

Amahlathi Local Municipality
Annual Financial Statements
for the year ended 30 June 2010

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

General Information

Legal form of entity

Government entity

The following is included in the scope of operation

Municipality

Members of the executive committee

Mayor

TC Jonas (Chair of the executive committee)

Councillors

SL Ntshoza (Chair of the Community Services Committee)

GB Zuma (Chair of the Community Empowerment and Job Creation Committee)

BC Mekuto (Chair of the Finance Committee)

MM Dyani (Chair of the Service Delivery Committee)

DT Manyika (Chair of the Local Economic Development Committee)

NP Qwenga (Chair of the Human Resources and Administration Committee)

Grading of local authority

Grade 5

Councillors

GB Zuma

NE Zozi

LL Dinala

NV Mjandana

LXC Nteto

ZJ Yalezo

A Hobo

M Peter

NR Magwaxaza

N Jara

M Skotana

F Mдутunlwa

SM Mtsitsi

A Mpambani

E Rala

B Siko

MM Ngwendu

N Mkosana

E Cossie

DT Manyika

NP Qwenga

MM Dyani

KA Mahambi

TA Mawisa

SL Ntshoza

N Mangina

TE Nonkewuse

N Msoki

MC Mambu

SW Sorasi

CV Tete

SA Mbane

T Ndungu

PN Mahlali

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

General Information

	LE Matshikwe BC Mekuto Z Kweleta
Chief Finance Officer (CFO)	G.P Hill
Accounting Officer	FM Shoba
Registered office	12 Maclean Street Stutterheim 4930
Postal address	Private Bag X 4002 Stutterheim 4930
Bankers	First National Bank Stutterheim
Auditors	Auditor General

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Index

The reports and statements set out below comprise the annual financial statements presented to the audit committee:

Index	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash flow statement	8
Accounting Policies	9 - 27
Notes to the Annual Financial Statements	28 - 47
Appendixes:	
Appendix A: Schedule of External loans	48
Appendix B: Analysis of Property, Plant and Equipment	53
Appendix C: Segmental analysis of Property, Plant and Equipment	57
Appendix D: Segmental Statement of Financial Performance	61
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	65
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	70

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The accounting officer certifies that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 47, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:

FM Shoba
Municipal Manager

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
Assets			
Current Assets			
Inventories	6	132,609	158,121
Investments	4	71,806,281	51,111,254
Trade and other receivables from exchange transactions	7	1,616,096	1,609,973
Consumer debtors	8	2,290,822	6,236,032
Cash and cash equivalents	9	5,170,414	5,055,734
		81,016,222	64,171,114
Non-Current Assets			
Property, plant and equipment	3	19,616,996	-
Long term receivables	5	1,075,431	1,285,104
		20,692,427	1,285,104
Non-Current Assets		20,692,427	1,285,104
Current Assets		81,016,222	64,171,114
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		101,708,649	65,456,218
Liabilities			
Current Liabilities			
Other financial liabilities	10	11,107	216,825
Trade and other payables from exchange transactions	13	12,242,351	10,860,544
VAT payable	14	170,822	213,982
Consumer deposits	15	353,524	343,844
Unspent conditional grants and receipts	11	10,760,856	14,648,471
Provisions	12	1,596,318	1,387,488
		25,134,978	27,671,154
Non-Current Liabilities			
Other financial liabilities	10	614,050	644,047
Non-Current Liabilities		614,050	644,047
Current Liabilities		25,134,978	27,671,154
Liabilities of disposal groups		-	-
Total Liabilities		25,749,028	28,315,201
Assets		101,708,649	65,456,218
Liabilities		(25,749,028)	(28,315,201)
Net Assets		75,959,621	37,141,017
Net Assets			
Accumulated surplus		75,959,621	37,141,017

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Rendering of services		20,190,345	17,499,695
Property rates	17	7,674,187	5,369,390
Rental of facilities and equipment		241,604	245,955
Interest received from debtors		2,166,520	2,067,651
Fines		52,084	133,756
Licences and permits		2,284	2,236
Government grants & subsidies	19	79,441,661	44,661,049
Motor vehicle registrations		1,971,669	1,570,320
Miscellaneous other revenue		369,003	540,573
Other income		97,528	652,646
Interest received - investment	24	4,533,342	39,216
Total Revenue		116,740,227	72,782,487
Expenditure			
Personnel	21	(27,510,497)	(25,362,706)
Remuneration of councillors	22	(8,290,960)	(8,031,710)
Finance costs	25	(140,904)	(4,964,643)
Debt impairment	23	(8,623,389)	(1,289,269)
Leave pay provision		(439,845)	(161,858)
Repairs and maintenance		(3,319,373)	(2,905,212)
Bulk purchases	28	(11,236,967)	(7,799,285)
General Expenses	20	(18,359,689)	(12,597,112)
Total Expenditure		(77,921,624)	(63,111,795)
Revenue		116,740,227	72,782,487
Expenditure		(77,921,624)	(63,111,795)
Other		-	-
Surplus for the year		38,818,603	9,670,692

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2008	27,470,325	27,470,325
Changes in net assets		
Surplus for the year	9,670,692	9,670,692
Total changes	9,670,692	9,670,692
Balance at 01 July 2009	37,141,018	37,141,018
Changes in net assets		
Surplus for the year	38,818,603	38,818,603
Total changes	38,818,603	38,818,603
Balance at 30 June 2010	75,959,621	75,959,621
Note(s)		

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Cash flow statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Sale of goods and services		36,661,151	25,499,265
Grants		79,441,661	44,661,049
Interest income		4,533,342	-
Interest received		-	2,106,867
		<u>120,636,154</u>	<u>72,267,181</u>
Payments			
Employee costs		(35,801,457)	(33,556,262)
Suppliers		(44,241,048)	(16,252,910)
Finance costs		(140,904)	(4,652,397)
		<u>(80,183,409)</u>	<u>(54,461,569)</u>
Total receipts		120,636,154	72,267,181
Total payments		(80,183,409)	(54,461,569)
Net cash flows from operating activities	29	<u>40,452,745</u>	<u>17,805,612</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(19,616,996)	(17,121,703)
Purchase of financial assets		(20,695,027)	-
Proceeds from sale of long term receivables		209,673	-
		<u>(40,102,350)</u>	<u>(17,121,703)</u>
Cash flows from financing activities			
Proceeds from other financial liabilities		(235,715)	(203,557)
Net cash flows from financing activities		<u>(235,715)</u>	<u>(203,557)</u>
Net increase/(decrease) in cash and cash equivalents		114,680	480,352
Cash and cash equivalents at the beginning of the year		5,055,734	4,575,382
Cash and cash equivalents at the end of the year	9	<u>5,170,414</u>	<u>5,055,734</u>

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1. Preparation of Annual Financial Statements

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

The Annual Financial Statements have been prepared in accordance with the Accounting Standards and have adopted the transitional provisions as applicable and described below and also in terms of the standards and principles contained in Directives 4 and not Directive 5 issued by the Accounting Standards Board in March 2009 and have adopted the transitional provisions as applicable and described below

Those standards of GRAP and interpretations of such standards applicable to the operations of the municipality, is therefore as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 9	Paragraphs relating to Revenue from Non-Exchange Transactions
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash-Generating Assets
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an arrangement contains a lease

The standards prescribed are the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board. The impact of the mentioned directives on the financial statements, specifically Directive 4, is disclosed in the various accounting policies below.

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.1 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

The cost of self-constructed investment property is the cost at date of completion.

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

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
 - Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
 - A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
 - A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.
- The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:
- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
 - Property being constructed or developed on behalf of third parties;
 - Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
 - Property that is being constructed or developed for future use as investment property;
 - Property that is leased to another entity under a finance lease;
 - Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
 - Property held for strategic purposes or service delivery.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

Transitional provision

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.1 Investment property (continued)

Investment property is reported at provisional amounts (Nil value), due to the fact that the initial accounting for Investment property was incomplete by the end of a reporting period in which the Standard became effective.

Investment property was not disclosed in the financial statements for the year ending 30 June 2009 but is disclosed at provisional amounts in the current financial statements. Please refer to notes to the annual financial statements. No other retrospective adjustments to provisional amounts were recognised to reflect new information obtained about facts and circumstances that existed on the effective date of the Standard

It is expected that the measurement of investment property will be addressed in conjunction with efforts related to Property, plant and equipment which are expected to be finalised by 30 June 2011.

1.2 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value.

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.2 Property, plant and equipment (continued)

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives, are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

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

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

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure	
• Roads and paving	10-50 years
• Cemeteries	15-30 years
• Airports	20-25 years
• Sewerage	25 years
• Housing	Not depreciated
Other	
• Buildings	10-30 years
• Plant and machinery	4-15 years
• IT equipment	5 years
• Furniture and fittings	7 years
Community	
• Assets under construction	Not depreciated
• Electricity	10-50 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Incomplete Construction work

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

Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Heritage assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

Infrastructure assets

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

Derecognition of property plant and equipment

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.2 Property, plant and equipment (continued)

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

Transitional provisions

In terms of directive 4 the municipality are not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, Plant and Equipment. The Standard of GRAP on Property, Plant and Equipment was initially adopted on 1 July 2008.

Due to the fact that the municipality has taken advantage of the transitional provisions, property, plant and equipment were not recognised and measured in accordance with the Standards of GRAP on: Property, Plant and Equipment, the Presentation of Financial Statements, Effect of Changes in Foreign Exchange Transactions, Leases, Segment Reporting, and Non-current Assets Held for Sale and Discontinued Operations.

Property, plant and equipment acquired prior to the date of initial adoption of the Standard of GRAP are measured at provisional amounts (Nil value) in line with Directive 4. Additions to property plant and equipment since the Standard of GRAP on Property, Plant and Equipment was initially adopted are recognised at cost. No depreciation is recognised on these assets as all the related elements of the depreciation calculation could not be considered at year end.

No measurement adjustments were made for the year ending 30 June 2010.

Impairment of assets

Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

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

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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

An impairment loss of assets carried at cost less any accumulated depreciation is recognised immediately in surplus or deficit. An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

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

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

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

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

Impairment of non cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

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

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.2 Property, plant and equipment (continued)

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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

An impairment loss of assets carried at cost less any accumulated depreciation is recognised immediately in surplus or deficit. An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

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

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

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

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

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised only when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually as described below.

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the asset so that it will be available for use or sale.
 - there is an intention to complete and use or sell it.
 - there is an ability to use or sell it.
 - it will generate probable future economic benefits or service potential.
 - there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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 or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.3 Intangible assets (continued)

not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows: Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount which is calculated at the lower of value in use and fair value less costs to sell.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Surplus or deficit for the year.

Item	Useful life
Computer software	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Transitional provision

The municipality are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets. The Standard of GRAP on Intangible Assets was initially adopted on 1 July 2008.

Intangible Assets acquired prior to the date of initial adoption of the Standard of GRAP are measured at provisional amounts (Nil value) in line with Directive 4. Additions to Intangible Assets since the Standard of GRAP on Intangible Assets was initially adopted are recognised at cost

1.4 Financial instruments

Classification

The classification of financial assets and liabilities into categories, is based on judgement by management. The municipality classifies financial assets and financial liabilities into the following categories:

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

A financial asset is any asset that a cash or contractual right to receive cash or another financial asset or equity. The municipality has the following types of financial assets:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.4 Financial instruments (continued)

- Certain Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

The Financial Assets of the municipality are classified as follows into the four categories allowed:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Loans and receivables
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities:

- Long-term Liabilities
- Certain Other Creditors
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are two main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured as:

- Fair value through profit or loss; or
- Other financial liabilities.

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the Financial Liabilities of the municipality are all classified as "Other financial liabilities".

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.4 Financial instruments (continued)

Regular way purchases of financial assets are accounted for at trade date.

Financial assets

Held-to-maturity Investments and Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial liabilities

Financial liabilities at fair value are initially and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in surplus or deficit.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer Debtors are stated at cost less a provision for impairment. The provision is made whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit for the year.

In a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the surplus or deficit for the year to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Transitional Provisions

Financial Assets and Liabilities and the information relating thereto were presented and disclosed in accordance with the requirements of the old version of IAS 32 in the previous financial year and not in accordance with the requirements of the new IAS 32 and IFRS 7 as these requirements were exempted in terms of General Notice 522 of 2007. Financial Assets and Liabilities and the information relating thereto are presented and disclosed for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of the new version of IAS 32 and IFRS 7 and GRAP 3.

Financial instruments were initially measured at cost and not at fair value in the previous financial year as required by IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 as this requirement was exempted in terms of General Notice 522 of 2007. Financial instruments are now initially measured at fair value for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of IAS 39.43, IAS 39 AG.64, IAS 39 AG.65, IAS 39 AG.79, SAICA Circular 9 and GRAP 3.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.4 Financial instruments (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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 fair value.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Derecognition

Financial Assets

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

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

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.4 Financial instruments (continued)

Financial liabilities

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

1.5 Leases

The municipality as a lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Finance leases - lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

Transitional provisions

In terms of Directive 4 the municipality are not required to recognise finance lease assets/liabilities in the financial statements in relation to those Property, plant and equipment that have not been recognised as a result of applying the transitional provisions in the Standards of GRAP related to Property, plant and equipment.

The disclosure requirements included in the Standard of GRAP on Leases were applied insofar as the lease assets/ liabilities have been identified.

No measurement adjustments were made for the year ending 30 June 2010. The future lease commitments not disclosed in the financial statements for the year ending 30 June 2009 are now however disclosed in the financial statements.

It is anticipated that the requirements of the Standard of GRAP on Leases will be applied in the financial statements for the year ending 30 June 2010 when the transitional provisions in the Standards of GRAP on Property, Plant and Equipment expire.

1.6 Inventories

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.6 Inventories (continued)

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

Subsequent measurement

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis.

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

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

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Transitional provision

1.7 Non-current assets held for sale and disposal groups

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

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

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

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

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.9 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.10 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of surplus and deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

1.11 Provisions and contingencies

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.11 Provisions and contingencies (continued)

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 or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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

Transitional provision

In terms of Directive 4, the municipality are not required to recognise provisions (which form part of the cost of an asset) as a result of applying the transitional provisions in the Standards of GRAP on Property, Plant and Equipment. The disclosure requirements about the provisions related to the assets are however disclosed in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets.

The provision for landfill sites was neither disclosed nor recognised in the financial statements for the year ending 30 June 2010.

Except for the provision for landfill site no other provisions were affected by the transitional provisions set out in Directive 4 and no other measurement adjustments were made for the year ending 30 June 2010.

1.12 Revenue from exchange transactions

Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Tariff charges

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

Income from agency services

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.12 Revenue from exchange transactions (continued)

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

Sale of goods

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

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

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

1.13 Revenue from non-exchange transactions

Measurement

Rates, including collection charges and penalties interest

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

Other Donations and contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

Government grants

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of surplus and deficit in the year in which they become receivable.

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

Accounted for government grants and receipts in the previous financial year in accordance with the requirements of IAS 20.24 and .26, GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – .46, as appropriate, and not in accordance with the requirements of the entire IAS 20 as these requirements, other than IAS 20.24 and .26, were exempted in terms of General Notice 522 of 2007.

Accounted for government grants and receipts for the year ended 30 June 2009 (and retrospectively, where practicable) in

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

accordance with the requirements of GAMAP 9.42 - .46 and ASB Directives 4.

Government grants are recognised as revenue when:

Other grants and donations

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

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

These transfers are recognised in the Statement of surplus or deficit as expenses in the period that the events giving rise to the transfer occurred.

1.14 Revenue recognition

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

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service benefit will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.8 and . In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Extended periods is periods that exceeds X months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.15 Borrowing costs (continued)

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 VAT

The Municipality accounts for Value Added Tax on the payments basis.

1.17 Comparative figures

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

1.18 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

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

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

1.20 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) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of surplus or deficit. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.21 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 surplus and deficit. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.22 Presentation of currency

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

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.24 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.24 Changes in accounting policies, estimates and errors (continued)

Although the retrospective application, where practicable, of changes in accounting policies affected by management in accordance with the requirements of GRAP 3 was exempted in the previous financial year in terms of General Notice 522 of 2007 (providing that these changes in accounting policies were applied prospectively by the municipality), the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the retrospective application, where practicable, of changes in accounting policies affected by management in the previous financial year. Continued to apply changes in accounting policies affected by management retrospectively, where practicable, for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Although the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective was exempted in the previous financial year in terms of General Notice 522 of 2007, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of the above-mentioned General Notice which granted the municipality the identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective in the previous financial year. Continued to identify and disclose the impact of GRAP standards that have been issued but are not yet effective for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

1.25 Related parties

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

1.26 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.27 Treatment of administration and other overhead expenses

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

1.28 Events after the reporting date

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

1.29 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.30 Reserves

In terms of Directive 4, all balances in reserves and trust fund accounts that are not represented by cash on the date of transition should be transferred to the opening balance of the accumulated surplus/(deficit) account in the statement of changes in net assets.

Reserves were still disclosed separately in the statement of financial position in the financial statements for the year ending 30 June 2009. The Reserves not represented by cash on the date of transition was transferred to the opening balance of the

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.30 Reserves (continued)

accumulated surplus/(deficit) account as at 1 July 2008 in the statement of changes in net assets.

-

1.31 Going concern

The Annual Financial Statements have been prepared on a going concern basis.

1.32 Standards, amendments to standards and interpretations issued but not yet effective

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

- GRAP 18 Segment Reporting - issued June 2000
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued July 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments
- GRAP 26 Impairment of cash generating assets
- GRAP 25 Employee benefits
- GRAP 21 Impairment of non cash generating assets

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

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

- IAS 19 Employee Benefits - effective 1 January 2009
- IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009
- IAS 39 Financial Instruments: Recognition and Measurement - portions of standard effective 1 July 2009
- IFRS 7 Financial Instruments Disclosure
- IFRS 9

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

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand 2010 2009

2. Changes in accounting policy

Accounting Policies have been consistently applied, except as indicated below:

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the recognition of items as required for the disclosure of GRAP compliant annual financial statements:

Statutory funds:

Balances as previously reported:

Trust Funds	R 3 997 511
Accumulated surplus	R 14 374 416
Reserves	R 449 712
Accumulated funds	R 32 818 202
	R 51 639 841

Implementation of GRAP

Transfer to the accumulated surplus	R 51 639 841
Transfer to the accumulated surplus	R 24 236 557
	R75 876 398

3. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	408,311	-	408,311	-	-	-
Plant and machinery	1,259,905	-	1,259,905	-	-	-
Furniture and fixtures	873,733	-	873,733	-	-	-
Motor vehicles	191,541	-	191,541	-	-	-
IT equipment	149,651	-	149,651	-	-	-
Infrastructure	16,687,480	-	16,687,480	-	-	-
Community	46,375	-	46,375	-	-	-
Total	19,616,996	-	19,616,996	-	-	-

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Total
Buildings	-	408,311	408,311
Plant and machinery	-	1,259,905	1,259,905
Furniture and fixtures	-	873,733	873,733
Motor vehicles	-	191,541	191,541
IT equipment	-	149,651	149,651
Infrastructure	-	16,687,480	16,687,480
Community	-	46,375	46,375
	-	19,616,996	19,616,996

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Investments

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand 2010 2009

4. Investments (continued)

At fair value through surplus or deficit - designated

Investec investments	42,541,418	-
First National Bank- 62063171351	201,236	193,903
First National Bank- 61381739619	4,438,865	30,720,166
First National Bank- 74213214708	6,628,342	16,640,065
First National Bank- 74100629770	947,384	885,324
First National Bank- 74188016669	2,521,017	2,355,874
First National Bank- 74193195797	338,068	315,922
First National Bank- 74263885682	14,189,951	-

The average rate of return on the investments were 7% (2009: 10.5%).

Funds are invested according to Circular No C/46/1994 issued by the Provincial Administration Community Services Branch with Approved Banking Institutions..

There are no fixed maturity dates and investments are reinvested once they have matured.

71,806,281	51,111,254
71,806,281	51,111,254
-	-
-	-
-	-
-	-

Current assets

At fair value through surplus or deficit	71,806,281	51,111,254
Non-current assets	-	-
Current assets	71,806,281	51,111,254

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2010 and 2009, as all the financial assets were disposed of at their redemption date.

For debt securities classified as at fair value through surplus or deficit, the maximum exposure to credit risk at the reporting date is the carrying amount.

5. Long term receivables

Long term receivables comprise of the following amounts:

Cost of HT lines	R815 017	R1 001 108
Other long term receivables	<u>R260 413</u>	<u>R 283 996</u>
	R1 075 431	R1 285 104

Cost of HT lines comprise of trade debtors and interest is charged at 6% per annum.

6. Inventories

Water	5,937	5,937
Fuel (Diesel, Petrol)	-	7,824
Electricity	99,568	122,807
Rates and general	27,104	21,553
	132,609	158,121

Inventory is recorded at cost for each class of inventory.

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
7. Trade and other receivables from exchange transactions		
Prepayments	83,040	-
Integrated Development Plan	-	117,033
Other debtors	1,533,056	1,492,940
	1,616,096	1,609,973
8. Consumer debtors		
Gross balances		
Rates	11,606,937	7,414,323
Electricity	2,505,563	2,769,434
Refuse	17,164,249	8,742,744
Other services	4,580,737	12,355,128
	35,857,486	31,281,629
Less: Provision for debt impairment		
Other services	(33,566,664)	(25,045,597)
Net balance		
Rates	-	7,414,323
Electricity	-	2,769,434
Refuse	-	8,742,744
Other services	2,290,822	(12,690,469)
	2,290,822	6,236,032
Rates		
Current (0 -30 days)	251,953	216,088
31 - 60 days	223,618	126,008
61 - 90 days	78,946	163,107
91 and more days	11,052,420	8,550,815
	11,606,937	9,056,018
Electricity		
Current (0 -30 days)	918,381	818,302
31 - 60 days	244,750	310,598
61 - 90 days	180,066	196,659
91 and more days	1,162,366	1,377,649
	2,505,563	2,703,208
Refuse		
Current (0 -30 days)	429,153	413,692
31 - 60 days	408,853	3,337,931
61 - 90 days	309,428	314,936
91 and more days	16,016,815	13,249,167
	17,164,249	17,315,726
Other (specify)		
Current (0 -30 days)	95,270	125,943
31 - 60 days	25,656	97,987
61 - 90 days	79,833	64,139
91 - 120 days	4,379,978	5,087,761
	4,580,737	5,375,830

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
8. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	873,383	1,074,549
31 - 60 days	902,878	872,524
61 - 90 days	648,273	738,841
91 and more days	33,566,664	28,265,392
	35,991,198	30,951,306
Less: Provision for debt impairment	(33,566,664)	(25,045,597)
	2,424,534	5,905,709
Total		
Current (0 -30 days)	873,383	1,074,549
31 - 60 days	902,878	872,524
61 - 90 days	648,273	738,841
91 - 120 days	33,566,664	28,265,392
	35,991,198	30,951,306
Less: Provision for debt impairment	(33,566,664)	(25,045,597)
	2,424,534	5,905,709
Less: Provision for debt impairment		
91 - 120 days	(33,566,664)	(25,045,597)
Total debtor past due but not impaired		
91 - 120 days	-	3,219,795
Reconciliation of debt impairment provision		
Balance at beginning of the year	(25,045,597)	(23,718,012)
Contributions to provision	(8,623,388)	(1,289,269)
Other	102,321	(38,316)
	(33,566,664)	(25,045,597)
Consumer debtors past due but not impaired		
Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2010, R 2,424,534 (2009: R 2,685,914) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	873,383	1,074,549
2 months past due	902,878	872,524
3 months past due	648,273	738,841
Reconciliation of provision for impairment of consumer debtors		
Opening balance	(25,045,597)	(23,718,012)
Provision for impairment	(8,623,389)	(1,289,269)
Other	102,321	(38,316)
	(33,566,665)	(25,045,597)

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance.

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand 2010 2009

8. Consumer debtors (continued)

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,016	5,016
Bank balances	5,165,398	5,050,718
	5,170,414	5,055,734

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	30 June 2009	30 June 2008	30 June 2010	30 June 2009	30 June 2008
Account No: 53813535227	2,131,897	267,288	249,178	2,041,271	37,292	(860,714)
Current Account: 62116156987	388,352	838,631	3,124,550	(2,332,567)	795,129	2,105
Call Account: 62135193770	5,456,694	4,268,133	2,538,891	5,456,694	4,218,297	5,429,175
Total	7,976,943	5,374,052	5,912,619	5,165,398	5,050,718	4,570,566

10. Other financial liabilities

At fair value through surplus or deficit

Bank loan	625,157	860,872
Loans held by the Development Bank of South Africa bear an interest between 10.25% and 16.033% per annum and are repayable over periods between five and thirty years. All loans will be repaid by 2025.	625,157	860,872
	-	-

Non-current liabilities

Fair value through surplus or deficit	614,050	644,047
---------------------------------------	---------	---------

Current liabilities

Fair value through surplus or deficit	11,107	216,825
	614,050	644,047
	11,107	216,825
	625,157	860,872

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Vuna Awards	(1,727)	81,701
Vuna Awards Phase 2	182,245	267,068
Municipal systems improvement	20,277	329,957
Performance enhancement	41,730	41,730
Keep Amathole clean	100,000	100,000
Crafters	1,600	36,000
Survey of Stanhope	98,845	98,845
Survey of Freshwater	8,563	8,563
Transitional grant	433,882	433,882
Spatial development framework	84,526	84,526

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
11. Unspent conditional grants and receipts (continued)		
Land survey Ndakana	18,888	18,888
Survey of Cwengcwe	211,104	211,104
Zoning scheme- Stutterheim	28,920	28,920
Survey of Ndakana	46,760	46,760
Staff training	253,699	269,612
Town planning	30,267	30,267
Survey of Tembeni	163,191	163,191
Planning of Kologha	10,644	10,644
Finance management programme	1,284,384	1,544,166
Drought relief	80,472	80,472
Survey/plan Upper Zeleni	151,515	151,515
Survey of Mxhalanga	139,591	139,591
Survey of Mlungisi	28,540	28,540
Heckel Disaster fund	2,264	2,264
Sub division of farms - Sandile	8,294	8,294
Establish ward committees	34,112	34,112
Quizini Agricultural project	212,207	223,009
Management support programme	(23,192)	1,014,485
Survey of Kologha	136,750	136,750
MIG funding	6,972,505	9,023,615
	10,760,856	14,648,471

Movement during the year

Balance at the beginning of the year	14,648,471	34,088,885
Income recognition during the year	(3,887,615)	(19,440,414)
	10,760,856	14,648,471

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

12. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Reversed during the year	Total
Bonuses	1,897,488	(301,170)	-	1,596,318
Wastesite rehabilitation	(500,000)	-	500,000	-
	1,397,488	(301,170)	500,000	1,596,318

The provision for the rehabilitation of the landfill sites operated in the municipality's demarcations was not recognised in line with Directive 4 due to the application of the transitional provisions in the Standards of GRAP on Property Plant and Equipment also being applied.

However the municipality has the following sites:

Wastesite rehabilitation site

Landfill sites

Both sites are situated on erf 80, Stutterheim

13. Trade and other payables from exchange transactions

Trade payables	1,525,409	2,738,463
----------------	-----------	-----------

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
13. Trade and other payables from exchange transactions (continued)		
Payments received in advanced - contract in process	33,997	-
Other payables	8,329,936	6,063,721
Deposits received	50,783	47,467
Accrual for leave gratuity	2,302,226	2,010,893
	12,242,351	10,860,544
14. VAT payable		
Tax refunds payables	170,822	213,982
15. Consumer deposits		
Electricity	353,524	343,844
16. Revenue		
Rendering of services	20,190,345	17,499,695
Property rates	7,674,187	5,369,390
Rental of facilities & equipment	241,604	245,955
Fines	52,084	133,756
Licences and permits	2,284	2,236
Government grants & subsidies	79,441,661	44,661,049
Motor vehicle registrations	1,971,669	1,570,320
Miscellaneous other revenue	369,003	540,573
	109,942,837	70,022,974
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	20,190,345	17,499,695
Rental of facilities & equipment	241,604	245,955
Licences and permits	2,284	2,236
Miscellaneous other revenue	369,003	540,573
	20,803,236	18,288,459
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	7,674,187	5,369,390
Fines	52,084	133,756
Government grants & subsidies	79,441,661	44,661,049
Motor vehicle registrations	1,971,669	1,570,320
	89,139,601	51,734,515

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
17. Property rates		
Rates received		
Property rates	7,674,187	5,369,390
Valuations		
Residential	639,826,255	643,531,355
Commercial	288,235,640	349,210,050
State	260,942,585	269,802,485
Municipal	40,569,600	40,943,400
Small holdings and farms	650,319,896	653,083,845
Public benefit organisations	17,439,500	9,075,000
Property rates 2	19,808,500	19,708,000
Vacant land	60,598,335	66,297,365
	1,977,740,311	2,051,651,500

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009 . Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.6 (2009: R2.10) is applied to property valuations to determine assessment rates. Rebates of R434 731 (2009: R1 422 167) are granted according to Council's Policy..

Rates are levied on a monthly basis. Interest is charged at prime plus 1% per annum.

18. Service charges

Sale of electricity	11,492,645	9,952,317
Refuse removal	4,819,350	4,283,185
Other service charges	3,878,350	3,264,193
	20,190,345	17,499,695

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
19. Government grants and subsidies		
Equitable share	57,030,361	42,026,848
Health subsidy	2,124,914	1,985,901
MIG grant (operating)	853,600	648,300
Utilised capital grants	3,428,200	-
Library Grant	1,500,000	-
Utilised capital grants	14,504,586	-
	79,441,661	44,661,049
Vuna awards		
Balance unspent at beginning of year	(81,701)	(81,701)
Current-year receipts	129,802	-
Expenditure	(46,374)	-
	1,727	(81,701)
The grant was received from the Department of local government and housing. (see note 11)		
The grant was mainly used for the development and review of municipal reform management system.		
Vuna awards- phase 2		
Balance unspent at beginning of year	(267,068)	(267,068)
Conditions met - transferred to revenue	84,824	-
	(182,244)	(267,068)
The grant was received from the Department of local government and housing. (see note 11)		
The grant was mainly used for the development and review of municipal reform management system.		
Municipal systems improvement		
Balance unspent at beginning of year	(329,957)	(329,957)
Current-year receipts	441,259	-
Expenditure incurred	(131,579)	-
	(20,277)	(329,957)
The grant was received from the Department of Provincial Government. (see note 11)		
The grant was used for the ward committee training and the valuation roll.		
Performance enhancement		
Balance unspent at beginning of year	(41,730)	(41,730)
The grant was received from the Department of local government and housing.(see note 11)		
The grant obtained was used for management performance.		
Keep Amathole clean		
Balance unspent at beginning of year	(100,000)	(100,000)
The grant was received from the District municipality. (see note 11)		

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
19. Government grants and subsidies (continued)		
The grant was used for the clean up campaign.		
Crafters		
Balance unspent at beginning of year	(36,000)	(36,000)
Current-year receipts	34,400	-
	(1,600)	(36,000)
The grant was received from the Amatola District municipality.(see note 11)		
The grant was received to support the local craftsmen.		
Survey of Stanhope		
Balance unspent at beginning of year	(98,845)	(98,845)
The grant was received from the Department of local government and housing (see note 11)		
The grant was used for the performance of a survey.		
Survey of Freshwater		
Balance unspent at beginning of year	(8,563)	(8,563)
The grant was received from the Department of local government and housing(see note 11)		
The grant was used for the performance of a survey.		
Transitional grant		
Balance unspent at beginning of year	(433,882)	(433,882)
The grant was received from the Department of local government and housing(see note 11)		
The grant was a gazetted grant and a payment for the transitional changes in the municipality.		
Spatial development framework		
Balance unspent at beginning of year	(84,526)	(84,526)
The grant was received from the Department of local government and housing and was used for the development of a framework.(see note 11)		
Land survey Ndakana		
Balance unspent at beginning of year	(18,888)	(18,888)
The grant was obtained from the Department of local government and housing and is used for the finance of the surveys performed on the land. (see note 11)		
Survey of Cwengcwe		
Balance unspent at beginning of year	(211,104)	(211,104)

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
19. Government grants and subsidies (continued)		
The grant was obtained from the Department of local government and housing and was used to finance the surveys. (see note 11)		
Zoning scheme- Stutterheim		
Balance unspent at beginning of year	(28,920)	(28,920)
The grant was obtained from the Department of local government and housing and was used to finance for the zoning scheme of Stutterheim.(see note 11)		
Survey of Ndakana		
Balance unspent at beginning of year	(46,760)	(46,760)
The grant was received from the Department of local government and housing and was mainly financed for the performance of a survey.(see note 11)		
Staff training		
Balance unspent at beginning of year	(269,612)	(269,612)
Current-year receipts	107,608	-
Expenses incurred	(91,695)	-
	(253,699)	(269,612)
The grant was received from the Sectorial Education Training Authority (SETA) for the training of staff.(see note 11)		
Town planning		
Balance unspent at beginning of year	(30,267)	(30,267)
The grant was obtained from the Department of local government and housing for the assistance to town planning.(see note 11)		
Survey of Tembeni		
Balance unspent at beginning of year	(163,191)	(163,191)
The grant was obtained from the Department of local housing and government and the grant was used for surveys performed. (see note 11)		
Planning of Kologha		
Balance unspent at beginning of year	(10,644)	(10,644)
The grant was received from the Department of local government and housing and was used for planning of Kologha housing.(see note 11)		
Finance management programme		
Balance unspent at beginning of year	(1,544,166)	(1,544,166)
Current-year receipts	1,759,782	-
Expenditure incurred	(1,500,000)	-
	(1,284,384)	(1,544,166)

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
19. Government grants and subsidies (continued)		
The grant was received from National Treasury and was mainly used for budget reforms and financial management reforms. (see note 11)		
Drought relief		
Balance unspent at beginning of year	(80,472)	(80,472)
The grant was received from the Department of local government and housing and was mainly used for relief for drought conditions.(see note 11)		
Survey/plan Upper Zeleni		
Balance unspent at beginning of year	(151,515)	(151,515)
The grant was obtained from the Department of local government and housing and was used for the conduct of surveys and plans for the Upper Zeleni section.(see note 11)		
Survey of Mxhalanga		
Balance unspent at beginning of year	(139,591)	(139,591)
The grant was obtained from the Department of local government and housing and was used for the conduct of a survey.(see note 11)		
Survey of Mlungisi		
Balance unspent at beginning of year	(28,540)	(28,540)
The grant was obtained from the Department of local government and housing and was used for the conduct of a survey(see note 11)		
Heckel Disaster fund		
Balance unspent at beginning of year	(2,264)	(2,264)
The grant was received from the Department of local government and housing and was used to provide relief from the cause of a fire. (see note 11)		
Sub division of farms		
Balance unspent at beginning of year	(8,294)	(8,294)
The grant was obtained from the Department of local government and housing and was used for the subdivision of the land as per the land claim received, (see note 11)		
Establish ward committees		
Balance unspent at beginning of year	(34,112)	(34,112)
The grant was received from the Department of local government and housing and was used for support for the ward committees.(see note 11)		
Quizini Agricultural project		
Balance unspent at beginning of year	(223,009)	(223,009)

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
19. Government grants and subsidies (continued)		
Current-year receipts	10,802	-
	(212,207)	(223,009)

The above grant was received from the Department of local government and housing and was used mainly for farming purposes. (see note 11)

Management support programme

Balance unspent at beginning of year	(1,014,485)	(1,014,485)
Current-year receipts	1,063,913	-
Other	(26,236)	-
	23,192	(1,014,485)

The grant was provided by the Department of local government and housing and was used to support management functions of the municipality. (see note 11)

Survey of Kologha

Balance unspent at beginning of year	(136,750)	(136,750)
--------------------------------------	-----------	-----------

The grant was obtained from the Department of local government and housing and was used for the conduct of surveys. (see note 11)

MIG funding

Balance unspent at beginning of year	(9,023,615)	(9,023,615)
Current-year receipts	13,067,863	-
Conditions met - transferred to revenue	(11,016,753)	-
	(6,972,505)	(9,023,615)

The above grant was financed by National Revenue Fund and was used to finance the capital infrastructure.(see note 11)

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
20. General expenses		
Audit fees	1,143,389	825,528
Advertising	53,424	36,498
Bank charges	160,826	154,764
Computer expenses	44,441	55,029
Consulting and professional fees	2,671,849	204,239
Consumables	134,486	130,980
Entertainment	123,909	19,626
Insurance	1,681,174	1,473,934
Community development and training	98,436	45,857
Lease rentals on operating lease	186,981	161,902
Medical expenses	42,385	55,027
Motor vehicle expenses	110,587	-
Fuel and oil	1,065,889	1,549,282
Postage and courier	95,982	93,058
Printing and stationery	397,057	273,774
Promotions	426,834	90,537
Project maintenance costs	434,789	546,824
Royalties and license fees	86,479	75,819
Security (Guarding of municipal property)	137,830	105,024
Staff welfare	38,217	45,877
Subscriptions and membership fees	290,587	84,299
Telephone and fax	693,284	772,835
Training	1,017,550	396,107
Refuse	18,809	-
Assets expensed	750,766	556,320
Electricity	632,506	422,529
Uniforms	104,291	78,445
Revolving Fund	10,000	460,456
Capital expenses	18,210	73,039
Rates rebate	814,991	-
Remissions and aforesation	2,165,754	2,114,255
Free basic electricity	2,409,223	1,432,570
Contingency expenses	57,592	41,646
Skills development levy	219,585	196,570
Other expenses	21,577	24,462
	18,359,689	12,597,112

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
21. Employee related costs		
Basic	19,166,565	17,348,253
Bonus	1,758,144	2,004,193
Medical aid - company contributions	1,372,897	1,315,144
UIF	213,323	204,949
Overtime payments	298,186	265,909
Travel allowances	1,222,159	994,839
Housing benefits and allowances	33,301	36,551
Other	3,445,922	3,192,868
	27,510,497	25,362,706

Remuneration of municipal manager

Annual Remuneration	474,381	453,828
Car Allowance	212,892	181,846
Performance Bonuses	144,137	-
Contributions to UIF, Medical and Pension Funds	97,324	89,135
Cell phone allowance	12,000	12,000
	940,734	736,809

An amount of R64 578 included in the Performance bonus was in respect of the 08/09 Performance bonus which was only paid in the current financial year

Remuneration of chief finance officer

Annual Remuneration	530,047	487,542
Car Allowance	124,487	108,944
Performance Bonuses	139,922	-
Contributions to UIF, Medical and Pension Funds	117,795	105,470
Cellphone allowance	8,400	7,600
	920,651	709,556

An amount of R62 689 included in the Performance Bonus was in respect of the 08/09 Performance Bonus which was only paid in the current financial year.

Remuneration of administration manager

Annual Remuneration	468,741	430,961
Car Allowance	117,376	102,720
Performance Bonuses	127,202	-
Contributions to UIF, Medical and Pension Funds	116,000	104,445
Long service bonus	-	50,425
Cellphone allowance	8,400	7,600
	837,719	696,151

An amount of R56 990 included in the Performance Bonus was in respect of the 08/09 Performance Bonus which was only paid in the current financial year.

Remuneration of engineering services manager

Annual Remuneration	491,711	451,871
Car Allowance	126,458	110,668
Performance Bonuses	133,749	-
Contributions to UIF, Medical and Pension Funds	120,086	108,441
Long service bonus	14,660	-

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
21. Employee related costs (continued)		
Cellphone allowance	8,400	7,600
	895,064	678,580
<p>An amount of R59 923 included in the Performance Bonus was in respect of the 08/09 Performance Bonus which was only paid in the current financial year.</p>		
Remuneration of strategic manager		
Annual Remuneration	470,787	434,659
Car Allowance	109,896	96,174
Performance Bonuses	127,202	-
Contributions to UIF, Medical and Pension Funds	121,649	107,757
Cellphone allowance	8,400	7,600
	837,934	646,190
<p>An amount of R56 990 included in the Performance Bonus was in respect of the 08/09 Performance Bonus which was only paid in the current financial year.</p>		
22. Remuneration of councillors		
Major Speaker	505,920	471,048
Councillors	406,934	381,313
Contributions to Medical and Pension Funds	6,462,831	6,314,229
	915,275	866,120
	8,290,960	8,032,710
23. Debt impairment		
Debt impairment	8,623,389	1,289,269
24. Investment revenue		
Interest revenue		
Bank	4,533,342	39,216
	-	-
	4,533,342	39,216
25. Finance costs		
Current borrowings	140,904	363,295
Other interest paid	-	4,601,348
	140,904	4,964,643
<p>Capitalisation rates used during the period were between 10.5% and 16% on specific borrowings for capital projects and 13% being the weighted average cost of funds borrowed generally by the municipality.</p>		
26. Auditors' remuneration		
Fees	1,143,389	825,528
27. Rental of facilities and equipment		
Premises		
Premises	241,604	245,955

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
27. Rental of facilities and equipment (continued)		
Premises	241,604	245,955
Garages and parking	-	-
Facilities and equipment	-	-
28. Bulk purchases		
Electricity	11,236,967	7,799,285
29. Cash generated from operations		
Surplus	38,818,603	9,670,692
Adjustments for:		
Debt impairment	8,623,389	1,289,269
Movements in provisions	208,830	1,083,918
Changes in working capital:		
Inventories	25,512	(54,114)
Trade and other receivables from exchange transactions	(6,123)	(515,306)
Debt Impairment	(8,623,389)	(1,289,269)
Trade and other payables from exchange transactions	1,381,808	(4,435,272)
VAT	(43,160)	-
Unspent conditional grants and receipts	(3,887,615)	12,065,230
Consumer deposits	9,680	(9,536)
Consumer debtors	3,945,210	-
	40,452,745	17,805,612
30. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	5,416,472	7,479,035
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	3,619,237	3,335,333

This committed expenditure relates to property and will be financed by MIG.

31. Contingencies

There is a claim for personal damages by M Schwulst against Amahlathi Municipality. The claim is for personal damages resulting from an open manhole area. The lawyers estimate of financial exposure is set at R75 000.

32. Prior period errors

Accounts receivable was materially misstated in the prior financial year end. The below journal entry was passed to agree the debtors sub ledger to consumer debtors.

Provisions was materially misstated in the prior period as they are no longer permitted to be recognised as provisions in terms of GRAP and due to the application provisions of Directive 4.

The correction of the error(s) results in adjustments as follows:

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
32. Prior period errors (continued)		
Statement of financial position		
Consumer debtors	-	31,289,629
Provisions	-	(1,387,488)
Consumer debtors		
Balance as per the original trial balance	-	30,097,309
Journals recognised to account for prior period error	-	-
Sundry Debtors	-	(417,293)
Debtors arrear interest	-	496,723
Debtors VAT	-	1,100,393
Balance as recognised in the statement of financial position	-	31,281,629
Provisions	-	-
Balance as per the original trial balance	-	(1,897,488)
Journals processed to account for the prior period error	-	510,000
	-	(1,387,488)

33. Comparative figures

No comparative figures have been presented as these are the first annual financial statements of the municipality.

The reporting period is longer/shorter than a year, therefore comparative amounts are not comparable to the current balances.

34. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by the financial department with the assistance of operating divisions. Risk management is carried out under policies approved by the accounting officer.

Market risk: Currency risk

The municipality is not exposed to currency risk as no transactions are negotiated in foreign currency

Interest rate risk

The municipality's interest bearing assets are included under cash and cash equivalents. The municipality's income and operating cash flows are substantially independent of changes in market interest rates due to the short term nature of interest bearing assets.

At year-end financial assets exposed to interest rate risk were for the DBSA loan of R625157 (2009: R860 872)

Balances with banks, deposits and all call and current accounts attract interest at rates that vary with the South African Prime rate. 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.

Trade debtors in arrears linked to South African prime rate plus one percent.

Surplus funds are invested with banks for fixed terms on fixed interest rates not exceeding one year. For details refer Note 4.

At year end, financial liabilities exposed to interest rate risk were as follows:

DBSA loan linked to South African prime rate.

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

34. Risk management (continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below. The disclosure only indicates the effect of the change in interest rate on surplus.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis for one year to the next.

	2010	2009
The estimated increase rates		
The estimated increase in basis points	100	100
Effect on Net Surplus	(6252)	(8609)

Market risk: other price risk

The Municipality's financial assets do not include equity investments that will expose it to price risks.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the municipality. 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 particular counter-party. Trade receivables comprise a widespread customer base. Credit exposure is controlled by the application of the municipality's credit control and debt collection policies. Adequate provision has been made for anticipated doubtful debts.

The carrying amount of financial assets, represent the entity's maximum exposure to credit risk in relation to these assets.

The municipality's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

There has been no significant change during the financial year, or since the end of the financial year, to the municipality's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk:

	2009/10	2008/9
Investments	R 71 806 281	R 51 111 254
Consumer Debtors	R 2 290 822	R 4 808 069
Other receivables	R 1 616 096	R 1 609 973
Long term receivables	R 1 075 431	R 1 285 104

Credit quality

The following represents information on the credit quality of trade receivables that are neither past due nor impaired:

	2010	2009
A	9%	12%
B	14%	13%
C	77%	75%

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
-----------------	------	------

34. Risk management (continued)

Analysis of table:

A - The debtors are of good credit quality and no default in payment is expected.

B - The debtors are usual good payers, but there is a possibility that the debtor may not be able to pay on time

C - These debtors usually pay, but have previously paid late and therefore there is a possibility that these debtors will not be recoverable.

Refer to the receivables note for an analysis of the impaired receivables.

Liquidity risk

The municipality's risk relates to funds available that will cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and projected grant receipts. Cash flow forecasts are prepared and adequate managed borrowing facilities are continually monitored.

35. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	240,648	26,539
Amount paid - current year	(240,648)	(26,539)
	<hr/>	<hr/>
	-	-

Audit fees

Current year subscription / fee	1,143,389	825,528
	<hr/>	<hr/>

PAYE and UIF

Current year subscription / fee	213,321	204,949
Amount paid - current year	(213,321)	(204,949)
	<hr/>	<hr/>
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	4,681,862	4,389,460
Amount paid - current year	(4,681,862)	(4,389,460)
	<hr/>	<hr/>
	-	-

VAT

VAT payable	170,822	213,982
	<hr/>	<hr/>

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Appendix A: Schedule of external loans

APPENDIX A

June 2010

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

Loan Number	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed written off during the period	Balance at 30 June 2010	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
LOAN STOCK							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
STRUCTURED LOANS							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
FUNDING FACILITY							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
DEVELOPMENT BANK OF SOUTH AFRICA							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
BONDS							
		-	-	-	-	-	-

APPENDIX A

June 2010

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

Loan Number	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed written off during the period	Balance at 30 June 2010	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
OTHER LOANS		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
LEASE LIABILITY		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
ANNUITY LOANS		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
GOVERNMENT LOANS		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix B: Analysis of property, plant and equipment

	ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009											Accumulated depreciation					
	Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Cost/Revaluation			Depreciation	Impairment loss	Impairment reversal	Closing Balance	Opening Balance	Additions	Additions through business combinations	Disposals
							Revaluations	Foreign exchange movements	Other changes, movements								
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings																	
1.1.1300.0105.: Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure																	
1.1.1300.0101.: Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0101.: Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0102.: Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0102.: Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0102.: Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0103.: Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0103.: Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0103.: Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0104.: Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0104.: Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets																	
1.1.1300.1400.: Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets																	

	ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009												Accumulated depreciation			Dis	
	Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Cost/Revaluation			Depreciation	Impairment loss	Impairment reversal	Closing Balance	Opening Balance	Additions		Additions through business combinations
							Revaluations	Foreign exchange movements	Other changes, movements								
1.1.1300.2310.:Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2310.:Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles																	
1.1.1300.3400.:Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.3400.:Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.3400.:Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.3400.:Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.3400.:Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets																	
1.1.1300.2400.:General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total property plant and equipment																	
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undefined Difference: Agricultural/Biological assets																	
1.1.1301.0000.(Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1302.0000.(Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(19,617)

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009															
Cost/Revaluation													Accumulated depreciation		
Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Revaluations	Foreign exchange movements	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Closing Balance	Opening Balance	Additions	Additions through business combinations
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1303.0000.(Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1303.0000.(Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1304.0000.(Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix C: Segmental analysis of property, plant and equipment

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007
Accumulated Depreciation

Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Revaluations	Foreign exchange movements	Other changes, movements	Depreciation	Impairment deficit	Impairment reversal	Closing Balance	Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix D: Segmental Statement of Financial Performance

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-	Executive & Council/Mayor and Council	-	-	-
-	-	-	Finance & Admin/Finance	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-				

APPENDIX D for the period ended 30 June 2010
 June 2010

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-	Total	-	-	-

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

Can't Show logo.bmp

APPENDIX E(1) for the ended 30 June 2010

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Current year 2009 Act. Bal. R'000	Current year 2009 Bud. Amt R'000	Variance R'000		Prior Year # 1 2008 Forecast Amt R'000	Variance R'000			Prior Year # 1 2008 Act. Bal. R'000	Prior Year # 1 2008 Bud. Amt R'000	Variance R'000		Current year 2009 Forecast Amt R'000	Variance R'000		Budget Remaining R'000	Current year 2009 Bud. Amt R'000
			Var			Var					Var			Var		
							Revenue									
-	-	-	-	-	-	-	- Sale of goods	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Sale of goods in agricultural activities	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Rendering of services	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Rendering of services in agricultural activities	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Property rates	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Service charges	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Levies	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Property rates - penalties imposed and collection charges	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Sales of housing	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Construction contracts	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Royalty income	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Rental of facilities and equipment	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Interest received (trading)	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Dividends received	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Income from agency services	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Public contributions and donations	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Fines	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Licences and permits	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Government grants & subsidies	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Municipal Revenue UD1	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Municipal Revenue UD2	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Revenue 1	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Revenue 2	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Miscellaneous other revenue	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Administration and management fees received	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Fees earned	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Commissions received	-	-	-	-	-	-	-	-	-

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Current year 2009 Act. Bal.	Current year 2009 Bud. Amt	Variance	Prior Year # 1 2008 Forecast Amt	Variance		Prior Year # 1 2008 Act. Bal.	Prior Year # 1 2008 Bud. Amt	Variance	Current year 2009 Forecast Amt	Variance	Budget Remaining	Current year 2009 Bud. Amt
-	-	-	-	-	- Bulk purchases	-	-	-	-	-	-	-
-	-	-	-	-	- Contracted Services	-	-	-	-	-	-	-
-	-	-	-	-	- Grants and subsidies paid	-	-	-	-	-	-	-
-	-	-	-	-	- Cost of housing sold	-	-	-	-	-	-	-
-	-	-	-	-	- Expenses (by function)	-	-	-	-	-	-	-
-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-
-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-
-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-
-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-
-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-
-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	- Operating profit	-	-	-	-	-	-	-
-	-	-	-	-	- Other revenue and costs	-	-	-	-	-	-	-
-	-	-	-	-	- Gain on disposal of assets and liabilities	-	-	-	-	-	-	-
-	-	-	-	-	- Deficit on foreign exchange	-	-	-	-	-	-	-
-	-	-	-	-	- Fair value adjustments	-	-	-	-	-	-	-
-	-	-	-	-	- Gains or losses on biological assets and agricultural produce	-	-	-	-	-	-	-
-	-	-	-	-	- Income from equity accounted investments	-	-	-	-	-	-	-
-	-	-	-	-	- Profit and loss on sale of non-current assets held for sale and net assets of disposal groups	-	-	-	-	-	-	-
-	-	-	-	-	- Taxation	-	-	-	-	-	-	-
-	-	-	-	-	- Discontinued operations	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	- Net surplus/ (deficit) for the year	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Current year 2009 Act. Bal.	Current year 2009 Bud. Amt	Variance	Prior Year # 1 2008 Forecast Amt	Variance

Prior Year # 1 2008 Act. Bal.	Prior Year # 1 2008 Bud. Amt	Variance	Current year 2009 Forecast Amt	Variance	Budget Remaining	Current year 2009 Bud. Amt

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

BUDGET ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Additions	Original	Revised	Variance	Variance	Explanation of significant variances from budget
	Rand	Budget	Budget	Rand	%	
		Rand	Rand			
Land and buildings						
1.1.1300.0105.1Land (Separate for AFS purposes)	-	-	-	-	-	
1.1.1300.0105.1Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	
1.1.1300.0105.1Quarries (Separate for AFS purposes)	-	-	-	-	-	
1.1.1300.0105.1Buildings (Separate for AFS purposes)	-	-	-	-	-	
	-	-	-	-	-	
Undefined Difference:						
Infrastructure						
1.1.1300.0101.(Roads, Pavements & Bridges	-	-	-	-	-	
1.1.1300.0101.(Storm water	-	-	-	-	-	
1.1.1300.0102.(Generation	-	-	-	-	-	
1.1.1300.0102.(Transmission & Reticulation	-	-	-	-	-	
1.1.1300.0102.(Street lighting	-	-	-	-	-	
1.1.1300.0103.(Dams & Reservoirs	-	-	-	-	-	
1.1.1300.0103.(Water purification	-	-	-	-	-	
1.1.1300.0103.(Reticulation	-	-	-	-	-	
1.1.1300.0104.(Reticulation	-	-	-	-	-	
1.1.1300.0104.(Sewerage purification	-	-	-	-	-	
1.1.1300.0105.(Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	
1.1.1300.0105.1Waste Management	-	-	-	-	-	
1.1.1300.0105.1Gas	-	-	-	-	-	
1.1.1300.0105.1Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	
	-	-	-	-	-	
Undefined Difference:						
Community Assets						
1.1.1300.1400.1Parks & gardens	-	-	-	-	-	
1.1.1300.1400.1Sportsfields and stadium	-	-	-	-	-	
1.1.1300.1400.1Swimming pools	-	-	-	-	-	
1.1.1300.1400.1Community halls	-	-	-	-	-	
1.1.1300.1400.1Libraries	-	-	-	-	-	
1.1.1300.1400.1Recreational facilities	-	-	-	-	-	
1.1.1300.1400.2Clinics	-	-	-	-	-	
1.1.1300.1400.2Museums & art galleries	-	-	-	-	-	
1.1.1300.1400.2Other	-	-	-	-	-	
1.1.1300.1400.2Social rental housing	-	-	-	-	-	
1.1.1300.1400.2Cemeteries	-	-	-	-	-	
1.1.1300.1400.2Fire, safety & emergency	-	-	-	-	-	
1.1.1300.1400.2Security and policing	-	-	-	-	-	
1.1.1300.1400.2Buses	-	-	-	-	-	
	-	-	-	-	-	
Heritage assets						
1.1.1300.2310.2Other	-	-	-	-	-	
1.1.1300.2310.2Buildings	-	-	-	-	-	

BUDGET ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Additions	Original	Revised	Variance	Variance	Explanation of significant variances from budget
	Rand	Budget	Budget	Rand	%	
		Rand	Rand			
	-	-	-	-	-	
Specialised vehicles						
1.1.1300.3400.∫Refuse	-	-	-	-	-	
1.1.1300.3400.∫Fire	-	-	-	-	-	
1.1.1300.3400.∫Conservancy	-	-	-	-	-	
1.1.1300.3400.∫Ambulances	-	-	-	-	-	
1.1.1300.3400.∫Buses	-	-	-	-	-	
	-	-	-	-	-	
Other assets						
1.1.1300.2400.∫General vehicles	-	-	-	-	-	
1.1.1300.2400.∫Plant & equipment	-	-	-	-	-	
1.1.1300.2400.∫Computer Equipment	-	-	-	-	-	
1.1.1300.2400.∫Computer Software (part of computer equipment)	-	-	-	-	-	
1.1.1300.2400.∫Furniture & Fittings	-	-	-	-	-	
1.1.1300.2400.∫Office Equipment	-	-	-	-	-	
1.1.1300.2400.∫Office Equipment - Leased	-	-	-	-	-	
1.1.1300.2400.∫Abattoirs	-	-	-	-	-	
1.1.1300.2400.∫Markets	-	-	-	-	-	
1.1.1300.2400.∫Airports	-	-	-	-	-	
1.1.1300.2400.∫Security measures	-	-	-	-	-	
1.1.1300.2400.∫Civic land and buildings	-	-	-	-	-	
1.1.1300.2400.∫Other buildings	-	-	-	-	-	
1.1.1300.2400.∫Other land	-	-	-	-	-	
1.1.1300.2400.∫Bins and Containers	-	-	-	-	-	
1.1.1300.2400.∫Work in progress	-	-	-	-	-	
1.1.1300.2400.∫Other	-	-	-	-	-	
1.1.1300.2400.∫Other Assets - Leased	-	-	-	-	-	
	-	-	-	-	-	
Agricultural/Biological assets						
1.1.1301.0000.∫Agricultural	-	-	-	-	-	
1.1.1302.0000.∫Biological assets	-	-	-	-	-	
	-	-	-	-	-	
Intangible assets						
1.1.1303.0000.∫Other	-	-	-	-	-	
1.1.1303.0000.∫Computers - software & programming	-	-	-	-	-	
	-	-	-	-	-	
Investment properties						
1.1.1304.0000.∫Investment property	-	-	-	-	-	
	-	-	-	-	-	
Total						

BUDGET ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Additions	Original	Revised	Variance	Variance	Explanation of significant variances from budget
	Rand	Budget	Budget	Rand	%	
		Rand	Rand			
Land and buildings	-	-	-	-	-	
Infrastructure	-	-	-	-	-	
Community Assets	-	-	-	-	-	
Heritage assets	-	-	-	-	-	
Specialised vehicles	-	-	-	-	-	
Other assets	-	-	-	-	-	
Intangible assets	-	-	-	-	-	
Investment properties	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2010

Supplementary Information

Appendix F: Disclosure of grants and subsidies in terms of the Municipal Finance Management Act

APPENDIX F for the ended 30 June 2010
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
 June 2010

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.