	595 127 765	<b>Water Shared Services</b>	986 334	59 503 677	(58 517 342)	(58 488 535)
			Project Management Unit	2 982 396	4 790 296	(1 807 900)	5 745 153
4 024 324	4 325 689	(301 365)	<b>Health and Protection Services</b>	151 457	4 119 664	(3 968 207)	(4 848 919)
4 904 673	4 852 246	52 427	Disaster Management	3 143 529	5 095 398	(1 951 869)	(2 439 870)
5 145 667	4 347 456	798 211	Municipal Health Services ADM	732 451	4 082 939	(3 350 488)	(5 251 669)
3 694 196	3 137 245	556 951	Fire Services	1 463 286	7 490 971	(6 027 685)	(6 355 439)
6 856 132	5 909 575	946 557	Municipal Health services LM's	10 246 340	11 858 367	(1 612 027)	(1 205 411)
14 572 179	12 823 002	1 749 177					
9 379 101	9 379 101	0	<b>Subsidised Services</b>	7 793 082	7 793 082	0	0
			Ambulance and Rescue Services			0	0
9 379 101	9 379 101	0	Health Nursing Services	7 793 082	7 793 082	0	0
0	0	0	<b>Economic Services</b>	0	0	0	0
0	0	0		0	0	0	0
0	0	0	<b>HOUSING SERVICE</b>	0	0	0	0
0	0	0		0	0	0	0
0	0	0	<b>TRADING SERVICES</b>	0	0	0	0
0	0	0		0	0	0	0
1 037 920 882	473 561 405	564 359 477	<b>TOTAL</b>	575 382 735	544 644 944	30 732 844	(244 583 363)

APPENDIX E (1)

AMATHOLE DISTRICT MUNICIPALITY  
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	2007/08 Actual R	2007/08 Budget R	2007/08 Variance R	2007/08 Variance %	Explanation for Significant Variances greater than 10% vs Budget
<b>REVENUE</b>					
Service Charges	76 641 036	86 916 868	(10 275 832)	-12%	Incompleteness of the records of the Local Municipalities consumers
Regional Service Charges	106 238		106 238	100%	Abolishment of RSC levies with effect 1 July 2006
Rental of facilities & Equipment	179 960	123 767	56 193	45%	Calgary conference facility rented out internally and externally
Income for agency Service	17 743 381	14 355 951	3 387 430	24%	PDOH subsidy exceeded budget
Government grants & Subsidies	431 548 846	434 936 276	(3 387 430)	-1%	
Other income	4 372 486	127 935 213	(123 562 727)	-97%	Operating income from previous years included in budget
Gain on transfer of water infrastructure	-		-	0%	
Gains on disposal of PPE	-		-	100%	
<b>Total Revenue</b>	<b>530 591 947</b>	<b>664 268 075</b>	<b>(133 676 128)</b>	<b>-20%</b>	
<b>EXPENDITURE</b>					
Employee related costs	140 418 111	159 577 063	(19 158 952)	-12%	
Remuneration of Councillors	9 840 841	11 312 681	(1 471 840)	-13%	
Bad Debt provision	16 870 978	39 036 211	(22 165 233)	-57%	Database cleansing exercise & improved credit control
Collection Costs	3 639	830 461	(826 822)	-100%	Abolishment of RSC levies with effect 1 July 2006
Depreciation	41 552 268	70 561 591	(29 009 323)	-41%	Estimated depreciation corrected due to correct valuation of water assets
Repairs & Maintenance	13 519 640	17 277 835	(3 758 195)	-22%	Effective water maintenance and management
Grants & Subsidies Paid	3 470 350	8 361 039	(4 890 689)	-58%	Low levels of spending vs expected level
Grants & Subsidies Paid: Capital	24 111 842	59 216 513	(35 104 671)	-59%	Low levels of spending vs expected level
General expenses- other	267 350 385	210 907 541	56 442 844	27%	Conditional grants-conditions met
Loss on disposal of PPE	26 930 614	-	26 930 614	100%	
Internal charges			-	100%	Allocation of vehicle cost to water function
<b>Total Expenditure</b>	<b>544 068 669</b>	<b>577 080 935</b>	<b>(33 012 266)</b>	<b>-6%</b>	
<b>OPERATING SURPLUS/ (DEFICIT)</b>	<b>(13 476 722)</b>	<b>87 187 140</b>	<b>(100 663 862)</b>		
Investment income	44 790 788	3 083 782	41 707 006	1352%	Low levels of expenditure on projects vs investments
Finance costs	576 275	2 968 282	(2 392 007)	-81%	Capitalisation of finance leases and LM water and sanitation loans taken over
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>30 737 791</b>	<b>87 302 640</b>	<b>(56 564 849)</b>		



APPENDIX E (2)

AMATHOLE DISTRICT MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY PLANT AND EQUIPMENT)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	2007/08 Actual R	2007/08 Budget R	2007/08 Variance R	2007/08 Variance %	Explanation for Significant Variances greater than 10% vs Budget
<b>LAND AND BUILDINGS</b>					
Administration		10 530 582	(10 530 582)	-100%	Combined with Infrastructure Work in progress
Housing Schemes			-	0%	
Workshops & Depots	51 030		51 030	0%	
Land	-		-	0%	
	<b>51 030</b>	<b>10 530 582</b>	<b>(10 479 552)</b>		
<b>INFRASTRUCTURE</b>					
Reservoirs & Tanks	752 611		<b>752 611</b>	100%	Combined with Plant & Equipment: General
Water - Other	103 258		<b>103 258</b>	100%	Combined with Plant & Equipment: General
Meters	73 168		<b>73 168</b>	100%	Combined with Plant & Equipment: General
Work in Progress	140 454 749		<b>140 454 749</b>	100%	Combined with buildings
Purification works			-	100%	
Sewers			-	100%	
	<b>141 383 786</b>	<b>-</b>	<b>141 383 786</b>		
<b>COMMUNITY</b>					
Clinics & Hospitals			-	0%	
Fire Stations			-	0%	
Museum & Art Galleries			-	100%	
Security System			-	100%	
<b>INVESTMENT PROPERTIES</b>					
	-	-	-	0%	
<b>OTHER</b>					
Air Conditioners			-	0%	
Computer Hardware	2 043 067	2 889 379	(846 312)	-29%	Combined with Computer Software
Computer Software	202 534		<b>202 534</b>	0%	Combined with Computer Hardware
Office Machines	89 418	802 344	(712 926)	-89%	
Cabinets & Cupboards	311 240		<b>311 240</b>	100%	Combined with Office Machines
Chairs	108 186		<b>108 186</b>	100%	Combined with Office Machines
Furniture and Fittings : Other	1 068 523	1 071 717	(3 194)	0%	
Tables & Desks	471 060		<b>471 060</b>	100%	Combined with Office Machines
Medical Equipment			-	0%	
Fire Equipment			-	0%	
Laboratory Equipment	65 353		<b>65 353</b>	0%	Combined with Plant & Equipment: General
Lawnmowers	31 696		<b>31 696</b>	100%	Combined with Plant & Equipment: General
Compressors			-	0%	
Plant & Equipment : General	155 686	1 134 404	(978 718)	-86%	Combined with Lawnmowers, Laboratory equipment, Tables and desks
Fire Engines			-	100%	
Radio Equipment			-	0%	
Telecommunication Equipment			-	0%	
Motor Vehicles	389 328		<b>389 328</b>	100%	Combined with Trucks and Bakkies
Tractors			-	0%	
Trucks & Bakkies	11 954 363	14 069 541	(2 115 178)	-15%	Combined with Motor Vehicles
	<b>16 890 454</b>	<b>19 967 385</b>	<b>(3 076 931)</b>	-15%	
<b>TOTAL</b>	<b>158 325 270</b>	<b>30 497 967</b>	<b>127 827 303</b>	419%	

APPENDIX F  
**AMATHOLE DISTRICT MUNICIPALITY**  
**DISCLOSURE OF GRANTS & SUBSIDIES IN TERMS OF MFMA**  
**AS AT 30 JUNE 2008**

Name of Grant	Name of Organ of State	QUARTERLY RECEIPTS					QUARTERLY EXPENDITURE					GRANTS & SUBSIDIES DELAYED/WITHHELD					Reason for delay/ withheld	Compliance with DORA	Reason for non-compliance					
		March 07	June 07	Sept 07	Dec 07	March 08	March 07	June 07	Sept 07	Dec 07	March 08	March 07	June 07	Sept 07	Dec 07	March 08								
MSIG	HILG&TA	477 524					324 075		-								N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
Reviewed IDP	HILG&TA		100 000		350 000		(199 597)	-	72 751	22 711	52 952	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
Budget Reform	NT						88 586					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
MSP Project Management	DHILG&TA						193 902					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
Performance Management	DHILG&TA				150 000		131 530	40 232		109 355	56 261	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
Seta	LGW Seta						1 145 882	25 666	59 971	2 138	2 632	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
MSIG Road Management System	DHILG&TA		400 000					-	41 175			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
Community Develop Program	DHILG&TA					990 000					715 960	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
Disaster Management Funds	DHILG&TA		2 000 000					445 595	829 253	1 004 587	855 647	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
HIV/AIDS Funds	Dep Health										98 628	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
LED Strategy	DHILG&TA	818 000										N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
Development Craft centre	DEDEA			3 000 000					1 080	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
PHP Funds	DHILG&TA	12 995 334					5 193 896	2 154 110	2 345 171	1 542 991	4 470 577	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
Nkonkobe Drought Relief	DWAF						58 508					N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
Land Reform & Settle Plan Proj	DLA	159 953					78 561	23 060	-	63 698	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
Development-BNG	HILG&TA		386 290		350 000	44 500	45 594	144 193	250 051	87 239	17 492	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
EDOT Funds	ECDOT	462 181		10 500 000	3 000 000	7 500 000		157 693	467 638	208 026	39 040	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
Bucket Eradication	HILG&TA	3 207 932						3 187 778	2 310 774	6 642 196	2 845 668	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
CMIP	HILG&TA	31 919 298	42 000 000	58 731 401	68 838 386	44 695 000	41 693 059	30 064 952	52 648 584	47 269 829	71 009 869	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
DWAF	DWAF						4 240 128	648 628	2 869 380	(1 227 118)	711 653	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A

**AMATHOLE DISTRICT MUNICIPALITY**  
**GRANT FUNDING**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

<b>CONDITIONAL GRANTS AND RECEIPTS</b>	<b>Balance at 01/07/2007</b>	<b>Contributions during the Year</b>	<b>Other Income</b>	<b>Interest on Investments</b>	<b>Expenditure during the Year</b>	<b>Balance at 30/06/2008</b>
Performance Management	311 592	-	-	-	205 848	105 744
Reviewed IDP	-	(240 000)	450 000	-	148 414	61 586
Gamap Implementation	400 000	-	-	-	65 905	334 095
MSIG Interest	62 566	37 322	-	151 466	155 656	95 699
MSIG Performance management for LM's	-	-	150 000	-	-	150 000
Operations & Maintenance Systems	369 553	16 610	-	-	258 093	128 070
Establishment Plans Renewals	40 720	-	-	-	21 053	19 667
Ward Com Participation	34 372	-	-	-	28 800	5 572
MSIG:Road Management System	-	-	400 000	-	-	400 000
MSIG : Mnquma	62 558	-	-	-	-	62 558
MSIG :Nkonkobe	9 186	-	-	-	-	9 186
MSIG :Nxuba	60 021	-	-	-	45 697	14 324
PMS: Mbashe	16 258	(17 640)	-	1 382	-	0
PMS :Mnquma	31 883	(34 592)	-	2 710	-	0
PMS:Great Kei	13 683	(8 675)	-	862	5 870	0
PMS:Amahlathi	37 426	(40 607)	-	3 181	-	0
PMS:Buffalo City	50 508	(7 659)	-	890	43 739	0
PMS:Ngqushwa	50 508	(12 837)	-	1 263	38 935	0
PMS:Nkonkobe	49 180	-	-	668	49 848	0
PMS:Nxuba	50 537	(5 318)	-	721	45 939	0
PMS:Amathole	280 595	127 328	750 000	68 682	512 959	713 646
Mbashe:IDP	86 264	-	139 000	17 060	181 469	60 854
Mnquma:IDP	71 350	-	139 000	9 629	204 746	15 233
Great Kei: IDP	70 600	-	139 000	11 107	215 119	5 589
Amahlathi:IDP	73 956	-	139 000	12 592	139 807	85 740
Buffalo City:IDP	160 416	-	139 000	15 894	218 982	96 327
Ngqushwa:IDP	9 829	-	139 000	9 855	-	158 684
Nknkobe:IDP	109 557	-	139 000	11 655	136 020	124 192
Nxuba:IDP	115 950	-	139 000	10 491	196 347	69 093
ADM:IDP	-	-	250 000	12 630	176 250	86 380
IDP-Road Shows	-	240 000	-	1 433	241 433	0
Budget Reform	1 295 676	-	-	37 838	1 094 993	238 521
SETA: Implementation	88 162	-	-	2 896	90 407	652
Dev Inter-Gov Framework	142 936	-	8 629	14 094	-	165 659
Skilling Retrenched Staff	11 943	-	-	1 126	-	13 068
By-Laws	46 770	-	-	348	42 677	4 440
Identify M/Com Respons	31 178	-	-	2 939	-	34 117
Imfo financial statements at Nxuba	16 610	(16 610)	-	-	-	0
DWAF Once off Training	920 407	-	-	75 083	279 026	716 464
LG SETA MSU	35 775	(37 322)	-	1 548	-	0
Training-Councillors	-	-	2 100 000	17 262	1 990 003	127 260
Learnship SETA	-	-	1 206 089	9 974	1 211 659	4 404
Land use Management	365 669	-	-	33 852	6 528	392 993
Development of Libraries for LM'S	4 717 566	-	4 085 000	539 022	796 469	8 545 119
Vuna Awards-PMS	147 067	-	-	13 012	1 000	159 079
Capacity Building for councillors	69 652	-	-	55 654	4 418	120 888
Free Basic Services Strategy Development	334 276	-	-	31 508	-	365 784
Community Development Program	709 787	-	-	61 125	715 960	54 952
Effective D/M Framework	32 967	(35 768)	-	2 802	-	0
Disaster Management Plans	18 020	5 409	-	1 336	7 718	17 047
Disaster: Management Centre	142 899	35 768	-	11 092	77 497	112 263
Disaster : Rebuild Fund	4 876 457	-	-	410 554	1 120 605	4 166 407
Disaster Management Forums	22 106	-	-	536	21 800	842
Disaster Risk Assessment 05/06	4 985	(5 409)	-	424	-	0
Cntigency Fund For incidents	621 619	-	1 230 000	76 138	935 175.46	992 581
Capacity Building 05/06	20 050	-	580 000	21 115	359 644	261 522
Capacitate and Resources Center	381 834	-	680 000	82 820	138 611	1 006 043
Institutional Capacity Building	506 156	-	-	35 182	250 344	290 995
Dmims Capacity Building	110 992	-	-	4 293	84 043	31 242
Mainstream Dis.man.	31 712	-	-	2 159	26 019	7 852
Conduct Awareness Programme	2 750	-	500 000	11 882	118 583	396 048
Training Equipment	205 298	-	756 100	38 981	376 117	624 262
Stipends	509 354	(427 208)	1 209 600	72 677	558 660	805 763
Protective Clothing	98 538	-	399 000	17 285	262 534	252 288

	Balance at 01/07/2007	Contributions during the Year	Other Income	Interest on Investments	Expenditure during the Year	Balance at 30/06/2008
DPLG Operational costs	40 887	-	458 634	19 412	265 936	252 997
Fire Services Bakies for Nxuba and Nkonkobe	-	427 208	-	-	-	427 208
HIV/AIDS NGO's	2 962 012	-	-	278 350	98 628	3 141 734
HIV/AIDS Laboratory Services	62 025	-	-	5 846	-	67 872
District Aids Council	2 232	-	-	210	-	2 442
Tertiary Institutional Training	33 221	-	-	3 131	-	36 353
ECSECC HIV/AIDS	81 436	-	-	7 238	51 299	37 374
Section 78 Assessment	-	-	280 000	2 392	-	282 392
Paprika project-Healdtown/Lamyeni Spring Wate	264 435	-	-	19 157	77 109	206 482
Gcaleka Cultural Village	2 776 283	-	-	120 127	2 896 409	0
Youth Fund	56 963	-	-	3 328	53 083	7 207
Dube Communal Veg Garden	276 956	-	-	25 334	18 300	283 990
Printing Project Mdantsane Art Centre	22 902	-	-	1 819	11 349	13 371
MK Veterans	353 847	-	-	31 682	65 199	320 330
Harmburg Heritage initiative	94 203	-	-	8 879	-	103 082
Herritage Jazz Festival	27 467	-	-	-	-	27 467
Development Craft centre	-	-	3 000 000	169 700	1 080	3 168 620
Capacity Building for LM's	557	-	280 000	4 664	4 501	280 720
District Advisory Forum	-	-	122 755	2 054	-	124 809
District Economic Forum	13 558	-	-	597	5 520	8 636
Ngcingwane Lencane Community	1 970	-	-	28	1 999	0
Beekeeping Project	214 944	-	-	5 705	193 260	27 390
Mini Maize Project	48 600	-	-	1 009	49 609	0
Rabit Production	381 026	-	-	34 392	24 150	391 268
Duncan Village Youth Project	152 649.88	-	-	5 528	112 254	45 924
Ludiza Irrigation Scheme-Vuna Awards	422 057	-	-	34 017	81 411	374 664
Skills Development Centre	2 805 844	-	-	259 063	75 132	2 989 775
Balfour Sawmils	303 888	-	-	28 644	-	332 531
Highlands Resort	202 592	-	-	19 096	-	221 687
Peddie Brick Making	202 592	-	-	19 056	121 714	99 933
Mooiplaas Brickyard	202 592	-	-	19 096	-	221 687
Elliottdale Brickmaking	202 592	-	-	20 701	-	223 292
Inkuthalo Hydroponics	202 592	-	-	17 491	-	220 083
Inxuba Furniture Making	101 296	-	-	9 548	-	110 844
LED Strategy	735 081	-	-	69 965	-	805 046
Co-operatives specialist	-	-	400 000	25 694	-	425 694
Tourism Survey	-	-	318 000	17 644	52 713	282 931
Butterworth Cleaning Campaigne	-	-	500 000	13 874	432 849	81 025
Cizela Tractor	-	-	100 000	-	-	100 000
Komanshini	60 778	-	-	4 783	-	65 561
Teko Springs	661	-	-	117	-	778
Needs Camp	151 797	-	-	14 254	-	166 051
Hogsback	333 855	-	-	23 966	140 351	217 470
Haga Haga	250 391	-	-	23 601	-	273 992
Willowvale	443 145	418 000	-	37 587	109 545	789 187
Elliottdale	298 683	-	-	27 478	27 001	299 161
Lower Blinkwater	259 044	-	-	24 417	-	283 461
Symon (Etandsburgh)	215 876	-	-	20 348	-	236 223
Ndevana	43 358	-	-	3 685	-	47 043
Kwaseven	333 855	(362 229)	-	28 374	-	0
New rest	292 240	(317 077)	-	24 837	-	0
Eskiet	50 078	(54 334)	-	4 256	-	0
Nqamakwe	166 927	(181 115)	-	14 187	-	0
Msobomvu	333 855	-	-	31 468	-	365 323
Xujwa	166 927	(181 115)	-	14 187	-	0
Hertzog	166 927	-	-	15 695	-	182 623
Great kei Planning Funds	111 425	-	-	10 503	-	121 928
Mnquma Planning Funds	111 428	-	-	10 591	-	122 020
Ngqushwa Planning Funds	182 330	-	-	16 125	-	198 455
Nkonkobe Planning Funds	127 632	-	-	11 774	48 625	90 781
Great kei Survey	102 306	-	-	9 545	-	111 851
Mnquma Survey	25 324	-	-	2 649	-	27 973
Ngqushwa Survey Funds	222 843	-	-	18 695	42 490	199 049
Nkonkobe Survey	155 989	-	-	12 664	37 800	130 853
Lewis Survey	-	315 250	-	2 693	-	317 943
Layout Plan : Bolo	-	495 250	-	4 230	-	499 480
Prudoe Eng Design	32 441	-	-	3 058	-	35 499
Dongwe Eng Design	38 661	-	-	3 644	-	42 305
Macleantown Infra	4 159	-	-	392	-	4 551
Kubusie Establishment Grant	208 077	-	-	17 413	47 707	177 783
Ndlovini Establishment Grant	17 059	-	-	1 348	2 990	15 416
Ducats Establishment Grant	114 105	-	-	10 712	530	124 287

	Balance at 01/07/2007	Contributions during the Year	Other Income	Interest on Investments	Expenditure during the Year	Balance at 30/06/2008
Maclean/t Estab Grant	20 329	-	-	1 916	-	22 245
Prudoe Estab Grant	84 670	-	-	7 866	3 624	88 913
Dongwe Prudoe Estab Grant	107 632	-	-	9 890	5 094	112 428
Teko Springs Estab Grant	63 274	-	-	5 808	2 755	66 328
Needs Camp Estab Grant	101 541	-	-	9 571	-	111 112
Teko Springs Top Structure	4 813 873	-	-	400 790	936 994	4 277 668
Prudoe Top Structure	2 274 952	-	-	203 704	406 050	2 072 607
Dongwe Top Structure	3 126 589	-	-	258 723	739 488	2 645 824
Needscamp Top Structure	926 695	-	116 600	74 182	257 831	859 645
Ducats Top Struc Subsidy	2 454 222	-	143 392	171 484	1 062 099	1 706 999
Kubusi Top Structure	11 982 009	-	293 775	866 490	6 944 935	6 197 339
Macleantown Top Structure	1 002 878	-	-	94 529	-	1 097 407
Ndlovini Top Structure	60 992	-	-	4 671	15 297	50 366
Lilyvale Kayb Establishment Grant	3 411	-	-	322	-	3 733
Kaysers beach Housing Project	513 040	-	58 560	52 119	-	623 719
Lilyvale Top Structure	1 874 292	-	-	176 666	-	2 050 958
Lilyvale Eng Designs	-	-	23 760	382	17 820	6 322
Fingoland Regional Authority	216 920	-	-	20 446	-	237 366
Mngqesha Great Place	1 211	-	-	114	-	1 325
Nqadu Great Place	22 569	-	-	1 800	12 122	12 247
Line Mapping	96 549	-	-	5 264	57 663	44 150
Nkonkobe Drought Relief	191 368	-	-	9 296	121 429	79 234
Nkonkobe Drought Relief dplg	1 095 689	-	-	67 282	569 792	593 179
Ngqushwa Drought relief	1 034 495	-	-	95 052	28 241	1 101 306
DWAF Once Of Accomodation	524 605	-	-	49 448	-	574 053
Dwaf Refurbishment	2 359 557	-	1 178 000	188 843	629 413	3 096 987
Qhingqala Access Road	550 961	-	-	-	-	550 961
Rural Access Roads	758 779	-	-	41 976	520 383	280 372
Chanta Development Fund	5 525 779	-	-	453 032	1 681 136	4 297 675
Dwesa Cwebe Restititional	9 403 888	-	-	883 004	325 889	9 961 002
DBSA Support to DM	37 400	-	-	3 525	-	40 925
Planning Grant dla	2 687 860	-	-	243 676	141 826	2 789 710
Restitution Award dla	52 023 297	-	-	4 901 357	218 455	56 706 199
Sanitation Projects	1 554 088	-	-	146 485	-	1 700 573
Development Planning-BNG	375 851	-	350 000	35 996	213 964	547 883
Beneficiary Administration-BNG	192 914	-	-	16 714	17 867	191 760
Geo-Technical Investigation-BNG	322 073	-	-	12 134	267 145	67 062
Environmental Impect Assessment	1 306 264	-	-	123 125	-	1 429 390
Geo Hydrology	1 456 955	-	-	131 537	-	1 588 492
Elliotdate BNG Houses	-	-	430 790	13 833	301 447	143 176
Grants in aid 2006/2007	2 377 516	-	-	187 816	722 645	1 842 687
Land Reform & Settle Plan Proj	433 354	30 000	-	39 750	86 758	416 346
CMIP VAT Savings	747 918	-	-	62 870	-	810 787
Ndlovini (CMIP VAT)	54 036	-	-	-	49 672	4 363
EDOT Funds	3 711 342	-	21 000 000	1 392 261	872 396	25 231 207
Dept Sport 2003/04	17 950	-	-	1 692	-	19 642
Sportsfields	5 269	-	-	497	-	5 766
6 Village Green Projects	128 973	-	-	11 462	27 800	112 634
Peddle Sport Facility	347 931	-	-	32 750	915	379 766
Dept Sport 2004/05	2 371 319	-	-	188 441	1 298 169	1 261 590
H&LG Survey Funds	1 097 828	-	-	73 542	529 880	641 490
H&LG Development Planning	816 459	(132 630)	-	72 256	67 843	688 242
Dwaf Interest	-	1 162 329	-	8 233	790 891	379 672
Cmip interest	3 357 674	224 503	102 806	1 996	2 915 516	771 463
Bucket Eradication	7 069 919	-	8 491 000	530 732	14 986 416	1 105 236
Dwaf-Bulk water Supply Scheme	-	-	9 800 000	283 618	2 907 976	7 175 642
DWAF	2 893 551	-	-	(1 112 174)	3 002 543	-1 221 165
CMIP	(4 638 744)	(25 296)	214 264 787	608 502	201 774 241	8 435 008
<b>TOTAL: GRANTS &amp; RECEIPTS</b>	<b>169 361 519</b>	<b>1 391 535</b>	<b>277 579 277</b>	<b>15 951 768</b>	<b>264 590 381</b>	<b>199 693 719</b>