

EDEN DISTRICT MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2010

GENERAL INFORMATION

MEMBERS OF THE MAYORAL COMMITTEE

(as at 30 June 2010)

L Dorfling	Executive Mayor
MF Stemmet	Deputy Executive Mayor (Chairperson: Strategic Services Committee)
P van der Hoven	Executive Councillor (Chairperson: Community Services Committee)
A Hartnick	Executive Councillor (Chairperson: Technical Committee)
N Bityi	Executive Councillor (Chairperson: Corporate Services Committee)
A Ewerts	Executive Councillor (Chairperson: Economic dev & Planning Services Committee)
D Xego	Executive Councillor (Chairperson: Financial Services Committee)

AUDITORS

Auditor - General
Business Connection Building, East Wing, Bridge Road, Century City, 7446

BANKER

Absa Bank
P O Box, George 6530

REGISTERED OFFICE

Eden District Municipality	P O Box 54	Tel 044-803 1300
York Street 12	George	Fax 044-874 6626
George	6530	

ACTING MUNICIPAL MANAGER

Mr. MM Hoogbaard

CHIEF FINANCIAL OFFICER

Mr. NB Delo

MEMBERS OF THE EDEN DISTRICT MUNICIPALITY

Proportional

Mr. S de Vries
Mr. L Dorfling
Me. M Fielies
Me. ME Saaiers
Me. H J Loff
Mr. P Luiters
Mr. E Mtabati
Mr. P J W Murray
Mr. J Koegelenberg
Mr. J E Davids
Mr. A M Wildeman
Mr. M F Stemmet
Me. E K V Van Eeden

Representatives from Local Municipalities

George Municipality	B M Cornelius N Bityi AT Jantjies C M Remas P van der Hoven
Mossel Bay Municipality	H Floors R Skombingo P A Du Plessis
Oudtshoorn Municipality	S C P Biljohn J Harmse C Ngalo
Knysna Municipality	S Loliwe HJ McCombi
Hessequa Municipality	E Nel A Hartnick
Bitou Municipality	D Xego
Kannaland Municipality	A Ewerts

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages **1 to 68** in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the District Municipality.

M M Hoogbaard
Acting Municipal Manager

Date

(These financial statements have not been audited.)

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EDEN DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

NET ASSETS AND LIABILITIES	Note	2010 R	2009 R
Net assets		558 555 719	551 712 095
Housing Development Fund	2	56 426	54 171
Capital replacement reserve		15 379 122	14 640 080
Government grant reserve		-	-
Revaluation reserve		-	-
Accumulated Surplus/(Deficit)		543 120 170	537 017 845
Non-current liabilities		84 332 248	77 346 952
Long-term liabilities	3	4 781 678	7 042 323
Employee Benefits	4	73 678 177	66 741 984
Non-current provisions	5	5 872 392	3 562 645
Current liabilities		66 711 738	78 309 205
Consumer deposits	6	69 208	63 813
Current Employee Benefits	7	12 089 971	9 780 166
Provisions	8	2 224 058	-
Trade and other payables	9	29 626 546	28 881 322
Unspent conditional grants and receipts	10	20 126 184	36 741 355
Taxes	11	-	-
Cash and Cash Equivalents		-	-
Current portion of long-term liabilities	3	2 575 771	2 842 551
Total Net Assets and Liabilities		709 599 704	707 368 253
ASSETS			
Non-current assets		637 453 839	617 181 076
Property, plant & equipment	12	250 197 759	231 789 698
Investment Property	13	353 212 682	353 911 573
Intangible Assets	14	1 645 744	2 241 018
Investments	15	40 974	9 054
Long-term receivables	16	32 356 680	29 229 732
Current assets		72 145 862	90 187 177
Inventory	17	2 792 802	2 998 190
Trade receivables from exchange transactions	18	5 929 147	1 356 907
Other receivables - Non exchange transactions	19	15 562 890	22 222 008
Unpaid Conditional Government Grants and Receipts		-	-
Vat receivable	11	1 516 561	2 320 916
Current portion of long-term debtors	16	2 201 480	2 329 112
Cash and Cash Equivalents	21	44 142 983	58 960 043
Total Assets		709 599 704	707 368 253

**EDEN DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**

Note	2010 (Actual) R	2009 (Restated) R	Correction of error R	2009 (Previously reported) R
REVENUE				
Revenue from Non-Exchange Transactions				
	284 598 128	243 244 059		243 244 059
Taxation Revenue				
	1 434 070	1 116 558		1 116 558
22	1 356 977	1 116 558		1 116 558
	-	-		-
	77 093	-		-
	-	-		-
	-	-		-
Transfer Revenue				
	282 953 264	241 862 044		241 862 044
	118 011 375	101 734 421		101 734 421
24	164 941 889	140 018 857		140 018 857
25	-	108 766		108 766
Other Revenue				
	210 794	265 457		265 457
	20 890	86 507		86 507
	99 536	92 658		92 658
	31 920	-		-
	58 447	86 292		86 292
	-	-		-
Revenue from Exchange Transactions				
	34 164 228	35 630 234		35 630 234
24	7 435 577	5 505 863		5 505 863
	1 531 386	1 650 969		1 650 969
	5 004 852	6 060 307		6 060 307
	417 029	540 025		540 025
	-	-		-
	167 055	5 762 379		5 762 379
	9 306 954	7 392 684		7 392 684
26	9 705 083	8 415 009		8 415 009
	-	11 361		11 361
	596 293	291 637		291 637
	<u>318 762 356</u>	<u>278 874 293</u>	<u>-</u>	<u>278 874 293</u>
EXPENDITURE				
27	85 376 286	69 567 223	-27 074.96	69 594 298
28	5 393 158	5 343 566	-115 954.75	5 459 521
	(1 513 046)	305 767		305 767
	1 564 288	493 111		493 111
	-	-		-
	-	-		-
	-	-		-
	7 386	-		-
	831 019	113 140		113 140
	3 702 786	-		-
	10 676 848	9 438 535	68 038	9 370 497
	848 830	515 924		515 924
	4 604 096	3 548 538		3 548 538
29	998 401	995 007		995 007
30	2 579 569	2 036 777		2 036 777
	9 090 935	7 147 126		7 147 126
	40 104 411	41 088 060		41 088 060
31	101 534 003	87 952 083		87 952 083
32	-	11 853 750	34 160.28	11 819 589
	129 455	133 121		133 121
33	46 078 468	16 778 031		16 778 031
	<u>312 006 894</u>	<u>257 309 759</u>	<u>(40 832)</u>	<u>257 350 591</u>
SURPLUS/(DEFICIT) FOR THE YEAR				
	6 755 462	21 564 534	40 832	21 523 703
	88 161	(52 107)		(52 107)
SURPLUS/(DEFICIT) FOR THE YEAR				
	<u>6 843 622</u>	<u>21 512 427</u>	<u>40 832</u>	<u>21 471 595</u>
Share of surplus/(deficit) of associate accounted for under the equity method				
	-	-		-
NET (DEFICIT) FOR THE YEAR				
	<u>6 843 622</u>	<u>21 512 427</u>	<u>40 832</u>	<u>21 471 595</u>

Refer to Note 40 for explanation of variances

EDEN DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2010

	<u>Capital Replacement Reserve</u>	<u>Government Grant Reserve</u>	<u>Revaluation Reserve</u>	<u>Housing Development Fund</u>	<u>Accumulated Surplus/(Deficit)</u>	<u>Total</u>
	R	R	R	R	R	R
2009						
Balance at 1 July 2008	13 583 753	-	-	50 252	513 726 606	527 360 611
Correction of error (Note 35)					2 839 146	2 839 146
Prior year adjustments						-
Amount transferred to unspent grants						-
Changes in accounting policy (Note 34)	-	-	-	-	-	-
Restated Balance	13 583 753	-	-	50 252	516 565 752	530 199 757
Surplus/(deficit) for the year					21 471 595	21 471 595
Corrections					(89)	(89)
Purchase of Property, Plant and Equipment	(681 031)				681 031	-
Transfer to CRR	681 031				-681 031	-
Transfer to Housing Development Fund				3 918	(3 918)	-
Interest received	1 056 328				(1 056 328)	-
Balance at 30 June 2009	14 640 080	-	-	54 170	536 977 013	551 671 263
2010						
Correction of error (Note 35)	-			-	40 832	40 832
Restated Balance	14 640 080	-	-	54 170	537 017 845	551 712 095
Surplus/(deficit) for the year					6 843 622	6 843 622
Purchase of Property, Plant and Equipment						-
Transfer to CRR	2 255				(2 255)	-
Transfer to Housing Development Fund				739 042	(739 042)	-
Interest received						-
Balance at 30 June 2010	14 642 335	-	-	793 212	543 120 170	558 555 717

EDEN DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		298 720 032	278 127 818
Cash paid to suppliers and employees		(283 948 045)	(242 695 091)
Cash generated from/(utilised in) operations	36	<u>14 771 987</u>	<u>35 432 726</u>
Dividends received		-	-
Interest received		5 421 881	6 600 333
Interest paid	29	(998 401)	(995 007)
NET CASH FROM OPERATING ACTIVITIES		<u><u>19 195 467</u></u>	<u><u>41 038 052</u></u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(28 393 403)	(27 109 092)
Proceeds on disposal of property, plant and equipment		187 697	104 632
Additions to Investment Properties		-	-
Increase in intangible assets		(253 556)	(1 908 099)
Decrease / (Increase) in non-current receivables		(2 999 316)	(290 201)
Decrease in non-current investments		(31 920)	-
Decrease in call investment deposits		-	-
NET CASH FROM INVESTING ACTIVITIES		<u><u>(31 490 498)</u></u>	<u><u>(29 202 761)</u></u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(Decrease) in consumer deposits		5 395	6 560
Increase/(Decrease) in Long term liabilities		(2 527 425)	3 411 007
Increase in funds and reserves		-	-
NET CASH FROM FINANCING ACTIVITIES		<u><u>(2 522 030)</u></u>	<u><u>3 417 567</u></u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u><u>(14 817 060)</u></u>	<u><u>15 252 858</u></u>
Cash and cash equivalents at the beginning of the year		<u>58 960 043</u>	<u>43 707 184</u>
Cash and cash equivalent at the end of the year	37	<u>44 142 983</u>	<u>58 960 043</u>

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**ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE
FINANCIAL STATEMENTS**

1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Directive 5 "Determining the GRAP Reporting Framework", issued by the Accounting Standards Board.

The standards are summarised as follows:

No.	Reference	Topic
1	GRAP Framework	Framework for the preparation and presentation of financial statements
2	GRAP 1	Presentation of financial statements
3	GRAP 2	Cash flow statements
4	GRAP 3	Accounting policies, changes in accounting estimates and errors
5	GRAP 4	The effects of changes in foreign exchange rates
6	GRAP 5	Borrowing costs
7	GRAP 6	Consolidated and separate financial statements
8	GRAP 7	Investments in associates
9	GRAP 8	Interests in joint ventures
10	GRAP 9	Revenue from exchange transactions
11	GRAP 10	Financial reporting in hyperinflationary economies
12	GRAP 11	Construction contracts
13	GRAP 12	Inventories
14	GRAP 13	Leases
15	GRAP 14	Events after the reporting date
16	GRAP 16	Investment property
17	GRAP 17	Property, plant and equipment
18	GRAP 19	Provisions, contingent liabilities and contingent assets
19	GRAP 100	Non-current assets held for sale and discontinued operations
20	GRAP 101	Agriculture
21	GRAP 102	Intangible assets
25	IFRS 7	Financial instruments: Disclosures
27	IAS 19	Employee benefits
28	IAS 32	Financial instruments: Presentation
30	IAS 39	Financial instruments: Recognition and measurement
31	IPSAS 20	Related party disclosures
33	GAMAP 9.29 - .35 & .39 - .54*	Revenue
34	IGRAP 1**	Applying the probability test on initial recognition of exchange revenue
36	IFRIC 4	Determining whether an Arrangement contains a Lease
44	Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
45	Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions

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No.	Reference	Topic
46	Directive 3	Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities
47	Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
48	Directive 5	Determining the GRAP Reporting Framework
49	ASB guide 1	Guideline on Accounting for Public Private Partnerships

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

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

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 5 – Borrowing Cost;
GRAP 12 – Inventories;
GRAP 13 – Leases;
GRAP 16 – Investment Property;
GRAP 17 – Property, Plant and Equipment;
GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets;
GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations;
GRAP 101 – Agriculture;
GRAP 102 – Intangible Assets.

2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

3. GOING CONCERN ASSUMTION

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

4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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5. 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
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets

6. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

7. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund.

Housing selling schemes both complete and in progress as at 1 April 1998 were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

8. RESERVES

8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

8.2 Revaluation Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

9. LEASES

9.1 *Municipality as 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. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. 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.

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

9.2 *Municipality as Lessor*

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

10. BORROWING COST

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

11. UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

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- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

13. EMPLOYEE BENEFITS

(a) Pension obligations

The District Municipality contributes to the following post retirement funds - Cape Joint Pension fund, Cape Joint Retirement fund and SAMWU Retirement fund which provides for retirement benefits to its employees.

For defined contribution plans, the District Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in the future payments is available.

(b) Post Retirement Medical obligations

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with IAS 19 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The unrecognised liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

(d) Ex-Gratia Pension Benefits

The municipality provides pension benefits to all employees who were not members of the pension or provident funds, and who had completed at least ten years of service at the municipality on reaching the age of 60. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

(e) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

14. PROPERTY, PLANT AND EQUIPMENT

14.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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 assets 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.

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

14.2 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

14.3 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

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14.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives

Infrastructure	Years
Electricity	20
Housing	30
Water	20
Sewerage	20
Refuse	10
Other	
Specialists vehicles	5-20
Other vehicles	5
Office equipment	5
Furniture and fittings	5
Plant and equipment	5 - 10
Bins and containers	10
Computer equipment	5
Security System	5
Buildings	30
Roads/Streets	
Other Roads	10
Community	
Recreational Facilities	20
Libraries	30

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

14.5 Derecognition

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

15. INTANGIBLE ASSETS

15.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

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- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

15.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

15.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	3 - 5years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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15.4 Derecognition

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

16. INVESTMENT PROPERTY

16.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

16.2 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Under the cost model, investment property is carried at its cost at the reporting date.

16.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

16.4 Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of

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an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

17. NON-CURRENT ASSETS HELD FOR SALE

17.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when 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.

17.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of 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.

18. IMPAIRMENT OF NON-FINANCIAL ASSETS

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

19. INVENTORIES

19.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location

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and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

19.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance 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.

In general, the basis of allocating cost to inventory items is the weighted average method.

20. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

20.1 Initial Recognition

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

20.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

20.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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20.2.2 Trade and Other Receivables

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

20.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

20.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. 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, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

20.3 Derecognition of Financial Instruments

20.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

20.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

20.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

21. REVENUE

21.1 Revenue from Non-Exchange Transactions

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.

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 proportionate basis as an exchange transaction.

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.

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Revenue from public contributions and donations 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 qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

21.2 Revenue from Exchange Transactions

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.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when 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.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on an annual 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 annually based on the recorded number of refuse containers per property.

Charges for sewerage and sanitation services are levied annually and are based on the type of service available to the property, applying the tariffs approved by Council.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue and in accordance with the relevant Standards of GRAP on Financial Instruments.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

21.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

22. 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. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. 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.

23. 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 a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

24. 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 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

25. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

26. CONTINGENT LIABILITIES

Contingent liabilities existent at the reporting date include housing loan guarantees issued by arrangement with Council's bankers.

Other known contingent liabilities are reflected in the financial statements.

27. CONTINGENT LIABILITIES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – the Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments

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based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, plant and equipment

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Provisions and contingent liabilities

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

Revenue Recognition

Accounting Policy 1.19.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.19.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation note 1.19 above). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

28. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

29. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 HOUSING DEVELOPMENT FUND

Housing Development Fund
 - Unappropriated Surplus
 - Loans extinguished by Government on 1 April 1998

	2010 R	2009 R
Housing Development Fund	56 426	54 171
- Unappropriated Surplus	56 426	54 171
- Loans extinguished by Government on 1 April 1998	-	-
Total Housing Development Fund Assets and Liabilities	56 426	54 171

The Housing Development Fund is represented by the following assets and liabilities
 - Property, plant and equipment (see note 12)
 - Bank and cash

3 LONG TERM LIABILITIES

Annuity Loans
 Capitalised Lease Liability
 DBSA Loans
 Sub-total

Annuity Loans	-	219 969
Capitalised Lease Liability	3 190 351	5 042 342
DBSA Loans	4 639 740	5 224 661
Sub-total	7 830 091	10 486 972

Less: Current portion transferred to currents liabilities

2 575 771 2 842 551

Annuity Loans
 Capitalised Lease Liability
 DBSA Loans
 Current Portion of Unamortised Charges to Loans

Annuity Loans	-	519 992
Capitalised Lease Liability	2 070 376	1 872 727
DBSA Loans	628 253	579 287
Current Portion of Unamortised Charges to Loans	(122 859)	(129 455)

Less: Unamortised Charges to Loans

472 643 602 098

Balance 1 July
 Adjustment for the Year

Balance 1 July	602 098	735 219
Adjustment for the Year	(129 455)	(133 121)

Total Long-term Liabilities - At amortised cost using the effective interest rate method

Total Long-term Liabilities - At amortised cost using the effective interest rate method	4 781 678	7 042 323
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Annuity loans at amortised cost is calculated at 9.29%-17.82% interest rate, with first maturity date of 31 December 2009 and last maturity date of 31 March 2029. The schedule of contractual maturity analysis for Annuity Loans:

Refer to Appendix A for more detail on long-term liabilities.

The obligations under finance leases are scheduled below:

	Minimum Lease Payments	
	2010	2009
Amounts payable under finance leases:		
Payable within one year	2 344 042	2 390 157
Payable within two to five years	1 160 383	3 504 425
Payable after five years	-	-
	3 504 425	5 894 583
Less: Future finance obligations	(314 074)	(825 363)
Present value of lease obligations	3 190 351	5 069 219
Less: Amounts due for settlement within 12 months	(2 070 376)	(1 878 868)
Amount due for settlement after 12 months	1 119 975	3 190 351

The obligations under DBSA loans are scheduled below:

	Minimum Lease Payments	
	2010	2009
Amounts payable under DBSA loans		
Payable within one year	1 065 689	1 065 689
Payable within two to five years	4 262 755	4 262 755
Payable after five years	716 995	1 782 684
	6 045 439	7 111 128
Less: Future finance obligations	(1 405 699)	(1 886 467)
Present value of lease obligations	4 639 740	5 224 661
Less: Amounts due for settlement within 12 months	(628 253)	(569 844)
Amount due for settlement after 12 months	4 011 487	4 654 817

4 EMPLOYEE BENEFITS

Provision for Post Employment Health Care Benefits
 Roads - Provision for Post Employment Health Care Benefits
 Provision for Ex-Gratia Pension Benefits
 Roads - Provision for Ex-Gratia Pension Benefits
 Provision for Long Service Leave Awards
 Roads - Provision for Long Service Leave Awards

	2010 R	2009 R
Provision for Post Employment Health Care Benefits	38 333 977	35 508 582
Roads - Provision for Post Employment Health Care Benefits	30 477 814	28 078 743
Provision for Ex-Gratia Pension Benefits	1 103 251	1 331 368
Roads - Provision for Ex-Gratia Pension Benefits	1 193 785	1 302 980
Provision for Long Service Leave Awards	4 752 074	3 241 846
Roads - Provision for Long Service Leave Awards	2 677 312	1 694 817
	78 538 213	71 158 336
Less Short Term Portion Transferred to Current Provisions	(4 860 036)	(4 416 352)
Total Non-current Employee Benefit Liabilities	73 678 177	66 741 984

Included in the above provision for Employee Benefits are the following amounts in respect of benefits payable to the Roads Division:

Roads - Provision for Post Employment Health Care Benefits
 Roads - Provision for Ex-Gratia Pension Benefits
 Roads - Provision for Long Service Leave Awards

Roads - Provision for Post Employment Health Care Benefits	30 477 814	28 078 743
Roads - Provision for Ex-Gratia Pension Benefits	1 193 785	1 302 980
Roads - Provision for Long Service Leave Awards	2 677 312	1 694 817
	34 348 911	31 076 540

In terms of the agreement with the Western Cape Provincial Government these amounts will be recoverable from the Provincial Government Western Cape on payment to the set employees. Refer note 14.

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

4 EMPLOYEE BENEFITS (Continued)

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	220	210
Roads - In-service (employee) members	183	181
Continuation members (e.g. retirees, widows, orphans)	84	89
Roads - Continuation members (e.g. retirees, widows, orphans)	74	85
Total Members	561	565

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

	2010	2009
	R	R
In-service members	14 544 044	13 235 688
Roads - In-service members	12 297 165	9 836 950
Continuation members	23 789 933	22 272 894
Roads - Continuation members	18 180 649	18 241 793
Total Liability	68 811 791	63 587 325

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
Keyhealth
LA Health
PeoSano
SAMWU Medical Aid

The Future-service Cost for the ensuing year is estimated to be R 2 260 798, whereas the Interest- Cost for the next year is estimated to be R 6 084 564.

Key actuarial assumptions used:

	2010	2009
	%	%
i) Rate of interest		
Discount rate	9.07%	9.22%
Health Care Cost Inflation Rate	7.13%	7.58%
Net Effective Discount Rate	1.82%	1.53%

ii) Mortality rates

The PA 90 ult. Mortality table was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 60 years.

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

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

	2010	2009
	R	R
Present value of fund obligations	38 333 977	35 508 582
Roads - Present value of fund obligations	30 477 814	28 078 743
Net liability/(asset)	68 811 791	63 587 325

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	63 587 325	64 933 261
Current service cost	2 037 059	1 817 259
Interest Cost	5 710 686	6 958 958
Benefits Paid	(3 434 046)	(2 994 004)
Total expenses	67 901 024	70 715 474
Actuarial (gains) / losses	910 768	(7 128 149)
Present value of fund obligation at the end of the year	68 811 791	63 587 325

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	+1%	-1%
	R	R
Effect on the aggregate of the current service cost	2 535 200	1 653 600
Effect on the defined benefit obligation	78 761 000	60 672 000

4.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 287 Eden employees and 269 Roads employees were eligible for Long Service Bonuses.

The Future-service Cost for the ensuing year is estimated to be R 1 209 164, whereas the Interest- Cost for the next year is estimated to be R 604 936.

Key actuarial assumptions used:

	2010	2009
	%	%
i) Rate of interest		
Discount rate	8.90%	9.14%
General Salary Inflation (long-term)	6.22%	6.59%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.52%	2.40%

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

4 EMPLOYEE BENEFITS (Continued)

	2010 R	2009 R
Analysis of accrued liability		
Fair value of plan assets -	-	-
Accrued Liability	4 752 074	3 241 846
Roads - Accrued Liability	2 677 312	1 694 817
Unrecognised past service cost -	-	-
Present value of unfunded obligations	-	-
Net liability / (asset)	<u>7 429 386</u>	<u>4 936 663</u>

Reconciliation of accrued liability values:

Present value of fund obligation at the beginning of the year	4 936 663	4 483 536
Current service cost	680 536	449 964
Present value of fund obligation recognised for the first time		
Roads - Present value of fund obligation recognised for the first time		
Interest Cost	422 781	469 299
Benefits Paid	<u>(635 802)</u>	<u>(588 584)</u>
Total expenses	5 404 178	4 814 215
Actuarial (gains) / losses	<u>2 025 208</u>	<u>122 448</u>
Present value of fund obligation at the end of the year	<u>7 429 386</u>	<u>4 936 663</u>

The effect of a 1% movement in the assumed rate of general salary inflation is as follows:

	+1% R	-1% R
Effect on the aggregate of the current service cost	723 032	642 641
Effect on the defined benefit obligation	7 851 000	7 043 000

4.3 Provision for Ex-Gratia Pension Benefits

The Ex-Gratia Pension Benefit plans are defined benefit plans. As at year end, 10 former Eden employees and 21 former Roads employees were eligible for Ex-Gratia Benefits.

There is no Current-service cost as there are no in-service members eligible for ex-gratia pension benefits, whereas the Interest- Cost for the next year is estimated to be R 178 358.

Key actuarial assumptions used:

	2010 %	2009 %
i) Rate of interest		
Discount rate	7.81%	8.17%
Pension Increase Rate	2.51%	2.67%
Net Effective Discount Rate: pensioners with pension increases of 50% of DPI	5.17%	5.36%

Analysis of accrued liability

	2010 R	2009 R
Fair value of plan assets -	-	-
Accrued Liability	1 103 251	1 331 368
Roads - Accrued Liability	1 193 785	1 302 980
Unrecognised past service cost -	-	-
Unrecognised actuarial gains / (losses) -	-	-
Present value of unfunded obligations	-	-
Net liability / (asset)	<u>2 297 036</u>	<u>2 634 348</u>

Reconciliation of accrued liability values:

Present value of fund obligation at the beginning of the year	2 634 348	2 397 173
Current service cost	-	-
Present value of fund obligation recognised for the first time	-	-
Roads - Present value of fund obligation recognised for the first time	-	-
Interest Cost	214 135	253 217
Benefits Paid	<u>(346 504)</u>	<u>(328 443)</u>
Total expenses	2 501 979	2 321 947
Actuarial (gains) / losses	<u>(204 943)</u>	<u>312 401</u>
Present value of fund obligation at the end of the year	<u>2 297 036</u>	<u>2 634 348</u>

Effect on the interest cost	227 300	202 100
Effect on the defined benefit obligation	2 431 888	2 173 479

4.4 Retirement Funds

Cape Joint Pension Fund

The fund comprises a defined benefit section and a defined contribution section. The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9 % by employees and 18 % by the District Municipality. In respect of the defined benefit section the last valuation was performed for the year ended 30 June 2009 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2008 - 106.5%). Actuarial valuations also determined that there was a funding shortfall in the investment return for the 30 June 2009 financial year. Refer to Trade Payables - note 9.

Cape Retirement Fund

The fund comprises a defined benefit section and a defined contribution section. The contribution rate paid by members(9 %) and the district municipality (18%) is sufficient to fund the benefits accruing from the fund in future. In respect of the defined benefit section the last valuation performed for the year ended 30 June 2009 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2008 - 103.3%).

Municipal Councillors Pension Fund

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by members (13,75%) and the District municipality(15%) is sufficient to fund the benefits accruing from the fund in the future.

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

5	NON-CURRENT PROVISIONS	2010	2009
		R	R
	Rehabilitation of Landfill Site	2 541 719	1 710 700
	Provision for Alleviation of Alien Vegetation	5 554 731	1 851 945
	Total Non-Current Provisions	8 096 450	3 562 645
	Landfill Sites	2010	2009
		R	R
	Balance 1 July	1 710 700	1 710 700
	Contribution for the year	-	-
	Expenditure for the year	831 019	-
	Actuarial Loss/(Gain)	-	-
	Total provision 30 June	2 541 719	1 710 700
	Less: Transfer of Current Portion to Current Provisions - Note 8	-	-
	Balance 30 June	2 541 719	1 710 700
	Clearing of Alien Vegetation		
	Balance 1 July	1 851 945	1 851 945
	Contribution for the year	3 702 786	-
	Expenditure for the year	-	-
	Total provision 30 June	5 554 731	1 851 945
	Less: Transfer of Current Portion to Current Provisions - Note 8	(2 224 058)	-
	Balance 30 June	3 330 673	1 851 945

According to the Alien Vegetation Eradication plan developed for the district municipality, it is estimated that an amount of R5,554,731 is required assuming that a strategy is followed where all properties were treated in the first year. The total budget required for the first follow-up would be R2,224,058 in the second year, R855,510 in the third year and R623,343 in the fourth year, when maintenance levels should be reached.

The provision for the rehabilitation of the Landfill Site is calculated based on rehabilitation measures of 0.5 m³/m of clay berm around top of cell with 1884 m² of erosion protection with earth fill suited to the establishment of indigenous flora.

6	CONSUMER DEPOSITS	2010	2009
		R	R
	Electricity and Water	69 208	63 813
	Interest paid	-	-
	Total Consumer Deposits	69 208	63 813
7	CURRENT EMPLOYEE BENEFITS		
	Performance Bonuses	590 192	377 806
	Provision for Staff Leave	4 504 995	3 183 379
	Roads - Provision for Staff Leave	2 123 587	1 681 517
	Roads - Performance Bonuses	11 161	121 111
		4 860 036	4 416 352
	Current Portion of Employee Benefit Provisions	2 770 544	2 370 468
	Current Portion of Employee Benefit Provisions - Roads	2 089 492	2 045 884
	Total Provisions	12 089 971	9 780 166
		Roads - Performance Bonus	Performance Bonus
	30-Jun-10		
	Balance at beginning of year	121 111	377 806
	Transfer from non-current	-	-
	Contributions to provision - current year provision	11 161	590 192
	Contributions to provision - prior year over provision	(121 111)	(342 871)
	Expenditure incurred	-	(34 935)
	Balance at end of year	11 161	590 192
	30-Jun-09		
	Balance at beginning of year	30 854	200 458
	Transfer from non-current	-	-
	Contributions to provision - current year provision	121 111	289 099
	Contributions to provision - prior year over provision	-	-
	Expenditure incurred	(30 854)	(111 751)
	Balance at end of year	121 111	377 806
		Roads - Staff Leave	Staff Leave
	30-Jun-10		
	Balance at beginning of year	1 681 517	3 183 379
	Contributions to provision - current year provision	1 293 668	1 669 197
	Expenditure incurred	(851 597)	(347 581)
	Balance at end of year	2 123 587	4 504 995
	30-Jun-09		
	Balance at beginning of year	30 854	2 535 553
	Contributions to provision - current year provision	1 681 517	1 278 489
	Expenditure incurred	(30 854)	(630 663)
	Balance at end of year	1 681 517	3 183 379

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7 CURRENT EMPLOYEE BENEFITS (Continued)

For more information regarding the provisions for Post Retirement Benefits and Long-term Service Awards - Refer to Note 4 to the Financial Statements, Other Defined Benefit Plan Information

Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 50

8 PROVISIONS

Current Portion of Alleviation of Alien Vegetation

2010 R	2009 R
2 224 058	-
2 224 058	-

Total Provisions

9 TRADE PAYABLES

Trade Payables
 Payments received in advance
 Income received in advance : Pre-paid
 Shortfall on Pension fund
 Roads - Shortfall on Pension fund
 Roads - Long Service Bonus
 Other creditors
 Roads - Payment Received in Advance
 Roads - Other creditors
 Government subsidies: Department of Transport - Roads
 Roads - Plant Account
 Retention Creditors
 Debtors with credit balances
 Roads - Debtors with credit balances
 Allocations to municipalities

4 016 770	6 717 974
-	1 181 271
38 430	-
2 692 502	-
499 958	-
-	-
6 865 774	5 189 592
9 089 789	7 667 169
1 417 051	1 146 290
980 302	1 102 740
-	-
3 074 169	978 086
262 571	123 877
18 989	1 510 259
670 242	3 264 065
29 626 546	28 881 322

Total Trade Payables

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30 day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

10.1 Conditional Grants from other spheres of Government

- Operating Grants
 - Capital Grants

20 027 371	36 635 699
9 574 657	10 208 332
10 452 714	26 427 367

See appendix "F" for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilised and approximate its carrying value. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised (Note 24). No grants were withheld.

10.2 Other Conditional Receipts

SETA
 Public contributors

98 812	105 756
98 812	105 756
-	-

Total Conditional Grants and Receipts

See Note 24 for reconciliation of grants from other spheres of government.

20 126 184	36 741 455
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11 TAXES

VAT Payable
 VAT Receivable
 Roads - VAT payable

-	-
1 516 561	2 320 916
-	-
1 516 561	2 320 916

VAT is payable on the receipts basis. Only once payment is received from debtors VAT is paid over to SARS.

12 PROPERTY, PLANT AND EQUIPMENT

Fully Depreciated assets still in use were as follows:

Cost

Land and Buildings
 Infrastructure
 Community Assets
 Lease Assets
 Heritage
 Other

280 717 790	252 356 978
155 717 949	154 317 365
91 290 061	66 935 091
3 772 861	3 642 173
-	-
-	-
29 936 918	27 462 350

Accumulated depreciation

Land and Buildings
 Infrastructure
 Community Assets
 Lease Assets
 Heritage
 Other

(30 520 031)	(20 567 280)
(6 676 728)	(4 614 082)
(7 553 882)	(4 617 222)
(395 616)	(259 719)
-	-
-	-
(15 893 804)	(11 076 257)

Carrying value

250 197 759	231 789 698
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EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

	2010 R	2009 R
Carrying value of assets retired from active use and held for disposal:		
Cost	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
Accumulated depreciation	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
Carrying value	-	-

Carrying value of temporarily idle property plant and equipment:

Cost	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
Accumulated depreciation	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
Carrying value	-	-

Assets pledged as security:

The leased property, plant and equipment is secured as set out in Note 3.

Third party payments received for losses incurred:

Payments received (Excluding VAT)	99 536	92 658
Carrying value of assets written off/lost	(7 386)	(64 081)
Surplus/Deficit	92 151	28 577

Impairment of property plant and equipment

Impairment charges on Property, plant and equipment recognised in statement of financial performance

Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
	-	-

Cumulative impairment charges included in major balances

Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
	-	-

Effect of changes in accounting estimates

There was no change in accounting estimate for the year due to the application of Directive 4.

	2010 R	2011 R	2012 R
Effect on Property, plant and equipment	-	-	-

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

13 INVESTMENT PROPERTY

	2010 R	2009 R
Net Carrying amount at 1 July	353 911 573	354 610 887
Change in Accounting Policy - Transfer from Property, Plant and Equipment		
Cost	356 007 600	356 007 600
Accumulated Depreciation	(2 096 027)	(1 396 713)
Acquisitions (Property identified on 30 June 2008 previously included in PPE)	-	-
Depreciation	(698 891)	(699 314)
Net Carrying amount at 30 June	353 212 682	353 911 573
Cost	356 007 600	356 007 600
Accumulated Depreciation	(2 794 918)	(2 096 027)
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 50		
Revenue derived from the rental of investment property	-	-
Operating expenditure incurred on properties generating revenue	-	-
Operating expenditure incurred on properties not generating revenue	-	-
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
Estimated Fair Value of Investment Property at 30 June	-	-

14 INTANGIBLE ASSETS

Cost	3 462 675	3 209 119
Opening Balance on 1 July	3 209 119	1 301 020
Acquisitions for the year - At cost	253 556	1 908 099
Less: Accumulated Amortisation	(1 816 931)	(968 101)
Opening Balance on 1 July	(968 101)	(452 157)
Accumulated Amortisation for the year	(848 830)	(515 944)
Total Intangible Assets	1 645 744	2 241 018
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 50		
No intangible asset were assed having an indefinite useful life.		
There are no intangible assets whose title is restricted.		
There are no intangible assets pledged as security for liabilities		
There are no contractual commitments for the acquisition of intangible assets.		

15 INVESTMENTS

Unlisted		
KKLK shares and Loan Account - Held at Fair Value through Profit and Loss	40 774	8 854
NCT Forestry Co-operative LTD shares - Held at Fair Value through Profit and Loss	200	200
Total Unlisted	40 974	9 054
Total Investments	40 974	9 054
Council's valuation of unlisted investments		
KKLK shares	40 774	8 854
NCT Forestry Co-operative LTD shares	200	200
Collateral investments	-	-
	40 974	9 054

16 LONG-TERM RECEIVABLES

Car loans - At amortised cost	9 749	75 541
Computer loans - At amortised cost	-	-
Department of Transport: Roads - Post Employment Health Care Benefits (Note 4.1) - At amortised cost	30 477 814	28 078 743
Department of Transport: Roads - Long Service Awards (Note 4.2) - At amortised cost	2 677 312	1 694 817
Department of Transport: Roads - Ex-Gratia Pension Benefits (Note 4.3) - At amortised cost	1 193 785	1 302 980
Roads - Computer loans - At amortised cost	-	537
Long term debtors: Local Authorities - At amortised cost	254 877	520 050
	34 613 537	31 672 668
Less: Current portion transferred to current receivables	2 201 480	2 329 112
Current Portion of Unamortised Charges to Long Term Receivables		
Car loans - At amortised cost	9 749	75 476
Computer loans - At amortised cost	-	-
Long term debtors: Local Authorities - At amortised cost	102 239	207 215
Department of Transport: Roads - Post Employment Health Care Benefits (Note 4.1) - At amortised cost	1 638 768	1 730 770
Department of Transport: Roads - Long Service Awards (Note 4.2) - At amortised cost	279 776	137 913
Department of Transport: Roads - Ex-Gratia Pension Benefits (Note 4.3) - At amortised cost	170 948	177 201
Roads - Computer loans - At amortised cost	-	537
Less: Unamortised Charges to Long Term Receivables	55 377	113 824
Balance 1 July	113 824	200 117
Adjustment for the Year	(58 447)	(86 292)
Total	32 356 680	29 229 732

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

16 LONG-TERM RECEIVABLES (Continued)

LOANS TO OTHER LOCAL AUTHORITIES

The loans to other local authorities are interest free, except for the following loan:

Mosselbay Municipality:

Great Brakriver: Sewerage, loan is payable over 15 years interest free, installment is R 162 933.33 per year. (August 1993)

Knysna Municipality:

Hornlee - Water and sewerage loan is payable over 20 years interest free, installment is R 25 200 per year (October 1993)

Mosselbay Municipality:

Electricity D'Almeida loan is payable over 30 years interest free, installment is R 77, 039 per year. (March 1994)

CAR LOANS

Senior staff are entitled to car loans which attract interest at 8% per annum and which are repayable over a maximum period of 5 years. As from 1 July 2005 no new car loans or computer loans to staff are permitted.

DEPARTMENT OF TRANSPORT: ROADS

In terms of the agreement between the Western Cape Provincial Government and past experience, Provincial Government funds will be made available to maintain the approved organogram of the Roads department, including all employee post retirement benefits. The future claim for the provision for retirement benefits has therefore been raised as a long term debtor.

The carrying value of the Long-Term Receivables approximate their fair value and are shown at amortised cost using the effective interest rate method. As these loans are all recoverable the Municipality was not required to make any provision for any possible impairments.

17 INVENTORY

	2010 R	2009 R
Consumable Stores - at cost	2 716 111	2 950 301
Maintenance materials - at cost	-	-
Spare parts - at authorised value	-	-
Water - at cost	76 692	47 889
Other goods held for resale - at cost	-	-
Unsold properties held for resale - at authorized value	-	-
Total Inventory	2 792 802	2 998 190

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 50

Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
Consumable stores materials surpluses identified during the annual stores counts.	-	-
Inventory recognised as an expense during the year	-	-

18 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2010	Gross Balances	Provision for Bad Debts	Net Balances
Service debtors			
Electricity	1 019 503	(452 088)	567 415
Water	4 976 076	(3 544 513)	1 431 563
Refuse	1 394 570	(901 930)	492 640
Sewerage	1 884 389	(1 225 083)	659 306
Ambulance and Fire Fighting Fees	3 665 130	(1 681 200)	1 983 930
Insurance	30 430	(23 793)	6 637
Rental Agreements	1 534 754	(747 100)	787 654
Total	14 504 852	(8 575 706)	5 929 147

As at 30 June 2009	Gross Balances	Provision for Bad Debts	Net Balances
Service debtors			
Electricity	613 725	(407 031)	206 694
Water	4 028 945	(3 779 882)	249 063
Refuse	1 157 536	(1 051 610)	105 926
Sewerage	1 534 350	(1 410 601)	123 750
Ambulance and Fire Fighting Fees	2 251 969	(2 028 658)	223 310
Insurance	26 071	(25 673)	399
Rental Agreements	1 264 690	(816 925)	447 765
Total	10 877 288	(9 520 380)	1 356 907

(Electricity, Water, Refuse and Sewerage): Ageing

	2010 R	2009 R
Current (0-30 days)	(28 956)	(8 222)
31 - 60 Days	600 601	362 258
61 - 90 Days	185 563	177 290
91 - 120 Days	187 010	189 193
121-365 Days	366 153	321 337
+ 365 Days	7 964 167	6 292 700
Total	9 274 538	7 334 557

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

18 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

	2010 R	2009 R
Housing Rentals & Rental Agreements: Ageing		
Current (0-30 days)	(86)	87
31 - 60 Days	90 015	230 012
61 - 90 Days	44 886	43 126
91 - 120 Days	43 715	45 310
121-365 Days	79 319	88 930
+ 365 Days	1 276 905	857 226
Total	1 534 754	1 264 690
Insurance : Ageing		
Current (0-30 days)	-	(21)
31 - 60 Days	216.00	198
61 - 90 Days	201.60	185
91 - 120 Days	201.60	185
121-365 Days	403.20	370
+ 365 Days	29 407.54	25 155
Total	30 429.94	26 071
Ambulance and Fire Fighting Fees-Ageing		
Current (0-30 days)	(976 705)	(997 660)
31 - 60 Days	408 325	17 509
61 - 90 Days	1 134 890	128 671
91 - 120 Days	11 102	14 268
121-365 Days	21 640	32 208
+ 365 Days	3 065 879	3 056 973
Total	3 665 130	2 251 969

Summary of Debtors by Customer Classification

As at 30 June 2010

	Consumers	Industrial / Commercial	National & Prov Government
Current (0-30 days)	(989 329)	(1 277)	(19 864)
31 - 60 Days	804 551	92 770	281 607
61 - 90 Days	1 364 727	11 340	48
91 - 120 Days	249 074	8 027	-
121-365 Days	478 998	17 910	-
+ 365 Days	14 752 989	261 753	12
Sub-total	16 661 009	390 523	261 803
Less: Provision for bad debts	(10 154 618)	(205 306)	-
Total debtors by customer classification	6 506 391	185 217	261 803

Summary of Debtors by Customer Classification

As at 30 June 2009

	Consumers	Industrial / Commercial	National & Prov Government
Current (0-30 days)	(1 006 572)	(655)	(2 603)
31 - 60 Days	470 796	122 878	71 328
61 - 90 Days	367 599	8 743	4 340
91 - 120 Days	274 756	9 493	4 985
121-365 Days	453 724	15 871	7 726
+ 365 Days	12 272 666	187 388	147 343
Sub-total	12 832 969	343 717	233 119
Less: Provision for bad debts	(11 481 837)	(189 286)	(79 754)
Total debtors by customer classification	1 351 132	154 432	153 365

The summary of Debtors by Customer Classification includes Rates and Sundry Debtors separately disclosed in Note 19.

	2010 R	2009 R
Reconciliation of the bad debt provision		
Balance at the beginning of the year	24 472 572	24 166 805
Contributions to provision: Exchange Receivables	-	118 950
Contributions to provision: Non-exchange Receivables	13 521	186 817
Bad debts written off against provision	-	-
Reversal of provision	(1 616 815)	-
Balance at end of year	22 869 278	24 472 572

19 OTHER RECEIVABLES FROM NON EXCHANGE TRANSACTIONS
As at 30 June 2010

	Gross Balances	Provision for Bad Debts	Net Balances
Taxes - Rates	2 614 419	(1 708 854)	905 564
Unauthorised expenditure (see Note 41)	-	-	-
Fruitless and wasteful expenditure (see Note 41)	-	-	-
Recoverable Debtor: JP Zeelie	1 997 857	-	1 997 857
Government subsidies: Department of Transport - Roads	-	-	-
Government subsidies: Work for Water	1 645 906	-	1 645 906
Recoverable Debtor: C Africa	34 709	-	34 709
Recoverable Debtor: Councilors Private Kilometers	749 547	-	749 547
Sundry debtors	4 715 353	(88 885)	4 626 467
ABSA Loans - Overpayment	316 581	-	316 581
Water Crisis Sedgefield	120 095	-	120 095
DWAF	1 922 863	-	1 922 863
PAWK Global Fund	1 095 763	-	1 095 763
Roads - Sundry debtors	323 492	-	323 492
Roads - Unpaid Conditional Grants	39	-	39
Roads - Plant Account	-	-	-
Regional Services levies	14 319 838	(12 495 833)	1 824 005
Advances to Agencies	-	-	-
Total Other Debtors	29 856 462	(14 293 572)	15 562 890

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

19 OTHER RECEIVABLES FROM NON EXCHANGE TRANSACTIONS (Continued)

As at 30 June 2009	Gross Balances	Provision for Bad Debts	Net Balances
Taxes - Rates	2 380 154	(2 115 400)	264 754
Unauthorised expenditure (see Note 41)	-	-	-
Fruitless and wasteful expenditure (see Note 41)	-	-	-
Insurance claims	-	-	-
Government subsidies: Department of Transport - Roads	-	-	-
Government subsidies: Work for Water	2 607 519	-	2 607 519
Recoverable Debtor: JP Zeelie	1 397 484	-	1 397 484
Recoverable Debtor: C Africa	27 075	-	27 075
Recoverable Debtor: Councilors Private Kilometers	589 205	-	589 205
Unpaid Conditional Grant	7 897 718	-	7 897 718
Sundry debtors	3 507 590	(340 959)	3 166 631
Water Crisis Sedgefield	120 095	-	120 095
DWAF	3 337 698	-	3 337 698
PAWK Global Fund	848 389	-	848 389
Roads - Sundry debtors	141 435	-	141 435
Roads - Plant Account	-	-	-
Regional Services levies	14 319 838	(12 495 833)	1 824 005
Advances to Agencies	-	-	-
Total Other Debtors	37 174 200	(14 952 191)	22 222 008

The provision for doubtful debts on other debtors exists due to the possibility that not all debts will be recovered.

Rates-Ageing

	2010 R	2009 R
Current (0-30 days)	(4 022)	(3 318)
31 - 60 Days	26 960	22 434
61 - 90 Days	8 017	18 152
91 - 120 Days	6 356	32 301
121-365 Days	14 906	22 429
+ 365 Days	2 562 227	2 288 158
Total	2 614 445	2 380 154

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

The fair value of other receivables approximate their carrying value.

The provision for doubtful debts on other debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

20 OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor

Leases not previously recognised.

Balance on 30 June

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

	2010 R	2009 R
Up to 1 Year	7 049	6 697
1 to 5 Years	-	7 049
More than 5 Years	-	-
Total Operating Lease Arrangements	7 049	13 745

21 CASH AND CASH EQUIVALENTS

Liabilities

Roads - Bank Account

Assets

Call Investment Deposits

Roads - Bank Account

Roads - Cash

Cash

Primary Bank Account

RSC Levy Account

Total Cash and Cash Equivalents - Assets

	2010 R	2009 R
Roads - Bank Account	-	-
Call Investment Deposits	1 036	17 100 971
Roads - Bank Account	13 824 307	11 410 245
Roads - Cash	-	-
Cash	19 990	17 990
Primary Bank Account	30 297 650	26 044 379
RSC Levy Account	-	4 386 458
Total Cash and Cash Equivalents - Assets	44 142 983	58 960 043

The effective interest rate was 10.50% (2009: 6.98%).

The Municipality has the following bank accounts:-

Call Investment Deposits

Included in other deposits and bank balances are an amount of R 19 614 984 (2009: R 36 741 355) which is attributable to unspent grants and subsidies; and R15 379 122 (2009: R14 640 080) which is attributable to the Capital Replacement reserve and R 56 426 (2009: R 54 171) which is attributable to the Housing Development Fund and R 2 575 771 (2009: R 2 842 551) which is to repay long-term liabilities as set out in note 3.

Current Account (Primary Bank Account)

ABSA George Branch
Account Number 4050434930

	2010 R	2009 R
Cash book balance at beginning of year	26 044 379	8 939 650
Cash book balance at end of year	30 297 650	26 044 379
Bank statement balance at beginning of year	24 990 704	5 694 555
Bank statement balance at end of year	32 899 060	24 990 704

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

21	CASH AND CASH EQUIVALENTS (Continued)	2010	2009
		R	R
	Current Account (RSC levies income account)		
	ABSA George Branch		
	Account Number 4059188209		
	Cash book balance at beginning of year	4 386 458	-
	Cash book balance at end of year	<u>-</u>	<u>4 386 458</u>
	Bank statement balance at beginning of year	4 386 458	121 636
	Bank statement balance at end of year	<u>-</u>	<u>4 386 458</u>
	Cash	<u>19 990</u>	<u>17 990</u>
22	PROPERTY RATES DMA		
	Actual		
	Residential	1 356 977	1 116 558
	Commercial	-	-
	State	-	-
	Municipal	-	-
	Total Assessment Rates	<u>1 356 977</u>	<u>1 116 558</u>
	Valuations	July 2008	July 2006
		R000's	R000's
	Residential	1 087 993	154 531
	Commercial	76 258	-
	State	192 726	21 732
	Municipal	-	3 251
	Total Property Valuations	<u>1 356 977</u>	<u>179 514</u>
	Valuations on land and buildings are performed every 4 years. The last valuation came into effect during the 2007/2008 year. Interim valuations are processed on a quarterly basis to take into account changes in individual property valuations due to alterations and subdivisions. A rate of R0.00487 (2009: R0.01739) for Uniondale and R0.00487 (2009: R0.00374) for Haarlem is applicable. Rural rates are calculated according to property valuations as follows:		
	Rate	Property Valuation	
	* R 0.0009745:	0 - 1 000 000	
	* R 0.0005847:	1 000 000>	
	Rebates of 30% are granted on state property owners and R20 000 on residential and rural owners. Rates are levied on an annual and monthly basis on property owners with the final date of payment being 30 September of every year.		
	Interest payable on arrear accounts - Prime +1%		
23	SERVICE CHARGES	2010	2009
		R	R
	Sale of electricity	4 949 657	3 242 519
	Sale of water	1 465 929	1 303 451
	Refuse removal	386 905	347 008
	Sewerage and sanitation charges	633 086	612 886
	Total Service Charges	<u>7 435 577</u>	<u>5 505 863</u>
24	GOVERNMENT GRANTS AND SUBSIDIES		
	Bucket system Elimination	3 485 915	859 921
	Coastal Care Marine Week	35 185	51 507
	DWAF Haarlem Water	22 971	-
	Dept LG & H : Augment Fire Fighting	-	137 780
	Dept of Land Affairs: District Assessment Committee	-	2 310
	Economic Development Unit	-	12 462
	Emergency Housing DMA	-	14 349 107
	Emergency Housing Zoar	-	10 597 176
	Financial Ast Aerial Fire Fighting	305 472	229 528
	Financial Management Grant	1 185 217	1 460 156
	Food Security Programme	11 542	26 044
	Housing Consumer Education	30 489	-
	Human Rights Programme	99 823	53 101
	Integration Tourism Development Framework	12 232	52 604
	Investigation Environment Health Services	-	4 571
	Kannaland	611 060	298 397
	LG SETA	255 608	411 955
	Library Subsidy	96 124	295 702
	Media Poverty Indaba	54 982	-
	MIG	42 923 496	-
	MIG Grant 07/08	-	1 303 401
	MIG Uniondale	1 440 357	3 579 262
	MIG: Disaster Relief	-	4 638 131
	MSIG Grant	465 768	-
	Non Motorised Transport	3 921	-
	Plato Project Planning	76 875	67 125
	Provincial health subsidies: Global Fund	2 546 190	3 419 543
	Regional Bulk Infrastructure	500 000	-
	Roads - Department of Transport	101 534 003	87 952 083
	Senior Management Development Programme	-	14 944
	Seta	12 785	95 040
	Spatial Planning	-	187 003

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	2010 R	2009 R
Sportsground Haarlem	106 990	-
Stormsrivier Gateway	40 619	-
Tourism Entrepreneurs	-	52 162
Training	-	11 690
Umsobomvu Youth Fund	114 365	-
Uniondale Water Supply	-	-
Ward Committees	83 938	2 937
Water and sewer master plans DMA	5 458	53 750
WC079 Regional Landfill Site	426 120	216 925
Work for Water	8 454 176	9 582 539
Total Government Grant and Subsidies	164 941 889	140 018 857

See Annexure F for detailed summary of unspent grants and subsidies.

24.1 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years, except for the equitable share allocation which will increase as a result of the abolishment of the RSC Levies.

25 PUBLIC CONTRIBUTIONS RECEIVED	2010 R	2009 R
International Tourism Exhibition	-	108 766
	-	108 766
26 OTHER INCOME		
Admin Rezoning	-	2 572
Building Application Fees	6 666	13 397
Call Centre Mosselbay	97 829	-
Commission on Collections	900	51 069
Connection Fees	24 231	27 234
Development Fee	-	34 200
Eden World Cup 2010 Initiative	-	-
Euro 2008	-	-
Fire Fighting fees	2 524 935	116 359
Fire Fighting/ Health Levy	337 928	265 333
Grave yards Fees	11 434	11 656
Health Claims	318 896	346 369
Increase in Water Inventory	-	-
Insurance	4 562	4 958
Insurance Claim Flood Damage	-	341 845
IT Shared Services District	14 925	121 927
Library Fees	3 693	3 827
Oudtshoorn Salaries	-	618 727
Pauper Burials	-	-
Photostats and Faxes	431	892
Plans Copies	15 123	10 621
Plant hire	-	-
Private Telephone Calls	-	-
Recovery of unauthorized, irregular, fruitless and wasteful expenditure (Note 41)	8 800	-
Refund Deposits	43 100	23 800
Registration Fees: Motor vehicles	1 148 726	1 102 865
Resorts	4 713 545	3 865 986
Sale of pre-paid electricity meters	9 825	8 467
SETA Reimbursements	0	-
Sundry Income	223 086	1 435 701
Surplus cash	63	664
Tenders	-	2 300
Testing Fees	-	-
Tracing Fees/Address lists	2 734	3 476
Vakantebeurs	-	-
Plato Project Training	-	-
Valuation Certificates	43	764
WFW Additional Income - Roads	193 609	-
Total Other Income	9 705 083	8 415 009
27 EMPLOYEE RELATED COSTS		
Employee related costs- Salaries and Wages	49 509 060	40 108 709
Employee related costs - Contribution for UIF, pensions and medical aids	17 139 485	12 730 581
Travel, motor car, accommodation, subsistence and other allowances	7 836 449	6 596 821
Housing benefits and allowances	747 129	830 630
Overtime payments	1 587 344	1 280 321
Performance bonus	-	289 099
Leave Payment	1 788 174	1 028 466
Leave Bonus	3 349 005	2 566 878
Increase in Provision for Health Care Benefits	2 551 366	3 485 762
Increase in Provision for Long Service Awards	912 546	687 675
Decrease in Provision for Ex-Gratia Pensions	(61 062)	(36 009)
Long-service awards	16 790	25 365
Total Employee Related Costs	85 376 286	69 594 298

Total Other Income

27 EMPLOYEE RELATED COSTS

Employee related costs- Salaries and Wages	49 509 060	40 108 709
Employee related costs - Contribution for UIF, pensions and medical aids	17 139 485	12 730 581
Travel, motor car, accommodation, subsistence and other allowances	7 836 449	6 596 821
Housing benefits and allowances	747 129	830 630
Overtime payments	1 587 344	1 280 321
Performance bonus	-	289 099
Leave Payment	1 788 174	1 028 466
Leave Bonus	3 349 005	2 566 878
Increase in Provision for Health Care Benefits	2 551 366	3 485 762
Increase in Provision for Long Service Awards	912 546	687 675
Decrease in Provision for Ex-Gratia Pensions	(61 062)	(36 009)
Long-service awards	16 790	25 365
Total Employee Related Costs	85 376 286	69 594 298

Total Employee Related Costs

Advances were made to employees. Loans to employees are set out in note 16

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

27 EMPLOYEE RELATED COSTS (Continued)

	2010 R	2009 R
Remuneration of the Municipal Manager	12 Months	12 Months
Annual Remuneration	724 827	643 359
Performance Bonuses	-	-
Car Allowance	152 300	155 522
Contributions to UIF, Medical and Pension Funds	101 911	11 661
Total	979 038	810 542
Remuneration of the Chief Finance Officer	12 Months	12 Months
Annual Remuneration	230 992	-
Performance Bonuses	-	-
Car Allowance	24 000	-
Contributions to UIF, Medical and Pension Funds	5 582	-
Total	260 574	-

The Director Financial Services was only appointed from March 2010.

**Remuneration of Individual Executive Directors
30 June 2010**

	Technical Services	Corporate Services	Community Services
Annual Remuneration	187 920	687 159	562 495
Performance Bonuses	-	-	-
Housing Allowance	-	-	84 000
Car Allowance	44 000	126 700	63 516
Contributions to UIF, Medical and Pension Funds	45 108	17 946	120 455
Total	277 028	831 804	830 466

The Director Technical Services was only in services of the municipality from March 2010 to June 2010.

**Remuneration of Individual Executive Directors
30 June 2009**

	Technical Services	Corporate Services	Community Services
Annual Remuneration	559 742	370 988	426 490
Performance Bonuses	111 751	-	-
Car Allowance	92 545	84 757	47 637
Contributions to UIF, Medical and Pension Funds	73 136	7 911	44 081
Total	837 174	463 656	518 208

The Director Corporate Services was only in services of the municipality from July 2007 to February 2008.

28 REMUNERATION OF COUNCILLORS

	2010 R	2009 R
Executive Mayor	392 287	231 684
Deputy Executive Mayor	359 657	206 439
Speaker	270 212	247 962
Mayoral Committee Members	1 154 728	1 308 915
Councillors	1 387 478	1 297 506
Councillors' pension contributions	143 016	238 192
Travel Allowances	1 346 213	1 715 904
Telephone Allowances	192 574	169 006
Councillors' medical contributions	17 984	43 914
Total Councillor's Remuneration	5 264 149	5 459 521

In-Kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at Council's cost.

The Executive Mayor has use of a Council owned vehicle for official duties.

29 INTEREST PAID

Long-term liabilities	487 484	939 562
Finance leases	510 917	55 445
Total Interest on External Borrowings	998 401	995 007

30 BULK PURCHASES

Electricity	2 579 569	2 036 777
Total Bulk Purchases	2 579 569	2 036 777

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

31	ROADS - GRANTS AND SUBSIDIES UTILISED	2010 R	2009 R
	Employee Related Cost	44 830 267	36 547 096
	Plant Hire	7 057	8 128
	Material	36 366 794	27 538 592
	Allocation Indirect Account	-	-
	Contracts	173 478	145 196
	General Expenses	17 256 275	19 886 072
	Repairs and Maintenance	2 629 405	2 197 334
	Appropriations for the year	(26 938)	1 071 214
	Contributions to Capital	297 666	558 452
		<u>101 534 003</u>	<u>87 952 083</u>
32	ALLOCATIONS TO OTHER MUNICIPALITIES	2010 R	2009 R
	Allocations to Municipalities	-	11 819 589
		<u>-</u>	<u>11 819 589</u>

The grants paid to other municipalities are for the construction or maintenance of sewerage, water, refuse or roads infrastructure and any other purpose as approved by council. The infrastructure will be under the control of the other municipalities once construction is completed.

33	GENERAL EXPENSES		
	Included in general expenses are the following: -		
	Administrative Recoveries: Roads	732 904	8
	Advertisements	920 730	754 035
	Audit Fees	2 437 863	1 360 750
	Bank Charges	155 234	168 650
	Biomonitoring	31 029	59 197
	Community Participation	-	-
	Computer Programs	8 945	14 166
	Connections: Material	-	-
	Contribution Full time Shopsteward	47 207	-
	Courier Services	29 672	38 200
	Deeds	-	12 389
	Domestic Expenses	474 478	365 929
	Donations: Congress	-	-
	Donations: Council	384 832	340 296
	Employee Support	1 584	15 114
	Entertainment Allowances	247 950	231 347
	External Audit Committee	13 811	11 137
	Fire Fighting Service: DMA	-	-
	Furniture removal	-	-
	Health Advisory Committee	750	658
	Health Contribution	-	-
	Health Education	9 116	7 461
	Herbicides	-	-
	Insurance	773 745	576 217
	Inventory Items	-	-
	Irrigation Levy	36 285	20 121
	Laboratory Test	339 581	285 904
	Laundry Service	132 068	101 211
	Legal Fees	901 415	244 777
	License fees	18 821	22 922
	Lost Library Books	1 137	502
	Material	15 473	26 058
	Medical Examinations	-	(135)
	Membership fees	614 857	99 069
	Notice Boards	-	-
	Occupational Health	3 134	1 763
	Operating Projects	23 643 463	-
	Overseas Tours	228 254	-
	Pauper Burials	35 692	9 386
	Pest Control	1 791	40
	Plant	2 229 345	2 097 917
	Postage/ Post Box Rental	77 222	91 305
	Printing & Stationery	1 230 330	1 024 992
	Protective Clothing	626 933	283 339
	Public Relations	63 929	88 200
	Railway Fess	994	265
	Rates & Taxes	259 871	285 429
	Refreshments	85 644	74 172
	Refuse Bags	55 000	64 050
	Registration Fees: Congresses	202 917	126 075
	Relief Assistance	16 321	19 722
	Rent	200 569	59 970
	Rent Disaster Centre Equipment	742 331	577 542
	Restaurant	194 712	207 498
	Services Accounts	870 685	861 474
	Special Holidays	236 710	-
	Special Meter Readings	-	8 780
	Stock Losses	-	156 692
	Store Charges Roads	-	2 298
	Store Issues	-	12 208
	Strategic Planning	164 112	89 419
	Street lights	93 653	106 199
	Study Assistance	467 478	389 161
	Subsistence & Travel	1 509 193	1 477 378
	Sundry Expenses	9 758	6 254
	Telephone/Data lines	3 519 532	2 623 468
	Tourism	85 000	110 000

EDEN DISTRICT MUNICIPALITY

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
GENERAL EXPENSES (Continued)**

33	2010 R	2009 R
Training	735 523	757 959
Transport	61 405	37 831
Valuation Fees	-	328 253
Water Levy	83 977	37 575
Water Wise Project Funds	8 376	-
Wreaths & Bouquets	3 604	3 684
Year-end Function DMA	1 524	1 751
	<u>46 078 468</u>	<u>16 778 031</u>

34 CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 - IMPLEMENTATION OF GRAP

The were no adjustments made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP.

35 CORRECTION OF ERROR IN TERMS OF GRAP 3

During the current financial year, the municipality had corrected the following prior period errors:

35.1 Property Plant and Equipment

50 % Deposit paid on purchasing of a Hazmut Truck in 2008/2009 not capitalised but expensed in previous period, was credited to the accumulated surplus.

Tip Site Rehabilitation not capitalised as an Asset but expensed in 2008/2009, was credited to the accumulated surplus

Opening Balance of Accumulated Depreciation on Property Plant and Equipment was corrected due to differences in rounding with the new Asset Register in the 2008/2009 year, was credited to the accumulated surplus.

Property Plant and Equipment

	Cost R	Accumulated Depreciation R	Net Balances R
Balance previously reported - 30 June 2009	248 724 217	(20 499 262)	228 224 955
Deposit paid relating to Property Plant & Equipment - Hazmut Truck incorrectly recognised as expenditure in 2008/2009. These amounts were transferred (from)/to the accumulated surplus as per Note 35.7	818 085	-	818 085
Amounts relating to Property Plant & Equipment - Tip Site Rehabilitation Costs for previous years incorrectly recognised as expenditure in 2008/2009. These amounts were transferred (from)/to the accumulated surplus as per Note 35.7 & 35.8	1 600 000	(79 945)	1 520 055
Amounts Accumulated Depreciation for Property Plant & Equipment for previous years incorrectly calculated due to rounding differences with new Asset Register in 2008/2009. These amounts were transferred (from)/to the accumulated surplus as per Note 35.8	-	11 928	11 928
Restated Balance	<u>251 142 302</u>	<u>(20 579 208)</u>	<u>230 563 094</u>

35.2 Unspent Conditional Grants & Receipts

Own funded expenditure incorrectly disclosed as Grant expenditure in previous years.

Balance previously reported - 30 June 2009

	R
Expenditure incorrectly disclosed as part of Grant expenditure in 2008/2009 Transferred from accumulated surplus - Unspent Grants: Spatial Planning as per Note 35.8	172 099
Expenditure incorrectly disclosed as Grant expenditure, transferred from accumulated surplus 30 June 2008 - Unspent Grants: CDW Programme as per Note 35.7	64 705
Restated Balance	<u>(36 267 748)</u>

35.3 Intangible Assets

Opening Balance of Accumulated Depreciation on Property Plant and Equipment was corrected due to differences in rounding with the new Asset Register in the previous periods, was credited to the accumulated surplus.

	Cost R	Accumulated Depreciation R	Net Balances R
Balance previously reported - 30 June 2009	3 209 119	(968 081)	2 241 038
Amounts Accumulated Depreciation for Property Plant & Equipment for previous years incorrectly calculated due to rounding differences in 2008/2009 with new Asset Register. These amounts were transferred (from)/to the accumulated surplus as per Note 35.7 & 35.8	-	(20)	(20)
Restated Balance	<u>3 209 119</u>	<u>(968 101)</u>	<u>2 241 018</u>

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

35 CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continued)

35.4 Trade Payables	R
<i>Balance previously reported - 30 June 2009</i>	(27 679 927)
Payment of retention creditors incorrectly allocated against as expenditure in previous years credited to the accumulated surplus 30 June 2008 - Note 35.8	137 938
Unallocated Funds - Alleged fraudulent expenditure incurred against the Unallocated Funds Vote 2008/2009 - Note 35.5	(10 073)
Unallocated Funds - Alleged fraudulent expenditure incurred against the Unallocated Funds Vote transferred to Other Receivables 30 June 2008 - Note 35.5	(763 619)
VAT Output Tax - Alleged fraudulent expenditure incurred against the VAT Output Tax Vote in 2008/2009 - Note 35.5	(32 481)
VAT Output Tax - Alleged fraudulent expenditure incurred against the VAT Output Tax Vote transferred to Other Receivables 30 June 2008 - Note 35.5	(53 935)
Integration Suspend - Alleged fraudulent expenditure incurred against the Integration Suspend Vote in 2008/2009 - Note 35.5	(12 696)
GRV Suspend - Alleged fraudulent expenditure incurred against the GRV Suspend Vote in 2008/2009 - Note 35.5	(466 530)
Restated Balance	<u><u>(28 881 322)</u></u>
35.5 Other Receivables from Non-Exchange Transactions	R
<i>Balance previously reported - 30 June 2009</i>	20 208 245
Alleged fraudulent expenditure incurred in 2008/2009, a Recoverable Debtor - JP Zeelie was brought in for this expenditure incurred - Note 35.4	521 780
Alleged fraudulent expenditure incurred in in previous years and transferred from Trade Payables to Recoverable Debtor - JP Zeelie for 30 June 2008 - Note 35.4	817 553
Alleged fraudulent expenditure incurred in previous years, a Recoverable Debtor - JP Zeelie brought in for this expenditure incurred and was credited to the accumulated surplus 30 June 2008 - Note 35.7	12 517
Alleged fraudulent expenditure incurred in 2008/2009, a Recoverable Debtor - JP Zeelie was brought in for this expenditure incurred - Note 35.6	39 949
Alleged fraudulent expenditure incurred in previous years and transferred from VAT Receivable to Recoverable Debtor - JP Zeelie 30 June 2008 - Note 35.6	5 685
Private Kilometers claimed by Councilors in previous year 2008/2009 was incorrectly debited to Travel Claims and was credited to the accumulated surplus - Note 35.7	473 250
Private Kilometers claimed by Councilors in previous years up to 30 June 2008 was incorrectly debited to Travel Claims and was credited to the accumulated surplus - Note 35.8	115 955
Incorrect amount paid over to C Africa in 2008/2009 was credited to the accumulated surplus - Note 35.7	27 075
Restated Balance	<u><u>22 222 009</u></u>
35.6 VAT Receivable	
<i>Balance previously reported - 30 June 2009</i>	2 366 550
Alleged fraudulent expenditure incurred against the VAT Receivable Vote in 2008/2009 was transferred to Recoverable Debtor JP Zeelie - Note 35.5	(39 949)
Alleged fraudulent expenditure incurred against the VAT Receivable Vote was transferred to Recoverable Debtor JP Zeelie on 30 June 2008 - Note 35.5	(5 685)
Restated Balance	<u><u>2 320 916</u></u>
35.7 Accumulated Surplus/(Deficit)	R
Restatement of Property Plant & Equipment - Motor Vehicles - Note 35.1	818 085
Restatement of Property Plant & Equipment - Landfill Site - Note 35.1	1 600 000
Restatement of Unspent Conditional Grants & Receipts - CDW Programme - Note 35.2	(64 705)
Restatement of Other Receivables Non Exchange Transactions - Note 35.5	12 517
Restatement of Recoverable Debtor: Private Kilometers for Councilors - Note 35.5	473 250
Total amount credited/(debited) to accumulated surplus due to implementation of GRAP	<u><u>2 839 146</u></u>
35.8 Changes to Statement of Financial Performance	R
Restatement of Property Plant & Equipment - Depreciation on Landfill Site - Note 35.1	(79 945)
Restatement of Property Plant & Equipment - Depreciation - Note 35.1	11 928
Restatement of Property Plant & Equipment - Depreciation on Intangible Assets - Note 35.3	(20)
Restatement of Unspent Conditional Grants & Receipts - Grant Expenditure: Spatial Planning - Note 35.2	(172 099)
Restatement of Trade Payables - Retention Creditors - Note 35.4	137 938
Restatement of Travel Claim Expenditure: Councilors - Note 35.5	115 955
Restatement of Councilor Remuneration: C Africa - Note 35.5	27 075
Total amount credited/(debited) to Statement of Financial Performance due to implementation of GRAP	<u><u>40 832</u></u>

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

36 CASH GENERATED FROM OPERATIONS	2010	2009
	R	R
(Deficit) for the year	6 843 622	21 471 595
Adjustments for: -		
Unamortised Discount - Expense	129 455	133 121
Unamortised Discount - Income	(58 447)	(86 292)
Depreciation	10 676 848	9 370 497
Amortisation	848 830	515 924
Insurance Proceeds	(99 536)	(92 658)
Gain on disposal of property, plant and equipment	(88 161)	52 107
Impairments	7 386	-
Contribution to provisions	-	-
Expenditure against non-current provisions	-	-
Contribution to provisions - current	-	-
Contribution to bad debt provision	-	-
Expenditure against current provisions	-	-
Investment income	(5 421 881)	(6 600 333)
Interest paid	998 401	995 007
Operating deficit before working capital changes	13 836 516	25 758 969
(Increase)/Decrease in inventory	205 387	350 595
(Increase)/Decrease in other receivables	2 086 879	(8 595 166)
Increase/(Decrease) in conditional grants and receipts	(16 615 171)	14 541 681
Increase/(decrease) in creditors	745 225	1 747 335
Increase/(decrease) in provisions	13 708 796	728 509
(Increase)/Decrease in VAT	804 355	900 803
Cash generated / (utilized in) operations	14 771 987	35 432 726
37 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following amounts in the statement of financial position:		
Bank balances and cash	44 141 947	41 859 072
Call deposits	1 036	17 100 971
Bank overdraft	-	-
Total cash and cash equivalents	44 142 983	58 960 043
38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (see Note 3)	7 830 091	10 486 972
Used to finance property, plant and equipment - at cost	7 830 091	10 486 972
Sub-total	-	-
Cash set aside for the repayment of long-term liabilities (see note 3)	2 575 771	2 842 551
Cash invested for repayment of long-term liabilities	2 575 771	2 842 551
Long-term liabilities have been utilized accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.		
39 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES	2010	2009
	R	R
Cash and Cash Equivalents - Note 21	44 142 983	58 960 043
Investments - Note 15	40 974	9 054
	44 183 956	58 969 097
Less:	20 182 610	36 795 526
Unspent Committed Conditional Grants - Note 10	20 126 184	36 741 355
VAT - Note 11	-	-
Cash Portion of Housing Development Fund - Note 2	56 426	54 171
Net cash resources available for internal distribution	24 001 346	22 173 571
Allocated to:		
Capital Replacement Reserve	-	-
Resources available for working capital requirements	24 001 346	22 173 571

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

40 BUDGET COMPARISONS	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
40.1 Operational				
Revenue by source				
Property rates DMA	1 356 977	1 356 977	-	0%
Property rates - penalties imposed and collection charges	-	-	-	0%
Regional Services Levies	77 093	77 093	-	0%
Public contributions, donated and contributed property, plant and equipment	-	-	-	0%
Regional Services Levies Equitable Share	118 011 375	118 011 375	-	0%
Government grants and subsidies	164 941 889	48 181 517	116 760 372	242%
Public contributions	-	250 000	(250 000)	-100%
Fines	20 890	20 890	-	0%
Insurance Proceeds	99 536	99 536	-	0%
Unamortised Discount - Interest	58 447	-	58 447	100%
Assets Identified for the First Time	-	-	-	0%
Service charges	7 435 577	7 474 006	(38 430)	-1%
Rental of facilities and equipment	1 531 386	1 531 386	-	0%
Interest earned - external investments	5 004 852	3 917 541	1 087 312	28%
Interest earned - outstanding debtors	417 029	417 029	-	0%
Licenses and permits	-	-	-	0%
Actuarial Gain from Ex-Gratia Pensions	167 055	-	167 055	100%
Income for agency services	9 306 954	9 306 954	-	0%
Other income	9 705 083	9 071 621	633 462	7%
TASK Contributions Municipalities	-	-	-	0%
Contribution Shop Steward	596 293	596 293	-	0%
	318 730 437	200 312 218	118 418 219	
Expenditure by nature				
Employee related costs	85 376 286	83 859 260	1 517 026	2%
Remuneration of Councillors	5 393 158	5 538 729	(145 570)	-3%
Bad debts	(1 513 046)	1 025 148	(2 538 194)	-248%
Collection costs	-	-	-	0%
Actuarial Loss	1 564 288	557 215	1 007 073	181%
Actuarial Loss from Health Care Benefits	-	-	-	0%
Actuarial Loss from Long Service Awards	-	-	-	0%
Actuarial Loss from Ex-Gratia Pensions	-	-	-	0%
Increase in Provision for Rehabilitation of Landfill Sites	831 019	-	831 019	100%
Increase in Provision for Alien Vegetation	3 702 786	680 759	3 022 027	444%
Depreciation	10 676 848	12 496 424	(1 819 576)	-15%
Amortisation	848 830	-	848 830	100%
Repairs and maintenance	4 604 096	4 561 273	42 823	1%
Interest paid	998 401	544 629	453 772	83%
Bulk purchases	2 579 569	2 567 588	11 981	0%
Contracted services	9 090 935	14 221 668	(5 130 733)	-36%
Grants and subsidies utilised	40 104 411	53 492 554	(13 388 142)	-25%
Roads - Grants and subsidies utilised	101 534 003	-	101 534 003	100%
Allocations to Municipalities	-	-	-	0%
Unamortised Discount - Interest	129 455	-	129 455	100%
General expenses	46 078 468	51 281 513	(5 203 045)	-10%
	311 999 509	230 826 760	81 172 748	
Other Gains/Losses				
(Loss)/Gains on disposal of property, plant and equipment	88 161	88 161	-	0%
	6 819 088	(30 426 382)	37 245 470	
Net Surplus for the year				0%

Details of material variances

Revenue by Source

Property rates DMA	Immaterial difference
Property rates - penalties imposed and collection charges	Immaterial difference
Regional Services Levies	Immaterial difference
Public contributions, donated and contributed property, plant and equipment	Immaterial difference
Regional Services Levies Equitable Share	Immaterial difference
Government grants and subsidies	Consolidation of Roads - Not included in Budgeted amount
Public contributions	Donations needed for the project did not realise.
Fines	Immaterial difference
Insurance Proceeds	Immaterial difference
Unamortised Discount - Interest	Year-end calculation. Not included in Budget.
Assets Identified for the First Time	Immaterial difference
Service charges	Immaterial difference
Rental of facilities and equipment	Immaterial difference
Interest earned - external investments	Decrease due to call account decrease - less interest earned throughout the year.
Interest earned - outstanding debtors	Immaterial difference
Licenses and permits	Immaterial difference
Actuarial Gain from Ex-Gratia Pensions	Year-end calculation. Not included in Budget.
Income for agency services	Immaterial difference
Other income	Immaterial difference
TASK Contributions Municipalities	Immaterial difference
Contribution Shop Steward	Immaterial difference

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

40 BUDGET COMPARISONS (Continued)

	2010 R (Actual)	R (Budget)	2010 R (Variance)	2010 (%)
Expenditure by Nature				
Employee related costs			Immaterial difference	
Remuneration of Councilors			Immaterial difference	
Bad debts			Calculation re-evaluated at year-end lead to a decrease in the provision.	
Collection costs			Immaterial difference	
Actuarial Loss			Year end calculation - under budgeted.	
Actuarial Loss from Health Care Benefits			Immaterial difference	
Actuarial Loss from Long Service Awards			Immaterial difference	
Actuarial Loss from Ex-Gratia Pensions			Immaterial difference	
Increase in Provision for Rehabilitation of Landfill Sites			Calculation re-evaluated at year-end lead to an increase in the provision.	
Increase in Provision for Alien Vegetation			Calculation re-evaluated at year-end lead to an increase in the provision.	
Depreciation			Under spending on Capital Budget lead to a decrease in depreciation	
Amortisation			Included in budgeted amount for Depreciation.	
Repairs and maintenance			Immaterial difference	
Interest paid			ABSA loans were settled during the current financial year.	
Bulk purchases			Immaterial difference	
Contracted services			Savings on budgeted amounts due to under spending.	
Grants and subsidies utilised			Under spending due to Supply Chain Processes	
Roads - Grants and subsidies utilised			Roads not included in budget.	
Allocations to Municipalities			Immaterial difference	
Unamortised Discount - Interest			Year-end calculation. Not included in budget.	
General expenses			Immaterial difference	

Other Gains/Losses

(Loss)/Gains on disposal of property, plant and equipment

Immaterial difference

	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
Expenditure by Vote				
Executive and Council	81 023 593	39 302 023	41 721 570	106%
Finance & Admin	31 852 639	33 801 058	(1 948 419)	-6%
Planning & Development	24 074 407	41 073 422	(16 999 015)	-41%
Public Safety	22 765 399	59 868 258	(37 102 858)	-62%
Health	23 792 381	27 618 715	(3 826 333)	-14%
Community & Social Services	5 353 724	5 742 657	(388 932)	-7%
Sport & Recreation	8 673 469	8 357 500	315 969	4%
Housing	6 811	56 811	(50 000)	-88%
Waste Management	1 585 387	2 421 486	(836 099)	-35%
Road Transport	5 767 374	5 496 654	270 719	5%
Waste Water Management	469 928	713 653	(243 724)	-34%
Water	1 365 278	2 026 441	(661 162)	-33%
Electricity	3 290 457	3 904 892	(614 435)	-16%
Environmental Protection	400 569	391 717	8 852	2%
Roads	102 943 943	-	102 943 943	100%
	313 365 359	230 775 285	82 590 074	

Details of material variances

Executive and Council

At year end all Grant Expenditure is transferred to Executive and Council.

Finance & Admin

Under spending on budgeted amounts.

Planning & Development

R7m Grants expenditure transferred to Executive and Council and savings of R5m on contracted services.

Public Safety

R35m Grant expenditure transferred to Executive and Council at year end.

Health

Grant expenditure transferred to Executive and Council at year end.

Community & Social Services

Under spending on budgeted amounts.

Sport & Recreation

Immaterial difference

Housing

Grant expenditure transferred to Executive and Council at year end.

Waste Management

Grant expenditure transferred to Executive and Council at year end.

Road Transport

Immaterial difference

Waste Water Management

Correction of bad debt provision - decrease in provision at year end.

Water

Correction of bad debt provision - decrease in provision at year end.

Electricity

Correction of bad debt provision - decrease in provision at year end.

Environmental Protection

Immaterial difference

Roads

Roads consolidation not included in the budget.

40.2 Capital expenditure by vote

	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
Executive & Council	6 462 615	1 419 490	5 043 125	355%
Finance & Admin	792 897	634 920	157 977	25%
Planning & Development	154 313	-	154 313	100%
Public Safety	1 072 686	999 844	72 842	7%
Health	217 234	150 650	66 584	44%
Community & Social Services	4 267	1 861 335	(1 857 068)	-100%
Sport & Recreation	699 509	1 458 536	(759 027)	-52%
Housing	-	2 210 000	(2 210 000)	-100%
Waste Management	-	750 000	(750 000)	-100%
Road Transport	-	6 015 000	(6 015 000)	-100%
Waste Water Management	42 206	22 594 288	(22 552 082)	-100%
Electricity	-	3 000 000	(3 000 000)	-100%
Water	-	4 000 000	(4 000 000)	-100%
Environmental Protection	-	-	-	0%
	9 445 726	45 094 063	(35 648 337)	

40 BUDGET COMPARISONS (Continued)

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Details of material variances

Executive & Council	Asset classification corrected with purchase - In total there was a saving on budget.
Finance & Admin	Asset classification corrected with purchase - In total there was a saving on budget.
Planning & Development	Asset classification corrected with purchase - In total there was a saving on budget.
Public Safety	Asset classification corrected with purchase - In total there was a saving on budget.
Health	Asset classification corrected with purchase - In total there was a saving on budget.
Community & Social Services	Asset classification corrected with purchase - In total there was a saving on budget.
Sport & Recreation	Asset classification corrected with purchase - In total there was a saving on budget.
Housing	Asset classification corrected with purchase - In total there was a saving on budget.
Waste Management	Asset classification corrected with purchase - In total there was a saving on budget.
Road Transport	Asset classification corrected with purchase - In total there was a saving on budget.
Waste Water Management	Asset classification corrected with purchase - In total there was a saving on budget.
Electricity	Asset classification corrected with purchase - In total there was a saving on budget.
Water	Asset classification corrected with purchase - In total there was a saving on budget.
Environmental Protection	Asset classification corrected with purchase - In total there was a saving on budget.
Other	Asset classification corrected with purchase - In total there was a saving on budget.

41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

41.1

	2010	2009
	R	R
Reconciliation of unauthorised expenditure		
Opening balance	49 972 055	51 885 205
Unauthorised expenditure current year	(37 245 470)	49 972 055
Approved by Council or condoned	(49 972 055)	(51 885 205)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-
	<u>(37 245 470)</u>	<u>49 972 055</u>

The unauthorised expenditure relates mainly to budget overspendings due to amendments made to the financial statements to comply with GAMAP/GRAP requirements. It is anticipated that these overspendings will be authorised by Council before 30 November 2010.

41.2

Reconciliation of fruitless and wasteful expenditure		
Opening balance	404 515	73 800
Fruitless and wasteful expenditure current year	749 547	404 515
Condoned or written off by Council	-	(73 800)
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-
	<u>1 154 062</u>	<u>404 515</u>

Incident	Disciplinary steps/criminal proceedings
<i>Legal Costs were incurred in defending urgent litigation of the Municipal Manager Mr G Louw. The amount of the reported fruitless expenditure are still to be determined. Actions will be taken to recover the legal costs incurred from the dismissed Municipal Manager.</i>	<i>Municipal Manager was dismissed by council in August 2010</i>
<i>Councillors claimed private kilometers travelled. The amount of the reported fruitless expenditure relates to kilometers travelled between councillor's residence and his/her work places R 473 250.04 relates to periods prior to 30 June 2008, R 115 954.75 relates to previous financial year 30 June 2009 and R 160 342.17 was incurred in the current financial year. Actions have been taken to recover the costs incurred from the Councillors.</i>	

41.3

Reconciliation of irregular expenditure		
Opening balance	57 500	-
Irregular expenditure current year	2 062 257	66 056
Condoned or written off by Council	-	-
Recovered during year	-	(8 556)
Irregular expenditure awaiting condonement	-	-
	<u>2 119 757</u>	<u>57 500</u>

Incident	Disciplinary steps/criminal proceedings
<i>Fraudulent allocations regarding by the Global Fund Administrator - Mr C van Wyk</i>	<i>SAPS case number 98/04/2009</i>
<i>Fraudulent expenditure incurred by the Head Expenditure - Mr JP Zeelie</i>	<i>SAPS case number 686/7/2010</i>
<i>Municipal monies stolen by the Receptionist: Calitzdorp Spa - Q Valentyn</i>	

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)

An irregular expenditure of R 600,373.27 occurred during the current financial year, R 561,729.07 during the previous financial year 30 June 2009 and R 835,754.91 in the financial year ending June 2008. These monies are still in process of being recovered. Subsequent to year-end, the matter was reported to the South African Police Services. Disciplinary actions taken were taken and the employee was suspended.

An irregular expenditure of R 64,400 occurred during the year, and the amount is still to be recovered. Subsequent to year-end, the matter was reported to the South African Police Services. Disciplinary actions taken were discontinued on the resignation of the employee.

41.4 Material Losses	2010	2009
	R	R
Electricity distribution losses		
Units purchased (Kwh)	3 540 935	3 105 964
- Units lost during distribution (Kwh)	641 969	612 920
- Percentage lost during distribution	18.13%	19.73%
Water distribution losses		
- Mega liters purified	583 288	644 776
- Mega liters lost during distribution	58 329	64 478
- Percentage lost during distribution	10.00%	10.00%

42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

42.1 Contributions to organized local government

SALGA

Opening balance	(1 199)	9
Council subscriptions	30 672	23 325
Amount paid- current year	(29 473)	(24 533)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	(1 199)

42.2 Audit fees

Opening balance	-	-
Current year audit fee	2 437 863	1 360 750
Amount paid - prior year	(2 437 863)	(1 360 750)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-

42.3 VAT

VAT input receivables and VAT outputs payable are shown in note 11 & 9.

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

42.4 PAYE AND UIF

Opening balance	400	(168)
Current year payroll deductions	14 052 127	12 367 364
Amount paid - current year	(15 431 608)	(12 366 796)
Amount paid - previous years	-	-
Balance unpaid (included in debtors)	(1 379 082)	400

42.5 Pension and Medical Aid Deductions

Opening balance	844	1 113
Current year payroll deductions and Council Contributions	17 060 522	15 381 242
Amount paid - current year	(17 060 522)	(15 381 511)
Amount paid - previous years	(844)	-
Balance unpaid (included in debtors)	-	844

The balance represents medical aid contributions payable to the District Municipality by pensioners whose contributions were already paid to the medical aid. Invoices were issued to collect the outstanding amounts.

42.6 Councilor's arrear accounts

30 June 2010	Total	Outstanding less than 90 days	Outstanding more than 90 days
Executive Mayor: L Dorfling - Legal Costs	<u>13 521</u>	<u>-</u>	<u>13 521</u>

The amount of R103,769 relates to case Nr 8715/2006, a matter between Leon Dorfling, executive mayor, and an application against Eden District Municipality in 2006. Judgment was passed in favor of council and costs were granted against Mr Dorfling. Council approved that R 90,248 of the R103,769 to be written off during the year, the rest was included in the provision for bad debts.

30 June 2009	Total	Outstanding less than 90 days	Outstanding more than 90 days
L Dorfling - Legal Costs	<u>103 769</u>	<u>-</u>	<u>103 769</u>

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

43 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

-Approved and contracted for

	2010 R	2009 R
Infrastructure	1 285 238	231 252
Community	-	840 075
Land and Buildings	92 279	300 465
Heritage	-	-
Other	902 194	971 599
Investment Properties	-	-
Total	2 279 712	2 343 391

-Approved and not contracted for

Infrastructure	-	-
Community	-	-
Land and Buildings	-	-
Heritage	-	-
Other	-	-
Investment Properties	-	-
Total	-	-

This expenditure will be financed from:

- External Loans		
- Capital Replacement Reserve	2 279 712	2 343 391
- Government Grants		
- Own Resources		
- District Council Grants		-
Total	2 279 712	2 343 391

44 CONTINGENT LIABILITY

30 June 2010

44.1 Leon Dorfling Family Trust

An application was made by the Leon Dorfling Family Trust to join Council as a co-defendant in two matters pertaining to a fire that originated at Highland Lodge which is the property of the aforementioned trust. Two adjacent property owners sued the trust for damages in the amount of R1,7 million. The trust alleged that Eden's fire services were negligent in that it did not take adequate steps to prevent the fire from spreading to the adjacent properties.

- 1 700 000

44.2 SGB Construction Managers CC

This is a defended matter. The District Municipality is preparing to go to trial in due course and is positive of recovering the outstanding amount of R 82,007.32.

82 007 -

44.3 Dirk DJG Coetzee t/a Mikro Selbediening

Raubenheimers Attorneys is busy with the collection of R 32 010.18. This matter is straight forward. The defendant does not have a defense.

32 010 -

44.4 Wally Mellville Motors

The District Municipality has applied for judgment against this business for the amount of R 11 848.62.

11 849 -

44.5 Norris Fresh Produce t/a Golden Harvest

This company is indebted to council in the amount of R 99 685.51. This is a defended matter, but Council is confident about success of our claim.

99 686 -

44.6 W.G Odendaal Grondverskuiwing

This company owes Council R 17 611.95 and it is anticipated that the outstanding amount will be recovered.

17 612 -

45 IN-KIND DONATIONS AND ASSISTANCE

The Municipality did not receive any in-kind donations and assistance.

46 EVENTS AFTER THE REPORTING DATE

Mr Godfrey Louw was released as Municipal Manager by Council decision after reporting date (August 2010) and Mr Morne Hoogbaard will continue to act in the position of Municipal Manager until the post of Municipal Manager is filled.

On the 16th of August 2010 the Acting Municipal Manager was informed of Supply Chain Procedures not being adhered to with regards to the appointment of an Engineering Consultant Firm. A Forensic Investigation has been requested.

47 RELATED PARTY TRANSACTIONS

47.1 Related Party Transactions

	Rates	Service Charges	Outstanding balances
Year ended 30 June 2010			
Councillors	190	1 066	(5)
Municipal Manager and Section 57 Personnel	-	-	-
Year ended 30 June 2009			
Councillors	263	657	475
Municipal Manager and Section 57 Personnel	-	-	-

47.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are no longer permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 14 to the Annual Financial Statements.

EDEN DISTRICT MUNICIPALITY

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
RELATED PARTY TRANSACTIONS (Continued)**

47

47.3 Related Parties

The following are persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly including any director of Eden District Municipality:

- * Executive Mayor
- * Speaker
- * Mayoral Committee members
- * Councillors
- * Municipal Manager
- * Director: Finance
- * Director: Corporate Services
- * Director: Planning & Development
- * Director: Community Services

Their short term employee benefits are disclosed in notes 27 & 28

The following key personnel member (senior buyer) is also a director of one of the District Municipality's approved suppliers (Pedam Building Contractors). No purchases from this supplier was made for the 2009/2010 financial year:

- * Mbulelo Gift Mkuzo
- No purchases from this supplier was made for the 2009/2010 financial year:

48 RISK EXPOSURES

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

Price risk

The municipality is not exposed to price risk.

Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyse its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	2010 R	2009 R
0.5% (2009 - 0.5%) Increase in interest rates	114 911	245 286
0.5% (2009 - 0.5%) Decrease in interest rates	(114 911)	(245 286)

Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavors to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 19 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 19 for balances included in receivables that were re-negotiated for the period under review.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 19 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2010 %	2010 R	2009 %	2009 R
Electricity	1.98%	452 088	1.66%	407 031
Water	15.50%	3 544 513	15.45%	3 779 882
Refuse	3.94%	901 930	4.30%	1 051 610
Sewerage	5.36%	1 225 083	5.76%	1 410 601
Ambulance and Fire Fighting Fees	7.35%	1 681 200	8.29%	2 028 658
Insurance	0.10%	23 793	0.10%	25 673
Rental Agreements	3.27%	747 100	3.34%	816 925
Taxes - Rates	7.47%	1 708 854	8.64%	2 115 400
Regional Services levies	54.64%	12 495 833	51.06%	12 495 833
Sundry debtors	0.39%	88 885	1.39%	340 959
	100.00%	22 869 278	100.00%	24 472 572

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

48 RISK EXPOSURES (Continued)

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Financial assets exposed to credit risk at year end are as follows:

	2010	2009
	R	R
Long-term Receivable	34 613 537	31 672 668
Consumer Debtors	5 929 147	1 356 907
Other Debtors	8 096 379	14 691 323
Short term Investment Deposits	1 036	17 100 971
Bank Balances and Cash	30 317 640	41 859 072
	78 957 738	106 680 942

Maximum Credit Risk Exposure

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2010				
Long Term liabilities	3 831 504	6 381 275	742 785	-
Capital repayments	3 409 731	5 423 139	716 995	-
Interest	421 772	958 136	25 790	-
Trade and Other Payables	29 626 546			
Unspent conditional government grants and receipts	20 126 184			
	53 584 234	6 381 275	742 785	-
	Less than 1 year	Between 1 and 5 years	Between 1 and 5 years	Over 10 Years
2009				
Long Term liabilities	3 937 484	9 032 549	1 922 145	-
Capital repayments	3 455 846	7 767 180	1 782 684	-
Interest	481 638	1 265 368	139 461	-
Trade and Other Payables	28 881 322			
Unspent conditional government grants and receipts	36 741 355			
	69 560 161	9 032 549	1 922 145	-

49 FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

Financial Asset	Classification	2010	2009
		R	R
Long-term Receivable			
Car loans - At amortised cost	Loans and receivables	9 749	75 541
Department of Transport: Roads - At amortised cost	Loans and receivables	34 348 911	31 076 540
Roads - Computer loans - At amortised cost	Loans and receivables	-	537
Computer loans - At amortised cost	Loans and receivables	-	-
Long term debtors: Local Authorities - At amortised cost	Loans and receivables	254 877	520 050
Consumer Debtors			
Service debtors	Loans and receivables	5 929 147	1 356 907
Other Debtors			
Taxes - Rates	Loans and receivables	905 564	264 754.47
Government subsidies: Work for Water	Loans and receivables	1 645 906	2 607 519
Government subsidies DWAF & Global Fund	Loans and receivables	3 018 626	-
Roads - Sundry debtors	Loans and receivables	323 531	-
Sundry debtors	Loans and receivables	4 626 467	7 897 718
Recoverable Debtors	Loans and receivables	3 218 789	-
Regional Services levies	Loans and receivables	1 824 005	3 337 698
Advances to Agencies	Loans and receivables	-	848 389
Current Portion of Long-term Receivables			
Car loans - At amortised cost	Loans and receivables	9 749	75 476
Department of Transport: Roads - At amortised cost	Loans and receivables	2 089 492	2 045 884
Roads - Computer loans - At amortised cost	Loans and receivables	-	537
Computer loans - At amortised cost	Loans and receivables	-	-
Long term debtors: Local Authorities - At amortised cost	Loans and receivables	102 239	207 215

49 FINANCIAL INSTRUMENTS (Continued)

2010 **2009**

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	R	R
Short term Investment Deposits		
Call Deposits	Held to maturity 1 036	17 100 971
Bank Balances and Cash		
Bank Balances	Held to maturity 30 297 650	41 841 082
Cash Floats and Advances	Held to maturity 19 990	17 990
VAT	Loans and receivables 1 516 561	2 320 916
SUMMARY OF FINANCIAL ASSETS		
Held to maturity:		
Short term Investment Deposits	Call deposits 1 036	17 100 971
Bank Balances and Cash	Bank Balances 30 297 650	41 841 082
Bank Balances and Cash	Cash Floats and Advances 19 990	17 990
	<u>120 460 966</u>	<u>170 555 766</u>
Financial Liability	Classification	
Investments		
Long-term liabilities	Loans payable	<u>7 357 449</u> <u>9 884 874</u>

No security was provided for above long term liabilities.
Refer to Annexure A for details regarding interest rate; repayments, etc.

50 EXEMPTIONS TAKEN IN TERMS OF DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

50.1 GRAP 19 -Provisions, Contingent Liabilities and Contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise the following provisions, contingent liabilities or contingent assets relating to Property, Plant and Equipment:

Refuse tip-sites financed by way of a provision:

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

Since the previous reporting date the following provisions were measured in accordance with GRAP 19 and restated retrospectively:

	2010	2009
	R	R
Refuse tip-sites financed by way of a provision;	-	-
Post retirement health care benefits	-	-
Ex-Gratia Pensions	-	-
Long service awards	-	-

50.2 GRAP 100 -Non-current assets and discontinued operations

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not recognised in terms of the transitional provisions relating to those standards:

50.3 GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise all the Investment Properties:

The municipality is currently in a process of identifying all Investment Properties and have it valued in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

Since the previous reporting date the following Investment Properties were measured at cost less accumulated depreciation in accordance with GRAP 16 and restated retrospectively:

	2010	2009
	R	R
Land with undetermined use;	-	-
Land; and	-	-
Buildings.	-	-
Accumulated Depreciation on Buildings	-	-
Total not previously recognised now restated retrospectively	<u>-</u>	<u>-</u>

The following Investment Property was identified and recognised on 30 June 2009. It is currently included at no cost and will only be measured in 2011 in terms of the transitional provisions as contained in Directive 4:

- Portion 38 of Farm 30, Nooitgedagt;
- Portion 37 of Farm 30, Nooitgedagt;
- Portion 9 of Farm 29, Oudtshoorn Rd, Groenefontein;
- Portion 1 of Farm 202, Knysna Rd;
- Erf 118, Herbertsdale; and
- Portion 0 of Farm 32, George Rd, Doornberg.

50.4 GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Intangible Assets in accordance with the standard, including the following:

- Computer Software;
- Intangible assets financed by way of finance leases;
- Intangible assets transferred as a result of the transfer of functions; and

EDEN DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

50 EXEMPTIONS TAKEN IN TERMS OF DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES (Continued)

The municipality is currently in a process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2011 financial statements. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

Computer software;	-	-
Accumulated amortisation on computer software	-	-
Total not previously recognised now restated retrospectively	<u>-</u>	<u>-</u>

50.5 GRAP 12 - Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise the following inventories:

Water;
Land held for sale; and

The municipality is currently in a process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

Since the previous reporting date the following inventories were measured in accordance with GRAP 12 and restated retrospectively:

Water;	-	-
Land held for sale; and	-	-
	<u>-</u>	<u>-</u>

50.6 Process to comply fully with the implementation of General Recognised Accounting Practices (GRAP)

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2011.

**EDEN DISTRICT MUNICIPALITY
ANNEXURE A
SCHEDULE OF EXTERNAL LOANS
FOR THE YEAR ENDED 30 JUNE 2010**

EXTERNAL LOANS	Loan No.	Redeemable	Balance 30/06/2009 R	Received during the period R	Redeemed or written off R	Balance 30/06/2010 R	Carrying Value of Property, Plant and Equipment R	Other Costs in accordance with the MFMA
LONG-TERM LOANS								
Prosperity Ins. Company @ 18.75%	9	31.12.2006	-	-	-	-	-	-
Standard Bank Nominees @ 16.75%	27	31.12.2008	-	-	-	-	-	-
Standard Bank Nominees @ 16.75%	27	31.12.2008	-	-	-	-	-	-
Total long-term loans			-	-	-	-	-	-
Annuity Loan								
ABSA								
<u>Dysselsdorp Loan:</u>								
(14.5% interest rate, six monthly installments of R 153 143.36 with the final payment on 28/02/2010)			219 969	-	219 969	0	-	-
DBSA LOANS								
Loan: 10130/102								
(10% interest rate, six monthly installments of R 25 669.04 with the final payment on 01/01/2015)			5 224 661	-	584 921	4 639 740	-	-
Loan: 10132/102								
(10% interest rate, six monthly installments of R 184 150.24 with the final payment on 01/01/2015)								
Loan: 10129/202								
(10% interest rate, six monthly installments of R 130 001.34 with the final payment on 01/01/2015)								
Loan: 10131/102								
(10% interest rate, six monthly installments of R 193 023.80 with the final payment on 01/01/2015)								
			5 224 661	-	584 921	4 639 740	-	-
LEASE LIABILITY								
Office Equipment @ average of 12%			5 042 342	-	1 851 991	3 190 351	2 919 231	-
TOTAL EXTERNAL LOANS			10 486 972	-	2 656 881	7 830 091	2 919 231	-

EDEN DISTRICT MUNICIPALITY
ANNEXURE B: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Expenditure					Accumulated Depreciation and Impairment Losses					Nett Value	Nett Value Less: U/Construction
	Opening balance	Capital under construction	Additions	Disposals	Closing Balance	Opening balance	Additions	Disposals	Closing Balance			
Infrastructure	65 720 413.89	20 415 910.86	5 153 736.32	-	91 290 061.07	4 617 221.66	2 936 660.04	-	7 553 881.70	83 736 179.37	63 320 268.51	
Drains	-	7 725 796.27	-	-	7 725 796.27	-	-	-	-	7 725 796.27	-	
Roads and Streets	23 695 166.10	5 962 159.09	45 262.60	-	29 702 587.79	1 173 816.76	1 129 569.55	-	2 303 386.31	27 399 201.48	21 437 042.39	
Beach Improvements	-	-	-	-	-	-	-	-	-	-	-	
Sewerage Mains and Purification	7 288 270.99	2 782 103.55	5 089 258.97	-	15 159 633.51	334 395.01	237 382.34	-	571 777.35	14 587 856.16	11 805 752.61	
Electricity mains	2 600 854.28	-	-	-	2 600 854.28	142 572.08	97 361.11	-	239 933.19	2 360 921.09	2 360 921.09	
Electricity Peak Load equipment	-	-	-	-	-	-	-	-	-	-	-	
Water Mains & Purification	17 910 771.89	-	-	-	17 910 771.89	652 326.41	594 588.44	-	1 246 914.85	16 663 857.04	16 663 857.04	
Water Reservoirs	9 334 612.32	-	-	-	9 334 612.32	643 020.50	642 457.31	-	1 285 477.81	8 049 134.51	8 049 134.51	
Water Meters	5 940.00	-	-	-	5 940.00	1 419.12	386.03	-	1 805.15	4 134.85	4 134.85	
Water Mains	3 266 497.60	3 155 304.10	19 214.75	-	6 441 016.45	1 588 325.96	154 085.01	-	1 742 410.97	4 698 605.48	1 543 301.38	
Landfill Sites	1 618 300.70	790 547.85	-	-	2 408 848.55	81 345.82	80 830.25	-	162 176.07	2 246 672.48	1 456 124.63	
Community Assets	3 642 172.57	-	130 688.23	-	3 772 860.80	259 719.16	135 897.31	-	395 616.47	3 377 244.33	3 377 244.33	
Parks and Gardens	49 390.04	-	15 727.18	-	65 117.22	3 054.21	2 681.71	-	5 735.92	59 381.30	59 381.30	
Libraries	546 750.32	-	-	-	546 750.32	15 702.58	18 572.33	-	34 274.91	512 475.41	512 475.41	
Recreation Grounds	478 640.87	-	-	-	478 640.87	17 980.11	26 824.50	-	44 804.61	433 836.26	433 836.26	
Civic Buildings	2 567 391.34	-	114 961.05	-	2 682 352.39	222 982.26	87 818.77	-	310 801.03	2 371 551.36	2 371 551.36	
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	
Art Galleries	-	-	-	-	-	-	-	-	-	-	-	
Land and Buildings	154 317 365.31	-	1 400 583.93	-	155 717 949.24	4 614 082.15	2 062 645.86	-	6 676 728.01	149 041 221.23	149 041 221.23	
Land	99 824 860.00	-	-	-	99 824 860.00	-	50 000.00	-	50 000.00	99 774 860.00	99 774 860.00	
Buildings	54 492 505.31	-	1 400 583.93	-	55 893 089.24	4 614 082.15	2 012 645.86	-	6 626 728.01	49 266 361.23	49 266 361.23	
Other Assets	27 462 349.68	-	2 507 160.71	32 591.91	29 936 918.48	11 076 257.07	4 842 753.62	25 206.36	15 893 804.33	14 043 114.15	14 043 114.15	
Office Equipment	5 047 330.67	-	497 427.66	8 138.58	5 536 619.75	3 054 073.08	682 520.67	5 087.13	3 731 506.62	1 805 113.13	1 805 113.13	
Furniture and Fittings	1 311 680.05	-	436 178.15	699.99	1 747 558.21	521 624.27	249 443.30	62.96	771 004.61	976 153.60	976 153.60	
Bins and Containers	191 470.00	-	-	-	191 470.00	14 867.25	7 564.54	-	22 431.79	169 038.21	169 038.21	
Emergency equipment	3 028 489.91	-	11 760.00	-	3 040 249.91	670 730.93	380 522.56	-	1 051 253.49	1 988 996.42	1 988 996.42	
Motor Vehicles	7 304 991.13	-	1 064 705.06	-	8 369 696.19	3 106 529.73	1 049 870.41	-	4 156 400.14	4 213 296.05	4 213 296.05	
Fire Engines	861 158.08	-	21 460.00	-	882 618.08	359 460.77	142 902.68	-	502 363.45	380 254.63	380 254.63	
Refuse Tankers	-	-	-	-	-	-	-	-	-	-	-	
Computer Equipment	5 069 977.34	-	475 629.84	23 753.34	5 521 853.84	2 545 691.88	894 057.17	20 056.27	3 419 692.78	2 102 161.06	2 102 161.06	
Councillors Regalia	-	-	-	-	-	-	-	-	-	-	-	
Concervancy Tankers	478 827.50	-	-	-	478 827.50	108 541.67	47 158.22	-	155 699.89	323 127.61	323 127.61	
Disaster Management Equipment	4 168 425.00	-	-	-	4 168 425.00	694 737.49	1 388 714.07	-	2 083 451.56	2 084 973.44	2 084 973.44	
Housing Rental Stock	-	-	-	-	-	-	-	-	-	-	-	
Scheme 1	-	-	-	-	-	-	-	-	-	-	-	
Scheme 2	-	-	-	-	-	-	-	-	-	-	-	
Leased Assets (Infra.)	-	-	-	-	-	-	-	-	-	-	-	
Leased Assets (Infra.)	-	-	-	-	-	-	-	-	-	-	-	
Total PPE	251 142 301.45	20 415 910.86	9 192 169.19	32 591.91	280 717 789.59	20 567 280.04	9 977 956.83	25 206.36	30 520 030.51	250 197 759.08	229 781 848.22	
Non PPE	359 216 719.05	-	253 556.37	-	359 470 275.42	3 064 128.24	1 547 720.59	-	4 611 848.83	354 858 426.59	354 858 426.59	
Investment Properties	356 007 600.00	-	-	-	356 007 600.00	2 096 027.42	698 890.85	-	2 794 918.27	353 212 681.73	353 212 681.73	
Intangible Assets	3 209 119.05	-	253 556.37	-	3 462 675.42	968 100.82	848 829.74	-	1 816 930.56	1 645 744.86	1 645 744.86	
Agricultural Assets	-	-	-	-	-	-	-	-	-	-	-	
Total	610 359 020.50	20 415 910.86	9 445 725.56	32 591.91	640 188 065.01	23 631 408.28	11 525 677.42	25 206.36	35 131 879.34	605 056 185.67	584 640 274.81	

EDEN DISTRICT MUNICIPALITY
ANNEXURE C: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY & INTANGIBLE ASSETS
FOR THE YEAR ENDED 30 JUNE 2010

Cost centres	Expenditure					Accumulated Depreciation and Impairment Losses				Nett Value	Nett Value Less: Under Constructio
	Opening balance	Capital under construction	Additions	Disposals	Closing Balance	Opening balance	Additions	Disposals	Closing Balance		
Planning & Development	882 119.65	-	154 312.59	11 329.82	1 025 102.42	479 723.93	146 219.46	7 197.10	618 746.29	406 356.13	406 356.13
Executive & Council	3 527 001.08	18 441 365.57	6 462 614.72	2 059.64	28 428 921.73	1 496 822.62	544 292.65	1 299.42	2 039 815.85	26 389 105.88	7 947 740.31
Electricity	2 484 986.20	-	-	-	2 484 986.20	100 710.75	92 900.68	-	193 611.43	2 291 374.77	2 291 374.77
Water	30 498 719.88	1 057 107.67	-	-	31 555 827.55	2 529 907.28	1 049 193.77	-	3 579 101.05	27 976 726.50	26 919 618.83
Waste Water Management	4 833 116.38	781 060.79	42 205.79	-	5 656 382.96	713 925.12	121 917.68	-	835 842.80	4 820 540.16	4 039 479.37
Finance & Admin	159 282 291.11	-	792 896.83	5 289.48	160 069 898.46	8 044 950.64	2 939 767.94	4 565.70	10 980 152.88	149 089 745.58	149 089 745.58
Community & Social Services	1 358 135.24	-	4 267.00	-	1 362 402.24	115 264.82	91 262.70	-	206 527.52	1 155 874.72	1 155 874.72
Housing	-	-	-	-	-	-	-	-	-	-	-
Waste Management	9 518 202.56	790 547.85	-	-	10 308 750.41	1 061 745.99	631 918.94	-	1 693 664.93	8 615 085.48	7 824 537.63
Public Safety	18 528 046.47	-	1 072 685.78	-	19 600 732.25	3 678 437.99	2 727 445.25	-	6 405 883.24	13 194 849.01	13 194 849.01
Health	755 616.87	-	217 233.69	11 607.72	961 242.84	370 654.44	149 027.46	11 607.72	508 074.18	453 168.66	453 168.66
Sport & Recreation	4 591 636.84	-	699 509.16	2 305.25	5 288 840.75	786 235.68	363 358.77	536.42	1 149 058.03	4 139 782.72	4 139 782.72
Road Transport	14 882 429.17	-	-	-	14 882 429.17	1 188 900.78	1 132 992.95	-	2 321 893.73	12 560 535.44	12 560 535.44
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	3 209 119.05	-	-	-	3 209 119.05	968 100.82	836 488.32	-	1 804 589.14	1 404 529.91	1 404 529.91
Investment Property	356 007 600.00	-	-	-	356 007 600.00	2 096 027.42	698 890.85	-	2 794 918.27	353 212 681.73	353 212 681.73
Other	-	-	-	-	-	-	-	-	-	-	-
Total	610 359 020.50	21 070 081.88	9 445 725.56	32 591.91	640 842 236.03	23 631 408.28	11 525 677.42	25 206.36	35 131 879.34	605 710 356.69	584 640 274.81

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Description	2010 Financial Year								
	Balance	Restatement	Receipts		Expenditure		Vat Income	Closing Balance 30-Jun-10	
	30-Jun-09		Cash	Debtor	Operating	Capital			
MSIG	396 499.28		500 000.00	-		431 952.50	-	33 815.81	430 730.97
Snr Management Development Programme	47 901.15		-	-		-	-	-	47 901.15
Dpt Land Affairs: District Assessment Committee	51 353.18		-	-		-	-	-	51 353.18
Donation Funds National Water	60 000.00		-	-		-	-	-	60 000.00
Socio Economic Survey Sanitation Practices	420 000.00		-	-		-	-	-	420 000.00
Kannaland	687 696.87		-	-		611 059.72	-	-	76 637.15
LGSETA: LED Learnership	48 149.74		-	-		12 785.00	-	-	35 364.74
Integration Tourism Dev Framew	12 396.00		-	-		10 730.00	-	1 502.20	163.80
Water and sewer master plans DMA	6 249.99		-	-		4 787.54	-	670.25	792.20
Spatial Planning	(172 098.62)	172 098.62	-	-		-	-	-	-
Stormsriver Gateway	40 619.00		-	-		40 619.00	-	-	-
Flood Disaster	360 000.36		-	-		-	-	-	360 000.36
DWAF Haarlem Water	29 103.07		-	-		20 149.99	-	2 821.00	6 132.08
Economic Development Unit (EDU)	5 840.95		-	-		-	-	-	5 840.95
Eden Learning Cape Festival	493.35		-	-		208.12	-	-	285.23
Human Rights Programme	161 898.80		-	-		90 116.08	-	9 707.37	62 075.35
Social Services: Food security programme	12 655.29		-	-		10 848.70	-	692.82	1 113.77
CDW Program	(64 704.99)	64 704.99	-	-		-	-	-	-
Sports Grounds: Haarlem	129 422.00		-	-		98 087.72	-	8 902.28	22 432.00
Library Services	115 497.59		90 000.00	-		96 124.20	-	-	109 373.39
Non-Motorised Transport	971 632.60		-	-		3 439.82	-	481.58	967 711.20
Housing Consumer Education Fund	51 126.00		50 000.00	-		26 744.92	-	3 744.29	70 636.79
Bucketsystem Elimination Schools/Clinic	707 544.92		3 300 000.00	-		3 087 042.51	-	398 872.18	521 630.23
WC079: Regional Landfill Site	669 801.22		-	-		380 341.50	-	45 778.44	243 681.28
WFW	4 723 271.18	-	2 835 238.05	1 922 863.21		8 226 131.48	-	228 044.98	1 027 195.98
MIG	26 845 341.59	-	27 971 225.00	-		21 451 235.89	20 025 433.50	2 887 183.21	10 452 713.99
MIG fondse	17 966 513.53		27 971 225.00			21 451 235.89	18 593 962.88	2 878 297.02	3 014 241.74
Uniondale stormwater&roads	8 878 828.06		-	-		-	1 431 470.62	8 886.19	7 438 471.25
Coastal Care Marine Week	-		37 520.00	-		35 185.00	-	-	2 335.00
LGESTA:Re-imbursments	105 756.22		248 663.73	-		251 264.47	-	4 343.07	98 812.41
Aerial Fire Fighting Ast	25 471.71		280 000.00	-		301 537.50	-	3 934.21	0.00
Ward Committees	97 062.80		-	-		81 480.00	-	2 458.40	13 124.40
Plato Project Planning	76 875.37		-	-		76 875.37	-	-	(0.00)
Financial Management Grant	-		1 185 216.81	-		1 104 985.86	-	80 230.95	-
Electricity Demand Side Management	-		4 000 000.00	-		-	-	-	4 000 000.00
Regional Bulk Infrastructure	-		500 000.00	-		498 035.81	-	1 964.19	0.00
Local Government Bulk infrastructure	-		1 000 000.00	-		-	-	-	1 000 000.00
Media: Eden Regional Poverty Indaba	-		65 000.00	-		48 229.82	-	6 752.18	10 018.00
GLOBAL FUND	(118 305.17)		1 461 224.89	1 095 763.11		2 546 189.89	-	-	(107 507.06)
Umsobomvu Youth Fund	-		250 000.00	-		114 364.92	-	-	135 635.08
	36 504 551.45	236 803.61	43 774 088.48	3 018 626.32		39 660 553.33	20 025 433.50	3 721 899.41	20 126 183.62