

AMATHOLE DISTRICT MUNICIPALITY
THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011
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AMATHOLE DISTRICT MUNICIPALITY

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE

ALDERMEN/COUNCILLORS

Konza, N.	<i>Executive Mayor</i>	
Janda, S.	<i>Speaker</i>	
Mtintsilana, S.	<i>Chief Whip</i>	
Papu, M.	<i>Human Resources</i> <i>Human Resources & Administration SC Chairperson</i>	PR
Madikane, E.	<i>Community Safety</i>	PR
Memani, M.	<i>Local Economic Development</i> <i>Development & Planning SC Chairperson</i>	PR
Finca, P.	<i>Land and Housing</i>	PR
Genu, S.	<i>Strategic Planning & IDP</i>	PR
Jacobs, L.E.V.	<i>Budget & Treasury</i>	PR
Bikitsha, M.	<i>Water & Sanitation</i> <i>Infrastructure SC Chairperson</i>	PR
Melitafa, B.	<i>Engineering and Infrastructure</i>	PR
Billie, P.	<i>Health & Protection</i> <i>Community Services SC Chairperson</i>	PR
Kubukeli, T.	<i>Community Liaison & Participation</i>	PR

GRADING AND JURISDICTION OF THE DISTRICT MUNICIPALITY

Grade 6

- *Integrated development planning for the district municipality as a whole including a framework for all municipalities in the area*
- *Potable water supply systems*
- *Domestic waste-water and sewage disposal systems*
- *Solid waste disposal sites, in so far as it relates to:*
 - determining a waste disposal strategy*
 - regulation of waste disposal*
- *Municipal Health services*
- *Fire fighting services serving the area*
- *Promotion of local tourism for the area*
- *The receipt and allocation of grants*

The Amathole District Municipality is located in the mid-section of the Eastern Cape Province along the coastline of the Indian Ocean, encompassing the former homeland areas of the Ciskei and Transkei, as well as the former Cape Provincial Administration areas.

The Amathole District Municipality's demarcated area is made up of eight (8) local municipalities namely:

- *Buffalo City Municipality;*
- *Amahlathi Municipality;*
- *Nxuba municipality;*
- *Nkonkobe Municipality;*
- *Ngqushwa Municipality;*
- *Great Kei Municipality;*
- *Mnquma Municipality; and*
- *Mbhashe Municipality*

AMATHOLE DISTRICT MUNICIPALITY
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GENERAL INFORMATION

AUDITORS

Auditor - General

BANKERS

Standard Bank -East London
ABSA Bank, East London

REGISTERED OFFICE

40 Cambridge St PO Box 320 Telephone : 043 701 4000
East London East London Fax : 043 742 0337
5200

MUNICIPAL MANAGER

Mlokoti, V

CHIEF FINANCIAL OFFICER

Zote, Y

LEGISLATION

The ADM complies with the following:
Municipal Finance Management Act 56 of 2003,
Municipal Demarcation Act 27 of 1998
Municipal Structures Act 117 of 1998,
Laws Amendment Act 51 of 2002
Constitution of the Republic of South Africa Act No.108 as amended,
Municipal Systems Act 32 of 2000,
Water Services Act,
Basic Conditions of Employment Act 75 of 1997,
Labour relations Act 66 of 1995,
Remuneration of Public Office Bearers Act 20 of 1998,
Division of Revenue Act
Housing Act 107 of 1997,
Local government transitions Act 209 of 1993,
Local government transitions Act Second Amendment Act 97 of 1996,
Local government: Municipal Planning and Performance Management Regulations 2001,
Local government: Municipal Performance Regulations for Municipal Managers and managers directly accountable to Municipal Managers 2006,
Supply Chain Management Regulations 2005,
Value Added Tax Act 89 of 1991, and
Unemployment Insurance Act 30 of 1966

AMATHOLE DISTRICT MUNICIPALITY
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FOR THE YEAR ENDED 30 JUNE 2011
MEMBERS OF THE AMATHOLE DISTRICT MUNICIPALITY

COUNCILLOR/ ALDERMAN	WARD	COUNCILLOR/ ALDERMAN	WARD
Baleni , X	<i>Mbhashe</i>	Mgidlana , N.	<i>PR</i>
Bangani , L	<i>Great Kei</i>	Mkosana , N	<i>Amahlathi</i>
Benya , N.	<i>Mbhashe</i>	Mkosana , V. V.	<i>PR</i>
Bikitsha , M	<i>PR</i>	Mpande , Q	<i>Mnquma</i>
Billie , P	<i>PR</i>	Mtintsilana S.	<i>PR</i>
Duna , W.	<i>PR</i>	Mvakwedlu , A	<i>PR</i> Resigned
Dwanya , T. P.	<i>Nkonkobe</i>	Ndabazonke , N	<i>Ngqushwa</i>
Dyani , N	<i>Great Kie</i>	Ngqongolo , G.	<i>Mnquma</i>
Dyani , T	<i>Mnquma</i>	Nkukuma , N.	<i>Amahlathi</i>
Finca , P	<i>PR</i>	Nonjaca , N.	<i>Mbhashe</i>
Genu , S	<i>PR</i>	Papu , M.	<i>PA</i>
Jacobs , L	<i>PR</i>	Plaatjie , N.	<i>Mnquma</i>
Jali , S. A.	<i>Ngqushwa</i>	Qaba , p	<i>Amahlathi</i>
Janda , S	<i>PR</i>	Rawana , M	<i>Nkonkobe</i>
Jikwana , R.	<i>Mnquma</i> Resigned	Roji , X.	<i>Amahlathi</i>
Konza , N	<i>PR</i>	Rulashe , N.	<i>Nkonkobe</i>
Kubukeli , T.	<i>PR</i>	Sigcawu , B.	<i>Mbhashe</i>
Macakela , S. W.	<i>Nkonkobe</i>	Sinyongo , L.	<i>Nkonkobe</i>
Madikane , E	<i>PR</i>	Siwisa , M.	<i>Ngqushwa</i>
Magatya , N.	<i>Mbhashe</i>	Solontsi , Z	<i>Mnquma</i>
Malgha , E	<i>PR</i>	Tetyana , M.	<i>Mbhashe</i>
Maloni , Q	<i>Nxuba</i>	Tyala , M	<i>Mnquma</i>
Manxila , T.	<i>Mnquma</i>	Ward , W.	<i>PR</i>
Melitafa , B.	<i>PR</i>	Xego- Sovita , S.	<i>PR</i>
Memani , M. M.	<i>PR</i>		
Mfecane , N.	<i>Mbhashe</i>		

Konza, N.

SPEAKER

Janda, S.

APPROVAL OF THE FINANCIAL STATEMENTS

The annual financial statements were approved by the Municipal Manager

on _____ .

MUNICIPAL MANAGER

Mlokoti, V

CHIEF FINANCIAL OFFICER

Zote, Y

AMATHOLE DISTRICT MUNICIPALITY
THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011
DIRECTORS OF ASPIRE

DIRECTOR

Mr. SN Kondlo Chairperson
Ms. P Xuza Chief Executive Officer
Ms. NEP Loyilane
Dr. P Mafuya
Mr. P Majeke
Mr. L Ntshinga

Subsequent to year end STBB Consulting were retained to provide a representative on a short-term basis, to act as the Company Secretary while a permanent apointee is sourced.

AMATHOLE DISTRICT MUNICIPALITY
THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Approval of consolidated annual financial statements

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 1 to 19(26) in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: V. Mlokoti

Date

Mayor's foreword for the Annual Financial Statements 2009/10

This has been one of the most challenging years for Amathole District Municipality in respect of financial management. Actual revenue in total exceeded the budgeted revenue by an amount in excess of R28m. This is attributed to improvements in the government grant allocations in respect of equitable share and conditional grants. There were challenges regarding the collection of service revenue for water and sanitation revenue as well as solid waste. Revenue from water and sanitation improved from an average collection rate of 30% during 2008/09 to 43% during the 2009/10 financial year. The solid waste site agreements could not be finalised with the Mquma and Mbashe local municipalities during the 2009/10 financial year and the process towards finalisation is continuing.

The available budget was utilised to roll out strategic projects, which include the water reticulation networks in the Mquma and Mbashe local municipal areas. The tender processes were being finalised in respect of the much-awaited accelerated rural sanitation programme, where rural communities will have the dignity of VIP latrines within their yards. The capacity of ASPIRE to roll out the small towns development programme was enhanced with improvements in the allocation of funds from ADM.

There was an escalation in the drought situation in the district, affecting the Nxuba, Great Kei, Mquma and Mbashe areas severely. Even though the Amathole District area was declared a drought disaster zone in a formal gazette, ADM had to rely on its own contribution to the disaster fund to cart water to areas adversely affected by the drought. The effect of drought included the non-availability of billable services in some town settlements and deterioration into free basic services as a result of tanker services into the 200 meter radius of service availability. Consequently, billable customers became free basic service beneficiaries overnight.

Amathole District Municipality households never recovered from the economic recession during the year. As a result, more indigent registrations took place. A total of 4 928 indigents qualified for subsidies during the 2009/10 financial year against the estimated 61 245 billable households. The outstanding debt remained significantly high at R39.5m, almost R3m higher than the previous financial year. This was the case, despite improvements in the credit control and debt collection processes.

Amathole District Municipality inherited infrastructure assets and service customers from local municipalities in July 2006. There was a need to develop databases for the transferred assets, namely infrastructure assets and service debtors. The verification and valuation of infrastructure assets started during the 2008/09 financial year through the focus on the high- and medium-confidence assets. During the 2009/10 financial year, the low-confidence assets were verified and valued. The approach to the low-confidence assets was different in the sense that it included componentisation, whereas the process for the high and medium was aggregated. The componentisation will continue for the high and medium confidence schemes beyond the 2009/10 financial year.

The district municipality did not enjoy the same accounting exemptions for revenue databases as was the case with infrastructure assets. There was therefore no opportunity to have a gradual clean-up of the revenue databases. During the 2008/09 financial year, Amathole District Municipality received a qualified audit opinion based on the inaccuracies in the customer and debtors' database. A revenue data cleansing project was in the third year of implementation during the 2009/10 financial year and the signs were that the manual process would take too long without significant results. The manual processes were thus augmented during the year with the procurement of financial system providers to fast-track the cleaning process.

The planning and procurement challenges continued during the 2009/10 financial year in respect of internally and externally funded priority projects. The impacts of these challenges were the roll over requests during the 2010/11 financial year for projects funded for 2009/10. Procurement plans that were initiated during the 2009/10 financial year were monitored towards the year end and the impacts of these can only be visible from 2010/11 onwards. These culminated in the commitments register that was developed on the DIMS system during the year.

The Provincialisation of the Primary Health Care was delayed by the lack of readiness of the Provincial Department of Health to take over the function. Negotiations are still underway to have a quick and smooth transfer of the function. Amathole District Municipality incurred more expenditure to fund the Primary Health Services than originally planned as a result of this.

There was a significant involvement of councillors and top management in the resolution of auditor general reporting matters. Action plans that were developed by managers were subject of discussions in the Mayoral Committee and Council on a quarterly basis. The last report shows a resolution of 73% of the matters reported, with the matters outstanding reflecting the revenue and receivables as well as service coverage information. These are the matters still being resolved using information systems interventions.

There were deliberations in Council, dealing with matters of fruitless, wasteful and irregular expenditure. In these deliberations, Council was convinced of management actions to minimise these kinds of undesirable expenditures.

The financial year started with a Good Governance Summit, which was also facilitated by stakeholders which included members of the Provincial Cabinet. Issues addressed included political instability, capacity challenges, negative audit outcomes and service delivery challenges. The summit was held on the 24th and 25th of August 2009 and focused on, amongst others:

- Ingredients for functional and viable municipalities.
- Effective steps towards clean audits.

The establishment and management of multi-jurisdictional service centres and shared service centres.
The restoration of community confidence in the local government sphere.

The Summit culminated in the signing of commitments by mayors of local municipalities and the district municipality to good governance. Subsequent to the summit, service level agreements were signed between ADM and local municipalities in respect of required municipal support services.

The ADM reiterates its unwavering commitment to ensure good governance within and in its practice of municipal support towards effective service delivery.

On behalf of Council I am proud to present the financial statements for 2009/10, which reflects our achievements over the past year. I take this opportunity to thank all our councillors, officials and stakeholders for their hard work in making these successes possible, despite the immense challenges encountered. We look forward to a more successful and productive year ahead, precisely because ***TOGETHER WE CAN DO MORE.***

Sincerely



ALDERMAN SAKHUMZI SOMYO
EXECUTIVE MAYOR

**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR AMATHOLE DISTRICT MUNICIPALITY
FOR THE YEAR ENDED 30 JUNE 2011
ACCOUNTING POLICIES**

1. BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

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

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except as required or permitted 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 policy.

1.2 SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Operating lease commitments -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 thus accounts for them as operating leases.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other employment medical benefits are 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 based on their creditworthiness. This was performed per debtor type.

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.

Infrastructure assets

The determination of the fair value of the water infrastructure assets is based upon assumptions and professional judgement applied by consulting engineers using best engineering practice and industry norms and standards.

The following assumptions have been made in the compilation of the low data confidence infrastructure asset register:

- The construction year is estimated using sources in the following order of precedence: available technical records, interviewing of operations staff, comparison with adjacent infrastructure. When the date of acquisition is not known and the construction year is estimated, the acquisition date is assumed to be on the 1st day of January in the year of construction.
- The consumption of The benefits of infrastructure assets are predominantly uniform over the life of the assets. The depreciation is therefore assumed to be straight line for all infrastructure assets.
- The residual value of all civil infrastructure assets is negligible as there is no open market for the materials used in civil infrastructure and the realizable value is very small. The scrap value of mechanical and electrical plant is also negligible.

**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR AMATHOLE DISTRICT MUNICIPALITY
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ACCOUNTING POLICIES**

- To calculate the asset value at 1 July 2006, the current replacement cost at 30 June 2010 was indexed back using the SA Building and Construction Index[1]. The last 12 months index figures were not available from the Department of Trade and Industry, so the Service Provider's index tracking published on its internal website was used to update the published indices. The Remaining Useful Life was estimated using a combination of visual inspection and information on asset performance provided by operations staff. For hidden assets, such as pipes, the assessment is based on the age of the pipes and information on performance from the operations staff.

Water stock

The estimation of the water stock in the reservoirs and pipelines is based on an assumption of the network reticulation capacity at year end. Existing drought conditions have also been taken into consideration.

The water stock on hand has been estimated using engineering best practice and industry norms and standards.

Provisions and contingent liabilities

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

Held-to-maturity financial assets

Management has reviewed the held-to-maturity financial assets in light of its capital management and liquidity requirements and has confirmed the positive intention and ability to hold these assets to maturity.

1.3. CONSOLIDATED FINANCIAL STATEMENTS

The municipality's financial statements incorporate the financial statements of the parent entity, Amathole District Municipality, and its municipal entity, Amathole Economic Development Agency, presented as a single entity and consolidated at the same reporting date as the parent entity.

All inter-entity transactions and balances, unrealised gains and losses within the economic entity are eliminated upon consolidation. Where appropriate the accounting policies of controlled entities conform to the policies adopted by the Municipality.

1.4. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

The amounts in the annual financial statements are rounded to the nearest rand.

1.5. GOING CONCERN ASSUMPTION

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

1.6. COMPARATIVE INFORMATION

Current year comparatives (budget)

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements.

In addition a note has been added to the annual financial statements, for the current financial year only.

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified and restated. The nature and reason for the reclassification and restatement are disclosed in the Notes to the Financial Statements. Where 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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ACCOUNTING POLICIES**

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

A number of new GRAP standards were issued but are not yet effective for the year ended 30 June 2010 and are presented below:

No.	Title of Standard	Impact on financial statements
GRAP 18	Segment Reporting	No segment required for 2009/10 reporting period
GRAP 21	Impairment of Non-cash	Full compliance not required
GRAP 23	Revenue from non-exchange	Full compliance not required
GRAP 24	Presentation of budget	Full compliance not required
GRAP 25	Employee benefits	Not required for 2009/10 reporting period. IAS 19 and IFRIC
GRAP 126	Impairment of cash generating	Full compliance not required. IAS 36 applied to formulate an
GRAP 103	Heritage assets	Full compliance not required
GRAP 104	Financial instruments	Not required for 2009/10 reporting period. IAS 32 , IAS 39,

All the above standards, where applicable, will be complied with in the financial statements once the effective date has been set. Preliminary investigations indicated that the impact of the standards on the financial statements will be minimal except for additional disclosures.

The municipality has adopted IAS 36 Impairment for impairment testing in conjunction with the tools issued by National Treasury.

Where a Standard of GRAP is approved as effective, it replaces the equivalent Statement of IPSAS, IFRS or SA GAAP. Where a standard of GRAP has been issued, but not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

2. RESERVES

The municipality maintains reserves in terms of specific requirements.

2.1 REVALUATION RESERVE

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve.

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

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

3.1 INITIAL RECOGNITION

Property, plant and equipment is stated at cost, less accumulated depreciation.

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

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

The cost of an item of property, plant and equipment include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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ACCOUNTING POLICIES**

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

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amounts of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

3.3 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Land and buildings are carried at the re-valued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the statement of financial position date. Land and buildings are re-valued every 3-5 years.

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

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

3.4 DEPRECIATION AND IMPAIRMENT

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

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

The municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain and thus no residual values are determined other than for motor vehicles.

Residual values are estimated at 10% of the purchase cost of the asset (motor vehicles). The depreciable amount of an asset is determined after deducting the residual value of the asset.

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ACCOUNTING POLICIES**

The residual value, the useful life of an asset and the depreciation method, if not insignificant, are reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying value of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

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

Assets are capitalised on the last day of the month of purchase.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use.

Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful lives of the assets.

3.5 DERECOGNITION

Items of Property, Plant and Equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the sales proceeds, if any, and the carrying value of the item.

3.6 INFRASTRUCTURE ASSETS

Water infrastructure assets were transferred to the municipality on 1 July 2006 when the municipality assumed responsibility for the provision of water and sanitation services in its district in terms of Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998). These assets are recognised at fair value on the date of acquisition and depreciated to their estimated residual lives on the straight line basis over their estimated useful lives. A three year implementation plan for the identification and valuation of these water infrastructure assets inherited from the local municipalities has been approved by Council due to the lack of sufficient data pertaining to each scheme. The implementation plan will assist in the physical identification and condition analysis of all major components of each scheme. The identification of the water infrastructure assets is based upon assumptions and professional judgement applied by consulting engineers using best engineering practice and industry norms and standards.

During the current year, all "low data confidence" schemes were physically verified by consulting engineers. Any uncertainties using engineering best practice and accepted norms were corrected prospectively.

The ASB Directive 7 indicates that 'deemed cost' can be used (Depreciated Replacement Cost method for infrastructure) when an entity initially recognizes an asset and the acquisition cost are not available. All the low confidence schemes were developed prior to 2006 and asset costs are not available.

To improve the low confidence data, the study required the determination of deemed cost at 1 July 2006 and that depreciation be reflected from that date forwards to 30 June 2010. The deemed cost was determined by estimating the asset depreciated replacement cost at 1 July 2006.

GRAP 17 requires that each part of an item of PPE with a cost that is significant in relation to the total cost of the item of PPE and with a different expected useful life be depreciated separately.

The infrastructure was componentized to a level that satisfies the differing useful lives requirement as well as the practical management requirements.

In the case of reticulation pipelines where no spatial data is currently available, it is impractical and very costly to survey the exact location of every reticulation pipe. In these cases, the extent of the pipelines were calculated and grouped.

Specialised buildings associated with the infrastructure facility and are included in the infrastructure asset register. These buildings are valued using the depreciated replacement cost method.

The Remaining Useful Life was estimated using a combination of visual inspection and information on asset performance provided by operations staff. For hidden assets, such as pipes, the assessment is based on the age of the pipes and information on performance from the operations staff.

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The process of identifying and valuing the infrastructure assets was completed during the current year under review hence provisional amounts previously recognised under ASB Directive 3 are retrospectively adjusted to reflect new information obtained about facts and circumstances that existed at the transfer date.

4. INTANGIBLE ASSETS

4.1 INITIAL RECOGNITION

An intangible asset is defined as an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are carried at cost less any accumulated amortisation.

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

4.3 AMORTISATION AND IMPAIRMENT

Amortisation is provided to write down the finite intangible assets, on a straight line basis, over their estimated useful lives as follows:

Item	Useful life
Computer software - Application software	3 years

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. Amortisation shall commence when the asset is available for intended use.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

4.4 DERECOGNITION

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

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5. INVESTMENT PROPERTY

5.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or 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.

5.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The annual depreciation rates are based on the following estimated average asset lives:
Investment property 30 years

5.3 Investment property includes land held with an undetermined use. This land is recognised at fair value on the date of recognition.

6. NON-CURRENT ASSETS HELD FOR SALE

6.1 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.

6.2 SUBSEQUENT MEASUREMENT

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

7. INVENTORIES

7.1 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 taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

7.2 SUBSEQUENT MEASUREMENT

Consumables stores, raw materials, work-in-progress, settlements 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. In general, the basis of determining cost is the first-in, first-out method.

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

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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.

7.2.1 Housing development inventory is measured at cost on the first-in, first-out basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs. The carrying amount of these inventories held for distribution is recognised as an expense when beneficiaries take occupation of the houses. Housing development funding received is recognised as revenue and expenditure on the Statement of Financial Performance to the extent that the Municipality has complied with any of the criteria, obligations or conditions of the grant.

7.2.2 The cost of water purchased and own water not yet sold in the Statement of financial position comprises the purchase price, import duties, and other taxes and transport, handling and other costs attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the cost of purchase. The estimation of the water stock in the reservoirs and pipelines is based on an assumption of the water reticulation network capacity at year end.

8. FINANCIAL INSTRUMENTS

The municipality initially classifies financial instruments, on initial recognition as a financial asset or financial liability in accordance with the substance of the contractual arrangement.

8.1 INITIAL RECOGNITION

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

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

8.2 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. 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.

FINANCIAL ASSETS

The municipality classifies its financial assets according to the following categories:

- Financial Assets at Fair Value through Profit or Loss
- Held-to-Maturity Investments
- Loans and Receivables
- Available for Sale

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

- Financial assets at fair value through profit or loss are financial assets that are classified as held for trading, where the municipality has acquired the financial asset principally for the purpose of selling it in the near future. They are subsequently measured at fair value at Statement of Financial Position date. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

- Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity, where the municipality has the positive intent and ability to hold the investment to maturity. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

- Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

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- Available for Sale financial assets that are designated as available for sale, and are subsequently measured at fair value at Statement of Financial Position, except for investments in equity instruments that do not have a quoted market price in an active market and for which fair value cannot be reliably measured, which shall be measured at cost. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

FINANCIAL LIABILITIES

The municipality measures all financial liabilities, including trade and other payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings and other non-current liabilities.

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs.

Finance charges, including premiums payable, are accounted for on an accrual basis

8.2.1 INVESTMENTS

Financial assets, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as held-to-maturity and are measured at amortised cost.

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

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

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

8.2.2 TRADE AND OTHER RECEIVABLES

Trade receivables are categorised as financial assets; loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest less repayments and impairments.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

Bad debts are written off in the year in which they are identified as irrecoverable, subject to the approval of the necessary dedicated authority.

Impairments are determined by discounting expected future cash flows to their present value.

Amounts receivable within 12 months from the date of reporting are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Interest is charged on overdue amounts.

8.2.3 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 which is the initial carrying amount, less repayments, plus interest.

Finance costs are accounted for using the effective interest rate method.

8.2.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and cash with banks and other short-term highly liquid investments that are readily convertible into known amounts of cash, that are held with registered banking institutions and are subject to an insignificant risk of change in value. Where term deposits exceed three months, it is classified under another class of financial instrument, depending on the nature.

These are initially and subsequently recorded at fair value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

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8.2.5 LOANS TO MUNICIPALITIES, MUNICIPAL ENTITIES AND EMPLOYEES

These financial assets are categorised as loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost.

Amortised cost refers to the initial carrying amount, plus interest less repayments and impairments.

8.2.6 LOANS FROM MUNICIPALITIES

They are categorised as financial liabilities held at amortised cost and are initially recognised at fair value.

Subsequently, these financial liabilities are measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

8.3 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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

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

9. INVESTMENT IN SUBSIDIARIES

Subsidiaries are all controlled entities over which the municipality has ownership control or effective control to govern the financial and operating policies of such controlled entities so as to benefit from its activities.

Controlled entities are fully consolidated from the date on which control is transferred to the Municipality, and are carried at cost.

10. LEASES

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

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

10.1 FINANCE LEASES - LESSEE

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

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

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

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

Leases are classified as finance leases if the following situations in accordance with paragraphs 12 and 13 of GRAP 13 individually or in combination occur:

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

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

10.2 OPERATING LEASES - LESSOR

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

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

Income from leases is disclosed under revenue in the Statement of Financial Performance, on a straight line basis over the term of the lease.

10.3 OPERATING LEASES - LESSEE

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

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

11. PROVISIONS

Provisions are recognised when:

- the municipality has a present or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are reviewed at each 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 pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Gains from the expected disposal of assets are not taken into account in measuring a provision.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised. 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.

Contingencies are disclosed in note 35.

12. EMPLOYMENT BENEFITS

12.1 SHORT-TERM EMPLOYEE BENEFITS

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

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

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

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12.2 RETIREMENT BENEFIT PLANS

The municipality provides retirement benefits for its employees and councillors.

Defined Contribution plans are post-employment benefit plans, under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined Benefit plans are post-employment plans other than Defined Contribution plans. The Defined Benefit funds, which are administered on a provincial basis are actuarially valued tri-annually by means of projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

12.2.1 DEFINED CONTRIBUTION PLANS

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

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

12.2.2 DEFINED BENEFIT PLANS

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

Actuarial gains and losses, which can arise from differences between the expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the Statement of financial performance. Any increase in the present value of plan liabilities expected to arise from employee service during the period is charged to operating surplus.

The expected return on plan assets and the expected increase during the period in the present value of plan liabilities are included in investment income and interest expense.

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The retirement benefit obligation recognised in the Statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

12.2.3 MEDICAL AID: CONTINUED MEMBERS

The municipality provides post retirement benefits by subsidising the medical aid contributions of certain retired staff.

According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such a medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the municipality for the remaining 70%.

13. REVENUE RECOGNITION

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, grants from National and Provincial Government, service charges, rentals, interest received and other services rendered. Revenue is recognised when it is probable that future economic benefits or services potential will flow to the municipality and these benefits can be measured reliably. Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

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When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable services provided in the normal course of business, net of value added tax.

An estimate for revenue is raised for the period between the last meter reading and the financial year end.

13.1.1 SERVICES

Service income is recognised on an invoice basis. Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

Service charges relating to 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. The adjustments are recognised as revenue in the invoicing period.

Revenue arising from consumption of water and sanitation in the month of June is fully accounted for whether invoiced or not.

Revenue arising from fire services is based on set basic tariffs.

13.1.2 INTEREST

Interest are recognised in the Statement of Financial Performance on a time proportionate basis, which takes into account the effective yield on the investment.

13.1.3 RENTALS

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

13.1.4 AGENCY SERVICES

Income from agency services is recognised once such income has been received in accordance with a service level agreement.

13.1.5 SALE OF GOODS

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

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

13.1.6 SPONSORSHIP INCOME

Sponsorship income received by the Agency is recognised as and when received.

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13.2 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 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, a liability is recognised.

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 probable.

13.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria, conditions and obligations embodied in the agreement. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional and funds are invested until utilised.

Grants without any conditions attached are recognised as revenue when the asset is recognised.

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.

14. CONDITIONAL GRANTS AND RECEIPTS

Government grants and other grants are recognised as revenue when:

- (a) it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- (b) the amount of the revenue can be measured reliably, and
- (c) to the extent that there has been compliance with any restrictions associated with the grant

Income received from conditional grants, donations and subsidies are recognised to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised and funds invested until it is utilised.

Interest earned on the investment is treated in accordance with the grant conditions. If it is payable to the funder it is recorded as part of the creditor.

Income is transferred to the Statement of Financial Performance as revenue to the extent that the criteria, conditions or obligations have been met.

15. IMPAIRMENT OF ASSETS

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

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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FOR THE YEAR ENDED 30 JUNE 2011
ACCOUNTING POLICIES**

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

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

16. VALUE ADDED TAX

The municipality accounts for value added tax on the payments basis.

17. TAXATION

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/ (recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax is recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside profit or loss, directly in equity, or a business combination.

18. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction.

19. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003) Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of 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.

21. FRUITLESS AND WASTEFUL EXPENDITURE

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

**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR AMATHOLE DISTRICT MUNICIPALITY
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ACCOUNTING POLICIES**

22. POST BALANCE SHEET EVENTS

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

**THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

1. INFRASTRUCTURE, PLANT AND EQUIPMENT

MUNICIPALITY

Reconciliation of Carrying Value	<u>Land</u>	<u>Buildings</u>	<u>Infrastructure</u>	<u>Community</u>	<u>Heritage</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R	R	R
As at 1 July 2010	25 771 905	21 413 837	1 065 484 530	4 439 732	-	9 616 343	1 264 424 739
Cost	22 587 050	13 711 829	1 440 936 755	5 834 648	-	59 174 726	1 542 245 008
Revaluation	3 184 855	-	-	-	-	-	3 184 855
Correction of error	(21 280 085)	351 353	1 356 573 696	(75 054)	-	(18 356 120)	1 317 213 790
Accumulated depreciation	-	(4 383 802)	(249 427 587)	(1 087 965)	-	(26 105 790)	(281 005 124)
Acquisitions	-	-	125 140 091	2 783 738	-	26 300 677	154 224 506
Capital under Construction	-	-	231 048 842	-	-	-	231 048 842
Transfer In / (Out)	-	-	(125 140 091)	-	-	-	(125 140 091)
Increases/decreases in revaluation	-	-	-	-	-	-	-
Depreciation	-	(771 185)	(69 416 553)	(184 786)	-	(6 148 442)	(76 520 966)
based on cost	-	(771 185)	(69 416 553)	(184 786)	-	(6 148 442)	(76 520 966)
based on revaluation	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Carrying values	4 491 820	8 908 195	2 709 715 163	7 270 581	-	34 865 051	2 765 250 809
As at 30 June 2011							
Cost	1 306 965	14 063 182	3 028 559 283	8 543 332	-	67 119 283	3 119 592 045
Revaluation	3 184 855	-	-	-	-	-	3 184 855
Accumulated depreciation	-	(5 154 987)	(318 844 120)	(1 272 751)	-	(32 254 232)	(357 526 091)
Cost	-	(5 154 987)	(318 844 120)	(1 272 751)	-	(32 254 232)	(357 526 091)
Revaluation	-	-	-	-	-	-	-

Carrying values	<u>Land</u>	<u>Buildings</u>	<u>Infrastructure</u>	<u>Community</u>	<u>Heritage</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R	R	R
As at 1 July 2009	1 306 965	19 262 501	1 002 708 641	7 437 238	-	20 830 028	1 051 545 373
Cost	1 306 965	12 075 681	1 308 430 788	8 543 332	-	57 408 124	1 387 764 891
Revaluation	-	9 617 183	-	-	-	-	9 617 183
Transfers in/(out)	-	-	-	-	-	-	-
Accumulated depreciation	-	(2 430 363)	(305 722 147)	(1 106 094)	-	(36 578 096)	(345 836 701)
Acquisition	-	-	76 166 917	-	-	1 901 646	78 068 563
Capital under construction	-	-	46 206 679	-	-	-	46 206 679
Transfers in/(out)	-	(3 375 155)	-	-	-	131 922	(3 243 233)
Increases/decreases in revaluation	3 184 855	5 526 491	-	-	-	-	8 711 346
Depreciation	-	-	(59 597 707)	(288 822)	-	(13 200 786)	(73 087 315)
based on cost	-	-	(59 597 707)	(288 822)	-	(13 200 786)	(73 087 315)
based on revaluation	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	135 044	135 044
Accumulated depreciation	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-
Carrying values	25 771 905	21 413 837	1 065 484 530	4 439 732	-	9 616 343	1 126 726 348
As at 30 June 2010							
Cost	22 587 050	8 700 526	1 430 804 384	5 834 648	-	59 174 726	1 527 101 334
Revaluation	3 184 855	15 143 674	-	-	-	-	18 328 529
Accumulated depreciation	-	(2 430 363)	(365 319 854)	(1 394 916)	-	(49 558 383)	(418 703 516)
Cost	-	(2 430 363)	(365 319 854)	(1 394 916)	-	(48 424 089)	(417 569 222)
Revaluation	-	-	-	-	-	(1 134 294)	(1 134 294)

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GROUP

Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other	Total
	R	R	R	R	R	R	R
As at 1 July 2010	25 771 905	21 413 837	1 065 484 530	4 439 732	-	9 616 343	1 264 424 739
Cost	22 587 050	13 711 829	1 440 936 755	5 834 648	-	59 174 726	1 542 245 008
Revaluation	3 184 855	-	-	-	-	-	3 184 855
Correction of error	(21 280 085)	351 353	1 356 573 686	(75 054)	-	(18 356 120)	1 317 213 780
Accumulated depreciation	-	(4 383 802)	(249 427 567)	(1 087 965)	-	(26 105 790)	(281 005 124)
Acquisitions	-	-	125 140 091	2 783 738	-	26 300 677	154 224 506
Capital under Construction	-	-	231 048 842	-	-	-	231 048 842
Transfer In / (Out)	-	-	(125 140 091)	-	-	-	(125 140 091)
Increases/decreases in revaluation	-	-	-	-	-	-	-
Depreciation	-	(771 185)	(69 416 553)	(184 786)	-	(6 148 442)	(76 520 966)
based on cost	-	(771 185)	(69 416 553)	(184 786)	-	(6 148 442)	(76 520 966)
based on revaluation	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Carrying values	4 491 820	8 908 195	2 709 715 163	7 270 581	-	34 865 051	2 765 250 810
As at 30 June 2011	4 491 820	8 908 195	2 709 715 163	7 270 581	-	34 865 051	2 765 250 810
Cost	1 306 965	14 063 182	3 028 559 283	8 543 332	-	67 119 283	3 119 592 045
Revaluation	3 184 855	-	-	-	-	-	3 184 855
Accumulated depreciation	-	(5 154 987)	(318 844 120)	(1 272 751)	-	(32 254 232)	(357 526 090)
Cost	-	(5 154 987)	(318 844 120)	(1 272 751)	-	(32 254 232)	(357 526 090)
Revaluation	-	-	-	-	-	-	-

Carrying values	Land	Buildings	Infrastructure	Community	Heritage	Other	Total
	R	R	R	R	R	R	R
As at 1 July 2009	-	19 262 501	1 002 708 641	#VALUE!	-	20 830 028	1 041 695 076
Cost	-	12 075 681	1 308 430 788	R	-	57 408 124	1 377 914 593
Revaluation	-	9 617 183	-	-	-	-	9 617 183
Transfers in/(out)	-	-	-	-	-	-	-
Accumulated depreciation	-	(2 430 363)	(305 722 147)	(1 106 094)	-	(36 578 096)	(345 836 700)
Acquisition	-	-	76 166 917	-	-	1 901 646	78 068 563
Capital under construction	-	-	46 206 679	-	-	-	46 206 679
Transfers in/(out)	-	(3 375 155)	-	-	-	131 922	(3 243 233)
Increases/decreases in revaluation	3 184 855	5 526 491	-	-	-	-	8 711 346
Depreciation	-	-	(59 597 707)	(288 822)	-	(13 200 786)	(73 087 315)
based on cost	-	-	(59 597 707)	(288 822)	-	(13 200 786)	(73 087 315)
based on revaluation	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	135 044	135 044
Cost/revaluation	-	-	-	-	-	135 044	135 044
Accumulated depreciation	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-
Carrying values	25 771 905	21 413 837	1 065 484 530	4 439 732	-	9 616 343	1 126 726 348
As at 30 June 2010	25 771 905	21 413 837	1 065 484 530	4 439 732	-	9 616 343	1 126 726 348
Cost	22 587 050	8 700 526	1 430 804 384	5 834 648	-	59 174 726	1 527 101 334
Revaluation	3 184 855	15 143 674	-	-	-	-	18 328 529
Accumulated depreciation	-	(2 430 363)	(365 319 854)	(1 394 916)	-	(49 558 383)	(418 703 516)
Cost	-	(2 430 363)	(365 319 854)	(1 394 916)	-	(48 424 089)	(417 569 222)
Revaluation	-	-	-	-	-	(1 134 294)	(1 134 294)

No restriction on title exists on any assets held.

In terms of the IMFO accounting framework used by the local municipalities they were not required to maintain complete fixed asset registers. The municipality took over the infrastructure assets as required by Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998) with effect 1 July 2006. The municipality engaged the services of consulting engineers to identify and value the infrastructure assets taken over. The municipality has a multi-year plan to identify, verify, value and reconcile the infrastructure assets to the fixed asset register in place. This plan is based on the data confidence level of each infrastructure scheme as assessed by the appointed Consulting Engineers. During the 2009/10 financial year, consulting engineers were appointed to undertake the identification, valuation, verification and condition assessment of the low data confidence schemes.

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The low confidence schemes were recognised at provisional amounts, in accordance with the transitional provisions contained in Directive 3 issued March 2009, during 2008/09. The municipality is required to recognise, but not measure the low confidence schemes in terms of the Directive. The provisional amounts recognised were the closing amounts as at 30 June 2008.

The provisional amounts recognised were not subsequently measured, meaning that no depreciation expense was charged for the 2008/09 year.

These provisional amounts recognised are retrospectively adjusted to reflect new information obtained about facts and circumstances that existed at the transfer date as the municipality has completed the process of identifying and valuing the infrastructure assets.

The gross amount of assets that are fully depreciated, but still in use at 30 June 2010 is R156 758 640.

Reconciliation of capital under construction (work in progress)

Costs incurred on the construction of municipal assets included in infrastructure, plant and equipment. Depreciation only commences once the asset is ready for its intended use.

An analysis is as follows:

	2009/10 R	2008/09 R
Balance at beginning of the year	621 717 030	575 510 352
Additions	231048842	122 373 597
Transfer out for capitalisation	-125140091	(76 166 917)
Balance at end of year	<u>727 625 782</u>	<u>621 717 030</u>

Revaluations

All land and buildings have been revalued during the current year.

The effective date of the revaluation was December 2009. The revaluation was performed by an independent valuer Mr. Mark Sanan [Member of the Institute of Valuers], of Messer's Kula Valuation Services. Kula Valuation Services is not connected to the municipality.

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

The valuation was performed using depreciated replacement values

The carrying amount of the land and buildings would have been R22 587 050 and R6 785 818 respectively had the assets been carried under the cost model.

Refer to Appendix B for more detail on property, plant and equipment

Infrastructure, plant and equipment subjected to finance leases

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

Office equipment

Cost
Accumulated depreciation

	2009/10 R	2008/09 R
Cost	3 231 221	2 749 305
Accumulated depreciation	(2 925 924)	(2 488 271)
	<u>305 297</u>	<u>261 034</u>

2. Investment Property

Carrying amount at beginning of period
Cost
Accumulated depreciation

	2009/10 R	2008/09 R
Land and buildings		
Carrying amount at beginning of period	19 194 958	19 223 891
Cost	19 348 235	19 348 235
Accumulated depreciation	(153 277)	(124 344)

Acquisitions
Depreciation
Transfer from owner-occupied property

Acquisitions	-	-
Depreciation	(28 933)	(28 933)
Transfer from owner-occupied property	3 375 155	-

Carrying amount at end of period
Cost
Accumulated depreciation

Carrying amount at end of period	22 541 180	19 194 958
Cost	22 723 390	19 348 235
Accumulated depreciation	(182 210)	(153 277)

Investment property comprises the following:

- Land situated at Farm 754, East London
- Land situated at Erf 374, Komga
- Land situated at Erf 1676, Stutterheim with a house thereon
- Land situated at Farm 2359 and 2354 Stutterheim
- Land situated at Farm 92,93,94 Stutterheim
- Land situated at Farm 816 East London

The property is leased out in terms of an operating lease (refer note 37)

**THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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Vacant land of which the intended use is uncertain.
Land developed for housing settlement projects of which the intention and transfer of ownership is uncertain.
Total market value of investment property

144 159 438 2 360 000

The municipality applies the cost model
Owner-occupied properties have been transferred to investment property at fair value.

Market valuations were performed by an independent valuer, Mr. Mark Sanan, Professional Associated Valuer, of Messrs Kula Valuation Services are not connected to the entity and have recent experience in location and category of the investment property being valued.
Effective date of valuation December 2009.
The fair value of the investment property was determined based on current prices in an active market for similar property in the same location and condition and subject to similar lease and other contracts.

Properties to the value of R117 223 779 have been derecognised as the issue of ownership of these properties by the municipality is in dispute. These properties were recognised as a result of succession and are hence not in the name of the Amathole District Municipality. Once ownership has been confirmed, the relevant properties will be recognised.
The balance is restated refer note 39.6

3. Intangible Assets

2010			2009		
R			R		
Cost	Amortisation	Carrying value	Cost	Amortisation	Carrying value
Computer software - Application software	2 031 763	(1 768 666)	2 031 763	(1 483 622)	568 141
License fees	59 604	(59 604)	59 604	(59 604)	-
Total	2 091 367	(1 828 270)	2 091 367	(1 523 226)	568 141

Reconciliation of intangible assets - 2010

Opening carrying amount R	Additions R	Disposals R	Amortisation R	Total R
568 141	-	-	(305 045)	263 097
568 141	-	-	(305 045)	263 097

Computer software - Application software

Reconciliation of intangible assets - 2009

Opening carrying amount R	Additions R	Disposals R	Amortisation R	Total R
873 186	-	-	(305 045)	568 141
873 186	-	-	(305 045)	568 141

Computer software - Application software

MUNICIPALITY	
2010/11 R	2009/10 R
1 000	1 000
1 000	1 000
1 000	1 000
1 000	1 000

1 000 1 000
100% 100%

4. INVESTMENTS

4.1. Investment in subsidiary

Investments in Municipal Entity - cost
Total

Council's valuation of unlisted Investments

Investments in Municipal Entities

Investments in Municipal Entities

Amathole Economic Development Agency (Pty) Ltd

Issued Share Capital (1000 ordinary shares of R1,00 each)
Percentage owned by Council

The Amathole Economic Development Agency was established 1 September 2005

Place of Incorporation: South Africa

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

The account operates on a current account basis, i.e. the Agency's service providers are paid by the municipality on the Agency's behalf. No financial benefit accrues to the Agency or the District Municipality.

Refer note 37

GROUP	
2010/11 R	2009/10 R
-	-
-	-
-	-
-	-

**THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

4.2 Financial assets - Investments

Held to maturity financial assets

The following fixed deposit accounts have been classified as held to maturity financial assets in accordance with IAS 39: Financial Instruments. Maturity periods are fixed and range between 3 - 12 months. Average rate of return on investments 5.88% (2010: 7.59%).

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

The Municipal Structures Act, Act 117 of 1998, requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

No investments were written off during the year.

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

Call investment deposits
Total: Call Investment Deposits

Call Investment Deposits

Institution	Account No
STANDARD	418872
BANK	419268
	414922
	417355
	414574
	417357
	417066
	417680
	413482
INVESTEC	DB886506
	DB882380
	DB889293
	DB886541
	DB881856
	DB885368
	DB883392
	DB886110
	DB881885
	DB500
ABSA	2057-092-476
	2059-800-124
	2057-067-401
	2060-488-868
	2062-856-304
	2064-823-579
	2065-364-471
	2065-585-419
RAND MERCHANT BANK	FD10K03004
	FD10G16001
	FD11A13006
	FD10A14003
	FD10K25007
	FD11A25004
	FD10I08001
	FD10K09006
	FD10J14004
NEDBANK	03/7881714026/0000109
	03/7881714026/000111
	03/7881714026/000107
	03/7881714026/000114
	03/7881714026/000108
	03/7881714026/000113
	03/7881714026/000110
	03/7881714026/000112
	03/7881714026/000117

MUNICIPALITY	
2010/11	2009/10
R	R
466 189 906	469 466 675
466 189 906	469 466 675

GROUP	
2010/11	2009/10
R	R
466 189 906	469 466 675
466 189 906	469 466 675

7 182 312	7 077 340
10 245 178	10 093 973
10 037 808	10 329 915
13 076 932	13 263 526
11 083 871	11 389 852
11 082 048	11 221 507
10 127 151	10 219 863
10 095 774	10 173 274
10 255 411	10 425 466
12 056 712	12 129 798
13 064 644	13 403 142
10 049 726	10 070 521
10 048 493	10 095 315
10 049 315	10 359 014
10 049 315	10 174 521
7 034 521	7 196 403
10 049 315	10 161 096
10 049 315	10 344 110
	869
13 076 301	13 173 096
10 036 767	10 116 356
12 070 432	12 239 178
15 125 441	15 235 356
10 058 693	10 133 151
10 251 616	10 077 507
12 192 329	12 360 000
10 247 890	10 091 397
10 095 774	10 172 651
10 259 932	10 449 342
8 212 060	8 085 304
12 206 482	12 425 293
12 071 770	12 244 866
12 291 123	12 111 156
8 183 107	8 270 904
10 085 671	10 158 795
10 125 014	10 221 329
12 114 986	12 264 855
12 319 496	12 196 077
12 306 493	12 520 570
12 262 126	12 097 348
10 126 082	10 222 795
14 366 244	14 149 762
10 059 178	10 202 712
10 039 068	10 117 370
367 989	-
466 189 906	469 466 675

7 182 312	7 077 340
10 245 178	10 093 973
10 037 808	10 329 915
13 076 932	13 263 526
11 083 871	11 389 852
11 082 048	11 221 507
10 127 151	10 219 863
10 095 774	10 173 274
10 255 411	10 425 466
12 056 712	12 129 798
13 064 644	13 403 142
10 049 726	10 070 521
10 048 493	10 095 315
10 049 315	10 359 014
10 049 315	10 174 521
7 034 521	7 196 403
10 049 315	10 161 096
10 049 315	10 344 110
	869
13 076 301	13 173 096
10 036 767	10 116 356
12 070 432	12 239 178
15 125 441	15 235 356
10 058 693	10 133 151
10 251 616	10 077 507
12 192 329	12 360 000
10 247 890	10 091 397
10 095 774	10 172 651
10 259 932	10 449 342
8 212 060	8 085 304
12 206 482	12 425 293
12 071 770	12 244 866
12 291 123	12 111 156
8 183 107	8 270 904
10 085 671	10 158 795
10 125 014	10 221 329
12 114 986	12 264 855
12 319 496	12 196 077
12 306 493	12 520 570
12 262 126	12 097 348
10 126 082	10 222 795
14 366 244	14 149 762
10 059 178	10 202 712
10 039 068	10 117 370
367 989	-
466 189 906	469 466 675

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MUNICIPALITY	
2010/11	2009/10
R	R
649 660	528 010
18 865	25 157
<u>668 525</u>	<u>553 167</u>
6 625	6 568
<u>6 625</u>	<u>6 568</u>
661 900	546 599

5. LONG TERM RECEIVABLES

Deposits
Loans to Local Municipalities
Less: Current portion transferred to current assets
Loans to Local Municipalities
Total

Long term receivables are financial assets which are categorised as loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost.
The fair values of the loans are estimated to approximate their carrying amounts.

Loans to local municipalities

Financial assets

The loans to the local municipalities represents loans to Winterstrand and Kei Road. The loans currently attract interest at 4% per annum and are repayable over a period of 40 years. These loans will be redeemed by June 2013.

6. INVENTORY

Consumable stores: at cost
Housing projects
Water - own
Water - purchased
Total Inventory

Housing Projects

The cost incurred on completed housing units that are occupied by beneficiaries has been transferred to the Statement of Financial Performance. A stock count of inventory on hand was conducted at year end, however these quantities had not been costed yet by the date of submission of the annual financial statements. Raw materials on site at the housing projects was written off due to obsolescence and damage.

Water inventory

In accordance with GRAP 12 unsold purchased water has been disclosed. Correct meter readings at the beginning and end of the financial year could not be guaranteed. Consulting engineers were thus appointed to determine the water on hand for each scheme based on the capacity of reservoirs and pipelines.

MUNICIPALITY	
2010/11	2009/10
R	R
748 052	737 093
2 469 362	6 182 615
8 396 616	1 342 208
539 011	172 534
<u>12 153 041</u>	<u>8 434 449</u>

GROUP	
2010/11	2009/10
R	R
649 660	528 010
18 865	25 157
<u>668 525</u>	<u>553 167</u>
6 625	6 568
<u>6 625</u>	<u>6 568</u>
661 900	546 599

7. CONSUMER DEBTORS

From exchange transactions

Water and sanitation
- Water
- Sanitation
- Interest on arrears component

Less : Allowance for doubtful debts

Total consumer debtors

MUNICIPALITY	
2010/11	2009/10
R	R
81 855 629	51 000 903
145 489 820	92 930 818
104 485 581	77 182 029
50 799 977	33 164 690
<u>300 775 377</u>	<u>203 277 538</u>
(218 919 749)	(152 276 635)
81 855 629	51 000 903

GROUP	
2010/11	2009/10
R	R
81 855 629	51 000 903
145 489 820	92 930 818
104 485 581	77 182 029
50 799 977	33 164 690
<u>300 775 377</u>	<u>203 277 538</u>
(218 919 749)	(152 276 635)
81 855 629	51 000 903

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The ageing of debtors are as follows:-

MUNICIPALITY	
2010/11	2009/10
R	R
24 467 121	15 596 261
11 025 295	13 028 672
8 825 364	5 999 355
8 121 523	6 429 596
56 672 518	39 646 808
191 663 557	122 576 846
300 775 378	203 277 538

Water and sanitation

Current (0 - 30 days)	207 800
30 - 60 Days	
60 - 90 Days	
90 - 120 Days	
120 - 330 Days	
+ 330 Days	
Total	

GROUP	
2010/11	2009/10
R	R
24 467 121	15 596 261
11 025 295	13 028 672
8 825 364	5 999 355
8 121 523	6 429 596
56 672 518	39 646 808
191 663 557	122 576 846
300 775 378	203 277 538

Summary of Debtors by Customer Classification

30 June 2011

Current (0 – 30 days)	
30 - 60 Days	
60 - 90 Days	
90 - 120 Days	
120 - 330 Days	
+ 330 Days	
Sub-total	
Less: allowance for doubtful receivables	
Total debtors by customer classification	

Summary of Debtors by Customer Classification

30 June 2010

Current (0 – 30 days)	
30 - 60 Days	
60 - 90 Days	
90 - 120 Days	
120 - 330 Days	
+ 330 Days	
Sub-total	
Less: allowance for doubtful receivables	
Total debtors by customer classification	

Total	Domestic	Industrial / Commercial	National and Provincial Government
R	R	R	R
24 467 121	15 228 909	2 985 742	6 252 469
11 025 295	8 502 553	943 929	1 578 813
8 825 364	7 007 704	758 607	1 059 053
8 121 523	6 749 429	605 406	766 688
56 672 518	48 095 784	4 563 435	4 013 299
191 663 557	181 003 544	8 890 565	1 769 448
300 775 378	266 587 923	18 747 684	15 439 771
(218 919 749)	(193 313 278)	(14 937 108)	(10 669 363)
81 855 629	73 274 646	3 810 576	4 770 408

Total	Domestic	Industrial / Commercial	National and Provincial Government
R	R	R	R
15 596 261	11 125 260	1 688 522	2 782 479
13 028 672	10 113 359	1 473 599	1 441 714
5 999 355	4 996 196	619 969	383 191
6 429 596	5 207 800	833 993	387 803
39 646 808	34 255 179	3 772 762	1 618 867
122 576 846	115 274 595	6 533 122	769 128
203 277 538	180 972 389	14 921 967	7 383 182
(152 276 635)	(136 295 201)	(11 175 265)	(4 806 169)
51 000 903	44 677 187	3 746 702	2 577 013

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Data cleansing

The municipality is currently faced with the challenge of updating the debtors data bases received from seven of the local municipalities within its area of jurisdiction. Since August 2008, the municipality has been actively involved in a multi - year data cleansing project to verify and update information for all water and sanitation consumers within the Amathole District Municipality. Sources of information utilised to update the consumer database include the online Deeds Register, Trans-Union ITC, Surveyor General information and Valuation rolls from the seven local municipalities.

Progress has thus far been made on the updating of debtor information, correction of billing, closing of abeyance accounts with nil balances, as well as, the identification of duplicate accounts with huge debit balances within the 7 local municipal areas. Priority is also being given to the checking and updating of all information relating to vacant stands as per the individual local municipal valuation rolls.

Other Challenges include the following:

The updating of accounts and debtor information on the Venus Financial System is dependent on the accuracy of information from data sources which include the Registrar of Deeds, Transunion, and Valuation Rolls.

During the data cleansing processes it has been discovered that the information on these data sets is outdated and not always accurate which hampers the productivity, as well as the validity of the updated information. This lack of a credible information source to measure the accuracy and completeness of Venus information is an ongoing challenge for the data cleansing project team as exceptions which need to be investigated and corrected are raised daily from the available data sets. The information verification process cannot be concluded as a desktop exercise only and fieldwork is often required through - out the local municipal areas and this is a time - consuming process.

A major shortfall of the project has also been the determination of service coverage per stand for all areas in ADM's jurisdiction and this also requires fieldwork to ensure that information updated on the Venus Financial System has been verified on the field and confirmed as correct.

During the 2009/2010 financial year, the data cleansing team also relied heavily on manual processes of updating the individual consumer records and has now identified a need to embark on electronic interventions of verifying and updating consumer data. During the year under review, the Amathole District Municipality (ADM) embarked on a strategic support to ensure that the data clean-up project deliverables are met through the appointment of Business Connexion (BCX). The focus groups on Service Coverage and Meters were established in order to verify services rendered to the consumers. Sixteen (16) Field Verification Officers were appointed to assist with the verifying and investigating information on the field. During the 2010/2011 financial year a Business Tool called X-Plor System was developed to be implemented in 2011/2012 financial year which consolidates together the information from Registrar of Deeds, Venus System, Valuations Roll and Surveyor General to assist Revenue Management with identifying exceptions and progress on the project.

Debt collection

In collecting the outstanding ADM revenue the municipality strives to ensure sound internal controls and adherence to the ADM Credit Control and Debt Management Policy. Efforts to ensure that the outstanding debt is recovered include the restrictions of water meters for non paying domestic and business water consumers.

Further steps also include the following:

- (i) Legal processes for debt recovery
- (ii) Water account disconnections.
- (iii) Appointment of PSU Debt Collector in November 2010.

The collection rate for the 2010/11 year is 43% **(2009/2010: 43%)**.

- (i) Data cleansing project which is still in progress. The Data Cleansing is meant to correct the database information which resulted in consumer accounts being returned back to the institution totalling to an amount of R 3.9 million.
- (ii) The Indigence is subsidised from 0-6 kl. However, the consumption in excess of 6 kl is billed as a consumer at a normal rate resulting in non payment. The non registration for indigent status will result to an increase in the debt hence the Indigent awareness campaigns.

Council has approved the following Indigent write-off for financial year ending 2010/2011:

- 1)
- 2)
- 3)
- 4)
- 5)

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Indigents

The municipality, has since June 2008, been actively involved in a campaign to ensure that all indigent consumers in the district are registered. Although indigent registration outreach campaigns have been held monthly throughout the Amathole District, progress was slow as only a few consumers attended the campaigns held in the various local municipalities. The ADM therefore identified a need in November 2009 for the sourcing of community – based youths from the various local municipalities to assist the municipality with a door – to – door indigent registration campaign. The contracts for the unemployed youths expired at the end of February 2010, however, sixteen (16) Field Verification Officers were appointed with effect from 01 January 2011. The municipality identified an urgent need for the revival of the indigent registration awareness campaign by advertising through media (i.e. radio telephonic interviews, public broadcasting, circulating of informative pamphlets etc.). During the year under review, two (2) indigent awareness campaigns took place at Mquma and Nkonkobe Local Municipalities on the 16 April 2011 and 25 June 2011, respectively.

The total number of consumers registered as indigents on the ADM system as at the end of June 2011 is 1467. The registered indigent consumers receive up to 6 free kilolitres (kl) of water on a monthly basis, and are billed at the normal tariff rates for water consumption in excess of the 6kl. The indigent policy was revised during the 2010/2011 financial period and adopted by Council on the 28 May 2011.

Outstanding debt due by Amathole District Municipality Councillors and employees:

ADM Officials	Previous	30 days	60 days	90 days	VAT	Total
	R	R	R	R	R	R
Councillors	24 445	7 691	7 263	426 039	54 843	520 281
Total	6 971	10 029	6 953	162 763	21 964	208 680
Total	31 416	17 720	14 216	588 802	76 807	728 961

MUNICIPALITY	
2010/11	2009/10
R	R
159 867 499	127 584 459
78 535 936	53 243 730
(9 610 428)	(20 960 691)
-	-
228 793 007	159 867 499

Reconciliation of Doubtful Debt Allowance

The municipality's trade receivables are stated after allowances for doubtful receivables based on management's assessment of the debtors' creditworthiness. An analysis of the allowance is as follows:

Balance at beginning of the year
Contributions to allowance
Doubtful debts written off against allowance
Reversal of allowance
Balance at end of year

GROUP	
2010/11	2009/10
R	R
159 867 499	127 584 459
78 535 936	53 243 730
(9 610 428)	(20 960 691)
-	-
228 793 007	159 867 499

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments (more than 30 days overdue) are considered indicators that the consumer debtor is impaired.

Financial assets have been classified as loans and receivables

Consumer debtors are billed interest at prime plus 2% on overdue accounts and are therefore considered to be fairly valued.

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MUNICIPALITY	
2010/11	2009/10
R	R
11 329 386	14 675 986
11 329 386	13 434 454
-	391 199
-	850 332
(9 873 258)	(7 590 865)
1 456 128	7 085 120

8. OTHER RECEIVABLES

Other receivables
Sundry receivables
Prepayments
Indebtness by municipal entity: Amathole Economic Development Agency
Less: allowance for doubtful debtors
Total

The Amathole District Municipality transferred R850 332 to the Amathole Economic Development Agency for the implementation of the AREDS project. The Amathole Economic Development Agency has requested that the project be returned to the Amathole District Municipality. This has been approved by the Municipal Manager and therefore the funds are also to be returned. The funds were returned during the 2010/11 financial year.

The fair value of other receivables approximates their carrying amounts.

GROUP	
2010/11	2009/10
R	R
11 541 389	13 883 023
11 541 389	13 491 823
-	391 199
-	-
(9 873 258)	(7 590 865)
1 668 131	6 292 158

MUNICIPALITY	
2010/11	2009/10
R	R
-	-
-	-
42 451 973	20 823 910
42 451 973	20 823 910

9. VAT

VAT payable

Vat receivable

VAT is paid over to SARS only once payment is received from debtors. All VAT returns have been submitted by the due date throughout the year.

GROUP	
2010/11	2009/10
R	R
140 322	-
140 322	-
42 451 973	21 823 910
42 451 973	21 823 910

MUNICIPALITY	
2010/11	2009/10
R	R
130 687 229	98 767 659
160 481 204	180 996 566
9 000	9 000
643 968	56 948
(136 000)	(57 000)
291 685 401	279 773 173
130 687 229	98 767 659
14 877 172	92 207 515
92 207 515	110 203 931

10. CASH AND CASH EQUIVALENTS

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

Current Account
Call Account
Imprest Account
Plus: Outstanding deposits
Plus: Cancelled cheques
Total Cash Reserves

GROUP	
2010/11	2009/10
R	R
140 113 835	99 889 063
174 246 720	192 351 865
10 049	9 670
643 968	56 948
(136 000)	(57 000)
314 878 572	292 250 546
140 113 835	99 889 062
24 303 778	93 328 918
93 328 918	110 334 196

SUPPLEMENTARY BANK ACCOUNT INFORMATION

CURRENT ACCOUNTS TOTAL

ABSA BANK *Closing Balance*
Opening Balance

Account No 4063093498
East London
5200

Agency
Account No 4064846723
East London
5200

STANDARD BANK *Closing Balance*
Opening Balance

Account No 081093454
East London
Main Branch

115 810 057	6 560 144
6 560 144	8 589 917

115 810 057	6 560 144
6 560 144	8 589 917

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<u>160 481 204</u>	<u>180 996 566</u>
130 481 204 130 996 566	130 996 566 21 648 016
30 000 000 50 000 000	50 000 000 10 000 000
- -	- -

MUNICIPALITY	
2010/11 R	2009/10 R
578 020	405 946
573 869	283 160
-	-
<u>1 151 889</u>	<u>689 106</u>
<u>(110 722)</u>	<u>(73 235)</u>
<u>1 041 167</u>	<u>615 871</u>
503 553	350 479
537 614	265 392
-	-
<u>1 041 167</u>	<u>615 871</u>
537 614	265 392
503 553	350 479
<u>1 041 167</u>	<u>615 871</u>

CALL ACCOUNTS TOTAL

Call Account	<i>Closing Balance</i>
ABSA BANK	<i>Opening Balance</i>
Account No 9157439416	
Call Account	<i>Closing Balance</i>
STANDARD BANK	<i>Opening Balance</i>
Account No 88643816001	
Call Account	<i>Closing Balance</i>
ABSA BANK LIMITED	<i>Opening Balance</i>
Account No 88643816001	

11. FINANCE LEASE OBLIGATION

Minimum lease payments due

-within one year	
-in second to fifth year inclusive	
-later than five years	

less: future finance charges

Present value of minimum lease payments

Present value of minimum lease payments due

-within one year	
-in second to fifth year inclusive	
-later than five years	

Non current liabilities

Current liabilities

<u>191 836 503</u>	<u>192 351 865</u>
130 481 204 130 996 566	130 996 566 21 648 016
50 000 000 50 000 000	50 000 000 10 000 000
11 355 299 11 355 299	11 355 299 8 477 328

GROUP	
2010/11 R	2009/10 R
578 020	405 946
573 869	283 160
-	-
<u>1 151 889</u>	<u>689 106</u>
<u>(110 722)</u>	<u>(73 235)</u>
<u>1 041 167</u>	<u>615 871</u>
503 553	350 479
537 614	265 392
-	-
<u>1 041 167</u>	<u>615 871</u>
537 614	265 392
503 553	350 479
<u>1 041 167</u>	<u>615 871</u>

It is the municipality's policy to lease certain office equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 9% (Prior Year: 9%).

All leases have fixed repayment terms with no annual escalation rate, but varies with the changes in the prime interest rate.

No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

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MUNICIPALITY	
2010/11	2009/10
R	R
281 579	213 796
281 579	213 796

MUNICIPALITY	
2010/11	2009/10
R	R
98 316 522	91 710 184
-	-
133 571	253 047
98 450 093	91 963 231

MUNICIPALITY	
Number	Number
790	687
67	102
562	-
1419	789

MUNICIPALITY	
2010/11	2009/10
R	R
78 304 954	63 042 921
20 011 568	28 667 263
98 316 522	91 710 184

12. OPERATING LEASE LIABILITY

In accordance with GRAP 13, operating lease income and expenses have been recognised on a straight line basis over the lease term.

The effect of accounting for operating leases on the straight line basis had the following effect:

Current liabilities

Operating lease accrual

GROUP	
2010/11	2009/10
R	R
314 916	226 023
314 916	226 023

13. DEFINED BENEFIT OBLIGATIONS

Provision for post employment health care benefits	13.1.1	98 316 522	71 573 134
Provision for retirement gratuity benefits	13.2.1	-	-
Provision for ex-gratia benefits	13.3.2	133 571	253 047
Total defined benefit obligations		98 450 093	71 826 181

POST EMPLOYMENT BENEFIT INFORMATION

13.1 Provision for post employment health care benefits

The Post Employment Health Care Benefit plan, of which the members are made up as follows:

- In-service (employee) members
- Continuation (retiree, widow/er and orphan) members
- In-service (employee) non-members

Total

GROUP	
2010/11	2009/10
R	R
98 316 522	71 573 134
-	-
133 571	253 047
98 450 093	71 826 181

GROUP	
Number	Number
790	687
67	102
562	-
1419	789

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

- In-service members
- Continuation members

Total

GROUP	
2010/11	2009/10
R	R
78 304 954	63 042 921
20 011 568	28 667 263
98 316 522	91 710 184

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

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed
- Fedhealth
- Medshield
- Medcover
- Resolution Health
- GEMS
- Bestmed
- Genhealth
- Spectramed

On retirement of an employee Council has post retirement obligation to contribute 70% to the medical cost of the employee.

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MUNICIPALITY	
2010/11	2009/10
R	R
-	-
-	-
98 316 522	91 710 184
98 316 522	91 710 184
-	-
-	-
-	-
98 316 522	91 710 184

MUNICIPALITY	
2010/11	2009/10
R	R
91 710 184	71 573 134
8 482 980	5 701 866
(2 359 332)	(2 288 289)
8 346 712	5 917 973
-	-
(7 864 022)	10 805 500
-	-
98 316 522	91 710 184

-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

98 316 522	71 573 134
-	-
98 316 522	71 573 134

(7 864 022)	10 805 500
-	-

13.1.1 Reconciliation of assets and liabilities recognised in the balance sheet

Present value of fund obligations	-
Fair value of plan assets	-
Present value of unfunded obligations	-
Present Value of Obligations in excess of Plan Assets	-
Unrecognised past service cost	-
Unrecognised actuarial gains/(losses)	-
Unrecognised transitional liability	-
Net liability in Balance Sheet	-

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

13.1.2 Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	91 710 184
Current service costs	8 482 980
Expected benefits paid	(2 359 332)
Interest cost	8 346 712
Past service cost	-
Actuarial (gains)/losses	(7 864 022)
Contributions	-
Present value of fund obligation at the end of the year	91 710 184

13.1.3 Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-
Expected return on plan assets	-
Contributions: employer	-
Contributions: employee	-
Past service costs	-
Actuarial gains/(losses)	-
Benefits paid	-
Fair value of plan assets at the end of the year	-

13.1.4 Trend information

Present Value of Obligations	98 316 522
Fair Value of Plan Assets	-
Present Value of Obligations in Excess of Plan Assets	98 316 522

Experience adjustments

Actuarial Gain/(Loss) before changes in Assumptions	(7 864 022)
In respect of Present Value of Obligations	-
In respect of Fair Value of Plan Assets	-

13.1.5 Sensitivity results

The liability is particularly sensitive to the real rate of return earned i.e. the difference between the rate of discount and the rate at which medical aid contributions increase. In the table below are calculations at alternative real rates by varying the assumed rate of discount in order to demonstrate the impact on the accrued liability.

Sensitivity Analysis on the Accrued Liability

Assumption	Change	in-service	Total R	Percentage change
Central assumption		78 305 000	98 317 000	
	1%	93 945 000	116 002 000	18%
Health care inflation	-1%	65 967 000	84 216 000	-14%
Post retirement mortality	-1yr	80 629 000	101 463 000	+3%
Average retirement age	-1yr	85 489 000	105 501 000	7%
Withdrawal rate	-50%	84 652 000	104 664 000	6%

GROUP	
2010/11	2009/10
R	R
-	-
-	-
98 316 522	71 573 134
98 316 522	71 573 134
-	-
-	-
-	-
98 316 522	71 573 134

GROUP	
2010/11	2009/10
R	R
91 710 184	71 573 134
8 482 980	5 701 866
(2 359 332)	(2 288 289)
8 346 712	5 917 973
-	-
(7 864 022)	10 805 500
-	-
98 316 522	91 710 184

-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

98 316 522	71 573 134
-	-
98 316 522	71 573 134

(7 864 022)	10 805 500
-	-

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13.1.6 Key actuarial assumptions used

	2011	2010
Health Care Cost Inflation rate	7.38%	7.27%
Discount Rate	8.82%	9.22%
Net discount rate	1.34%	5.52%

13.2 Provision for retirement gratuity benefits

The liability in respect of retirement gratuity for in-service employees with non-fund service are as follows:
- In-service employees

Employees of Amathole District Municipality participate in the following benefit funds:

- Cape Joint Pension Fund (defined benefit);
- Eastern Cape Group Municipal Pension Fund (defined benefit);
- South African Local Authorities Pension Fund (defined benefit)
- Government Employees Pension Fund (defined benefit);
- Cape Joint Retirement Fund (defined contribution);
- National Fund for Municipal Workers (defined contribution);
- South African Municipal Workers National Provident Fund (defined contribution).

13.2.1 Reconciliation of assets and liabilities recognised in the balance sheet

Present value of fund obligations
Fair value of plan assets

Funded status

Present value of funded obligations

Present Value of Obligations in excess of Plan Assets

Unrecognised past service cost
Unrecognised actuarial gains/(losses)
Unrecognised transitional liability

Net liability in Balance Sheet

13.2.2 Multi-employer funds

The actuaries appointed to perform the valuation on the gratuity obligation were of the opinion that the Amathole District Municipality do not have an obligation for this post-employment benefit. Hence the liability was derecognised and disclosure was made to reflect information pertaining to multi-employer funds.

The following table reflects information on the defined benefit retirement, pension and provident funds to which councillors and employees belong, and in respect of which there is not sufficient information available to make more detailed disclosures.

The Pension Funds Act requires every pension fund to complete a statutory valuation at least every three years.

	Note	Last Actuarial Valuation	Total Assets R	Total Liabilities R	Contributing members
Cape Joint Retirement Fund		June 2009	6 369 956	6 369 956	576
National Fund for Municipal Workers	1	June 2008	3 633 119	3 633 119	19
Cape Joint Pension Fund		June 2009	3 323 529	3 102 920	25
SAMWU National Provident Fund		June 2007	2 764 426	2 764 426	185
SALA Pension Fund		June 2009	6 303 700	6 567 900	25
Government Employees Pension Fund		March 2009	707 042 000	707 042 000	101
Eastern Cape Gratuity Fund	2				2
Eastern Cape Municipal Pension Fund	2				2

Note 1: Figures from the financials for the year ending 30 June 2009

Note 2: Alexander Forbes would not provide the necessary information in respect of these funds. They did however confirm that both funds are fully funded and hence there is no associated liability for the Municipality's account

An amount of R xxx million (2010: R25.023 million) was contributed by Council towards councillor and employee retirement funding. These contributions have been expensed

Refer Note 26

MUNICIPALITY	
2010/11	2009/10
R	R
-	-

MUNICIPALITY	
2010/11	2009/10
R	R
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

GROUP	
2010/11	2009/10
R	R
-	-

GROUP	
2010/11	2009/10
R	R
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

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MUNICIPALITY	
2010/11	2009/10
R	R
21 157	23 646

13.3.5 Current service costs and interest costs
Total cost

There is no Current-service Cost as there are no in-service members eligible for ex-gratia pension benefits. The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefit payments, over the corresponding year. This arises because all future ex-gratia benefits are one year closer to payment

13.3.6 Sensitivity analysis on the unfunded accrued liability

Assumption	Change	Liability R	% Change
Central assumptions		133 571	
Discount rate	+1%	127 695	-4%
	-1%	140 040	-5%
Post-retirement mortality	-1 year	138 742	-4%

13.3.7 Sensitivity analysis on the interest cost for the year

Assumption	Change	Liability R	% Change
Central assumptions		21 157	
Discount rate	+1%	23 155	9%
	-1%	19 025	-10%
Post-retirement mortality	-1 year	21 967	4%

13.3.8 Key actuarial assumptions used

Assumption	2011	2009
Discount rate	7.12%	7.55%
Pension Increase rate	0.00%	0.00%
Net effective discount rate	7.12%	7.55%
Mortality in retirement	PA(90)-1	PA(90)-1

The balance has been restated refer note 41.7

MUNICIPALITY	
2010/11	2009/10
R	R
1 599 907	1 398 833
1 599 907	1 398 833

14. CONSUMER DEPOSITS

Consumer deposits

The consumer deposits relate to the water and sanitation function.

Consumer deposits were previously classified as non-current liabilities. The municipality does not have an unconditional right to defer the payment of the consumer deposits. In terms of GRAP 1, consumer deposits should thus be classified as current liabilities. The classification has been retrospectively adjusted.

Refer to reclassification note 41.1

15. TRADE AND OTHER PAYABLES

From exchange transactions

Trade payables	
Consumer debtors with credit balances	
Other payables	
Amounts received in advance: Water and sanitation	
Accrued leave pay	15.1
Accrued service bonus	15.2
Indebtness to municipal entity: Amathole Economic Development Agency	
Total	

An amount of R420 000.00 is due by the Amathole District Municipality for the VAT cost on phase 1 of operating funding from the IDC.

This amount was paid over during August 2011.

The indebtiness includes an amount of R91 644.45 for furniture purchased from the economic entity. This amount was paid during July 2011.

Trading creditors are non-interest bearing and normally settled on 30-day terms.

The fair value of R1 353 449 was calculated for other payables in accordance with IAS39. A discount rate equating the average return on investments was used.

IAS39 AG79 states that short term payables with no stated interest rate may be measured at the original invoice amount if the effect of discounting is immaterial.

The carrying amount of trade payables approximates their fair value due.

GROUP	
2010/11	2009/10
R	R
21 157	23 646

GROUP	
2010/11	2009/10
R	R
1 599 907	1 398 833
1 599 907	1 398 833

GROUP	
2010/11	2009/10
R	R
52 001 276	62 278 146
2 935 286	2 614 300
48 167 892	30 495 118
2 912 935	2 624 886
4 020 317	591 991
6 125 249	5 148 551
503 630	-
116 666 565	104 522 930

250 943

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MUNICIPALITY	
2010/11	2009/10
R	R
8 316 142	6 520 047
7 101 510	5 381 176
<u>(4 900 200)</u>	<u>(3 585 081)</u>
10 517 453	8 316 142
6 497 136	7 724 151
<u>4 020 317</u>	<u>591 991</u>
10 517 453	8 316 142

The movement on the leave accrual and service bonus accrual balances as above for the 2010 financial year were as follows:

15.1 Accrued Leave Pay

Opening Balance	8 316 142
Plus: Contributions during the year	7 101 510
Leave sold during the year	<u>(4 900 200)</u>
Total leave accrual	10 517 451

Non current portion of leave accrual

Current portion of leave accrual	4 020 317
----------------------------------	-----------

The municipality makes provision for staff leave pay based upon the basic salary scale for 2010/11.

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

GROUP	
2010/11	2009/10
R	R
8 316 142	6 520 047
7 101 510	5 381 176
<u>(4 900 200)</u>	<u>(3 585 081)</u>
10 517 451	8 316 142
6 497 134	7 521 738
<u>4 020 317</u>	<u>794 404</u>
10 517 451	8 316 142

MUNICIPALITY	
2010/11	2009/10
R	R
5 148 551	4 704 234
6 125 249	5 148 551
-	-
<u>(5 148 551)</u>	<u>(4 704 235)</u>
6 125 249	5 148 551

15.2 Accrued Service Bonus

Opening balance	5 148 551
Additional provision	6 125 249
Amounts utilised	-
Unused amounts reversed	<u>(5 148 551)</u>
Carrying amount at end of the year	6 125 249

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

GROUP	
2010/11	2009/10
R	R
5 148 551	4 704 234
6 125 249	5 148 551
-	-
<u>(5 148 551)</u>	<u>(4 704 235)</u>
6 125 249	5 148 551

MUNICIPALITY	
2010/11	2009/10
R	R
905 453	1 164 441
2 318 355	2 318 355
-	1 233 895
<u>3 223 809</u>	<u>4 716 692</u>

16. PROVISIONS

Performance bonus	16.1
TASK grades	16.2
Provision: Post-employment benefit	16.3
Total provisions	3 223 809

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date.

The provision is calculated at 14% of the current total salary package of Section 57 employees for the 2010/11 financial year, however this is subject to change once the assessments have been finalised.

GROUP	
2010/11	2009/10
R	R
1 161 371	1 420 359
2 318 355	2 318 355
-	1 233 895
<u>3 479 727</u>	<u>4 972 610</u>

The provision is based upon the estimates determined by the Job evaluation unit pertaining to the new TASK grades.

The Job Evaluation Unit has received applications from employees to get their jobs re-graded, as they presently have TASK grades based on outdated job descriptions. In a circular during October 2010, an undertaking was made to back pay to July 2010 those employees whose jobs are upgraded as a result of a re-grade process. This process has not yet been completed.

The Cape Joint Pension Fund indicated that the fund had a shortfall which was to be recovered from the employer, Amathole District Municipality. This shortfall was paid during April 2011.

The movement in current provisions are reconciled as follows: -

MUNICIPALITY	
2010/11	2009/10
R	R
1 164 441	558 177
638 330	723 129
-	-
<u>(897 318)</u>	<u>(116 865)</u>
905 453	1 164 441

16.1 Performance Bonus

Opening balance	1 420 359
Additional provision	638 330
Amounts utilised	-
Unused amounts reversed	<u>(897 318)</u>
Carrying amount at end of the year	1 161 371

GROUP	
2010/11	2009/10
R	R
1 420 359	724 865
638 330	812 359
-	-
<u>(897 318)</u>	<u>(116 865)</u>
1 161 371	1 420 359

MUNICIPALITY	
2010/11	2009/10
R	R
2 318 355	-
-	2 318 355
-	-
-	-
<u>2 318 355</u>	<u>2 318 355</u>

16.2 TASK grades

Opening balance	2 318 355
Additional provision	-
Amounts utilised	-
Unused amounts reversed	-
Carrying amount at end of the year	2 318 355

GROUP	
2010/11	2009/10
R	R
2 318 355	-
-	2 318 355
-	-
-	-
<u>2 318 355</u>	<u>2 318 355</u>

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MUNICIPALITY	
2010/11	2009/10
R	R
1 233 895	-
(1 207 882)	1 233 895
(26 013)	-
-	1 233 895

16.3 Provision for Post-employment benefit
Opening balance
Additional provision
Amounts utilised
Unused amounts reversed
Carrying amount at end of the year

GROUP	
2010/11	2009/10
R	R
1 233 895	-
(1 207 882)	1 233 895
(26 013)	-
-	1 233 895

MUNICIPALITY	
2010/11	2009/10
R	R
72 963 947	51 996 599
43 401 563	33 017 882
1 851 149	1 811 972
118 216 659	86 826 453

17. SERVICE CHARGES

Sale of water
Sewerage and sanitation charges
Fire Services

GROUP	
2010/11	2009/10
R	R
72 963 947	49 524 037
43 401 563	30 694 887
1 851 149	80 301
118 216 659	80 299 225

MUNICIPALITY	
2010/11	2009/10
R	R
-	12 276
-	12 276

18. REGIONAL SERVICE CHARGES

Levies
Total Service Charges

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

GROUP	
2010/11	2009/10
R	R
-	12 276
-	12 276

MUNICIPALITY	
2010/11	2009/10
R	R
289 468 791	225 742 587
191 571 001	175 737 202
70 639 859	80 846 487
10 262 632	-
231 048 842	232 032 164
792 991 125	714 358 440

19. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share
Levy replacement grant
Conditional Grants: Conditions met - transferred to revenue
Other government grants and subsidies
MIG grant
Total Government Grant and Subsidies

GROUP	
2010/11	2009/10
R	R
289 468 791	225 742 587
191 571 001	175 737 202
130 084 382	90 904 405
10 262 632	-
231 048 842	232 032 164
852 435 648	724 416 358

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

Previously when the conditions of the Municipal Infrastructure Grant were met, the amount was transferred to Deferred Income. The change in accounting policy from IAS20 to GRAP 9 read with GRAP 23, resulted in the amount being recognised as revenue in the Statement of Financial Performance when the conditions of the grant was met. The prior year comparatives have been restated. Refer Note 40.1

19.1 Equitable Share

This grant is used to subsidise the following functions:
WSP
WSA
Engineering Services
Disaster Management
Health & Protection Services
Fire service
Building & Services Planning
Municipal Manager
PMU

19.2 Income for Agency Services

Balance outstanding at beginning of year
Total Income
Subsidy received
Corrections
Other income
Total Expenditure
Less: Expenditure subsidy
Less: Other expenditure relating to sundry income
Conditions still to be met- transferred to creditors

MUNICIPALITY	
2010/11	2009/10
R	R
-	2 424 852
8 835 133	6 781 694
3 034 766	2 176 861
-	4 604 834
5 800 367	-
(5 815 605)	(9 206 546)
(4 425 186)	(2 176 861)
(1 390 420)	(7 029 685)
3 019 528	-

GROUP	
2010/11	2009/10
R	R
-	2 424 852
8 835 133	6 781 694
3 034 766	2 176 861
-	4 604 834
5 800 367	-
(5 815 605)	(9 206 546)
(4 425 186)	(2 176 861)
(1 390 420)	(7 029 685)
3 019 528	-

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

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MUNICIPALITY	
2010/11	2009/10
R	R
127 483 618	199 040 442
302 048 751	220 129 228
-	585 187
(301 688 701)	(292 271 239)
<u>127 843 669</u>	<u>127 483 618</u>

MUNICIPALITY	
2010/11	2009/10
R	R
-	45 862 416
231 048 843	183 115 424
(231 048 843)	(228 977 840)
<u>-</u>	<u>0</u>

MUNICIPALITY	
2010/11	2009/10
R	R
-	15 898
206 891	169 805
167 552	147 402
196 882	595 873
47 918	99 039
21 490	-
1 374	16 983
43 521 990	33 989 763
<u>44 164 098</u>	<u>35 034 763</u>

MUNICIPALITY	
2010/11	2009/10
R	R
268 692	233 425
<u>-</u>	<u>-</u>

MUNICIPALITY	
2010/11	2009/10
R	R
(318 185)	(414 228)
75 547 174	74 775 221
305 045	305 045
<u>75 852 218</u>	<u>75 080 266</u>

19.3 Conditional Grants
Balance unspent at beginning of year
Current year receipts
Interest Received
Less: Expenditure
Condition still to be met-transferred to liabilities
Refer to Annexure 1

19.4 MIG Grants
Balance unspent at beginning of year
Current year receipts
Less: Expenditure
Condition still to be met-transferred to current liabilities
Refer to Annexure 1
Note: included in total of Note 19.3

19.5 Changes in levels of government grants
Based on the allocations set out in the Division of Revenue Act, (Act No.1 of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

20. OTHER INCOME

Administration fees
Commission
Connection fees
Conservancy fees
Emergency tanked water
Legal fees received
Prepaid water sales
Sundry income
Total Other Income

Rental income
Rental income received for leased property

Repairs and maintenance leased property generating rental income

21. DEPRECIATION AND AMORTISATION EXPENSE AND GAIN/(LOSS) ON DISPOSAL OF ASSETS

Loss/(gain) on sale of infrastructure, plant and equipment
Depreciation on Infrastructure, plant and equipment
Amortisation on Intangible Assets
Total depreciation and amortisation

GROUP	
2010/11	2009/10
R	R
135 472 831	204 128 385
371 030 290	233 088 417
-	585 187
(361 983 556)	(302 329 158)
<u>144 519 565</u>	<u>135 472 831</u>

GROUP	
2010/11	2009/10
R	R
-	45 862 416
231 048 843	183 115 424
(231 048 843)	(228 977 840)
<u>-</u>	<u>0</u>

GROUP	
2010/11	2009/10
R	R
-	15 898
206 891	169 805
167 552	147 402
196 882	595 873
47 918	99 039
21 490	-
1 374	16 983
43 695 840	34 566 817
<u>44 337 948</u>	<u>35 611 817</u>

GROUP	
2010/11	2009/10
R	R
268 692	233 425
<u>-</u>	<u>-</u>

GROUP	
2010/11	2009/10
R	R
(316 137)	(425 368)
75 643 307	74 852 464
313 696	305 045
<u>75 957 002</u>	<u>75 157 509</u>

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MUNICIPALITY			GROUP	
2010/11	2009/10		2010/11	2009/10
R	R		R	R
-	-	22. GENERAL EXPENDITURE		
802 775	723 432	22.1 OTHER		
10 000 000		Accounting fees	78 847	78 847
431 406	61 013	Advertising	817 643	738 300
219 296	41 012	Amathole Economic Development Agency Contribution	-	-
257 094	177 995	Annual event	431 406	61 013
578 349	547 766	Advisory forums	219 296	41 012
326 579	286 901	Assessment rates	257 094	177 995
17 034	-	Audit committee	578 349	547 766
-	90 747	Bank charges	341 215	301 537
6 592 729	4 178 435	Books and publications	-	-
14 665 083	21 109 436	By-law consultation	-	90 747
21 950 713	876 106	Bulk purchases: Chemicals	6 592 729	4 178 435
2 804 250	7 156 490	Bulk purchases: Repairs and maintenance	14 665 083	21 109 436
232 282	61 000	Bulk purchases: Labour, travel and supervision	21 950 713	876 106
580 782	205 401	Bulk purchases: General expenses	2 804 250	7 156 490
362 898	14 535	Bursary for rare skills	232 282	61 000
184	4 918	Campaigns and promotions	580 782	205 401
787 941	32 600	Chemicals	362 898	14 535
1 416 570	1 404 889	Cleaning materials	3 001	7 736
1 300 631	736 342	Communication	787 941	32 600
142 134	123 965	Community Based Organisation	1 416 570	1 404 889
1 514 462	283 183	Conference expenses	1 322 873	758 584
221 498	621 533	Consultative forums	142 134	123 965
-	-	Consultants	1 733 351	502 072
29 472	-	Consumables	221 498	621 533
471 343	310 886	Corporate research	3 696	3 696
11 758 144	21 185 740	Dam safety	-	-
39 226	43 442	Database expenditure	471 343	310 886
16 004 603	10 924 025	Delegated management	11 758 144	21 185 740
1 008 157	897 184	Disposal of the dead	39 226	43 442
1 800 419	205 403	Electricity, water and refuse	16 018 580	10 938 002
108 905	124 692	Employee welfare	1 008 157	897 184
-	-	Emergency provisions	1 800 419	205 403
4 246	3 975	Entertainment	112 139	127 925
176 572	241 445	Establishment of LM sites	-	-
113 529	37 798	Fire services	4 246	3 975
211 609	-	Food control	176 572	241 445
179 923	82 363	Fumigation	113 529	37 798
445 810	-	Grants in aid	211 609	-
1 345 961	566 445	Hiring premises	179 923	82 363
4 475 783	4 285 999	IGR learner ship and programmes	445 810	-
720 789	-	Indigent support	1 345 961	566 445
229 373	234 663	Insurance	4 504 973	4 315 188
132 604	29 496	International programmes	720 789	-
-	9 669	Job evaluation expenditure	229 373	234 663
551 398	288 613	Nursing services	132 604	29 496
658 284	-	LGSeta internship programme expenditure	19 800	29 469
549 091	-	Licences and subscriptions	580 722	317 937
2 178 337	1 555 532	Marketing	658 284	-
-	365 909	Meeting costs	-	-
20 399	-	Membership fees	2 178 337	1 555 532
93 147	-	Miscellaneous expenditure	4 807	370 716
1 642 008	1 307 371	Oversight committee	-	-
88 420 772	70 799 203	Pit latrine clearance	-	-
3 589 057	3 514 570	Postage	1 655 930	1 321 292
29 112	34 165	Internally funded project allocations	77 104 983	62 799 203
216 675	16 400	Printing and stationery	3 589 057	3 586 849
1 386 468	292 511	Project Management	29 112	34 165
1 267 507	174 134	Property transfer costs	216 675	16 400
-	-	Protective clothing	1 386 468	292 511
499 054	588 672	Public participation	1 267 507	174 134
1 030 343	802 042	Recruitment expenditure	-	13 230
893 291	869 972	Refreshments	499 054	601 223
2 802 857	3 428 908	Rentals: VPN lines	1 030 343	802 042
1 977 864	1 583 960	Sampling and testing	893 291	869 972
34 512	360 593	Security services	2 802 857	3 449 273
6 144 088	1 210 838	Skills development levy	1 977 864	1 583 960
1 483 601	458 537	Solid waste site costs	34 512	360 593
583 920	-	Software and computer expenditure	6 144 088	1 236 999
3 294 010	2 976 814	Special programmes	1 483 601	458 537
3 306 584	2 846 918	Stipend volunteers	-	-
2 123	-	Subsistence and travel	3 393 218	3 151 632
148 500	126 000	Telephone expenditure	3 306 584	2 972 526
3 988 292	1 664 534	Tools	2 123	-
8 654 182	7 457 146	Tourism	148 500	126 000
343 204	261 772	Training and workshops	3 988 292	1 916 925
2 123 368	3 431 883	Transport	8 654 182	7 457 146
		Water research levy	343 204	261 772
		Water support	2 123 368	3 431 883

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6 175	27 313
242 379 381	184 365 229

MUNICIPALITY	
2010/11	2009/10
R	R
6 620 451	5 180 648
13 758 627	8 078 075
392 552	385 481
20 771 630	13 644 204

MUNICIPALITY	
2010/11	2009/10
R	R
(1 374 703)	2 927 710
13 404	37 082
37 468 589	35 300 351
36 107 290	38 265 144

MUNICIPALITY	
2010/11	2009/10
R	R
3 635 700	2 961 799
3 635 700	2 961 799

MUNICIPALITY	
2010/11	2009/10
R	R
-	-
302 894 001	239 236 376

MUNICIPALITY	
2010/11	2009/10
R	R
161 971 171	130 166 051
41 344 688	28 049 852
7 030 631	6 213 414
1 311 281	1 128 688
7 904 271	5 365 178
13 215 648	9 688 612
14 428 642	35 322 862
247 206 333	215 934 656

8 901 683	22 461 231
8 482 980	5 701 866
8 367 869	5 941 619
(7 949 166)	10 817 746

32 744 038	25 022 896
30 512 796	23 117 221
2 231 241	1 905 676

Whippery
Total

22.2 LEASING SERVICES

Operating lease charges
Premises
- Contractual amounts
Motor vehicles
- Contractual amounts
Office Equipment
- Contractual amounts

22.3 COST OF INVENTORIES

Housing inventories
Stores and materials
Water purchases

22.4 AUDIT FEES PAID

Fees - current year

Loss on foreign exchange

TOTAL GENERAL EXPENDITURE

23. EMPLOYEE COSTS

Employee related costs- Salaries and Wages
Employee related costs- Contribution for UIF, pensions and medical aid
Travel, motor car, accommodation, subsistence and other allowances
Housing benefits and allowances
Overtime payments
Bonus
Other benefits/allowances
Total Employee Costs

Defined Benefit Plan (Post employment medical aid and retirement gratuity) Expense

- current service cost
- interest cost
- actuarial loss recognised

Amount expended in respect of retirement benefit plans:

Defined contribution funds
Defined benefit funds

6 175	27 313
220 339 985	177 532 881

GROUP	
2010/11	2009/10
R	R
6 620 451	5 563 472
13 758 627	8 078 075
450 091	426 428
20 829 170	14 067 975

GROUP	
2010/11	2009/10
R	R
(1 374 703)	2 927 710
13 404	37 082
37 468 589	35 300 351
36 107 290	38 265 144

GROUP	
2010/11	2009/10
R	R
3 923 027	3 110 917
3 923 027	3 110 917

GROUP	
2010/11	2009/10
R	R
-	1 122
281 199 472	232 978 039

GROUP	
2010/11	2009/10
R	R
167 406 799	134 014 617
41 344 688	28 049 852
7 030 631	6 213 414
1 311 281	1 128 688
7 904 271	5 365 178
13 215 648	9 688 612
14 428 642	35 322 862
252 641 961	219 783 223

8 901 683	22 461 231
8 482 980	5 701 866
8 367 869	5 941 619
(7 949 166)	10 817 746

32 744 038	25 022 896
30 512 796	23 117 221
2 231 241	1 905 676

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MUNICIPALITY	
2010/11	2009/10
R	R
1 003 232	884 900
162 129	-
28 164	28 164
171 600	171 600
15 528	40 692
1 497	1 497
1 382 150	1 126 853

Remuneration of the Municipal Manager
Annual Remuneration
Performance Bonus
Cell Phone Allowance
Car Allowance
Back pay of remuneration
Contribution to UIF, Medical & Pension Fund
Total

GROUP	
2010/11	2009/10
R	R
1 003 232	884 900
162 129.12	0
28 164	28 164
171 600	171 600
15 528	40 692
1 497	1 497
1 382 150	1 126 853

New Municipal Manager appointed on 1 December 2008

MUNICIPALITY	
2010/11	2009/10
R	R
624 873	546 635
185 905	-
28 164	28 164
228 694	233 472
11 186	21 984
148 327	131 796
1 227 148	962 051

Remuneration of the Chief Finance Officer
Annual Remuneration
Performance Bonuses
Cell Phone Allowance
Car Allowance
Back pay of remuneration
Contributions to UIF, Medical and Pension Funds
Total

GROUP	
2010/11	2009/10
R	R
624 873	546 635
185 905	0
28 164	28 164
228 694	233 472
11 186	21 984
148 327	131 796
1 227 148	962 051

MUNICIPALITY	
2010/11	2009/10
R	R
595 753	536 009
168 756	-
-	9 097
28 164	28 164
253 270	233 472
8 268	21 984
155 716	133 801
1 209 927	962 527

Remuneration of the Director: Engineering
Annual Remuneration
Performance Bonuses
Leave encashment
Cell Phone Allowance
Car Allowance
Back pay of remuneration
Contributions to UIF, Medical and Pension Fund
Total

GROUP	
2010/11	2009/10
R	R
595 753	469 269
168 755.71	-
0	38 663
28 164	25 032
253 270	207 530
8 268	28 050
155 716	131 898
1 209 927	900 443

608 268	631 240
17 739	-
22 918	27 192
137 203	171 600
4 402	22 250
60 250	17 823
850 780	870 105

Remuneration of the Director: Strategic Management
Annual Remuneration
Leave encashment
Cell Phone Allowance
Car Allowance
Back pay of remuneration
Contributions to UIF, Medical and Pension Fund
Total

608 268	408 956
17 738.78	-
22 918	14 602
137 203	85 800
4 402	-
60 250	15 594
850 780	524 952

The position of Director: Strategic Management was filled on 1 November 2008

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MUNICIPALITY	
2010/11	2009/10
R	R
715 479	584 293
104 957	-
28 164	28 164
144 000	144 000
10 458	42 356
132 166	114 294
1 135 225	913 107

Remuneration of the Director: Corporate Services

Annual Remuneration	715 479
Performance bonus	104 957
Cell Phone Allowance	28 164
Travel Allowance	144 000
Back Pay of Remuneration	10 458
Contributions to UIF, Medical and Pension Fund	114 294
Total	1 135 225

GROUP	
2010/11	2009/10
R	R
715 479	584 293
104 957	-
28 164	28 164
144 000	144 000
10 458	42 356
132 166	114 294
1 135 225	913 107

MUNICIPALITY	
2010/11	2009/10
R	R
518 478	465 700
191 682.03	-
28 296	28 296
216 236	199 333
7 162	19 434
123 068	104 971
1 084 922	817 734

Remuneration of the Director: Health & Protection

Annual Remuneration	518 478
Performance Bonuses	191 682.03
Cell Phone Allowance	28 296
Car Allowance	216 236
Back pay of remuneration	7 162
Contributions to UIF, Medical and Pension Fund	123 068
Total	1 084 922

GROUP	
2010/11	2009/10
R	R
518 478	465 700
191 682.03	-
28 296	28 296
216 236	199 333
7 162	19 434
123 068	104 971
1 084 922	817 734

-	563 344
-	33 591
-	11 330
-	79 821
-	12 856
-	46 405
-	747 348

Remuneration of the Director: Executive support services

Annual Remuneration	0
Leave Encashment	563 344
Cell Phone Allowance	33 591
Travel Allowance	0
Back pay of remuneration	11 330
Contributions to UIF, Medical and Pension Fund	79 821
Total	747 348

0	563 344
0	33 591
0	11 330
0	79 821
0	12 856
0	46 405
-	747 348

Remuneration for the period July 2009 to November 2009 includes a settlement package in the annual remuneration

MUNICIPALITY	
2010/11	2009/10
R	R
619 082	382 253
47 561	-
46 328	-
216 011	127 750
8 399	-
20 552	998
957 932	511 002

Remuneration of the Director: Land Settlements and Housing

Annual Remuneration	619 082
Performance Bonuses	47 561
Cell Phone Allowance	46 328
Travel Allowance	216 011
Back Pay of Remuneration	8 399
Contributions to UIF, Medical and Pension Fund	20 552
Total	957 932

GROUP	
2010/11	2009/10
R	R
619 082	382 253
47 561	-
46 328	-
216 011	127 750
8 399	-
20 552	998
957 932	511 002

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MUNICIPALITY	
2010/11 R	2009/10 R
-	-
-	-
-	-
-	-
-	-
-	-
661 426	710 756
526 387	558 605
5 327 649	3 473 125
4 310 970	4 984 282
480 115	457 946
11 306 546	10 184 714

Remuneration of Agency Chief Executive Officer - Executive

Salary	117 359
Allowances	-
Leave paid	-
Bonus	176 298
Contributions to UIF, Medical and Pension Fund	117 359
Total	1 376 987

Remuneration of Agency Chief Financial officer

Salary	687 828
Allowances	290 955
Leave paid	-
Bonus	165 092
Contributions to UIF, Medical and Pension Fund	100 766
Total	1 244 641

24. REMUNERATION OF COUNCILLORS AND DIRECTORS

Executive Mayor	710 756
Speaker	558 605
Mayoral Committee Members	3 473 125
Councillors	4 984 282
Councillors pension contribution	457 946
Total	10 184 714

GROUP	
2010/11 R	2009/10 R
890 129	816 997
193 201	181 648
-	73 687
176 298	154 391
117 359	-
1 376 987	1 226 723
687 828	628 713
290 955	273 557
-	52 123
165 092	148 044
100 766	-
1 244 641	1 102 437
661 426	710 756
526 387	558 605
5 327 649	3 473 125
4 310 970	4 984 282
480 115	457 946
11 306 546	10 184 714

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In-kind Benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time positions. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor has use of three council owned vehicles for official duties, and has a full-time driver/bodyguard.

The salaries, allowances and benefits of the political office-bearers are within the upper limits of the framework as prescribed by section 219 of the Constitution

MUNICIPALITY	
2010/11	2009/10
R	R
-	-
-	-
-	-
-	-
-	-
-	-
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>11 306 546</u>	<u>10 184 714</u>

MUNICIPALITY	
2010/11	2009/10
R	R
-	-
31 937 369	25 046 670
(31 937 369)	(25 046 670)
-	-
-	-
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>50 606 393</u>	<u>39 404 794</u>
<u>(50 606 393)</u>	<u>(39 404 794)</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>

MUNICIPALITY	
2010/11	2009/10
R	R
-	126 863
79 750	313 319
-	89 897
-	-
26 731	491 080
-	-
28 000	627 082
-	-
122 807	176 006 290
-	-
<u>257 288</u>	<u>177 654 531</u>

Agency Directors Remuneration - Non-executive

S Kondlo	22 434	8 737
L Ntshinga	56 815	39 562
P Mafuya	33 277	28 526
P Majeke	31 000	18 000
NEP Loyilane	40 920	22 947
Total Directors Remuneration	184 446	117 772

Agency Audit Committee non-director members

J Buchner	14 000	6 000
P Ncede	8 000	12 123
Total Audit Committee Remuneration	22 000	18 123

Total Councillors' and Directors' Remuneration

GROUP	
2010/11	2009/10
R	R
22 434	8 737
56 815	39 562
33 277	28 526
31 000	18 000
40 920	22 947
<u>184 446</u>	<u>117 772</u>
14 000	6 000
8 000	12 123
<u>22 000</u>	<u>18 123</u>
<u>11 512 992</u>	<u>10 320 609</u>

25. PAYE AND UIF

Opening balance	122 880	122 880
Current year payroll deductions	32 983 447	26 092 748
Amount paid-current year	(32 983 447)	(26 092 748)
Amount paid-previous year	-	-
Total	122 880	122 880

26. PENSION AND MEDICAL AID DEDUCTIONS

Opening balances	-	-
Current year payroll deductions and Council Contributions	50 606 393	39 404 794
Amount paid-current year	(50 606 393)	(39 404 794)
Amount paid-previous year	-	-
Total	-	-

The pension fund contributions disclosed above includes contributions to the defined benefit and defined contribution funds. Refer note 13.

27. GRANTS AND SUBSIDIES

27.1. GRANTS AND SUBSIDIES PAID

EC121	-	126 863
EC122	79 750	313 319
EC123	-	89 897
EC124	-	-
EC125	26 731	491 080
EC126	-	-
EC127	28 000	627 082
EC128	-	-
DC12 General project implementation	122 807	176 006 290
Projects - AEDA	-	-
Total Grants and Subsidies	60 752 491	189 299 636

The grants paid to all Local Municipalities are in terms of the District Municipality's Integrated Development plan. The above grants relates to internally funded project allocations to local municipalities and grant expenditure from externally funded grants. **The amount has been restated refer Note 41.3**

GROUP	
2010/11	2009/10
R	R
122 880	122 880
32 983 447	26 092 748
(32 983 447)	(26 092 748)
-	-
<u>122 880</u>	<u>122 880</u>
-	-
50 606 393	39 404 794
(50 606 393)	(39 404 794)
-	-
<u>-</u>	<u>-</u>

GROUP	
2010/11	2009/10
R	R
-	126 863
79 750	313 319
-	89 897
-	-
26 731	491 080
-	-
28 000	627 082
-	-
122 807	176 006 290
60 495 203	11 645 105
<u>60 752 491</u>	<u>189 299 636</u>

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On 17 June 2008 Amathole District Municipality appointed a Municipal Manager contrary to a recommendation of a panel appointed by Council. The matter was contested in court by the candidate that was originally recommended by the panel. On 16 November 2008 the Grahamstown High Court ruled in favour of the applicant, thus ordering the original council decision to be reversed. Legal costs incurred of R423 710. This matter has been investigated by Council and it was resolved that the expenditure is to be written off.

During the 2009/10 financial year, rental costs of R91 835.20, R88 803.16 and R184 207.11 were incurred for the 9th, 14th and ground floors respectively at Caxton House.

Rental costs of R356 368 and R341 141 were incurred for the 9th and 14th floor respectively during the 2008/09 financial year, and R48 193 for the 9th floor during the 2007/08 financial year, while the municipality has not occupied these premises. Staff could not move into the new premises as phone and network connections were not installed. The installation process had taken longer than envisaged. Council has resolved that this matter be written off during the 2009/10 financial year.

During November 2009, a claim of R562 513.66 was submitted to the ADM for interest incurred on the Ngqushwa Ward 6, 7 & 13 Sanitation project that was originally commenced under the Department of Water Affairs and subsequently transferred to the ADM upon assuming the function of a Water Services Authority. Works were suspended due to budget constraints and non-payment of claims. It was agreed to avoid the contractor withdrawing from the site, and thereby delaying service delivery and incurring further costs, to make the payment. The ADM is to investigate the matter and recover any costs if necessary.

A payment of R34 830.68 was made to a contractor for interest incurred on the construction of the Macleantown sport field and ablution facilities. The interest was to be paid per the ruling of the Mediator.

The ADM is to investigate the matter and recover any costs if necessary.

For the Agency, the 2010 amount relates to interest and penalties incurred on the late payment of income tax by the company during the 2009 calendar year. The 2011 amounts relate to interest and penalties incurred due to disputes with SARS regarding the VAT application pertaining to revenue received. Included in the amount of R530 243 is an amount of R330 901 that has been raised as a penalty. We have raised an objection and believe that this amount may be waived. Discussions are also to be held with SARS regarding the levying of VAT on some revenue amounts and this may yield a reduction in the interest levied.

The fruitless and wasteful expenditure is expected to be condoned by the Board at a meeting following the yearend for despite extensive discussions on VAT implications SARS differed in their view resulting in the imposition of VAT on grants received and the penalties and interest arising therefrom. There is no one who can be held responsible for the differing interpretation of VAT legislation, hence the expectation of this matter being condoned.

MUNICIPALITY	
2010/11	2009/10
R	R
16 798 048	23 876 482
2 449 203	16 798 048
-	(23 876 482)
<u>19 247 251</u>	<u>16 798 048</u>

29.3 Irregular expenditure

Reconciliation of irregular expenditure
Opening balance
Irregular expenditure current year
Condoned or written off by Council

GROUP	
2010/11	2009/10
R	R
16 798 048	23 876 482
2 449 203	16 798 048
-	(23 876 482)
<u>19 247 251</u>	<u>16 798 048</u>

During the 2010/11 financial year, breaches on contracts to the value of R2 449 203 were found.

During the 2009/10 financial year, deviations on contracts to the value of R16 798 048 were found. The following are included in the R7.58 million; a) contract expenditure of R6.8million on contracts that have been extended beyond their termination dates. These contracts should not have been extended but rather been subjected to the procurement processes that are required by the municipality's supply chain policy.

- b) procurement procedures were not adhered to in respect of R378 918 incurred for an end of year staff function and R305 121 on office renovations, but were instead treated as emergency expenditure.
- c) municipal credit cards were used by the Mayor and Speaker to incur entertainment expenditure. The use of these credit cards was contrary to section 11(1) of the MFMA. This was reported in the 2006/07 audit report and the matter was immediately rectified after the issue of the 2006/07 audit report, however R36 120 had already been incurred, before the 2006/07 audit report had been issued, in the current year under review.
- d) also reported in the previous year, was expenditure of a private nature incurred by the then municipal manager and chief financial officer. An investigation was subsequently undertaken by the municipality and it was found that expenditure of R46 285 was incurred during the financial year under review. This amount has subsequently been recovered from the ex-officials.

During the 2008/09 year it was found that actual expenditure exceeded the contract amount that was awarded on certain contracts. This resulted in over-expenditure of R16 344 280.

At a Council meeting held on 31 May 2010, Council resolved that the irregular expenditure incurred during the 2008/09 and 2007/08 financial years be condoned.

MUNICIPALITY	
2010/11	2009/10
R	R
28 406 452	35 388 257
11 699 272	14 645 514
<u>40 105 725</u>	<u>50 033 771</u>

30. INTEREST EARNED - EXTERNAL INVESTMENTS

Unlisted financial assets held to maturity
Cash and cash equivalents

GROUP	
2010/11	2009/10
R	R
29 034 419	35 915 540
11 919 474	14 755 569
<u>40 953 894</u>	<u>50 671 109</u>

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-	41 463
22 838 226	13 630 960
943	1 374
<u>22 839 169</u>	<u>13 673 797</u>

MUNICIPALITY	
2010/11	2009/10
R	R
-	-
63 282 627	53 284 519
<u>63 282 627</u>	<u>53 284 519</u>

MUNICIPALITY	
2010/11	2009/10
R	R
194 142	91 580
-	-
<u>194 142</u>	<u>91 580</u>

MUNICIPALITY	
2010/11	2009/10
R	R
237 052 599	121 358 934
(318 185)	(414 228)
75 852 218	75 080 266
-	-
4 543 437	9 539 691
63 282 627	53 284 519
6 486 862	20 116 064
<u>386 899 559</u>	<u>278 965 246</u>
(3 718 592)	2 822 219
(88 508 361)	(65 940 036)
-	-
360 050	(71 556 824)
9 553 050	37 569 940
(7 031 413)	(3 585 081)
(21 628 063)	28 390 852
<u>275 926 231</u>	<u>206 666 316</u>

31. INTEREST EARNED - OUTSTANDING RECEIVABLES

Levies	-
Water and sanitation	13 630 960
Loans receivable	1 374

32. BAD DEBTS

Bad debts consists of the following:
Contribution to doubtful debts

33. FINANCE COSTS

Finance leases	91 580
SARS	-

34. CASH GENERATED FROM OPERATIONS

Surplus for the year
Adjustments for non-cash flow items:
Disposal of property, plant and equipment
Depreciation and amortisation
Taxation paid
Contributions to provisions - current
Contribution to doubtful debt provision
Contribution to defined benefit obligation
Operating surplus before working capital changes
Increase in inventories
Increase in trade and other debtors
Increase in deferred income
Increase/(Decrease) in conditional grants and receipts
Increase in trade and other payables
Provisions paid
Increase in VAT receivable
Cash generated from operations

-	41 463
22 838 226	13 630 960
943	1 374
<u>22 839 169</u>	<u>13 673 797</u>

GROUP	
2010/11	2009/10
R	R
-	-
63 282 627	53 284 519
<u>63 282 627</u>	<u>53 284 519</u>

GROUP	
2010/11	2009/10
R	R
194 142	91 580
530 408	5 606
<u>724 550</u>	<u>97 185</u>

GROUP	
2010/11	2009/10
R	R
239 775 656	123 119 167
(316 137)	(425 368)
75 957 002	75 157 509
-	(136 405)
5 608 627	9 604 916
63 282 627	53 284 519
6 486 862	20 116 064
<u>390 794 638</u>	<u>280 720 402</u>
(3 718 592)	2 822 219
(90 290 222)	(65 660 710)
-	-
9 046 735	(68 655 553)
14 809 214	37 428 322
(7 031 413)	(3 585 081)
(20 628 685)	27 509 435
<u>292 981 676</u>	<u>210 579 034</u>

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MUNICIPALITY	
2010/11	2009/10
R	R
341 913 934	616 075 871
340 075 300	461 492 366
-	75 092 627
-	-
1 838 632	1 574 252
-	77 916 627
-	-
341 913 934	616 075 871
-	-
333 512 357	109 824 476
8 401 576	-
341 913 933	109 824 476
9 201 326	5 984 974
10 066 526	4 219 998
-	-
19 267 853	10 204 971

35. COMMITMENTS

Authorised capital expenditure

- Approved and contracted for

*Infrastructure
Community
Heritage
Other- Land and buildings
Other- Plant and equipment
Investment Properties*

Total

This expenditure will be financed from:

- External Loans
- District Council Grants
- Own resources

35.1 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year
- in second to fifth year inclusive
- later than five years

Operating lease payments represent rentals payable for rental of certain office properties and office equipment. Leases are negotiated for an average term of 3 years and rentals escalate on average at 10% p.a. No contingent rent is payable.

GROUP	
2010/11	2009/10
R	R
341 913 933	616 075 871
340 075 300	461 492 366
-	75 092 627
-	-
1 838 632	1 574 252
-	77 916 627
-	-
341 913 934	616 075 871
-	-
333 512 357	109 824 476
8 401 576	-
341 913 933	109 824 476
9 712 453	6 496 101
10 255 265	4 408 737
-	-
19 967 719	10 904 837

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MUNICIPALITY	
2010/11	2009/10
R	R
73 839	73 409
155 670	103 019
167 231	66 532
<u>396 740</u>	<u>242 960</u>

Operating leases – as lessor (income)

Minimum lease payments due

-within one year
-in second to fifth year inclusive
-later than five years

Operating lease payments represent rentals receivable by the Municipality for certain of its properties situated in Stutterheim, Komga, Cathcart, Adelaide and Maclean town.
No contingent rent is payable.

Leases are negotiated for an average of 3 years and rentals escalate by an average of 12% annually.

36. CONTINGENT LIABILITIES AND ASSETS

36.1 CONTINGENT LIABILITIES

The following contingent liabilities have been disclosed and not recognised:

Michelle Fourie

Michelle Fourie

Damages claimed from the Amathole District Municipality include medical expenses, pain and suffering as the result of a collusion with livestock. The Plaintiff has indicated that it wishes to serve a replication to the ADM's plea. A draft is awaited thereof before any decision can be taken on condonation for late filing thereof. Pleadings have not yet closed as the Plaintiff still awaits pleas from the remaining Defendants.

GROUP	
2010/11	2009/10
R	R
73 839	73 409
155 670	103 019
167 231	66 532
<u>396 740</u>	<u>242 960</u>

MUNICIPALITY	
2010/11	2009/10
R	R
725 000	725 000
<u>725 000</u>	<u>725 000</u>

GROUP	
2010/11	2009/10
R	R
725 000	725 000
<u>725 000</u>	<u>725 000</u>

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MUNICIPALITY	
2010/11	2009/10
R	R
37 794	37 794
500 595	500 595
89 343	89 343
51 619	-
679 351	627 732

36.2 CONTINGENT ASSETS

The following contingent asset has been disclosed and not recognised:

Mveni, Mthuthuzeli Austin
Fernfin
Hololoshe, S
Mandila Construction

Mveni, Mthuthuzeli Austin

Claims instituted against previous employee of the Amathole District Municipality relating to financial assistance for the cost of tertiary studies in terms of an agreement and a salary advance. A request for Default judgement submitted to the Court in October 2008, and to date it has not been returned. Been handed to the attorney's collections department for further steps to be taken.

Fernfin

The Amathole District Municipality wishes to institute action against Vuma JV Lungalabantu Construction and its surety, Fernfin of Mhatha. This relates to the non-performance of the contract by Vuma JV Lungalabantu Construction, which was awarded March 2007. Summons has been drafted and sent to Counsel.

Hololoshe, S

The amount owing emanates from services rendered and work performed on a project named the Wartberg Sanitation Project / ISD and Technical. Instructions to proceed with Section 65 or the re-issue of the warrant of execution is awaited.

Mandila Construction

The applicant claimed payment of an amount of R763 800 from the Amathole District Municipality in respect of contract 8/2/63/2007-2008 entered into by both parties. The application was dismissed with costs on 31 May 2011. The ADM's bill of costs have been drafted and served on the applicant. Last date for the applicant to oppose is 22 July 2011.

GROUP	
2010/11	2009/10
R	R
37 794	37 794
500 595	500 595
89 343	89 343
51 619	-
679 351	627 732

MUNICIPALITY	
2010/11	2009/10
R	R
(503 630)	850 332
10 000 000	8 000 000
42 405 413	4 500 000
1 500 000	-

37. RELATED PARTIES

Relationships

Subsidiary / Municipal entity

Refer to Note 4.1

Related party balances

Owing by (to) Amathole Economic Development Agency (Proprietary) Limited ASPIRE

Related Party Transactions

Funding provided to Amathole Economic Development Agency for the operations of the agency

The account operates on a current account basis, i.e. the Agency's service providers are paid by the municipality on the Agency's behalf. No financial benefit accrues to the Agency or the municipality.

Funds transferred to AEDA for implementation of NDPG project

Funds transferred to AEDA for implementation of Essential Oils Project

GROUP	
2010/11	2009/10
R	R
-	-
-	-
-	-
-	-

MUNICIPALITY	
2010/11	2009/10

38. CHANGE IN ACCOUNTING POLICY

GROUP	
2010/11	2009/10

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MUNICIPALITY	
2010/11	2009/10
	1 385 975 434
	116 867 745
	<u>1 502 843 179</u>

39. PRIOR PERIOD ERRORS

During the year ended 30 June 2010 and previous years, PPE and other assets were incorrectly

The comparative amount has been restated as follows:

Property, plant and equipment
Depreciation
Revenue
Housing inventory
Net effect on surplus/(deficit) for the year

PPE
During the 2010/11 financial year, consulting
REVENUE
The prior year revenue figures were understated
HOUSING INVENTORY
Raw materials for the 2008/09 financial year
Net effect on Statement of Financial Position

Net effect in total reserves and accumulated surplus opening balance

GROUP	
2010/11	2009/10
	1 385 975 434
	116 867 745
	1 251 237
	2 091 089
	<u>1 506 185 505</u>
	<u>1 506 185 505</u>
	<u>1 506 185 505</u>

40. CHANGE IN ACCOUNTING ESTIMATE

The municipality has divided its assets into significant components, so as to apply a components approach for depreciation. Condition assessments were carried out on these components and based on these assessments, the useful lives of the assets were changed. Accordingly management adopted the view that this change in useful lives provided reliable and more relevant information as it dealt more accurately with the components of property, plant and equipment. The change in estimate has been applied prospectively with effect 2010/11 financial year due to new information gathered from the condition assessments carried out.

It is considered impracticable to disclose the amount of the effect of the change in useful lives as the accounting system was set-up to calculate the value of the depreciation taking into account the remaining useful life as if the asset always had the amended useful life. Accordingly the total depreciation/amortisation expense of R75 157 509 includes depreciation on the current useful lives and the change in useful lives of the assets.

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41. FINANCIAL INSTRUMENTS

Categories of financial instruments

2011 Financial Year - MUNICIPALITY

	Loans and receivables	Financial liabilities at amortised cost	Held to Maturity Investments	Investments at cost	Total
	R	R	R	R	R
Non Current Assets					
Investment in Subsidiary				1 000	1 000
Long term receivables	661 900				661 900
Current Assets					
Consumer debtors	81 855 629				81 855 629
Other receivables	1 456 128				1 456 128
VAT	42 451 973				42 451 973
Investments			466 189 906		466 189 906
Cash and cash equivalents	291 685 401				291 685 401
Short term portion of long term debt	6 625				6 625
Non Current Liabilities					
Finance lease liability		537 614			537 614
Operating lease liability		281 579			281 579
					-
Current liabilities					
Trade and other payables		116 666 585			116 666 585
Provisions		3 223 809			3 223 809
Short term portion of finance lease liability		503 553			503 553
Consumer deposits		1 599 907			1 599 907
Unspent conditional grants		127 843 669			127 843 669

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2010 Financial Year - MUNICIPALITY

	Loans and receivables	Financial liabilities at amortised cost	Held to Maturity Investments	Investments at cost	Total
	R	R	R	R	R
Non Current Assets					
Investment in Subsidiary				1 000	1 000
Long term receivables	546 599				546 599
Current Assets					
Consumer debtors	51 000 903				51 000 903
Other receivables	7 085 120				7 085 120
VAT	20 823 910				20 823 910
Investments			469 466 675		469 466 675
Cash and cash equivalents	279 773 173				279 773 173
Short term portion of long term debt	6 568				6 568
Non Current Liabilities					
Finance lease liability		265 392			265 392
Operating lease liability		213 796			213 796
Current liabilities					
Trade and other payables		103 752 992			103 752 992
Provisions		4 716 692			4 716 692
Short term portion of finance lease liability		350 479			350 479
Consumer deposits		1 398 833			1 398 833
Unspent conditional grants		127 483 618			127 483 618

2011 Financial Year - GROUP

	Loans and receivables	Financial liabilities at amortised cost	Held to Maturity Investments	Investments at cost	Designated as at fair value through profit or loss	Total
	R	R	R	R	R	R
Non Current Assets						
Investment in Subsidiary				-		-
Long term receivables	661 900					661 900
Current Assets						
Consumer debtors	81 855 629					81 855 629
Other receivables	1 668 131					1 668 131
VAT	42 451 973					42 451 973
Investments			466 189 906			466 189 906
Cash and cash equivalents	302 401 199				12 477 373	314 878 572
Short term portion of long term debt	6 625					6 625
Non Current Liabilities						
Finance lease liability		537 614				537 614
Operating lease liability		314 916				314 916
Current liabilities						
Trade and other payables		116 917 528				116 917 528
Provisions		3 479 727				3 479 727
Short term portion of finance lease liability		503 553				503 553
Consumer deposits		1 599 907				1 599 907
Unspent conditional grants		144 519 565				144 519 565

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2009 Financial Year - GROUP

	Loans and receivables	Financial liabilities at amortised cost	Held to Maturity Investments	Investments at cost	Designated as at fair value through profit or loss	Total
	R	R	R	R	R	R
Non Current Assets						
Long term receivables	546 599					546 599
Investment in Subsidiary				-		-
Current Assets						
Consumer debtors	51 000 903					51 000 903
Other receivables	6 292 158					6 292 158
VAT	21 823 288					21 823 288
Investments			469 466 675			469 466 675
Cash and cash equivalents	283 642 283				8 608 263	292 250 546
Short term portion of long term debt	6 568					6 568
Non Current Liabilities						
Finance lease liability		265 392				265 392
Operating lease liability		226 023				226 023
Current liabilities						
Trade and other payables		104 522 932				104 522 932
Provisions		4 972 610				4 972 610
Short term portion		350 479				350 479
Consumer deposits		1 398 833				1 398 833
Unspent conditional grants		135 472 830				135 472 830

43. RISK MANAGEMENT

43.1. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has adopted a policy of only dealing with creditworthy parties. The municipality only transacts with entities that have an appropriate credit rating. This information is supplied by independent rating agencies where available, if not available, the entity uses other publicly available financial information and its own trading records to rate its major customers. The municipality's exposure and the credit ratings of its customers are continuously monitored.

Financial assets, that potentially subject the municipality to credit risk, consist principally of cash and cash equivalents, short-term deposits, loans and receivables, investments and trade and other receivables.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Credit exposure is controlled by the application of the municipality's credit control and debt collection policies. Adequate provision has been made for anticipated doubtful debts.

To manage credit risk in borrowing and investing, the municipality's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions and by spreading its exposure over a range of such institutions in accordance with its investment policies.

Management manages the credit risk relating to employee loans (car loans) by deducting the payments due by the employees monthly from their salaries and by maintaining a register of amounts due and owing by each employee.

Maximum exposure to credit risk

The carrying amount of financial assets, represent the entity's maximum exposure to credit risk in relation to these assets. The municipality's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

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

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking into account the value of any collateral obtained:

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MUNICIPALITY	
2010/11	2009/10
R	R
145 358 376	223 204 080
145 810 057	56 560 144
-	-
466 189 906	469 466 675
81 855 629	51 000 903
1 456 128	7 085 120
661 900	546 599
841 331 993	807 863 522

130 000	130 000
130 000	130 000

ABSA Bank Limited
Standard Bank Limited
ABSA Bank Limited
Investments
Consumer debtors
Other receivables
Long term debtors

The municipality is exposed to the following guarantees:

Guarantees in lieu of Eskom and the Post office

GROUP	
2010/11	2009/10
R	R
154 784 982	224 325 484
165 810 057	56 560 144
11 355 299	11 355 299
466 189 906	469 466 675
81 855 629	51 000 903
1 668 131	6 292 158
661 900	546 599
882 325 903	819 547 262

130 000	130 000
130 000	130 000

Credit quality

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

	2011	2010	
A	7%	5%	Government Accounts
B	5%	8%	Businesses
C	88%	87%	Domestic and other

Analysis of table:

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

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

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

Age analysis of financial assets that are past due but not impaired:

	1 - 30 days past due	31 - 60 days past due	61 - 90 days past due	91 - 120 days past due	120 plus days past due	Total
	R	R	R	R	R	R
2011	24 467 121	7 119 725	3 530 146	1 624 305	34 044 036	70 785 333
Trade receivables						
2010	15 596 261	8 400 266	2 399 742	1 285 919	23 101 812	50 783 999
Trade receivables						

Impaired financial assets

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

43.2 Market risk management

The municipality's activities expose it primarily to the risks of fluctuations in interest rate.

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Market risk exposures are measured using sensitivity analysis. A sensitivity analysis shows how surplus and/or net assets would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

43.2.1 Interest rate risk management

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

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

Investments at fixed interest rates.

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

Loans granted linked to a fixed rate of interest.

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

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

Finance leases linked to South African prime rate.

Management manages interest rate risk by negotiating beneficial rates on floating rate loans.

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Interest rate sensitivity analysis

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

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

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

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

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

Foreign exchange risk

The group has no material exposure to foreign exchange risk.

44.3 Liquidity risk management

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they fall due. The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts and budgets are prepared and adequate utilised borrowing facilities are monitored.

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows of financial liabilities.

2011 - MUNICIPALITY	1-3 months	4-6 months	7-9 months	10-12 months	Later than 12 months	Total
	R	R	R	R	R	R
Trade and other payables	52 001 276	0	48 167 892	13 058 501	0	113 227 669
Other	2 318 355	0	0	905 453	6 497 136	9 720 944

2010 - MUNICIPALITY	1-3 months	4-6 months	7-9 months	10-12 months	Later than 12 months	Total
	R	R	R	R	R	R
Trade and other payables	62 278 146	0	30 495 118	8 365 428	0	101 138 692
Other	0	0	0	1 164 441	7 724 151	8 888 592

2011 - GROUP	1-3 months	4-6 months	7-9 months	10-12 months	Later than 12 months	Total
	R	R	R	R	R	R
Trade and other payables	52 001 276	0	48 691 100	13 289 866	0	113 982 242
Other	2 318 355	0	0	1 161 371	6 497 134	9 976 861

2010 - GROUP	1-3 months	4-6 months	7-9 months	10-12 months	Later than 12 months	Total
	R	R	R	R	R	R
Trade and other payables	62 278 146	0	31 086 646	8 543 838	0	101 908 630
Other	0	0	0	1 420 359	7 521 738	8 942 097

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44. SUPPLY CHAIN MANAGEMENT POLICY

The Municipal Manager has the power to authorise deviations from the normal Procurement Process. The deviations for the 2010/11 financial year are detailed in **Annexure 2** to the annual financial statements.

45. NON-COMPLIANCE WITH THE MUNICIPAL FINANCE MANAGEMENT ACT

45.1 NON-COMPLIANCE WITH SECTION 71(1) AND 54(1)(a) OF THE MUNICIPAL FINANCE MANAGEMENT ACT

The monthly budget statements were not submitted within 10 working days after month end to the Mayor. The monthly statements were submitted to the Provincial Treasury, but not in compliance with the submission date.

46. EVENTS AFTER THE REPORTING DATE AS AT 30 JUNE 2011

No events subsequent events have been identified subsequent to reporting date

47. COMPARISON WITH THE BUDGET

GRAP 1 paragraph 11 requires the group to provide information as whether its resources were obtained and used in accordance with the adopted budget.
The municipal budget was approved by Council in May 2009.

APPENDIX A

**THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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SCHEDULE OF EXTERNAL LOANS
AS AT 30 JUNE 2011**

EXTERNAL LOANS	Loan Number	Interest Rate	Final Redemption Date	Balance at 01/07/2009	Corrections	Balance at 01/07/2009 Restated	Received during the period	Redeemed written off during the period	Balance at 30/06/2010
				R	R	R	R	R	R
LONG-TERM LOANS									
DBSA Loan - Nkonkobe	8237	11%	2014/09/30	-	-	-	-	-	-
DBSA Loan - Great Kei	10876	15%	2019/06/30	-	-	-	-	-	-
DBSA Loan - Nxuba	11416	17%	2009/06/30	-	-	-	-	-	-
Loan - Amahlathi	100001	4%	2009/06/30	-	-	-	-	-	-
Loan - Amahlathi	100001	4%	2009/06/30	-	-	-	-	-	-
Loan - Amahlathi	100001	4%	2009/06/30	-	-	-	-	-	-
Loan - Amahlathi	100001	4%	2009/06/30	-	-	-	-	-	-
Total long-term loans				-	-	-	-	-	-
CURRENT PORTION									
DBSA Loan - Amahlathi [In arrears]	11641	11%	2007/06/30	-	-	-	-	-	-
DBSA Loan - Nxuba	11240	16%	2010/12/31	-	-	-	-	-	-
Total short term loans				-	-	-	-	-	-
TOTAL EXTERNAL LOANS				-	-	-	-	-	-

These loans were settled during the 2008/09 financial year.

APPENDIX B
THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
AS AT 30 JUNE 2011

Classification	Cost/Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Transfer In / (Out)	New Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Transfer In / (Out)	New Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	
INFRASTRUCTURE	1 114 458 162	638 183 356	1 752 641 517	198 540 514	555 476 103	1 395 705 927	224 422 347	252 851 146	477 273 493	36 785 775	193 857 735	320 201 533	1 075 504 395
Water													
Reservoirs & Tanks	210 738 386	42 064 933	252 803 319	6 471 093	92 698 174	166 576 238	95 611 155	(39 405 706)	56 205 449	887 877	32 819 339	24 273 987	142 302 251
Supply / Reticulation	102 372 792	331 749 081	434 121 873	57 717 813	171 234 456	320 605 230	59 795 809	239 815 394	299 611 203	34 528 101	95 125 079	239 014 225	81 591 005
Water - Other	4 278 337	186 932 169	191 210 506	6 631 371	367 152	197 474 725	2 747 093	38 267 679	41 014 772	1 026 278	195 336	41 845 714	155 629 011
Water Mains	504 533	82 181 805	82 686 338	1 179 730	504 533	83 361 535	504 533	14 174 446	14 678 979	24 578	504 533	14 199 024	69 162 511
Meters	18 994 569	(11 990)	18 982 579	24 540	18 781 264	225 855	11 724 998	(666)	11 724 332	13 991	11 693 072	45 251	180 604
Sanitation													
Purification works	62 086 057	(4 732 643)	57 353 414		55 750 473	1 602 941	15 955 493	(0)	15 955 493	218 651	15 437 111	737 033	865 908
Sewers	139 973 135	-	139 973 135	4 142 370	139 973 134	4 142 370	38 083 266	(1)	38 083 265	86 299	38 083 265	86 299	4 056 071
Work in Progress													
Infrastructure under Construction	575 510 353	-	575 510 353	122 373 597	76 166 917	621 717 032	-	-	-	-	-	-	621 717 032
	-	-	-	-	-	-	-	-	-	-	-	-	-
COMMUNITY	5 834 649	1 919 259	7 753 908	1 336 046	358 293	8 731 661	1 106 094	(34 145)	1 071 950	289 933	100 636	1 261 247	7 470 413
Clinics & Hospitals	1 983 692	-	1 983 692	1 336 046	288 001	3 031 737	539 564	(67 980)	471 584	93 661	100 636	464 609	2 567 128
Fire Stations	3 393	480 000	483 393	-	-	483 393	1 048	64 000	65 048	55 597	-	120 645	362 747
Museum & Art Galleries	3 792 852	1 446 377	5 239 228	-	70 292	5 168 936	534 629	(25 617)	509 012	132 009	-	641 021	4 527 915
Security System	54 712	(7 118)	47 594	-	-	47 594	30 853	(4 547)	26 306	8 666	-	34 972	12 622
INVESTMENT PROPERTIES	27 116 666	-	628 170	3 232 131	3 687 832	172 469	153 277	-	70 400	428 825	-	499 225	(326 756)
Administration	27 116 666	-	628 170	3 232 131	3 687 832	172 469	153 277	-	70 400	428 825	-	499 225	(326 756)
OTHER	98 482 143	8 441 659	102 194 087	9 347 344	21 182 972	90 358 460	38 582 696	(688 224)	37 894 474	8 764 674	378 983	46 280 163	44 078 296
LAND AND BUILDINGS	31 584 008	5 928 437	32 782 730	5 566 226	20 712 691	17 636 266	4 603 693	(2 233 832)	2 369 863	(634 419)	49 600	1 685 844	15 950 422
Administration	23 523 393	9 259 337	32 782 730	5 566 226	20 712 691	17 636 266	3 308 599	(938 736)	2 369 863	(634 419)	49 600	1 685 844	15 950 422
Housing Schemes	1 139 915	(1 139 915)	-	-	-	-	49 544	(49 544)	-	-	-	-	-
Workshops & Depots	4 729 715	-	-	-	-	-	1 219 885	(1 219 885)	-	-	-	-	-
Land	2 190 985	(2 190 985)	-	-	-	-	25 666.70	(25 667)	-	-	-	-	-
Office Equipment	16 299 982	3 127 042	19 427 024	2 073 703	456 095	21 044 632	11 333 919	1 445 566	12 779 486	3 138 707	321 051	15 597 141	5 447 491
Air Conditioners	108 223	-	108 223	13 743	-	121 966	56 784	-	56 784	12 674	-	69 457	52 509
Computer Hardware	13 216 583	(504 592)	12 711 991	1 394 176	456 095	13 650 072	8 422 511	100 292	8 522 803	2 100 554	321 051	10 302 305	3 347 767
Operating Software	306 217	2 595 960	2 902 177	-	-	2 902 177	619 954	1 001 854	1 621 808	419 956	-	2 041 763	860 414
Office Machines	2 668 959	1 035 674	3 704 633	665 784	-	4 370 417	2 234 672	343 420	2 578 092	605 524	-	3 183 615	1 186 802
Furniture and Fittings	4 603 326	(1 045 756)	3 557 571	413 101	-	3 970 671	2 681 615	(324 125)	2 357 489	594 399	-	2 951 889	1 018 783
Cabinets & Cupboards	1 377 047	(31 566)	1 345 481	111 576	-	1 457 057	1 014 491	(20 812)	993 679	191 959	-	1 185 638	271 419
Chairs	389 373	43 175	432 548	143 247	-	575 795	299 038	19 861	318 900	113 752	-	432 652	143 143
Furniture and Fittings : Other	1 577 880	(1 057 365)	520 516	17 318	-	537 833	631 146	(323 175)	307 970	79 216	-	387 186	150 647
Tables & Desks	1 259 026	-	1 259 026	140 960	-	1 399 985	736 940	1	736 941	209 472	-	946 413	453 573
Plant and Equipment	10 425 698	7 711	10 433 409	135 722	14 186	10 554 945	4 931 322	(57)	4 931 265	1 086 785	8 331	6 009 717	4 545 227
Ambulance Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Compressors	5 070	(5 070)	-	-	-	-	4 563	(4 563)	-	-	-	-	-
Medical Equipment	21 933	175 145	197 078	-	-	197 078	17 024	37 611	54 635	13 138	-	67 773	129 305
Fire Equipment	197 078	(197 078)	-	-	-	-	54 635	(54 635)	-	-	-	-	-
Fire Arms	1 775	-	1 775	-	-	1 775	1 775	-	1 775	-	-	1 775	-
Laboratory Equipment	88 573	-	88 573	5 385	-	93 958	36 853	-	36 853	17 348	-	54 200	39 757
Lawnmowers	226 850	-	226 850	7 695	14 186	220 359	149 365	(0)	149 365	49 363	8 331	190 397	29 962
Plant & Equipment : General	670 634	34 714	705 348	122 642	-	827 990	451 590	21 528	473 119	87 850	-	560 969	267 022
Tractors	9 189 430	-	9 189 430	-	-	9 189 430	4 191 162	0	4 191 163	919 086	-	5 110 248	4 079 181
Radio Equipment	24 355	-	24 355	-	-	24 355	24 355	-	24 355	-	-	24 355	-
Telecommunication Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	35 569 128	424 225	35 993 353	1 158 592	-	37 151 945	15 032 147	424 224	15 456 371	4 579 202	-	20 035 573	17 116 373
Motor Vehicles	2 558 981	424 224	2 983 205	-	-	2 983 205	1 534 834	424 224	1 959 058	296 892	-	2 255 950	727 256
Fire Engines	5 153 185	-	5 153 185	-	-	5 153 185	1 243 897	0	1 243 897	217 165	-	1 461 062	3 692 123
Trucks & Bakkies	27 856 962	1	27 856 963	1 158 592	-	29 015 555	12 253 416	(0)	12 253 416	4 065 145	-	16 318 561	12 696 994
TOTAL	1 245 891 617	648 544 272	1 863 217 680	212 456 035	580 705 198	1 494 968 515	264 264 418	252 128 777	516 310 316	46 269 207	194 337 354	368 242 168	1 126 726 347

APPENDIX B
THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT: GROUP
AS AT 30 JUNE 2011

Classification	Cost/Revaluation						Accumulated Depreciation						Carrying Value
	Opening Balance	Transfer In / (Out)	New Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Transfer In / (Out)	New Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	
INFRASTRUCTURE	1 114 458 162	638 183 356	1 747 952 917	198 540 514	555 476 103	1 391 017 327	224 422 347	252 851 146	477 273 493	36 785 775	193 857 735	320 201 533	1 070 815 795
Water													
Reservoirs & Tanks	210 738 386	42 064 933	252 803 319	6 471 093	92 698 174	166 576 238	95 611 155	(39 405 706)	56 205 449	887 877	32 819 339	24 273 987	142 302 251
Supply / Reticulation	102 372 792	331 749 081	429 433 272	57 717 813	171 234 456	315 916 629	59 795 809	239 815 394	299 611 203	34 528 101	95 125 079	239 014 225	76 902 404
Water - Other	4 278 337	186 932 169	191 210 506	6 631 371	367 152	197 474 725	2 747 093	38 267 679	41 014 772	1 026 278	195 336	41 845 714	155 629 011
Water Mains	504 533	82 181 805	82 686 338	1 179 730	504 533	83 361 535	504 533	14 174 446	14 678 979	24 578	504 533	14 199 024	69 162 511
Meters	18 994 569	(11 990)	18 982 579	24 540	18 781 264	225 855	11 724 998	(666)	11 724 332	13 991	11 693 072	45 251	180 604
Sanitation													
Purification works	62 086 057	(4 732 643)	57 353 414	-	55 750 473	1 602 941	15 955 493	(0)	15 955 493	218 651	15 437 111	737 033	865 908
Sewers	139 973 135	(0)	139 973 134	4 142 370	139 973 134	4 142 370	38 083 266	(1)	38 083 265	86 299	38 083 265	86 299	4 056 070
Work in Progress													
Infrastructure under Construction	575 510 353	-	575 510 353	122 373 597	76 166 917	621 717 032	-	-	-	-	-	-	621 717 032
	-	-	-	-	-	-	-	-	-	-	-	-	-
COMMUNITY	5 834 649	1 919 259	7 753 908	1 336 046	358 293	8 731 661	1 106 094	(34 145)	1 071 950	289 933	100 636	1 261 247	7 470 413
Clinics & Hospitals	1 983 692	-	1 983 692	1 336 046	288 001	3 031 737	539 564	(67 980)	471 584	93 661	100 636	464 609	2 567 128
Fire Stations	3 393	480 000	483 393	-	-	483 393	1 048	64 000	65 048	55 597	-	120 645	362 747
Museum & Art Galleries	3 792 852	1 446 377	5 239 228	-	70 292	5 168 936	534 629	(25 617)	509 012	132 009	-	641 021	4 527 915
Security System	54 712	(7 118)	47 594	-	-	47 594	30 853	(4 547)	26 306	8 666	-	-	12 622
INVESTMENT PROPERTIES	27 116 666	-	628 170	3 232 131	3 687 832	172 469	153 277	-	70 400	428 825	-	499 225	(326 756)
Administration	27 116 666	-	628 170	3 232 131	3 687 832	172 469	153 277	-	70 400	428 825	-	499 225	(326 756)
OTHER	98 950 564	8 441 657	102 662 506	9 390 953	21 192 472	90 860 988	38 839 642	(688 223)	38 151 419	8 841 916	386 201	46 607 135	44 253 852
LAND AND BUILDINGS	31 584 008	5 928 437	32 782 730	5 566 226	20 712 691	17 636 266	4 603 693	(2 233 832)	2 369 863	(634 419)	49 600	1 685 844	15 950 422
Administration	23 523 393	9 259 337	32 782 730	5 566 226	20 712 691	17 636 266	3 308 599	(938 736)	2 369 863	(634 419)	49 600	1 685 844	15 950 422
Housing Schemes	1 139 915	(1 139 915)	-	-	-	-	49 544	(49 544)	-	-	-	-	-
Workshops & Depots	4 729 715	-	-	-	-	-	1 219 885	(1 219 885)	-	-	-	-	-
Land	2 190 985	(2 190 985)	-	-	-	-	25 666.70	(25 667)	-	-	-	-	-
Office Equipment	16 545 610	3 127 042	19 672 652	2 116 328	465 595	21 323 384	11 506 714	1 445 568	12 952 283	3 184 840	328 269	15 808 853	5 514 531
Air Conditioners	108 223	-	108 223	13 743	-	121 966	56 784	-	56 784	12 674	-	69 457	52 509
Computer Hardware	13 434 463	(504 592)	12 929 871	1 436 800	465 595	13 901 076	8 577 587	100 293	8 677 880	2 141 137	328 269	10 490 747	3 410 329
Operating Software	306 217	2 595 960	2 902 177	-	-	2 902 177	619 954	1 001 854	1 621 808	419 956	-	2 041 763	860 414
Office Machines	2 696 707	1 035 674	3 732 381	665 784	-	4 398 165	2 252 391	343 421	2 595 812	611 074	-	3 206 885	1 191 280
Furniture and Fittings	4 826 119	(1 045 757)	3 780 362	414 085	-	4 194 447	2 765 765	(324 125)	2 441 639	625 509	-	3 067 149	1 127 299
Cabinets & Cupboards	1 377 047	(31 566)	1 345 481	111 576	-	1 457 057	1 014 491	(20 812)	993 679	191 959	-	1 185 638	271 419
Chairs	389 373	43 175	432 548	143 247	-	575 795	299 038	19 861	318 900	113 752	-	432 652	143 143
Furniture and Fittings : Other	1 800 673	(1 057 366)	743 308	18 302	-	761 609	715 296	(323 175)	392 120	110 326	-	502 446	259 163
Tables & Desks	1 259 026	-	1 259 026	140 960	-	1 399 985	736 940	1	736 941	209 472	-	946 413	453 573
Plant and Equipment	10 425 697	7 710	10 433 408	135 722	14 186	10 554 944	4 931 323	(58)	4 931 264	1 086 784	8 331	6 009 717	4 545 227
Ambulance Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Compressors	5 070	(5 070)	-	-	-	-	4 563	(4 563)	-	-	-	-	-
Medical Equipment	21 933	175 145	197 078	-	-	197 078	17 024	37 611	54 635	13 138	-	67 773	129 305
Fire Equipment	197 078	(197 078)	-	-	-	-	54 635	(54 635)	-	-	-	-	-
Fire Arms	1 775	-	1 775	-	-	1 775	1 775	-	1 775	-	-	1 775	-
Laboratory Equipment	88 573	-	88 573	5 385	-	93 958	36 853	-	36 853	17 348	-	54 200	39 757
Lawnmowers	226 850	-	226 850	7 695	14 186	220 359	149 365	(0)	149 365	49 363	8 331	190 397	29 962
Plant & Equipment : General	670 634	34 714	705 348	122 642	-	827 990	451 590	21 528	473 119	87 850	-	560 969	267 022
Tractors	9 189 430	-	9 189 430	-	-	9 189 430	4 191 162	0	4 191 163	919 086	-	5 110 248	4 079 181
Radio Equipment	24 355	-	24 355	-	-	24 355	24 355	-	24 355	-	-	24 355	-
Telecommunication Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	35 569 129	424 225	35 993 354	1 158 592	-	37 151 946	15 032 147	424 224	15 456 370	4 579 202	-	20 035 573	17 116 373
Motor Vehicles	2 558 981	424 224	2 983 205	-	-	2 983 205	1 534 834	424 224	1 959 058	296 892	-	2 255 950	727 256
Fire Engines	5 153 185	-	5 153 185	-	-	5 153 185	1 243 897	0	1 243 897	217 165	-	1 461 062	3 692 123
Trucks & Bakkies	27 856 962	1	27 856 963	1 158 592	-	29 015 555	12 253 416	(0)	12 253 416	4 065 145	-	16 318 561	12 696 994
TOTAL	1 246 360 040	648 544 272	1 858 997 501	212 499 644	580 714 700	1 490 782 444	264 521 360	252 128 778	516 567 262	46 346 450	194 344 571	368 569 140	1 122 213 304

APPENDIX C
THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT PER DEPARTMENT
AS AT 30 JUNE 2011

Department	Cost/Revaluation					Accumulated Depreciation					
	Opening Balances	Transfer In / Out	Additions	Disposals	Closing Balance	Opening Balances	Transfer In / Out	Additions	Disposals	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R
RATES AND GENERAL	1 858 529 079	-	212 448 342	560 178 891	1 510 798 528	335 252 802	-	13 835 462	181 528 807	167 559 457	1 343 239 071
Council General	475 591	-	0	-	475 591	118 959	-	83 352	-	202 310	273 281
Mayor's Committee	2 151 248	-	43 908	-	2 195 156	1 531 886	-	135 664	-	1 667 551	527 605
Executive Support Services	1 273 030	-	18 517	-	1 291 547	790 873	-	167 458	-	958 331	333 216
Speakers Support	172 745	-	0	-	172 745	7 528	-	31 912	-	39 440	133 305
Municipal Manager	704 285	-	124 773	-	829 057	599 855	-	66 659	-	666 514	162 544
Internal Audit	399 447	-	47 910	-	447 357	317 347	-	46 677	-	364 024	83 332
Local Economic Development	9 632 676	-	21 088	-	9 653 764	4 492 360	-	982 662	-	5 475 021	4 178 743
Municipal Support Unit	469 171	-	37 213	-	506 385	313 757	-	65 119	-	378 875	127 510
Strategic Management unit	218 231	-	1 990	-	220 221	191 916	-	11 811	-	203 727	16 494
Information Com Technology	7 604 488	-	976 663	-	8 581 152	4 027 364	-	1 416 657	-	5 444 021	3 137 131
Administration	5 491 317	-	4 277 939	620 909	9 148 347	2 897 421	-	961 795	49 600	3 809 616	5 338 731
Land and Housing	28 119 299	-	3 035 754	3 458 640	27 696 414	1 733 466	-	(114 486)	-	1 618 980	26 077 433
Buildings	5 652 578	-	3 211 285	288 001	8 575 862	1 206 980	-	(450 504)	100 636	655 440	7 920 022
Calgary Museum	3 902 294	-	0	-	3 902 294	856 378	-	166 094	-	1 022 473	2 879 821
Council Support & Auxiliary	-	-	0	-	-	-	-	-	-	-	-
Budget & Treasury Office	5 285 161	-	232 888	241 482	5 276 567	3 623 852	-	890 334	241 482	4 272 705	1 003 861
Budget Reform	31 070	-	-	-	31 070	7 503	-	4 846	-	12 349	18 721
Human Resources	1 157 713	-	126 431	-	1 284 144	745 182	-	223 461	-	968 644	315 500
Engineering Services	-	-	-	-	-	-	-	-	-	-	-
Building and Services Planning	1 139 495	-	10 079	-	1 149 574	845 367	-	103 127	-	948 494	201 079
Management of WSP	-	-	-	-	-	-	-	-	-	-	-
Mbhashe EC 121	95 677 857	-	-	47 116 963	48 560 894	22 196 059	-	-	12 001 735	10 194 325	38 366 569
Mnquma EC 122	94 527 115	-	-	18 304 425	76 222 691	18 167 880	-	839	4 707 386	13 461 333	62 761 357
Great Kei EC 123	96 376 578	-	4 910	31 397 827	64 983 662	18 316 971	-	409	5 866 608	12 450 772	52 532 889
Amahlathi EC 124	125 515 196	-	-	18 883 564	106 631 632	20 799 446	-	3 893	3 742 600	17 060 740	89 570 893
Ngqushwa EC 126	107 705 108	-	-	11 943 437	95 761 671	19 016 218	-	2 517	6 366 078	12 652 658	83 109 013
Nkonkobe EC 127	108 140 624	-	-	18 766 001	89 374 623	18 537 630	-	-	4 221 243	14 316 387	75 058 236
Nxuba EC 128	62 770 166	-	-	33 616 524	29 153 642	25 250 713	-	-	18 987 934	6 262 779	22 890 864
Water Service Authority	302 824	-	29 717	-	332 542	186 542	-	44 333	-	230 875	101 667
Shared Resources Water & Sanitation	69 031 758	-	76 368 070	3 526 506	141 873 323	14 835 959	-	5 550 504	207 592	20 178 871	121 694 452
Mbhashe Sewerage	-	-	-	-	-	-	-	-	-	-	-
Mnquma Sewerage	18 138 453	-	20 000	18 138 453	20 000	6 479 104	-	1 200	6 479 104	1 200	18 800
Amahlathi Sewerage	39 173 483	-	-	39 173 483	(0)	8 864 548	-	-	8 864 548	-	(0)
Nkonkobe Sewerage	20 439 689	-	-	20 439 689	-	8 828 945	-	-	8 828 945	-	-
Nxuba Sewerage	44 096 687	-	-	42 513 310	1 583 378	13 609 697	-	216 477	13 108 705	717 469	865 908
Borehole Schemes	307 862 503	-	-	169 001 330	138 861 173	108 947 224	-	1 850 072	85 383 657	25 413 638	113 447 535
Toleni WTW ex DWAF	6 501 860	-	-	6 501 860	-	2 291 384	-	-	2 291 384	-	-
Borehole Schemes ex DWAF	48 000	-	-	-	48 000	31 200	-	9 600	-	40 800	7 200
Project Management Unit	576 604 503	-	122 525 287	76 166 917	622 962 873	622 177	-	183 759	-	805 935	622 156 938
Health and Protection Services	498 328	-	24 615	-	522 943	411 727	-	39 749	-	451 476	71 467
Disaster Management	1 493 105	-	255 353	-	1 748 458	746 070	-	207 653	-	953 723	794 735
Municipal Health	2 248 038	-	302 336	79 570	2 470 805	1 168 816	-	270 556	79 570	1 359 802	1 111 002
Fire Services	6 778 148	-	-	-	6 778 148	1 605 351	-	480 664	-	2 086 016	4 692 133
MHS in Amahlathi	295 000	-	188 452	-	483 451	11 609	-	65 425	-	77 034	406 418
MHS in Nkonkobe EC 127	269 763	-	188 452	-	458 215	2 222	-	62 153	-	64 375	393 840
MHS in Nxuba EC 128	154 452	-	374 712	-	529 164	17 316	-	53 021	-	70 337	458 827
SUBSIDISED SERVICES	-	-	-	-	-	-	-	-	-	-	-
ECONOMIC SERVICES	-	-	-	-	-	-	-	-	-	-	-
HOUSING SERVICES	-	-	-	-	-	-	-	-	-	-	-
TRADING SERVICES	-	-	-	-	-	-	-	-	-	-	-
TOTAL	1 858 529 079	-	212 448 342	560 178 891	1 510 798 528	335 252 802	-	13 835 462	181 528 807	167 559 457	1 343 239 071

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT PER DEPARTMENT: GROUP
AS AT 30 JUNE 2010

Department	Cost/Revaluation					Accumulated Depreciation					
	Opening Balances	Transfer In / Out	Additions	Disposals	Closing Balance	Opening Balances	Transfer In / Out	Additions	Disposals	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R
RATES AND GENERAL	1 858 529 079	-	212 448 342	560 178 891	1 510 798 528	335 252 802	-	13 835 462	181 528 807	167 559 457	1 343 239 071
Council General	475 591	-	0	-	475 591	118 959	-	83 352	-	202 310	273 281
Mayoral Committee	2 151 248	-	43 908	-	2 195 156	1 531 886	-	135 664	-	1 667 551	527 605
Executive Support Services	1 273 030	-	18 517	-	1 291 547	790 873	-	167 458	-	958 331	333 216
Speakers Support	172 745	-	0	-	172 745	7 528	-	31 912	-	39 440	133 305
Municipal Manager	704 285	-	124 773	-	829 057 27	599 855	-	66 659	-	666 514	162 544
Internal Audit	399 447	-	47 910	-	447 357	317 347	-	46 677	-	364 024	83 332
Local Economic Development	9 632 676	-	21 088	-	9 653 764	4 492 360	-	982 662	-	5 475 021	4 178 743
Municipal Support Unit	469 171	-	37 213	-	506 385	313 757	-	65 119	-	378 875	127 510
Strategic Management unit	218 231	-	1 990	-	220 221	191 916	-	11 811	-	203 727	16 494
Information Com Technology	7 604 488	-	976 663	-	8 581 152	4 027 364	-	1 416 657	-	5 444 021	3 137 131
Administration	5 491 317	-	4 277 939	620 909	9 148 347	2 897 421	-	961 795	49 600	3 809 616	5 338 731
Land and Housing	28 119 299	-	3 035 754	3 458 640	27 696 414	1 733 466	-	(114 486)	-	1 618 980	26 077 433
Buildings	5 652 578	-	3 211 285	288 001	8 575 862	1 206 980	-	(450 504)	100 636	655 840	7 920 022
Calgary Museum	3 902 294	-	0	-	3 902 294	856 378	-	166 094	-	1 022 473	2 879 821
Council Support & Auxiliary	-	-	-	-	-	-	-	-	-	-	-
Budget & Treasury Office	5 285 161	-	232 888	241 482	5 276 567	3 623 852	-	890 334	241 482	4 272 705	1 003 861
Budget Reform	31 070	-	-	-	31 070	7 503	-	4 846	-	12 349	18 721
Human Resources	1 157 713	-	126 431	-	1 284 144	745 182	-	223 461	-	968 644	315 500
Engineering Services	-	-	-	-	-	-	-	-	-	-	-
Building and Services Planning	1 139 495	-	10 079	-	1 149 574	845 367	-	103 127	-	948 494	201 079
Management of WSP	-	-	-	-	-	-	-	-	-	-	-
Mbhashe EC 121	95 677 857	-	-	47 116 963	48 560 894	22 196 059	-	-	12 001 735	10 194 325	38 366 569
Mnquma EC 122	94 527 115	-	-	18 304 425	76 222 691	18 167 880	-	839	4 707 386	13 461 333	62 761 357
Great Kei EC 123	96 376 578	-	4 910	31 397 827	64 983 662	18 316 971	-	409	5 866 608	12 450 772	52 532 889
Amahlathi EC 124	125 515 196	-	-	18 883 564	106 631 632	20 799 446	-	3 893	3 742 600	17 060 740	89 570 893
Ngqushwa EC 126	107 705 108	-	-	11 943 437	95 761 671	19 016 218	-	2 517	6 366 078	12 652 658	83 109 013
Nkonkobe EC 127	108 140 624	-	-	18 766 001	89 374 623	18 537 630	-	-	4 221 243	14 316 387	75 058 236
Nxuba EC 128	62 770 166	-	-	33 616 524	29 153 642	25 250 713	-	-	18 987 934	6 262 779	22 890 864
Water Service Authority	302 824	-	29 717	-	332 542	186 542	-	44 333	-	230 875	101 667
Shared Resources Water & Sanitation	69 031 758	-	76 368 070	3 526 506	141 873 323	14 835 959	-	5 550 504	207 592	20 178 871	121 694 452
Mbhashe Sewerage	-	-	-	-	-	-	-	-	-	-	-
Mnquma Sewerage	18 138 453	-	20 000	18 138 453	20 000	6 479 104	-	1 200	6 479 104	1 200	18 800
Amahlathi Sewerage	39 173 483	-	-	39 173 483	(0)	8 864 548	-	-	8 864 548	-	(0)
Nkonkobe Sewerage	20 439 689	-	-	20 439 689	-	8 828 945	-	-	8 828 945	-	-
Nxuba Sewerage	44 096 687	-	-	42 513 310	1 583 378	13 609 697	-	216 477	13 108 705	717 469	865 908
Borehole Schemes	307 862 503	-	-	169 001 330	138 861 173	108 947 224	-	1 850 072	85 383 657	25 413 638	113 447 535
Toleni WTW ex DWAF	6 501 860	-	-	6 501 860	-	2 291 384	-	-	2 291 384	-	-
Borehole Schemes ex DWAF	48 000	-	-	-	48 000	31 200	-	9 600	-	40 800	7 200
Project Management Unit	576 604 503	-	122 525 287	76 166 917	622 962 873	622 177	-	183 759	-	805 935	622 156 938
Health and Protection Services	498 328	-	24 615	-	522 943	411 727	-	39 749	-	451 476	71 467
Disaster Management	1 493 105	-	255 353	-	1 748 458	746 070	-	207 653	-	953 723	794 735
Municipal Health	2 248 038	-	302 336	79 570	2 470 805	1 168 816	-	270 556	79 570	1 359 802	1 111 002
Fire Services	6 778 148	-	-	-	6 778 148	1 605 351	-	480 664	-	2 086 016	4 692 133
MHS in Amahlathi	295 000	-	188 452	-	483 451	11 609	-	65 425	-	77 034	406 418
MHS in Nkonkobe EC 127	269 763	-	188 452	-	458 215	2 222	-	62 153	-	64 375	393 840
MHS in Nxuba EC 128	154 452	-	374 712	-	529 164	17 316	-	53 021	-	70 337	458 827
SUBSIDISED SERVICES	-	-	-	-	-	-	-	-	-	-	-
ECONOMIC SERVICES	-	-	-	-	-	-	-	-	-	-	-
HOUSING SERVICES	-	-	-	-	-	-	-	-	-	-	-
TRADING SERVICES	-	-	-	-	-	-	-	-	-	-	-
DEVELOPMENT AGENCY	-	-	-	-	-	-	-	-	-	-	-
	468 422	-	43 608	9 500	502 530	256 947	-	77 243	7 218	326 972	175 558
	468 422	-	43 608	9 500	502 530	256 947	-	77 243	7 218	326 972	175 558
TOTAL	1 858 997 501	-	212 491 950	560 188 391	1 511 301 058	335 509 749	-	13 912 705	181 536 025	167 886 429	1 343 414 629

APPENDIX D
THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011

2008/09 Actual Income	2008/09 Actual Expenditure	2008/09 Surplus/ (Deficit)		2009/10 Actual Income	2009/10 Actual Expenditure	2009/10 Actual Surplus/ (Deficit)	2009/10 Budgeted Surplus/ (Deficit)
R	R	R		R	R	R	R
741 419 519	647 544 545	93 874 975	RATE AND GENERAL SERVICES	900 972 800	781 405 078	119 567 721	8 552 153
733 595 498	639 766 869	93 828 626	Community Services	891 946 416	772 198 533	119 747 882	5 745 313
110 312	-	110 312	Levies	12 276	-	12 276	-
25 853	10 898 931	(10 873 077)	Council General	3 709 022	(3 373 519)	7 082 541	(7 011 882)
1 156 233	7 779 428	(6 623 195)	Mayoral Committee	3 006 648	5 964 835	(2 958 187)	(4 921 775)
16 138	10 233 537	(10 217 400)	Executive Support Services	3 233 801	8 229 450	(4 995 649)	(6 121 763)
-	57 735 297	(57 735 297)	Speaker Support	1 037 168	2 010 038	(972 870)	(2 135 054)
364 497 079	9 079 902	355 417 177	Municipal Manager	75 504 032	77 758 334	(2 254 302)	110 700 405
40 824	2 883 568	(2 842 744)	Internal Audit	1 644 271	4 164 189	(2 519 918)	(3 753 710)
11 072 054	18 343 552	(7 271 498)	Local Economic Development	17 359 452	10 673 642	6 685 810	-
1 343 183	6 198 158	(4 854 975)	Municipal Support Unit	5 653 267	8 686 159	(3 032 892)	(4 340 659)
8 360	1 271 817	(1 263 457)	Strategic Manager	642 216	1 385 008	(742 792)	(1 384 539)
166 958	9 309 568	(9 142 611)	Information Management Unit	3 990 888	9 358 880	(5 367 992)	(6 538 323)
20 691 422	80 011 079	(80 011 079)	Projects	43 934 271	67 856 508	(23 922 237)	4 782 142
331 145	18 799 318	1 892 104	Corporate Services	8 125 320	16 899 909	(8 774 590)	(9 723 401)
98 993	19 977 434	(19 646 290)	Land and Housing	-	-	-	-
110 815	3 037 231	(2 938 238)	Buildings	2 224 433	4 968 416	(2 743 983)	(3 864 489)
288 950	666 703	(555 888)	Calgary Museum and Conference Centre	327 645	467 612	(139 967)	(407 317)
1 287 895	12 157 257	(11 868 307)	Human Resources	5 607 667	15 261 440	(9 653 773)	(10 786 481)
750 533	27 970 703	(26 682 808)	Financial Services	11 808 881	31 364 095	(19 555 215)	(21 353 277)
-	497 516	253 017	Budget Reform	386 760	391 605	(4 846)	11 600
26 259 223	-	-	Supply Chain	1 320 471	3 764 965	(2 444 493)	(2 570 923)
6 072	25 501 295	757 928	Engineering Services	158 220 615	157 235 432	985 183	873 756
196 699 909	108	(108)	Solid Waste site	2 510 560	360 593	2 149 968	2 243 067
53 265 190	2 186 859	(2 180 787)	WSA	6 255 214	2 366 779	3 888 435	2 167 994
3 131 239	201 666 222	(4 966 313)	Water and sanitation services	145 957 886	246 482 779	(100 524 893)	(195 799 720)
7 218	58 303 432	(5 038 242)	Water shared services	328 401 090	34 522 640	293 878 450	173 482 076
5 974 562	5 317 410	(2 186 171)	Project Management Unit	8 487 867	6 377 089	2 110 778	1 835 824
7 907 716	4 360 946	(4 353 729)	Land, Human Settlement and Economic	4 053 081	9 907 554	(5 854 474)	(402 019)
14 833 462	-	-	Building & Services Planning	2 965	5 434 924	(5 431 958)	(6 777 825)
16 048 474	5 931 113	43 449	Health and Protection Services	5 877 173	5 481 965	395 208	1 820 426
-	10 933 262	(3 025 546)	Disaster Management	6 390 678	3 998 007	2 392 672	2 061 572
-	4 938 929	2 526 757	Municipal Health Services ADM	20 016 212	7 490 953	12 525 259	9 560 296
-	10 823 029	4 010 433	Fire Services	13 864 055	11 917 173	1 946 881	(2 341 382)
-	12 953 265	3 095 209	Municipal Health services LM's	2 380 531	14 791 079	(12 410 548)	(13 559 306)
7 824 021	7 777 676	46 348	Subsidised Services	9 026 384	9 206 545	(180 161)	2 806 840.00
-	-	-	Ambulance and Rescue Services	-	-	-	-
7 824 021	7 777 676	46 348	Health Nursing Services	9 026 384	9 206 545	(180 161)	2 806 840
-	-	-	Economic Services	-	-	-	-
-	-	-		-	-	-	-
-	-	-	HOUSING SERVICE	-	-	-	-
-	-	-		-	-	-	-
-	-	-	TRADING SERVICES	-	-	-	-
-	-	-		-	-	-	-
741 419 519	647 544 545	93 874 976	TOTAL	900 972 800	781 405 078	119 567 721	8 552 153



APPENDIX D
THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE: GROUP
FOR THE YEAR ENDED 30 JUNE 2010

2008/09 Actual Income	2008/09 Actual Expenditure	2008/09 Surplus/ (Deficit)		2009/10 Actual Income	2009/10 Actual Expenditure	2009/10 Actual Surplus/ (Deficit)	2009/10 Budgeted Surplus/ (Deficit)
R	R	R		R	R	R	R
741 419 519	647 544 545	93 874 975	RATE AND GENERAL SERVICES	900 972 800	781 405 078	119 567 720	8 552 153
733 595 498	639 766 869	93 828 626	Community Services	891 946 416	772 198 533	119 747 882	5 745 313
110 312	-	110 312	Levies	12 276	-	12 276	-
25 853	10 898 931	(10 873 077)	Council General	3 709 022	(3 373 519)	7 082 541	(7 011 882)
1 156 233	7 779 428	(6 623 195)	Mayoral Committee	3 006 648	5 964 835	(2 958 187)	(4 921 775)
16 138	10 233 537	(10 217 400)	Executive Support Services	3 233 801	8 229 450	(4 995 649)	(6 121 763)
-	57 735 297	(57 735 297)	Speaker Support	1 037 168	2 010 038	(972 870)	(2 135 054)
364 497 079	9 079 902	355 417 177	Municipal Manager	75 504 032	77 758 334	(2 254 302)	110 700 405
40 824	2 883 568	(2 842 744)	Internal Audit	1 644 271	4 164 189	(2 519 918)	(3 753 710)
11 072 054	18 343 552	(7 271 498)	Local Economic Development	17 359 452	10 673 642	6 685 810	-
1 343 183	6 198 158	(4 854 975)	Municipal Support Unit	5 653 267	8 686 159	(3 032 892)	(4 340 659)
8 360	1 271 817	(1 263 457)	Strategic Manager	642 216	1 385 008	(742 792)	(1 384 539)
166 958	9 309 568	(9 142 611)	Information Management Unit	3 990 888	9 358 880	(5 367 992)	(6 538 323)
20 691 422	80 011 079	(80 011 079)	Projects	43 934 271	67 856 508	(23 922 237)	4 782 142
331 145	18 799 318	1 892 104	Corporate Services	8 125 320	16 899 909	(8 774 590)	(9 723 401)
98 993	19 977 434	(19 646 290)	Land and Housing	-	-	-	-
110 815	3 037 231	(2 938 238)	Buildings	2 224 433	4 968 416	(2 743 983)	(3 864 489)
288 950	666 703	(555 888)	Calgary Museum and Conference Centre	327 645	467 612	(139 967)	(407 317)
1 287 895	12 157 257	(11 868 307)	Human Resources	5 607 667	15 261 440	(9 653 773)	(10 786 481)
750 533	27 970 703	(26 682 808)	Financial Services	11 808 881	31 364 095	(19 555 215)	(21 353 277)
-	497 516	253 017	Budget Reform	386 760	391 605	(4 846)	11 600
26 259 223	-	-	Supply Chain	1 320 471	3 764 965	(2 444 493)	(2 570 923)
6 072	25 501 295	757 928	Engineering Services	158 220 615	157 235 432	985 183	873 756
196 699 909	108	(108)	Solid Waste site	2 510 560	360 593	2 149 968	2 243 067
53 265 190	2 186 859	(2 180 787)	WSA	6 255 214	2 366 779	3 888 435	2 167 994
3 131 239	201 666 222	(4 966 313)	Water and sanitation services	145 957 886	246 482 779	(100 524 893)	(195 799 720)
7 218	58 303 432	(5 038 242)	Water shared services	328 401 090	34 522 640	293 878 450	173 482 076
5 974 562	5 317 410	(2 186 171)	Project Management Unit	8 487 867	6 377 089	2 110 778	1 835 824
7 907 716	4 360 946	(4 353 729)	Land, Human Settlement and Economic	4 053 081	9 907 554	(5 854 474)	(402 019)
14 833 462	-	-	Building & Services Planning	2 965	5 434 924	(5 431 958)	(6 777 825)
16 048 474	5 931 113	43 449	Health and Protection Services	5 877 173	5 481 965	395 208	1 820 426
-	10 933 262	(3 025 546)	Disaster Management	6 390 678	3 998 007	2 392 672	2 061 572
-	4 938 929	2 526 757	Municipal Health Services ADM	20 016 212	7 490 953	12 525 259	9 560 296
-	10 823 029	4 010 433	Fire Services	13 864 055	11 917 173	1 946 881	(2 341 382)
-	12 953 265	3 095 209	Municipal Health services LM's	2 380 531	14 791 079	(12 410 548)	(13 559 306)
7 824 021	7 777 676	46 348	Subsidised Services	9 026 384	9 206 545	(180 161)	2 806 840.00
-	-	-	Ambulance and Rescue Services	-	-	-	-
7 824 021	7 777 676	46 348	Health Nursing Services	9 026 384	9 206 545	(180 161)	2 806 840
-	-	-	Economic Services	-	-	-	-
-	-	-		-	-	-	-
-	-	-	HOUSING SERVICE	-	-	-	-
-	-	-		-	-	-	-
-	-	-	TRADING SERVICES	-	-	-	-
-	-	-		-	-	-	-
3 264 239	3 937 857	(673 618)	DEVELOPMENT AGENCY	60 738 121	58 013 015	2 725 106	691
3 264 239	3 937 857	(673 618)		60 738 121	58 013 015	2 725 106	691
-	2 452	(2 452)	TAXATION - AGENCY	-	3 119	(3 119)	-
-	-	-		-	3 119	(3 119)	-
744 683 759	651 484 854	93 198 905	TOTAL	961 710 922	839 421 212	122 289 706	11 359 684



APPENDIX E (1)

**THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) - MUNICIPALITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

	20010/11 Actual	20010/11 Budget	20010/11 Variance	20010/11 Variance	Explanation for Significant Variances greater than 10% vs Budget
	R	R	R	%	
REVENUE					
Service Charges	118 216 659	111 165 464	7 051 195	6%	
Rental of facilities & Equipment	268 692	220 191	48 501	22%	Rental of Calgary Limited to Internal usage.
Interest earned - external investments	40 105 725	22 541 143	17 564 582	78%	Interest earned on investment & current account more than budgeted for.
Interest earned - outstanding receivables	22 839 169	18 299 303	4 539 866	25%	Data base cleansing exercise and indigent campaign policy still in progress. No budget due to uncertainty of recovery
Income for agency Service	3 019 528	18 847 284	(15 827 756)	-84%	Only portion of the first trancheon of the nursing services grant received from the Provincial Department of Health, due to proposed provincialisation which is still not finalised
Government grants & Subsidies	792 991 125	781 255 016	11 736 109	2%	Grant income on external funds is not part of the budget. The accounting treatment for grant income changed.
Bad debts recovered	-	-	-		Corresponding expenditure is recognised in grants and subsidies paid.
Other income	42 112 019	430 585 353	(388 473 334)	-90%	Operating income of R132 million from 2008/09 financial year included in budget figure
Total Revenue	1 019 552 917	1 382 913 754	(363 360 837)	-26%	
EXPENDITURE					
Employee related costs	247 206 333	337 401 851	(90 195 518)	-27%	Delays in the appointment of staff.
Remuneration of Councillors	11 306 546	14 479 004	(3 172 458)	-22%	Vacancies within Full time Councillors
Bad Debt provision	63 282 627	65 604 286	(2 321 659)	-4%	
Collection Costs	1 476 868	1 848 311	(371 443)	-20%	
Depreciation and amortisation	75 852 218	78 770 563	(2 918 345)	-4%	
Repairs & Maintenance	7 876 117	15 282 190	(7 406 073)	-48%	Less expenditure incurred than anticipated. Focus on water supply in drought
Finance Costs	194 142	240 964	(46 822)	-19%	Less finance charges incurred than budgeted for
Materials & Bulk Purchases	37 468 589	48 676 267			
Contracted Services	48 136 143	61 101 448			
Grants & Subsidies Paid	134 481	134 481	-	0%	Grant expenditure on external funds not part of the budget. Corresponding income is recognised when the expenditure is incurred.
Grants & Subsidies Paid: Capital	1 832 502	3 432 904	(1 600 402)	-47%	Low levels of actual spending vs. expected level and unspent project funds reallocated
General expenses- other	288 051 936	430 036 610	(141 984 674)	-33%	General expenditure less than initially anticipated
Total Expenditure	782 818 503	1 057 008 879	(250 017 393)	-24%	
OPERATING SURPLUS/ (DEFICIT)	236 734 413	325 904 875	(113 343 445)		
Gain/(loss) on disposal of assets	318 185	-	318 185	100%	This item is not budgeted for.
SURPLUS/(DEFICIT) FOR THE YEAR	237 052 599	325 904 875	(113 025 259)		

APPENDIX E (1)

**THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) - GROUP
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	2009/10 Actual	2009/10 Budget	2009/10 Variance	2009/10 Variance	Explanation for Significant Variances greater than 10% vs Budget
	R	R	R	%	
REVENUE					
Service Charges	118 216 659	111 165 464	7 051 195	6%	
Rental of facilities & Equipment	268 692	220 191	48 501	22%	Rental of Calgary Limited to Internal usage.
Interest earned - external investments	40 953 894	23 088 754	17 865 140	77%	Interest earned on investment & current account more than budgeted for.
Interest earned - outstanding receivables	22 839 169	18 299 303	4 539 866	25%	Data base cleansing exercise and indigent campaign policy still in progress. No budget due to uncertainty of recovery
Income for agency Service	3 019 528	18 847 284	(15 827 756)	-84%	Only portion of the first tranche of the nursing services grant received from the Provincial Department of Health, due to proposed provincialisation which is still not finalised
Government grants & Subsidies	852 435 648	894 317 087	(41 881 439)	-5%	Grant income on external funds is not part of the budget. The accounting treatment for grant income changed. Corresponding expenditure is recognised in grants and subsidies paid. The Agency experienced delays in the acceptance of the relevant studies by funders, significant implementation portions of the NDPG Technical Assistance and DEAT Hamburg Artist Retreat projects were postponed.
Bad debts recovered	-	-	-		
Other income	42 557 448	431 524 453	(388 967 005)	-90%	Operating income of R132 million from 2008/09 financial year included in budget figure
Total Revenue	1 080 291 038	1 497 462 536	(417 171 498)	-28%	
EXPENDITURE					
Employee related costs	252 641 961	342 822 981	(90 181 020)	-26%	Delays in the appointment of staff. Due to budget constraints imposed on the Agency and the successful negotiation with donor organisations to provide seconded staff at a limited or no cost, not all positions were filled.
Remuneration of Councillors and Board	11 512 992	14 697 884	(3 184 892)	-22%	Vacancies within Full time Councillors
Bad Debt provision	63 282 627	65 604 286	(2 321 659)	-4%	Bad debts were written off less than budgeted for due to aggressive debt collection
Collection Costs	875 896	1 848 311	(972 415)	-53%	
Depreciation and amortisation	75 957 002	78 894 539	(2 937 537)	-4%	
Repairs & Maintenance	7 919 233	15 331 534	(7 412 301)	-48%	Less expenditure incurred than anticipated. Focus on water supply in drought
Finance Costs	724 550	240 964	483 586	201%	Less finance charges incurred than budgeted for
Materials & Bulk Purchases	37 468 589				These items were budgeted for as part of general expenditure, percentage variance further decreases to -13%.
Contracted Services	48 136 143				
Grants & Subsidies Paid	60 629 684	30 683 351	29 946 333	98%	Grant expenditure on external funds not part of the budget. Corresponding income is recognised when the expenditure is incurred. The Agency's budget constraints resulted in an inability to fill all positions, thereby reducing the Agency's ability to perform all budgeted project activities. In addition delays or postponement in the approval of grant income applications resulted in a corresponding decrease in project expenditure.
Grants & Subsidies Paid: Capital	1 832 502	3 432 904	(1 600 402)	-47%	Low levels of actual spending vs. expected level and unspent project funds reallocated
General expenses- other	279 850 338	420 975 400	(141 125 062)	-34%	General expenditure less than initially anticipated. The group has tried to reduce overhead expenditure.
Total Expenditure	840 831 517	974 532 154	(219 305 369)	-23%	
OPERATING SURPLUS/(DEFICIT)	239 459 520	522 930 382	(197 866 130)		
Gain/(loss) on disposal of assets	316 137	-	316 137	100%	This item is not budgeted for.
SURPLUS/(DEFICIT) BEFORE TAX	239 775 656	522 930 382	(197 549 994)		
Less: Taxation	(207 040)	-	(207 040)		
SURPLUS/(DEFICIT) FOR THE YEAR	239 568 617	522 930 382	(197 757 033)		

APPENDIX E (2)
THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY PLANT AND EQUIPMENT)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	2010/11 Actual	2010/11 Budget	2010/11 Variance	2010/11 Variance	Explanation for Significant Variances greater than 10% vs Budget
	R	R	R	%	
LAND AND BUILDINGS					
Administration	5 566 226	-	5 566 226	100%	
Housing Schemes	-	-	-	NA	
Workshops & Depots	-	-	-	NA	Combined with Buildings Administration
Work in progress - water	122 373 597	-	122 373 597	100%	Item not budgeted for
	127 939 823	-	127 939 823		
INFRASTRUCTURE					
Reservoirs & Tanks	6 471 089	-	6 471 089	100%	Combined with Plant & Equipment: General
Water - Other	65 528 914	132 538 800	(67 009 886)	-51%	Combined with Plant & Equipment: General
Meters	24 540	-	24 540	100%	Combined with Plant & Equipment: General
Plant and equipment - General	122 642	-	122 642	100%	Combined with Plant & Equipment: General
Laboratory equipment	5 385	-	5 385	100%	Combined with Plant & Equipment: General
Sewers	4 142 370	88 359 200	(84 216 830)	100%	Combined with Plant & Equipment: General
	76 294 940	220 898 000	(144 603 060)		
COMMUNITY					
Clinics & Hospitals	1 336 046	-	1 336 046	100%	
Fire Stations	-	-	-	NA	
Museum & Art Galleries	-	-	-	NA	
Security System	-	-	-	NA	
INVESTMENT PROPERTIES	3 232 131	-	3 232 131	100%	
	4 568 177	-	4 568 177		
OTHER					
Air Conditioners	13 743	-	13 743	100%	
Computer Hardware	1 394 176	600 000	794 176	132%	Combined with Computer Software
Computer Software	-	-	-	NA	Combined with Computer Hardware
Office Machines	665 784	-	665 784	100%	Combined with Furniture and fittings: other
Cabinets & Cupboards	111 576	-	111 576	100%	Combined with Furniture and fittings: other
Chairs	143 247	-	143 247	100%	Combined with Furniture and fittings: other
Furniture and Fittings : Other	17 318	-	17 318	100%	Combined with Furniture and fittings: other
Tables & Desks	140 960	-	140 960	100%	Combined with Furniture and fittings: other
Lawnmowers	7 695	-	7 695	100%	Combined with Furniture and fittings: other
Motor Vehicles	-	-	-	NA	Combined with Trucks and Bakkies
Tractors	-	-	-	NA	
Trucks & Bakkies	1 158 592	-	1 158 592	100%	Combined with Motor Vehicles
	3 653 091	600 000	3 053 091	509%	
TOTAL	212 456 031	221 498 000	(9 041 969)	-4%	

APPENDIX E (2)
THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY PLANT AND EQUIPMENT): GROUP
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	2010/11 Actual	2010/11 Budget	2010/11 Variance	2010/11 Variance	Explanation for Significant Variances greater than 10% vs Budget
	R	R	R	%	
LAND AND BUILDINGS					
Administration	5 566 226	13 100 000	(7 533 774)	-58%	
Housing Schemes	-	-	-	NA	
Workshops & Depots	-	-	-	NA	
Work in progress - water	122 373 597	-	122 373 597	100%	
	127 939 823	13 100 000	114 839 823		
INFRASTRUCTURE					
Reservoirs & Tanks	6 471 089	-	6 471 089	100%	Combined with Plant & Equipment: General
Water - Other	65 528 914	132 538 800	(67 009 886)	-51%	Combined with Plant & Equipment: General
Meters	24 540	-	24 540	100%	Combined with Plant & Equipment: General
Plant and equipment - General	122 642	-	122 642	100%	Combined with Plant & Equipment: General
Laboratory equipment	5 385	-	5 385	100%	Combined with Plant & Equipment: General
Sewers	4 142 370	88 359 200	(84 216 830)	-95%	Combined with Plant & Equipment: General
	76 294 940	220 898 000	(144 603 060)		
COMMUNITY					
Clinics & Hospitals	1 336 046	-	1 336 046	100%	
Fire Stations	-	-	-	0%	
Museum & Art Galleries	-	-	-	0%	
Security System	-	-	-	0%	
INVESTMENT PROPERTIES	3 232 131	-	3 232 131	100%	
	4 568 177	-	4 568 177		
OTHER					
Air Conditioners	13 743	-	13 743	100%	
Computer Hardware	1 436 800	682 780	754 020	110%	Combined with Computer Software
Computer Software	-	-	-	NA	Combined with Computer Hardware
Office Machines	665 784	-	665 784	100%	Combined with Furniture and fittings: other
Cabinets & Cupboards	111 576	-	111 576	100%	Combined with Furniture and fittings: other
Chairs	143 247	-	143 247	100%	Combined with Furniture and fittings: other
Furniture and Fittings : Other	18 302	74 800	(56 498)	100%	Combined with Furniture and fittings: other
Tables & Desks	140 960	-	140 960	100%	Combined with Furniture and fittings: other
Motor Vehicles	7 695	-	7 695	100%	Combined with Trucks and Bakkies
Tractors	-	-	-	NA	
Trucks & Bakkies	1 158 592	-	1 158 592	100%	Combined with Motor Vehicles
	3 696 699	757 580	2 939 119	388%	
TOTAL	212 499 639	234 755 580	(22 255 941)	-9%	

APPENDIX F
THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY AND GROUP
DISCLOSURE OF GRANTS & SUBSIDIES IN TERMS OF MFMA
AS AT 30 JUNE 2011

Name of Grant	Name of Organ of State	QUARTERLY RECEIPTS					QUARTERLY EXPENDITURE					GRANTS & SUBSIDIES DELAYED/WITHHELD					Reason for delay/withheld	Compliance with DORA	Reason for non-compliance
		June 10	Sept 10	Dec 10	March 11	June 11	June 10	Sept 10	Dec 10	March 11	June 11	June 09	Sept 09	Dec 09	March 10	June 10			
		R	R	R	R	R	R	R	R	R	R								
Reviewed IDP	HLG&TA										N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A	
ADM-IDP	HLG&TA						34 172				N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A	
IDP-Local Municipalities	HLG&TA						368 746	37 500	173 599	816	104 013	N/A	N/A	N/A	N/A	N/A	yes	N/A	
Budget Reform	NT											N/A	N/A	N/A	N/A	N/A	yes	N/A	
MSP Project Management	DHLG&TA											N/A	N/A	N/A	N/A	N/A	yes	N/A	
Performance Management	DHLG&TA						368 738					N/A	N/A	N/A	N/A	N/A	yes	N/A	
TECH ASST TO DEV DISTRICT DEV PROFILE	DHLG&TA											N/A	N/A	N/A	N/A	N/A	yes	N/A	
Seta	LGW Seta	202 780	69 656	399 219	302 078	-	5 577	39 600	75 262	75 672	68 080	N/A	N/A	N/A	N/A	N/A	yes	N/A	
LG Seta MSU	LGW Seta			108 000				-	-	30 101	71 158	N/A	N/A	N/A	N/A	N/A	yes	N/A	
MSIG:Road Management System	DHLG&TA		200 000								175 439	N/A	N/A	N/A	N/A	N/A	yes	N/A	
MSIG:Dev of Policies, By Laws and Systems	DHLG&TA										400 000	N/A	N/A	N/A	N/A	N/A	yes	N/A	
MSIG-District wide skills audit	DHLG&TA											N/A	N/A	N/A	N/A	N/A	yes	N/A	
MSIG-improved fixed Asset Register	DHLG&TA		400 000									N/A	N/A	N/A	N/A	N/A	yes	N/A	
Review MSIG LMS sdf	DHLG&TA											N/A	N/A	N/A	N/A	N/A	yes	N/A	
Spatial Development Framework	DHLG&TA							11 175				N/A	N/A	N/A	N/A	N/A	yes	N/A	
Review Water and Sanitation By-Laws	DWAF						31 844	51 899				N/A	N/A	N/A	N/A	N/A	yes	N/A	
Revenue Enhancement Strategy	DWAF							55 906				N/A	N/A	N/A	N/A	N/A	yes	N/A	
ADM Water Tankers	DWAF							17 525				N/A	N/A	N/A	N/A	N/A	yes	N/A	
Community Develop Program	DHLG&TA											N/A	N/A	N/A	N/A	N/A	yes	N/A	
Disaster Management Funds	DHLG&TA/MIG						347 335					N/A	N/A	N/A	N/A	N/A	yes	N/A	
HIV/AIDS Funds	Dep Health											N/A	N/A	N/A	N/A	N/A	yes	N/A	
Bawa Falls:LED	DEDEA						23 039					N/A	N/A	N/A	N/A	N/A	yes	N/A	
Elliotdale Brick making	DEDEA						169 576					N/A	N/A	N/A	N/A	N/A	yes	N/A	
Development Craft centre	DEDEA						84 250	36 404	4 150	12 200		N/A	N/A	N/A	N/A	N/A	yes	N/A	
Co-operatives specialist	DEDEA											N/A	N/A	N/A	N/A	N/A	yes	N/A	
Tourism Survey	DEDEA						160 344					N/A	N/A	N/A	N/A	N/A	yes	N/A	
Nxuba Dam Chalets Development	DHLG&TA											N/A	N/A	N/A	N/A	N/A	yes	N/A	
Tourism Marketing Strategy	DHLG&TA											N/A	N/A	N/A	N/A	N/A	yes	N/A	
MK Veterans	DHLG&TA		125 000					125 000				N/A	N/A	N/A	N/A	N/A	yes	N/A	
Environmental Awareness	DHLG&TA							280 702	105 263		52 632	N/A	N/A	N/A	N/A	N/A	yes	N/A	
Repatriation of Heritage Property	DHLG&TA				350 000						329 504	N/A	N/A	N/A	N/A	N/A	yes	N/A	
LED Capacity Building-Ngqushwa	DHLG&TA		350 000					4 200			19 800	N/A	N/A	N/A	N/A	N/A	yes	N/A	
EC Information initiative support	DEDEA											N/A	N/A	N/A	N/A	N/A	yes	N/A	
PHP Funds	DHLG&TA		19 460				660 383	276 100	899 085	8 008 203	60 157	N/A	N/A	N/A	N/A	N/A	yes	N/A	
Teko Springs Top Structure	DHLG&TA				6 011 500			20 758	785 000	6 011 500	-	N/A	N/A	N/A	N/A	N/A	yes	N/A	
DEVELOPMENT PLANNING FUNDS	DHLG&TA						173 150	-	143 382	-	267 954	N/A	N/A	N/A	N/A	N/A	yes	N/A	
Prudoe Top Structure	DHLG&TA				1 616 183			-	-	1 842 449	-	N/A	N/A	N/A	N/A	N/A	yes	N/A	
Nkonkobe Drought Relief	DWAF											N/A	N/A	N/A	N/A	N/A	yes	N/A	
Land Reform & Settle Plan Proj	DLA											N/A	N/A	N/A	N/A	N/A	yes	N/A	
Development-BNG	HLG&TA						34 543	-	54 595	22 842	27 350	N/A	N/A	N/A	N/A	N/A	yes	N/A	
EDOT Funds	ECDOT		13 278 000				777 408	131 630	1 754 271	421 333	2 168 841	N/A	N/A	N/A	N/A	N/A	yes	N/A	
Bucket Eradication	HLG&TA											N/A	N/A	N/A	N/A	N/A	yes	N/A	
MIG	National Treasury		63 166 000	120 490 000	(22 554 246)	73 255 263	110 425 887	49 529 860	72 246 259	46 724 855	62 547 869	N/A	N/A	N/A	N/A	N/A	yes	N/A	
WMIS Grant	DWAF											N/A	N/A	N/A	N/A	N/A	yes	N/A	
Water Management Plan	DWAF						309 222					N/A	N/A	N/A	N/A	N/A	yes	N/A	
EPWP	Dept.Public Works		221 000	707 000	4 402 000	2 127 000	566 227	-	-	-	89 760	N/A	N/A	N/A	N/A	N/A	yes	N/A	
Household Leak repair	DWAF						750 000					N/A	N/A	N/A	N/A	N/A	yes	N/A	
Dwaf Refurbishment	DWAF						204 473	58 662	918 211		1 716 773	N/A	N/A	N/A	N/A	N/A	yes	N/A	
Dwaf Bulk water supply Schemes	DWAF	4 690 685	4 943 889	8 495 667	1 393 456	18 394 943	2 379 489	2 426 975	8 614 622	2 338 740	3 479 702	N/A	N/A	N/A	N/A	N/A	yes	N/A	
Rain Water Harvesting	DWAF	1 217 953					579 724	811 201	214 275	170 627		N/A	N/A	N/A	N/A	N/A	yes	N/A	
Idutywa Extention 8 (VIP TOILETS,RDS&W)	DWAF	1 053 057		353 492			1 377 924					N/A	N/A	N/A	N/A	N/A	yes	N/A	
Design Guidelines & Std Drawings	DWAF	250 000						3 864	-	-	95 479	N/A	N/A	N/A	N/A	N/A	yes	N/A	
WATER SERVICE CAPACITY BUSINESS PLAN1011	DWAF		399 789								35 800	N/A	N/A	N/A	N/A	N/A	yes	N/A	
Communal Stand Pipes	DWAF			58 482	1 367 313	1 005 854		-	51 300	870 033	1 303 317	N/A	N/A	N/A	N/A	N/A	yes	N/A	
IDUTYWA EXTENTION 8 (VIP TOILETS,RDS&W)	DWAF		833 870		593 443			-	917 872	687 907	20 176	N/A	N/A	N/A	N/A	N/A	yes	N/A	
Daliwe Small Bore System	DWAF		960 200					353 053	213 024			N/A	N/A	N/A	N/A	N/A	yes	N/A	
Ground water Ground water insvtigation	DWAF						1 665 419					N/A	N/A	N/A	N/A	N/A	yes	N/A	
Water Conservation & WT Demand Mngt	DWAF	300 000										N/A	N/A	N/A	N/A	N/A	yes	N/A	
BUSINESS PLANS FOR WSP'S	DWAF	250 000							3 024	4 026		N/A	N/A	N/A	N/A	N/A	yes	N/A	
Public Awareness	DWAF	400 000					6 770	97 989	-	-		N/A	N/A	N/A	N/A	N/A	yes	N/A	
CO-FUNDING WATER CONSERVATION(DWAF)	DWAF											N/A	N/A	N/A	N/A	N/A	yes	N/A	
Dwaf(support drought issues)	DWAF	3 969 960	12 264 000	-	4 746 945							N/A	N/A	N/A	N/A	N/A	yes	N/A	
Flood Relief Projects	MIG						1 232 843	6 130 283	6 290 642	3 063 615	715 654	N/A	N/A	N/A	N/A	N/A	yes	N/A	
							22 644	-	192 172			N/A	N/A	N/A	N/A	N/A	yes	N/A	

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

AMATHOLE DISTRICT MUNICIPALITY CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	20010/11 R	2009/10 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts		931 135 915	764 852 926
Sales of goods and services		24 079 306	25 993 915
Grants		796 385 942	644 978 477
Interest received	30, 31	62 944 894	63 707 568
Other receipts		47 725 773	30 172 966
Payments		(655 209 683)	(558 186 613)
Employee costs		(251 317 591)	(200 048 698)
Suppliers		(401 730 967)	(184 982 739)
Interest paid	33	(194 142)	(91 580)
Other payments		(1 966 983)	(173 063 596)
Cash generated from operations	34	275 926 231	206 666 316
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(268 122 959)	(126 019 672)
Proceeds on disposal of property, plant and equipment		321 175	414 228
Decrease in long term receivables		(115 358)	(182 075)
Purchase of financial assets		3 276 769	8 001 751
NET CASH FROM INVESTING ACTIVITIES		(264 640 372)	(117 785 768)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		425 296	11 147
(Decrease)/Increase in long term loan		-	-
Proceeds from consumer deposits		201 074	433 163
NET CASH FROM FINANCING ACTIVITIES		626 370	444 310
NET CASH FLOW		11 912 228	89 324 857
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11 912 228	89 324 857
Cash and cash equivalents at the beginning of year		279 773 173	190 448 316
Cash and cash equivalents at year end	10	291 685 401	279 773 173

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

AMATHOLE DISTRICT MUNICIPALITY CASH FLOW STATEMENT- GROUP FOR THE YEAR ENDED 30 JUNE 2011

	Notes	20010/11 R	2009/10 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts		999 824 447	779 305 833
Sales of goods and services		24 347 998	25 993 915
Grants		864 501 910	657 937 665
Interest received	30, 31	63 793 063	64 344 906
Other receipts		47 181 476	31 029 347
Payments		(706 842 771)	(568 726 801)
Employee costs		(259 090 878)	(203 967 934)
Suppliers		(384 428 753)	(179 816 576)
Interest paid	33	(724 550)	(97 185)
Other payments		(62 462 186)	(184 708 702)
Taxation paid		(136 404)	(136 404)
Cash generated from operations	34	292 981 676	210 579 032
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(274 462 607)	(126 063 280)
Proceeds on disposal of property, plant and equipment		321 175	414 228
Decrease in long term receivables		(115 358)	(182 075)
Purchase of financial assets		3 276 769	8 001 751
NET CASH FROM INVESTING ACTIVITIES		(270 980 020)	(117 829 376)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		425 296	11 147
Increase in long term loan		-	-
Proceeds from consumer deposits		201 074	433 163
NET CASH FROM FINANCING ACTIVITIES		626 370	444 310
NET CASH FLOW		22 628 026	93 193 966
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		22 628 026	93 193 967
Cash and cash equivalents at the beginning of year		292 250 546	199 056 580
Cash and cash equivalents at year end	10	314 878 572	292 250 546

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

AMATHOLE DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

MUNICIPALITY				GROUP	
Actuals				Actuals	
2010/11	2009/10		Notes	2010/11	2009/10
R	R			R	R
REVENUE					
118 216 659	86 826 453	Service charges	17	118 216 659	86 826 453
-	12 276	Regional service charges	18	-	12 276
268 692	233 425	Rental of facilities & equipment		268 692	233 425
3 019 528	2 176 861	Income for agency services	19.2	3 019 528	2 176 861
792 991 125	714 358 440	Government grants & subsidies	19	852 435 648	724 416 358
42 112 019	35 034 763	Other income	20	42 557 448	35 611 817
40 105 725	50 033 771	Interest earned - external investments	30	40 953 894	50 671 109
22 839 169	13 673 797	Interest earned - outstanding receivables	31	22 839 169	13 673 797
1 019 552 917	902 349 786	Total Revenue		1 080 291 038	913 622 096
EXPENDITURE					
247 206 333	215 934 657	Employee costs	23	252 641 961	219 783 223
11 306 546	10 184 714	Remuneration of councillors and directors	24	11 512 992	10 320 609
63 282 627	53 284 519	Bad debts	32	63 282 627	53 284 519
1 476 868	1 506 682	Collection costs		875 896	1 532 705
75 852 218	75 080 266	Depreciation and amortisation	21	75 957 002	75 157 509
7 876 117	13 022 692	Repairs & maintenance		7 919 233	13 065 808
194 142	91 580	Finance costs	33	724 550	97 185
37 468 589	35 300 351	Bulk purchases		37 468 589	35 300 351
48 136 143	36 752 349	Contracted services		48 136 143	36 752 349
134 481	177 654 531	Grants & subsidies paid	27.1	60 629 684	189 299 636
1 832 502	(4 590 935)	Grants & subsidies paid: capital	27.2	1 832 502	(4 590 935)
288 051 936	167 183 675	General expenses	22	279 850 338	160 925 338
782 818 503	781 405 081	Total Expenditure		840 831 517	790 928 297
236 734 413	120 944 706	OPERATING SURPLUS		239 459 520	122 693 798
318 185	414 228	Gain/(loss) on disposal of assets	21	316 137	425 368
237 052 599	121 358 934	SURPLUS FOR THE YEAR		239 775 656	123 119 167
-	-	Less: Taxation	28	(207 040)	(3 119)
237 052 599	121 358 934			239 568 617	123 116 048

Refer to Appendix E (1) for explanation of variances

**THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY**

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
<i>Balance at 1 July 2009</i>				
Opening balance as previously reported		7 109 925	1 508 277 308	1 515 387 233
Changes in accounting policies	38	-	-	-
Correction of prior period errors	39	-	301 149	301 149
Balance at 1 July 2009 as restated		7 109 925	1 508 578 457	1 515 688 382
Surplus on the revaluation of property		8 711 346	-	8 711 346
Surplus for the year		-	121 358 934	121 358 934
Transfer from reserve		2 346 330	(2 346 330)	-
		11 057 676	119 012 603	121 358 934
<i>Balance at 30 June 2010</i>		18 167 601	1 627 591 060	1 637 047 315
<i>Opening balance 1 July 2010</i>		18 167 601	1 627 591 060	1 637 047 315
Surplus on the revaluation of property		1 565 323 538	-	1 565 323 538
Surplus for the year		-	237 052 599	237 052 599
Transfer from reserve		(2 927 711)	(116 294 340)	-
		1 562 395 827	120 758 260	1 802 376 137
<i>Balance at 30 June 2011</i>		1 580 563 428	1 748 349 320	3 328 912 748

**THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011
GROUP**

	Notes	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
<i>Balance at 1 July 2008</i>				
Opening balance as previously reported		7 109 925	1 510 434 874	1 517 544 799
Changes in accounting policies	38	-	-	-
Correction of prior period errors	39	-	301 149	301 149
Balance at 1 July 2008 as restated		7 109 925	1 510 736 023	1 517 845 948
Surplus for the year		8 711 346	123 116 048	123 116 048
Transfer from reserve		(694 846)	694 846	-
		8 016 500	123 810 894	123 116 048
<i>Balance at 30 June 2009</i>		15 126 425	1 634 546 916	1 640 961 996
<i>Opening balance 1 July 2009</i>		15 126 425	1 634 546 916	1 640 961 996
Surplus on the revaluation of property		1 565 323 538	-	1 565 323 538
Deficit for the year		-	239 568 617	239 568 617
Transfer from reserve		(2 927 711)	(116 294 340)	-
		1 562 395 827	123 274 278	1 804 892 155
<i>Balance at 30 June 2010</i>		1 577 522 252	1 757 821 194	3 335 343 446

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

AMATHOLE DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

MUNICIPALITY			GROUP	
2010/11 R	2009/10 R		2010/11 R	2009/10 R
2 788 717 987	1 147 037 046		2 789 306 970	1 147 211 605
2 765 250 810	1 126 726 348		2 765 690 195	1 126 901 906
22 541 180	19 194 958		22 541 180	19 194 958
263 097	568 141		413 695	568 141
1 000	1 000		-	-
661 900	546 599		661 900	546 599
895 798 705	836 590 797		919 203 877	849 358 213
12 153 041	8 434 449		12 153 041	8 434 449
81 855 629	51 000 903		81 855 629	51 000 903
1 456 128	7 085 120		1 668 131	6 292 158
6 625	6 568		6 625	6 568
-	-		-	83 626
42 451 973	20 823 910		42 451 973	21 823 288
466 189 906	469 466 675		466 189 906	469 466 675
291 685 401	279 773 173		314 878 572	292 250 546
3 684 516 692	1 983 627 845		3 708 510 847	1 996 569 818
		(3 346 222)		
		ASSETS		
		<i>Non-current assets</i>		
		Infrastructure, plant and equipment	1	
		Investment property	2	
		Intangible assets	3	
		Investment in subsidiary	4.1	
		Long term receivables	5	
		<i>Current assets</i>		
		Inventory	6	
		Consumer debtors	7	
		Other receivables	8	
		Current portion of long-term receivables	5	
		Taxation - provisional tax	28	
		VAT receivable	9	
		Financial Assets - Investments	4.2	
		Cash and cash equivalents	10	
		Total Assets		
		NET ASSETS AND LIABILITIES		
		<i>Non-current liabilities</i>		
		Finance lease obligation	11	
		Operating lease liability	12	
		Defined benefit obligations	13	
		Leave accrual	15.1	
		<i>Current liabilities</i>		
		Current portion of finance lease obligation	11	
		VAT payable	9	
		Consumer deposits	14	
		Trade and other payables	15	
		Current portion of deferred income	14	
		Taxation	28	
		Provisions	16	
		Unspent conditional grants and receipts	19.3	
		Total Liabilities		
		<i>Net assets</i>		
		Revaluation reserve		
		Accumulated surplus/(deficit)		
		Total Net Assets and Liabilities		