

Annual Financial Statements

for

eDumbe Municipality

for the year ended 30 June: **2011**

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:	D H Zulu (Acting)
Name of Chief Financial Officer:	S Mgwengwe (Acting)
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eDumbe Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

General information

Members of the Council

B M Nxusa	Mayor
D J Nhlengethwa	Deputy Mayor
N R Simelane	Speaker
S J Kunene	Member of the Executive Committee
B Shabalala	Member
T P Sibeko	Member
I A T Mbatha	Member
R C Gevers	Member
N Z Keswa	Member
N D Ndlangamandla	Member
S R Nkosi	Member
E S Thela	Member
N M Nhlabathi	Member
D Z Mtshali	Member
M P Khumalo	Member

Municipal Manager

D H Zulu (Acting)

Chief Financial Officer

S Mgwengwe (Acting)

Grading of Local Authority

Low

Auditors

Auditor-General

Bankers

First National Bank

eDumbe Municipality
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General information (continued)

Registered Office:	10 Hoog Street, Paulpietersburg, 3180
Physical address:	10 Hoog Street, Paulpietersburg, 3180
Postal address:	Private Bag X3180 Paulpietersburg 3180
Telephone number:	034-995 1650
Fax number:	034-995 1992
E-mail address:	mngwengwes@edumbe.gov.za

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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages x to x, 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 28 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 the Minister of Provincial and Local Government's determination in accordance with this Act.

Acting Municipal Manager:

DATE

eDumbe Municipality
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eDumbe Municipality
STATEMENT OF FINANCIAL POSITION
as at 30 June 2011

	Note	2011 R	2010 R
ASSETS			
Current assets			
Cash and cash equivalents	1	551 334	556 756
Trade and other receivables from exchange transactions	2	9 764 230	6 407 548
Other receivables from non-exchange transactions	3	-	-
Other current financial assets	4	-	3 486
Inventories	5	-	73 543
Prepayments	6	-	-
Investments	7	84 147	-
Current portion of receivables	8	-	-
VAT receivable	18	-	-
Construction contracts and receivables	9	-	-
Non-current assets held for sale	15	-	-
Non-current assets			
Non-current receivables	8	-	-
Investments	10	-	-
Other non-current financial assets	4	-	-
Property, plant and equipment	11	38 983 583	36 415 490
Intangible assets	12	1 121 465	637 682
Investment property carried at cost	13	-	-
Investment property carried at fair value	13	-	-
Biological assets	14	-	-
Defined benefit plan asset	52	-	-
Correction of error (illustrative purposes only)		-	-
Total assets		50 504 758	44 094 505
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	16	4 496 218	6 981 603
Consumer deposits	17	-	-
VAT payable	18	1 584 407	2 031 908
Taxes and transfers payable (non-exchange)	19	-	-
Current provisions	20	2 025 367	2 052 278
Bank overdraft	1	12 176 758	3 688 683
Current portion of unspent conditional grants and receipts	21	6 308 522	1 412 254
Current portion of borrowings	22	-	-
Current portion of finance lease liability	23	-	232 642
Other current financial liabilities	24	-	-
Non-current liabilities			
Non-current unspent conditional grants and receipts	21	-	-
Non-current borrowings	22	600 000	1 200 000
Non-current finance lease liability	23	-	576 857
Other non-current financial liabilities	24	-	-
Non-current provisions	25	-	-
Defined benefit plan obligations	53	-	-
Total liabilities		27 191 273	18 176 225
Net assets		23 313 485	25 918 280
NET ASSETS			
Housing Development account		100 348	
Accumulated surplus / (deficit)		23 213 137	25 918 280
Total net assets		23 313 485	25 918 280

eDumbe Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2011

	Note	2011 R	2010 R
Revenue			
Property rates	26	3 302 983	4 197 153
Property rates - penalties imposed and collection charges	26	671 638	-
Service charges	27	11 464 740	16 257 285
Rental of facilities and equipment	28	67 563	53 684
Interest earned - external investments	29	47 397	948 019
Interest earned - outstanding receivables	30	-	-
Fines		400 161	364 560
Licences and permits		721 094	961 633
Government grants and subsidies	31	27 052 677	30 255 917
Public contributions and donations	32	-	-
Other income	32	2 999 155	1 800 863
Total revenue		46 727 406	54 839 114
Expenses			
Employee related costs	33	16 913 075	16 192 985
Remuneration of councillors	34	1 529 286	2 751 982
Bad debts		-	32 695 661
Collection costs		-	-
Depreciation and amortisation expense	35	2 999 008	2 920 762
Repairs and maintenance		1 436 232	936 662
Finance costs	36	37 409	832 320
Bulk purchases	37	23 401 145	8 814 301
Contracted services	38	-	-
Grants and subsidies paid	39	1 099 602	4 020 821
General expenses	40	17 674 253	10 644 949
Total expenses		65 090 012	79 810 443
Gain / (loss) on sale of assets	41	-	(38 242)
(Impairment loss) / Reversal of impairment loss	42	-	-
Profit / (loss) on fair value adjustment	43	-	-
Inventories: (Write-down) / reversal of write-down to net realisable value	5	-	-
Surplus / (deficit) for the period		(18 362 605)	(25 009 571)

eDumbe Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2011

Note	Revaluation	Other reserves	Total: Reserves	Accumulated	Total: Net Assets
	Reserve			Surplus/(Deficit)	
	R	R	R	R	R
Balance at 30 June 2010	-	-	-	(25 009 571)	(25 009 571)
Correction of prior period error				-	-
Restated balance	-	-	-	(25 009 571)	(25 009 571)
Surplus / (deficit) on revaluation of property of property, plant and equipment					-
<i>Other items</i>					20 058 691
<i>Other items</i>					-
Net gains and losses not recognised in the statement of financial performance					-
Transfers to / from accumulated surplus/(deficit)					-
Surplus / (deficit) for the period				(18 362 605)	(18 362 605)
Balance at 30 June 2011	-	-	-	(43 372 176)	(23 313 485)

eDumbe Municipality
CASH FLOW STATEMENT
as at 30 June 2011

	Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		38 564 813	39 658 430
Taxation			
Sales of goods and services		11 464 740	8 454 494
Grants		27 052 677	30 255 917
Interest received		47 397	948 019
Other receipts			
Payments		44 006 436	35 424 473
Employee costs		18 442 361	19 653 222
Suppliers		25 564 075	14 959 126
Interest paid			832 320
Other payments			(20 195)
Net cash flows from operating activities	44	(5 441 623)	4 233 957
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(2 568 093)	(6 304 795)
Proceeds from sale of fixed assets			74 291
Proceeds from sale of investments			
Purchase of intangibles		(483 783)	(792 546)
Decrease/(Increase) in Loans and receivables			
Net cash flows from investing activities		(3 051 876)	(7 023 050)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings			(20 195)
Repayment of borrowings			
Proceeds from finance lease liability			
Repayment of finance lease liability			373 327
Net cash flows from financing activities		-	353 132
Net increase / (decrease) in net cash and cash equivalents		(8 493 499)	(2 435 961)
Net cash and cash equivalents at beginning of period		(3 131 926)	(695 965)
Net cash and cash equivalents at end of period	45	(11 625 425)	(3 131 926)

eDumbe Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2011

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.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), 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 when offsetting is 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 PRESENTATION CURRENCY

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

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. 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.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

1.5 EFFECTIVE

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

GRAP 8 Interest in Joint Ventures - issued August 2006
GRAP 18 Segment Reporting - issued March 2005
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 103 Heritage Assets - issued July 2008

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

IAS 19 Employee Benefits - effective 1 January 2009
IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009
Other
Other

Nature of impending changes in accounting policy:

Impact on the municipality's financial statements once implemented:

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

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

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the 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.

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

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

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

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

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets *[or state other method used, e.g. production-unit- or diminishing balance method]*. 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:

Infrastructure		Other	
Roads and Paving		Buildings	
Pedestrian Malls		Specialist vehicles	
Electricity		Other vehicles	
Water		Office equipment	
Sewerage		Furniture and fittings	
		Watercraft	
Community		Bins and containers	
Buildings		Specialised plant and equipment	
Recreational Facilities		Other items of plant and equipment	
Security		Landfill sites	
Halls		Quarries	
Libraries		Emergency equipment	
Parks and gardens		Computer equipment	
Other assets		Other	
		Other	
Heritage assets		Other	
Buildings		Other	
Paintings and artifacts			
Finance lease assets			
Office equipment			
Other assets			

The residual value, the useful life of an asset and the depreciation method is 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 amount 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.

2.5 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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

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

Intangible assets are initially recognised at cost.

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

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

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.

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 (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.

3.4 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.

4 INVESTMENT PROPERTY

4.1 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.

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

4.2 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

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 BIOLOGICAL ASSETS

5.1 INITIAL RECOGNITION

A biological asset or agricultural produce is recognised when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality;
- and the fair value or cost of the asset can be measured reliably.

5.2 SUBSEQUENT MEASUREMENT

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value. The annual depreciation rates are based on the following estimated average asset lives:

Biological assets	%
Trees in plantation	
Maize	
Wheat	
Sheep	
Pigs	
Dairy Cattle	
Other Assets	

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 and fair value less costs to sell.

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

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

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

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

8 FINANCIAL INSTRUMENTS

8.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

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 ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

8.2.1 INVESTMENTS

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

8.2.2 TRADE AND OTHER RECEIVABLES

Trade and other 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 or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date 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.

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.

8.2.4 CASH AND CASH EQUIVALENTS

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

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

9 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

10 UNAUTHORISED EXPENDITURE

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

11 IRREGULAR EXPENDITURE

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

12 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.

13 PROVISIONS

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

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

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

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

	(a) The
municipality has a detailed formal plan for the restructuring identifying at least:	- the
business or part of a business concerned;	- the
principal locations affected;	- the
location, function, and approximate number of employees who will be compensated for terminating their services;	- the
expenditures that will be undertaken; and	- when the
plan will be implemented; and	

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

14 LEASES

14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, 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.

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

14.2 MUNICIPALITY AS LESSOR

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

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

15 REVENUE

15.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. [The estimates of consumption between meter readings are based on.....](#)

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

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

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

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

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

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

15.2 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 property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

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

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 deferred income (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 virtually certain.

15.3 GRANTS, TRANSFERS AND DONATIONS

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

16 BORROWING COSTS

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

17 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. [The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified 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.](#)

Insert defined contribution plan information here

Insert defined benefit plan information here.

18 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by *[the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs OR surveys of work done OR completion of a physical proportion of the contract work]*.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

19 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.

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.

eDumbe Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		(2 000)	(2 000)
Cash at bank		(12 174 758)	(3 686 683)
Call deposits		551 334	556 756
		(11 625 425)	(3 131 927)
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
FNB 53280005944			(3 686 683)
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
Cash book balance at beginning of year		(3 686 683)	(695 966)
Cash book balance at end of year		(12 174 758)	(3 686 683)
Bank statement balance at beginning of year		(620 036)	(695 966)
Bank statement balance at end of year			(620 036)
<u>Current Account (Other Account)</u>			
Call Account - FNB 61328003233		544 192	556 756
Call Account - FNB 62033660376		1 015	-
Call Account - FNB 62219848746		6 127	-
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
Cash book balance at beginning of year		556 756	1 280 013
Cash book balance at end of year		551 334	556 756
Bank statement balance at beginning of year		556 756	1 280 013
Bank statement balance at end of year			556 756
<u>Savings Account</u>			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
xx Bank Limited - xx Branch: Account Number xxx			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		-	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year			
<u>Cash on hand</u>		(2 000)	(2 000)
Total cash and cash equivalents		551 334	556 756
Total bank overdraft		12 176 758	3 688 683

eDumbe Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
<u>Trade receivables</u>			
as at 30 June 2011			
Service debtors			
		Provision for	Net Balance
	Gross Balances	Doubtful Debts	
	R	R	R
Rates	5 823 771	9 433 796	(3 610 026)
Electricity	7 856 444	4 668 821	3 187 622
Sewerage	53 032	-	53 032
Refuse	39 959 192	29 467 205	10 491 987
Other	(12 991)	(2 001 686)	1 988 695
Total	53 679 448	41 568 137	12 111 311
<u>Other receivables</u>	(2 347 081)	-	(2 347 081)
Other receivables	(2 347 081)	-	(2 347 081)
Total Trade and other receivables	51 332 366	41 568 137	9 764 230
as at 30 June 2010			
Service debtors			
Rates	3 676 096	3 230 731	445 365
Electricity	7 662 178	522 847	7 139 331
Sewerage	53 032	53 032	-
Refuse	36 814 518	36 156 406	658 112
Other		1 835 260	(1 835 260)
Total	48 205 824	41 798 276	6 407 548
<u>Other receivables</u>	-	-	-
Other receivables	-	-	-
Total Trade and other receivables	48 205 824	41 798 276	6 407 548
<u>Rates: Ageing</u>			
Current (0 – 30 days)			(846 044)
31 - 60 Days			353 587
61 - 90 Days			339 024
91 - 120 Days			313 175
121 - 365 Days			285 623
+ 365 Days			
Total		-	445 365
<u>Electricity and Refuse : Ageing</u>			
Current (0 – 30 days)			(338 449)
31 - 60 Days			7 701 390
61 - 90 Days			146 621
91 - 120 Days			70 604
121 - 365 Days			217 267
+ 365 Days			
Total		-	7 797 433
<u>Summary of Debtors by Customer Classification</u>			
	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2011			
Current (0 – 30 days)			
31 - 60 Days			
61 - 90 Days			
91 - 120 Days			
121 - 365 Days			
+ 365 Days			
Sub-total	-	-	-
Less: Provision for doubtful debts			
Total debtors by customer classification	-	-	-
as at 30 June 2010			
Current (0 – 30 days)			
31 - 60 Days			
61 - 90 Days			
91 - 120 Days			
121 - 365 Days			
+ 365 Days			
Sub-total	-	-	-

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
Less: Provision for doubtful debts			
Total debtors by customer classification	-	-	-

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
2 Reconciliation of the doubtful debt provision			
Balance at beginning of the year		41 798 276	8 638 828
Contributions to provision		-	33 159 448
Doubtful debts written off against provision			
Reversal of provision		(230 139)	
Balance at end of year		41 568 137	41 798 276

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 20x1, R - (20x0: R -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

- 1 month past due
- 2 months past due
- 3 months past due

Trade and other receivables impaired

As of 30 June 20x1, trade and other receivables of R - (20x0: R -) were impaired and provided for.

The amount of the provision was R - as of 30 June 20x1 (20x0: R -).

The ageing of these receivables is as follows:

- 3 to 6 months
- Over 6 months

The fair value of trade and other receivables approximates their carrying amounts.

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Insurance claims		-	-
Rates and other taxes		-	-
Subsidies		-	-
Road reinstatements		-	-
Unauthorized expenditure (see Note 50.1)	Notes1-10\A686	-	-
Other debtors		-	-
Prepayments (if not material)		-	-
Total Other Debtors		-	-

4 OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets		-	-
------------------------------------	--	---	---

4 OTHER CURRENT FINANCIAL ASSETS

Other current financial assets		-	3 486
--------------------------------	--	---	-------

5 INVENTORIES

Opening balance of inventories:

Consumable stores - at cost		73 543	-
Maintenance materials - at cost		-	-
Spare parts – at net realisable value		-	-
Other goods held for resale – at cost		-	-
Water		-	-

Additions:

Consumable stores		(73 543)	-
Maintenance materials		-	-
Spare parts		-	-
Other goods held for resale		-	-
Water		-	-

Issued (expensed):

Consumable stores		-	-
Maintenance materials		-	-
Spare parts		-	-
Other goods held for resale		-	-
Water		-	-

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note	2011 R	2010 R
Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net	-	-
5 Replacement Cost (NRC):		
Consumable stores	-	-
Maintenance materials	-	-
Spare parts	-	-
Other goods held for resale	-	-
Water	-	-
Closing balance of inventories:	-	73 543
Consumable stores	-	73 543
Maintenance materials	-	-
Spare parts	-	-
Other goods held for resale	-	-
Water	-	-

Included in inventory is an amount of Rxxx pledged as security for xxx.

Circumstances or events that led to the reversal of a write-down of inventories:

6 PREPAYMENTS

Prepaid expenses

-	-
---	---

Insurance for x months relating to following financial year, were paid in the current year.

7 INVESTMENTS

Deposits

Call investments

-	-
84 147	-
84 147	-

Fixed deposits amounting to Rxxx (20X0: Rxxx) have been ring-fenced for the purposes of repaying long-term liabilities as set out in Note 36.

8 NON-CURRENT RECEIVABLES

Car loans

Staff loans

Housing selling scheme loans

Other non-current receivables

-	-
-	-
-	-
-	-

Less : Current portion transferred to current receivables

Car loans

Staff loans

Housing selling scheme loans

Other non-current receivables

-	-
-	-
-	-
-	-

Total

-	-
---	---

CAR LOANS

terms and conditions

STAFF LOANS

terms and conditions

HOUSING SELLING SCHEME LOANS

terms and conditions

OTHER LONG TERM LOANS

terms and conditions

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note	2011 R	2010 R
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9 CONSTRUCTION CONTRACT RECEIVABLES

Contracts in progress at reporting date:

Construction contract receivables

	-	-

Advances received in excess of work completed are included in trade and other payables.

At 30 June 20x1, contract debtors of R - (20x0: R -) are due for settlement after more than 12 months.

Contract debtors were pledged as security for overdraft facilities of R - (20x0: R -) of the municipality. At year end the overdraft amounted to R - (20x0: R -).

10 INVESTMENTS

Financial Instruments

Fixed Deposits

Listed Investments

Other Investments

	-	-
	-	-
	-	-

Pledged Investments

A fixed deposit amounting to Rxxx has been invested with xxx Bank as security for the lease of a sewerage purification plant.

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

11 PROPERTY, PLANT AND EQUIPMENT

11.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2010	11 118 809	8 351 507	9 821 502	334 125	-	6 789 547	-	36 415 490
Cost/Revaluation	11 118 809	10 841 293	15 028 603	511 523	-	9 779 227	-	47 279 455
Correction of error (note 48)								-
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	-	(2 489 786)	(5 207 101)	(177 398)	-	(2 989 680)	-	(10 863 965)
Acquisitions	-	-	2 568 093	-	-	-	-	2 568 093
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
as at 30 June 2011	11 118 809	8 351 507	12 389 595	334 125	-	6 789 547	-	38 983 583
Cost/Revaluation	11 118 809	10 841 293	17 596 696	511 523	-	9 779 227	-	49 847 548
Accumulated depreciation and impairment losses	-	(2 489 786)	(5 207 101)	(177 398)	-	(2 989 680)	-	(10 863 965)

*Other movements consist of

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

[App B'IA1](#)

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

11.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2009	11 118 809	8 675 705	9 158 172	133 733	-	3 807 601	-	32 894 020
Cost/Revaluation	11 118 809	10 767 061	12 990 239	287 523	-	5 892 611	-	41 056 243
Correction of error (note 48)								-
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	-	(2 091 356)	(3 832 067)	(153 790)	-	(2 085 010)	-	(8 162 223)
Acquisitions	-	74 232	2 038 364	224 000	-	3 968 199	-	6 304 795
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	(398 430)	(1 375 034)	(23 608)	-	(904 670)	-	(2 701 742)
Carrying value of disposals	-	-	-	-	-	81 583	-	81 583
Cost/Revaluation	-	-	-	-	-	81 583	-	81 583
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
as at 30 June 2010	11 118 809	8 351 507	9 821 502	334 125	-	6 789 547	-	36 415 490
Cost/Revaluation	11 118 809	10 841 293	15 028 603	511 523	-	9 779 227	-	47 279 455
Accumulated depreciation and impairment losses	-	(2 489 786)	(5 207 101)	(177 398)	-	(2 989 680)	-	(10 863 965)

*Other movements consist of

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

[App B!A1](#)

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
11.2 Property, plant and equipment pledged as security			
Asset 1			
Terms and conditions			
Asset 2			
Terms and conditions			
11.3 Capitalised expenditure			
Asset 1			
Asset 2			
Asset 3			
		-----	-----
		-	-
		=====	=====
11.4 Compensation received for losses on property, plant and equipment – included in operating surplus			
Asset 1			
Asset 2			
Asset 3			
		-----	-----
		-	-
		=====	=====
11.5 Details of valuation			
<p>The effective date of the revaluations was x. Revaluations were performed by an independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the entity. Land and buildings are re-valued independently every x years.</p> <p>The valuation was performed using the discounted cash flow approach (other, describe, e.g. recent arms length transaction), and the following assumptions were used: Discount rate Other Other These assumptions are based on current market conditions.</p> <p>The carrying value of the revalued assets under the cost model would have been:</p>			
Asset 1			
Asset 2			
Asset 3			

- -

11.6 Other information

Carrying value of idle property, plant and equipment
Fully depreciated property, plant and equipment still in use
Property, plant and equipment retired from active use, but not classified as held for sale
Fair value of property, plant and equipment carried at cost

- -

11.7 Details of property

Property X

Terms and conditions
Purchase price: date
Additions since purchase
Capitalised expenditure

- -

Property Y

Terms and conditions
Purchase price: date
Additions since purchase
Capitalised expenditure

- -

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
12 INTANGIBLE ASSETS			
12.1 Reconciliation of carrying value			
	Computer Software	Other*	Total
	R	R	R
as at 1 July 2010	637 682	-	637 682
Cost	637 682	-	637 682
Correction of error (note 48)	-	-	-
Change in accounting policy (note 47)	-	-	-
Accumulated amortisation and impairment losses	-	-	-
Acquisitions	483 783	-	483 783
Amortisation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2011	1 121 465	-	1 121 465
Cost	1 121 465	-	1 121 465
Accumulated amortisation and impairment losses	-	-	-

*Note: "Other" consists of....., none of which are considered to be individually significant or material.

	Computer Software	Other*	Total
	R	R	R
as at 1 July 2009	(123 915)	-	(123 915)
Cost	95 105	-	95 105
Correction of error (note 48)	-	-	-
Change in accounting policy (note 47)	-	-	-
Accumulated amortisation and impairment losses	(219 020)	-	(219 020)
Acquisitions	792 546	-	792 546
Amortisation	-	-	-
Carrying value of disposals	(30 949)	-	(30 949)
Cost	(30 949)	-	(30 949)
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2010	637 682	-	637 682
Cost	637 682	-	637 682
Accumulated amortisation and impairment losses	-	-	-

*Note: "Other" consists of....., none of which are considered to be individually significant or material.

12.2 Intangible assets with indefinite useful lives (disclose the following);

Carrying amount;
Reasons for supporting the assessment of the useful life as indefinite;
Description of the factor(s) that played a significant role in determining that the asset has an indefinite useful life.

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
13 INVESTMENT PROPERTY CARRIED AT COST			
13.1 Reconciliation of carrying value	Investment property X R	Investment property Y R	Total R
as at 1 July 2010	-	-	-
Cost	-	-	-
Correction of error (note 48)	-	-	-
Change in accounting policy (note 47)	-	-	-
Accumulated depreciation and impairment losses	-	-	-
Acquisitions	-	-	-
Depreciation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2011	-	-	-
Cost	-	-	-
Accumulated depreciation and impairment losses	-	-	-
13.1 Reconciliation of carrying value	Investment property R	Investment property R	Total R
as at 1 July 2009	-	-	-
Cost	-	-	-
Correction of error (note 48)	-	-	-
Change in accounting policy (note 47)	-	-	-
Accumulated depreciation and impairment losses	-	-	-
Acquisitions	-	-	-
Depreciation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2010	-	-	-
Cost	-	-	-
Accumulated depreciation and impairment losses	-	-	-

13.2 Investment property pledged as security

13.3 Fair value of investment property carried at cost:

The effective date of the revaluations was x. Revaluations were performed by an independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the entity and have recent experience in location and category of the investment property being valued. The valuation was based on open market value for existing use. For investment property, totalling R - (20X0: R -), where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptions were used:

- Discount rate
- Other
- Other

These assumptions are based on current market conditions.

13.4 If the fair value can not be determined, the following should be disclosed:

- Description of the investment property;
- Explanation of why the fair value can not be determined reliably;

eDumbe Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2011

Note	2011 R	2010 R
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If possible, the range of estimates within which the fair value is highly likely to lie.

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
13.5 Details of property:			
Investment property			
Terms and conditions			
Purchase price: date			
Additions since purchase			
Capitalised expenditure		-	-
Investment property			
Terms and conditions			
Purchase price: date			
Additions since purchase			
Capitalised expenditure		-	-
13.6 Rental income from investment property			
Direct operating expenses from rental generating property			
Direct operating expenses from non-rental generating property			

13 INVESTMENT PROPERTY CARRIED AT FAIR VALUE

	Investment property R	Investment property R	Total R
13.1 Reconciliation of fair value			
as at 1 July 2010	-	-	-
Acquisitions	-	-	-
Fair value adjustment	-	-	-
Fair value of disposals	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2011	-	-	-

	Investment property R	Investment property R	Total R
13.1 Reconciliation of fair value			
as at 1 July 2009	-	-	-
Acquisitions	-	-	-
Fair value adjustment	-	-	-
Fair value of disposals	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2010	-	-	-

13.2 Investment property pledged as security

13.3 Details of property

Investment property		
Terms and conditions		
Purchase price: date		
Additions since purchase		
Capitalised expenditure		-
Investment property		
Terms and conditions		
Purchase price: date		
Additions since purchase		
Capitalised expenditure		-

eDumbe Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2011

Note	2011	2010
	R	R
	-	-

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
13.3 Rental income from investment property			
Direct operating expenses from rental generating property			
Direct operating expenses from non-rental generating property			
13.4 Details of valuation			
<p>The effective date of the revaluations was x. Revaluations were performed by an independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the entity and have recent experience in location and category of the investment property being valued.</p> <p>The valuation was based on open market value for existing use.</p> <p>For investment property, totalling R - (2007: R -), where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptions were used:</p> <p>Discount rate</p> <p>Other</p> <p>Other</p> <p>These assumptions are based on current market conditions.</p>			
13.5 Amounts recognised in surplus or deficit for the year.			

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
15 NON-CURRENT ASSETS HELD FOR SALE			
Property, plant and equipment		-	-
Investment property		-	-
Other assets		-	-
		-	-
		-	-

State details on non-current assets held for sale including description of the assets and the facts and circumstances that resulted in it being classified as such.

16 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Deposits on land Sales			1 000 000
Interest payable to DBSA Loan			20 195
Consumer Debtors - Electricity			200 620
Accruals		4 486 324	5 760 787
Accrued interest			
Other creditors		9 894	
Total creditors		4 496 218	6 981 602
		4 496 218	6 981 602

The fair value of trade and other payables approximates their carrying amounts.

17 CONSUMER DEPOSITS

Electricity and Water		-	-
Accrued interest		-	-
Total consumer deposits		-	-
		-	-

Included in deposits is an accrual of interest at an effective interest rate of x% per annum (20X0 x%) which is paid to consumers when deposits are refunded.

Guarantees held in lieu of Electricity and Water Deposits

18 VAT PAYABLE

Vat Input		(4 205 111)	
Vat Debtors Combined		3 783 662	
Vat Output		2 005 856	
VAT payable		1 584 407	2 031 908
		1 584 407	2 031 908

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

18 VAT RECEIVABLE

VAT receivable		-	-
		-	-
		-	-

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

19 TAXES AND TRANSFERS PAYABLE (NON-EXCHANGE)

Taxes and transfers payable		-	-
		-	-
		-	-

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
20 PROVISIONS			
Performance bonus			
Provision for Bonus		549 270	370 032
Provision for leave		1 178 210	1 327 076
Provision for Rehabilitation of Land Fill Site		297 887	355 170
Total Provisions		2 025 367	2 052 278

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

The balance of the performance bonus provisions relate to amounts not yet paid to certain employees due to disputes over the assessment process. Also see note 54.

[Notes15-61'A1](#)

Other disclosure
(Provide details of the techniques and assumptions used in estimating the provisions)

The movement in current provisions are reconciled as follows: -

	Performance Bonus	Provision for leave
as at 1 July 2010	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
as at 30 June 2011	-	-
as at 1 July 2009	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
as at 30 June 2010	-	-
	Current portion Long-service	Other provisions
as at 1 July 2010	-	-
Transfer from non-current	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
as at 30 June 2011	-	-
as at 1 July 2009	-	-
Transfer from non-current	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
as at 30 June 2010	-	-

21 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

21.1 Unspent Conditional Grants from other spheres of Government

Edumbe Sportsfield	(734 317)	
KZN Planning	(56 909)	
FMG	(3 278)	(727)
Pongola Bush	30 000	
MAP	30 170	
Dumbe Sportsfield	1 182 901	
MIG Grants	5 859 955	1 047 706
MSIG		365 275

21.2 Other Unspent Conditional Grants and Receipts

Other	-	-
Other	-	-
Total Unspent Conditional Grants and Receipts	6 308 522	1 412 254

Non-current unspent conditional grants and receipts

Current portion of unspent conditional grants and receipts	6 308 522	1 412 254
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See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

[Notes15-61'A291](#)

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
22 BORROWINGS			
Local Registered Stock Loans			
Annuity Loans			
Government Loans : Other			
Other borrowings		600 000	1 200 000
		600 000	1 200 000
Less : Current portion transferred to current liabilities		-	-
Local Registered Stock Loans			
Annuity Loans			
Government Loans : Other			
Other borrowings			
Total borrowings		600 000	1 200 000

Refer to Appendix A for more detail on borrowings.

[App A1A1](#)

23 FINANCE LEASE LIABILITY

2011

Amounts payable under finance leases

Within one year
Within two to five years

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year			
Within two to five years			
	-	-	-
Less: Amount due for settlement within 12 months (current portion)			-

The average lease term is x years and the average effective borrowing rate is x%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between x% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

2010

Amounts payable under finance leases

Within one year
Within two to five years

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	232 642		809 499
Within two to five years	576 857		576 857
	809 499	-	809 499
Less: Amount due for settlement within 12 months (current portion)			232 642
			576 857

The average lease term is x years and the average effective borrowing rate is x%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between x% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

24 OTHER FINANCIAL LIABILITIES

24.1 OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities

-	-
---	---

24.2 OTHER CURRENT FINANCIAL LIABILITIES

Other current financial liabilities

-	-
---	---

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note	2011 R	2010 R
25 NON-CURRENT PROVISIONS		
Provision for rehabilitation of landfill sites	-	-
Provision for long-service awards	-	-
Total Non-Current Provisions	-	-
<p>The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at X%, over an average period of X years.</p> <p><i>Insert any assumptions made concerning future events.</i></p> <p>The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover.</p> <p><i>Insert any assumptions made concerning future events.</i></p> <p>The movement in the non-current provision is reconciled as follows: -</p>		
Provision for rehabilitation of landfill sites:		
Balance at the beginning of year	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
Increase in provision due to discounting	-	-
Transfer to current provisions	-	-
Balance at the end of year	-	-
Provision for long-service awards:		
Balance at the beginning of year	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
Increase in provision due to discounting	-	-
Transfer to current provisions	-	-
Balance at the end of year	-	-

26 PROPERTY RATES

Actual

Residential	1 022 105	3 101 469
Commercial	1 064 508	697 960
SPL	812 401	-
Agricultural	402 803	305 652
State	1 165	92 072
Total property rates	3 302 983	4 197 153
Property rates - penalties imposed and collection charges	671 638	-
Total	3 974 621	4 197 153

Valuations

Residential		
Commercial		
State		
Municipal		
Total Property Valuations	-	-

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 20X0. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

A general rate of Rx (20X0) is applied to property valuations to determine assessment rates. Rebates of x% are granted to residential and state property owners. Rates are levied on an annual basis on property owners.

Rates are levied on an annual basis with the final date of payment being 30 November 20X1 (20X0: 30 November). Interest at x% per annum (20X0:x%) is levied on outstanding rates as well as x% (20X0: x%) collection charge two months after final date of pay

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
27 SERVICE CHARGES			
Sale of electricity		(6 617 546)	11 561 847
Sale of water		-	-
Refuse removal		3 082 285	4 695 438
Sewerage and sanitation charges		-	-
Total Service Charges		(3 535 260)	16 257 285
28 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities & equipment		67 563	53 684
Rental of equipment		-	-
Other rentals		-	-
Total rentals		67 563	53 684
29 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank		47 397	948 019
Financial assets			
Other			
Total interest		47 397	948 019
30 INTEREST EARNED - OUTSTANDING RECEIVABLES			
Debtor 1			
Debtor 2			
Debtor 3			
Total interest		-	-
31 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		19 795 936	21 496 738
Financial Management Grant		1 200 000	750 727
LGSITA			64 882
Municipal Assistance Programme			600 000
Municipal Infrastructure Grant		3 689 000	6 328 845
Municipal Systems Improvement Grant		588 920	934 725
Zululand District Municipality		80 000	80 000
Energy Grant		1 284 190	-
Arts and Culture		433 631	-
KZNPA Valuation		(19 000)	-
Other Government Grants and Subsidies		-	-
Total Government Grant and Subsidies		27 052 677	30 255 917
31.1 Equitable Share			
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of Rx (20X0; Rx), which is funded from the grant.			
31.2 MIG Grant			
Balance unspent at beginning of year		1 047 706	1 376 551
Current year receipts		549 873	6 000 000
Conditions met - transferred to revenue		(1 284 190)	(6 328 845)
Conditions still to be met - remain liabilities (see note 21)	Notes15-61!A124	313 389	1 047 706
<i>Provide explanations of conditions still to be met and other relevant information</i>			
31.3 Other Government Grants and Subsidies			
Balance unspent at beginning of year		1 047 706	1 047 706
Current year receipts		4 812 249	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities (see note 21)	Notes15-61!A124	5 859 955	1 047 706
<i>Provide explanations of conditions still to be met and other relevant information</i>			
31.4 Changes in levels of government grants			

eDumbe Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011	2010
		R	R
Based on the allocations set out in the Division of Revenue Act, (Act ...of 20X2), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.			

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
32 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS			
32.1 Other income			
Other income		2 999 155	1 800 863
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 50)	Notes15-61!A684	-	-
Total Other Income		2 999 155	1 800 863
32.1 Public contributions and donations			
Public contributions - Conditional		-	-
Public contributions - Unconditional		-	-
Donations		-	-
Total public contributions and donations		-	-
Reconciliation of conditional contributions			
Balance unspent at beginning of year			
Current year receipts			
Conditions met - transferred to revenue			
Conditions still to be met - remain liabilities (see note 21)	Notes15-61!A124	-	-

Provide explanations of conditions still to be met and other relevant information

	16 913 075	18 026 783
33 EMPLOYEE RELATED COSTS		
Basic	14 311 666	13 297 014
Bonus	354 236	707 966
Medical aid -company contributions	378 014	328 533
Leave pay provision charge		148 866
Bargaining council	5 565	5 382
Post employment benefits - Pension-Defined contribution plan	1 641 779	1 481 443
Housing benefits and allowances	5 263	6 996
Performance and other bonuses	-	(179 238)
Allowances - Electricity	-	188 418
Allowances - standby	76 674	
Uniforms	36 292	100 000
Unemployment Insurance Fund	103 586	107 605
Performance and other bonuses	-	-
Long-service awards	-	-
Other employee related costs	-	-
Employee Related Costs	16 913 075	16 192 985

There were no advances to employees / Loans to employees are set out in note 3.

Remuneration of the Municipal Manager		
Annual Remuneration	-	580 668
Performance- and other bonuses	-	76 848
Travel, motor car, accommodation, subsistence and other allowances	-	112 823
Contributions to UIF, Medical and Pension Funds	-	1 497
Total	-	771 836

Remuneration of the acting Chief Finance Officer		
Annual Remuneration	-	206 903
Cell allowance		18 974
Performance bonus	-	65 476
Contributions to UIF, Medical and Pension Funds		1 080
Housing allowance		41 249
Travel allowance and claims		144 205
Other	-	8 725
Total	-	486 612

	Community Services		
	Technical Services R	Corporate Services R	R
Remuneration of Individual Executive Directors			
2011			
Annual Remuneration	-	-	-
Cell allowance			-
Performance bonus			-
Contributions to UIF, Medical and Pension Funds			-
Housing allowance	-	-	-
Travel allowance and claims	-	-	-
Other	-	-	-
Total	-	-	-

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
		Technical Services R	Corporate Services R
			Community Services R
2010			
Annual Remuneration	-	327 690	-
Cell allowance		5 998	
Performance bonus		23 557	
Contributions to UIF, Medical and Pension Funds		105 813	
Housing allowance			
Travel allowance and claims	-	108 000	-
Other	-	4 292	-
Total	-	575 350	-

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
34 REMUNERATION OF COUNCILLORS			
Executive Mayor		-	315 389
Deputy Mayor, speaker, and EXCO members		-	747 748
Speaker		-	-
Executive Committee Members		-	-
Councillors		1 529 286	1 688 845
Councillors' pension and medical aid contributions		-	-
Councillors' allowances		-	-
Total Councillors' Remuneration		1 529 286	2 751 982
In-kind Benefits			
<p>The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.</p> <p>The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at no cost. The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has x full-time bodyguards.</p>			
35 DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment		2 999 008	2 701 742
Intangible assets		-	219 020
Investment property carried at cost		-	-
Biological assets carried at cost		-	-
Total Depreciation and Amortisation		2 999 008	2 920 762
36 FINANCE COSTS			
Interest		37 409	233 800
Finance leases		-	132 632
ts: Notional Interest		-	465 888
Total Finance Costs		37 409	832 320
37 BULK PURCHASES			
Electricity		8 401 145	8 814 301
Water		-	-
Total Bulk Purchases		8 401 145	8 814 301
38 CONTRACTED SERVICES			
Contracted services for: (provide details) (provide details)		-	-
39 GRANTS AND SUBSIDIES PAID			
Grant/subsidy to xxx		1 099 602	4 020 821
		1 099 602	4 020 821
(Provide details)			

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
40 GENERAL EXPENSES			
Included in general expenses are the following:-			
Admin fees		-	-
Advertising		176 901	142 408
Aids awareness		40	
Audit Committee		44	
Audit fees - External		569 230	658 599
Audit fees - Internal		211 973	
Bank charges		1 465	57 776
Bursaries		-	-
Campaigns & Promotions		881 326	
Chemicals		44 454	
Cleaning		1 075 998	1 304 186
Communication and Public Relations		300 000	
Community development and training		296 563	1 067 473
Community participation		1 372	
Computer expenses		4 500	703 012
Conferences and seminars		-	2 065
Connection charges		-	-
Consulting fees		1 308 896	1 326 684
Consumables		-	692 296
Electricity		-	211 743
Fertilizer		6 297	
Financial management grant		-	-
FMG - Expenses		84 522	
Fuel and oil		317 660	40 244
Grass Cutting		255 527	
Hazardous Waste Removal		735 520	
Heritage		509 517	
Indigent Burial		54 926	
Insurance		818 698	607 052
Leaders		473 113	
Legal Services		81 484	
Magazines, books and periodicals		-	23 653
Medical expenses		-	31 631
Motor vehicle expenses		-	307 097
Other		-	-
Other expenses		-	28 543
Pest & Weed Control		150 365	
Postage and courier		-	19 526
Poverty Alleviation		29 448	
Printing and stationery		307 031	234 086
Promotions and sponsorships		17 296	26 940
Protective clothing		-	21 453
Publications and periodicals		(51 121)	
Rebates - Tarriffs		4 497	
Refreshments		40 332	
Refuse		-	294
Road Transport Quality System		2 683	
Royalties and license fees		-	29 874
School Achievers		25 610	
Secretarial fees		-	786 628
Security costs		5 487 329	1 115 792
Sports Tournaments		44 919	
Staff welfare		-	96 118
Stores and Materials		6 184	
Subscriptions & membership fees		-	157 032
Sundries		291 066	
Surgical Items clinics		22 690	
Telephone and fax cost		686 352	265 786
Training		15 044	74 646
Transport and freight		-	329
Transport claims		131 713	
Travel and subsistence		991 284	
Travel local		-	578 291
Uniforms & overalls		-	1 500
Uniforms & overalls		-	-
Valuation costs		850	
Water and Sanitation		-	32 192
Water and Sanitation		5 500	
Women's affairs		7 432	
ZDM Tourism Publication Expenditure		1 247 726	
		17 674 253	10 644 949

eDumbe Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
41 GAIN / (LOSS) ON SALE OF ASSETS			
Net book value		-	(112 532)
Proceeds		-	74 290
Investment property		-	-
Biological assets		-	-
Other financial assets		-	-
Total Gain / (Loss) on Sale of Assets		<u>-</u>	<u>(38 242)</u>

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note	2011 R	2010 R
42 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)		
Property, plant and equipment Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]	-	-
Intangible assets Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]	-	-
Investment property Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]	-	-
Biological assets Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]	-	-
Other financial assets Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or [its value in use.]	-	-
Total Impairment loss / (Reversal of Impairment Loss)	-	-

Value in use

Provide: A description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit's (group of units') recoverable amount (or recoverable service amount) is most sensitive.

A description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.

The period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash-generating unit (group of units), an explanation of why that longer period is justified.

The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated.

The discount rate(s) applied to the cash flow projections was x% (20x0:x%).

Fair value less cost to sell

Provide: A description of the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit (group of units), the following information shall also be disclosed:

A description of each key assumption on which management has based its determination of fair value less costs to sell.

A description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.

Sensitivity of key assumptions

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

Note	2011 R	2010 R
43 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT		
Investment property carried at fair value	-	-
Biological assets carried at fair value	-	-
Other financial assets	-	-
Other financial liabilities	-	-
Total Profit / (Loss) on Fair Value Adjustment	-	-

44 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	(18 362 605)	(25 009 571)
Adjustment for:-		
Depreciation and amortisation	2 999 008	2 920 762
(Gain) / loss on sale of assets	-	38 242
Contribution to provisions - non-current	-	
Contribution to provisions - current		
Finance costs	-	-
Fair value adjustments	-	-
Impairment loss / (reversal of impairment loss)	-	-
Other non-cash item		
Operating surplus before working capital changes:	(15 363 597)	(22 050 567)
(Increase)/decrease in inventories	73 543	
(Increase)/decrease in trade receivables		
(Increase)/decrease in other receivables	(3 356 682)	
(Increase)/decrease in VAT receivable	-	
Increase/(decrease) in conditional grants and receipts	4 896 268	
Increase/(decrease) in trade payables	(2 485 385)	
Increase/(decrease) in consumer deposits		
Increase/(decrease) in VAT payable		
Other asset		
Other liability		
Cash generated by/(utilised in) operations	(16 235 852)	(22 050 567)

45 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	-	-
Bank overdrafts	-	-
Net cash and cash equivalents (net of bank overdrafts)	-	-

46 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 22)

Used to finance property, plant and equipment – at cost

Sub- total

Cash set aside for the repayment of long-term liabilities

Cash invested for repayment of long-term liabilities

[Notes15-61!A135](#)

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
47 CHANGE IN ACCOUNTING POLICY			
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:			
47.1 Statutory Funds			
Balance previously reported: -			
Capital Development Fund			
Land Trust Fund			
Parking Development Fund			
Loans redeemed and other capital receipts			
Total		-	-
Implementation of GRAP			
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)			
Transferred to Government Grant Reserve			
Transferred to Capitalisation Reserve			
47.2 Provisions and Reserves			
Balance previously reported			
Valuation Roll Reserve			
Staff Bursary Reserve			
Total		-	-
Implementation of GRAP			
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)			
47.3 Inventory			
Balance previously reported			
Implementation of GRAP			
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)			
Change from first-in-first-out to weighted average method			
Total		-	-
47.4 Non-current provisions			
Balance previously reported -			
Implementation of GRAP			
Transferred to Accumulated Surplus/(Deficit) (see 47.7 below)			
Long-service			
Total		-	-
47.5 Property, plant and equipment			
Balance previously reported			
Implementation of GRAP			
Infrastructure previously not recorded credited to Accumulated Surplus/(Deficit) (see 47.7 below)			
Total		-	-
47.6 Accumulated Depreciation			
Balance previously reported -			
Implementation of GRAP			
Backlog depreciation: Land and buildings			
Backlog depreciation: Infrastructure			
Backlog depreciation: Community			
Backlog depreciation: Other			
Total (debited to Accumulated Surplus/(Deficit)) (see 47.7 below)		-	-
47.7 Accumulated Surplus/(Deficit)			
Implementation of GRAP			
Adjustments to inventory (see 47.3 above)			
Excessive provisions and reserves no longer permitted (see 47.2 above)			
Non-current provisions previously not recognised (see 47.4 above)			
Transferred from statutory funds (see 47.1 above)			
Fair value of Property, Plant and Equipment previously not recorded (see 47.5 above)			
Backlog depreciation (see 47.6 above)			
Total		-	-

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
48 CORRECTION OF ERROR			
During the year ended 30 June 2010 and previous years, PPE and other assets were incorrectly recognised: -			
The comparative amount has been restated as follows:			
Depreciation		-	-
Net effect on surplus/(deficit) for the year		-	-
PPE			
VAT receivable not previously recognised			
Non current receivables incorrectly recognised (Investing Act)			
Accruals were understated due to lack of year-end accrual			
Staff leave accrual			
Net effect on Statement of Financial Position		-	-
Net effect on Accumulated surplus opening balance		-	-

49 CHANGE IN ESTIMATE

The useful life of certain plant was estimated in 20x0 to be x years. In the current period management have revised their estimate to x years. The effect of this revision has increased the depreciation charges for the current and future periods by R -.
Other

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

50 DISALLOWED

50.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance
Unauthorised expenditure current year
Approved by Council or condoned
Transfer to receivables for recovery
Unauthorised expenditure awaiting authorisation

	-	-
--	---	---

Incident	Disciplinary steps/criminal proceedings
<i>Unbudgeted expenditure</i>	<i>Disciplinary hearing held on xxx</i>

50.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -
Fruitless and wasteful expenditure current year
Condoned or written off by Council
To be recovered – contingent asset (see note 55)
Fruitless and wasteful expenditure awaiting condonement

[Notes15-61!A883](#)

	-	-
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Incident	Disciplinary steps/criminal proceedings
VAT penalty	Disciplinary hearing on xxx

50.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance
Fruitless and wasteful expenditure current year
Condoned or written off by Council
Transfer to receivables for recovery – not condoned
Irregular expenditure awaiting condonement

	-	-
--	---	---

Incident	Disciplinary steps/criminal proceedings
<i>Non-adherence to Supply Chain</i>	<i>Disciplinary hearing</i>

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE			
51 MANAGEMENT ACT			
51.1 Contributions to organised local government			
Opening balance			
Council subscriptions			
Amount paid - current			
Amount paid - previous years			
Balance unpaid (included in payables)		-	-
51.2 Audit fees			
Opening balance			
Current year audit fee			658 599
Amount paid - current year			
Amount paid - previous years			
Balance unpaid (included in payables)		-	658 599
The balance unpaid represents the audit fee for an interim audit conducted during May and June 20X2 and is payable by 31 July 20X2.			
51.3 VAT			
VAT input receivables and VAT output payables are shown in note 18. All VAT returns have been submitted by the due date throughout the year.			
51.4 PAYE and UIF			
Opening balance			
Current year payroll deductions			
Amount paid - current year			
Amount paid - previous years			
Balance unpaid (included in payables)		-	-
The balance represents PAYE and UIF deducted from the June 20X2 payroll . These amounts were paid during July 20X2			
51.5 Pension and Medical Aid Deductions			
Opening balance			
Current year payroll deductions and Council Contributions			
Amount paid - current year			
Amount paid - previous years			
Balance unpaid (included in payables)		-	-
The balance represents pension and medical aid contributions deducted from employees in the June 20X2 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 20X2 .			
51.6 Councillor's arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at: -	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
as at 30 June 2011			
Councillor xx	-		
Councillor xx	-		
Councillor xx	-		
Total Councillor Arrear Consumer Accounts	-	-	-
as at 30 June 2010			
Councillor xx	-		
Councillor xx	-		
Councillor xx	-		
Total Councillor Arrear Consumer Accounts	-	-	-
During the year the following Councillors had arrear accounts outstanding for more than 90 days.		Highest Amount Outstanding	Ageing Days
		R	
as at 30 June 2011			
Councillor xx			x days
Councillor xx			x days
as at 30 June 2010			
Councillor xx			x days
Councillor xx			x days

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
51.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act			
The Municipality has not developed a supply chain management policy due to (reason)			
52 CAPITAL COMMITMENTS			
52.1 Commitments in respect of capital expenditure			
- Approved and contracted for		-	-
Infrastructure			
Community			
Heritage			
Other			
- Approved but not yet contracted for		-	-
Infrastructure			
Community			
Heritage			
Other			
Total		-	-
This expenditure will be financed from:			
- External Loans			
- Government Grants			
- Own resources			
- District Council Grants			
		-	-
52.2 Operating leases			
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:			
Operating leases - lessee			
Within one year			
In the second to fifth year inclusive			
After five years			
Total		-	-
Total future minimum sublease payment expected to be received under non-cancellable sublease			
Operating Leases consists of the following:			
Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable / Contingent rent is payable based on x% of the municipality's sales.			
Operating leases – as lessor			
Minimum lease payments due			
Within one year			
In second to fifth year inclusive			
After five years			
Total		-	-
Operating Leases consists of the following:			
Certain of the municipality's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields of -% on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable / Contingent rent is receivable based on x% of the municipality's sales which amounts to R -.			

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
53 RETIREMENT BENEFIT INFORMATION			
53.1 Defined contribution plan			
The following are defined contribution plans: xxxxxxxxxxxx. These contributions have been expensed.			
53.2 Defined benefit plan			
The following are defined benefit plans xxxxxxxxxxxxxxxx. These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.			
<p>Certain employees of the municipality belong to the xxx Fund, a multi-employer plan / state plan. The most recent actuarial valuation was done on x. These valuations indicate that the plan is in a sound financial position. The estimated liabilities of the fund are Rx million which are adequately funded by assets of Rx million.</p> <p>An amount of Rxxx (20X0 : Rxxx) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.</p>			
54 CONTINGENT LIABILITY			
54.1 Claim for damages			
<p>The Municipality is being sued by a ratepayer due to damages arising from flooding. Council is contesting the claim based on legal advice. A court date has not yet been set. The contingent liability includes legal costs of Rxx. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from xxx</p>			
54.2 Performance bonus dispute – Legal fees			
<p>Several senior officials are disputing the assessment process regarding the payment of performance bonuses. Provision has been made for the payment of the bonuses as assessed by the Municipality. The claim is being considered by the labour court after the CCMA ruled in favour of the Council.</p>			
55 CONTINGENT ASSET			
<p>Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 50.2, civil proceedings have commenced against the employees concerned to recover an amount of Rxxx. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.</p>			
Notes15-61!A707			
56 IN-KIND DONATIONS AND ASSISTANCE			
The Municipality received the following in-kind donations and assistance			
Description			
E.g. Development of Integrated Development Plan by donor agency			
57 RELATED PARTIES			
Joint Ventures			<i>insert related party description</i>
Associates			<i>insert related party description</i>
Members of key management			<i>insert related party description</i>
Close family member of key management			<i>insert related party description</i>
Post employment benefit plan for employees of municipality and/or other related parties			<i>insert related party description</i>
Other related party relationships			<i>insert related party description</i>
Compensation to councillors and other key management (refer to note 33 & 34)			<i>insert related party description</i>

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
Related party balances			
Loan accounts - Owing (to) by related parties <i>insert related party</i>			
Amounts included in Trade receivable (Trade payable) regarding related parties <i>insert related party</i>			
Related party transactions			
Interest paid to (received from) related parties <i>insert related party</i>			
Loans to (from) related parties <i>insert related party</i>			
Purchases from (sales to) related parties <i>insert related party</i>			

58 EVENTS AFTER THE REPORTING DATE

The Municipality has agreed in principle to transfer its electricity function to the new Regional Electricity Distributor (RED) - Region AB. The date of transfer is proposed for xxx. The financial effect of this transfer is not yet known as the Municipality is uncertain as to what its share of the revenue of the RED will be or what the terms and conditions of the transfer will be. There are ongoing discussions with the management of RED - Region AB and EDI Holdings, which is the responsible authority for the implementation of REDS nationally.

59 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts of property, plant and equipment
- Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
- Present value of defined benefit obligation
- Fair value of plan assets
- Provision for doubtful debts
- Impairment of assets
- Provision for long-term service award
- Other

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of assets
- Provisions
- Other

60 RISK MANAGEMENT

60.1 Maximum credit risk exposure

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

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. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

- Bank A
- Bank B
- Interest rate swaps
- Financial guarantees
- Trade and other receivables

These balances represent the maximum exposure to credit risk.

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
The municipality is exposed to a number of guarantees for the overdraft facilities of Group companies and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note (N#) for additional details.			

eDumbe Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
60.2 Liquidity risk			
<p>The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.</p> <p>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.</p>			
<p>20x1 Gross finance lease obligations Borrowings Trade and other payables Other</p>		<p>Not later than one month</p>	<p>Later than one month and not later than three months</p>
<p>20x1 Gross finance lease obligations Borrowings Trade and other payables Other</p>		<p>Later than three months and not later than one year</p>	<p>Later than one year and not later than five years</p>
<p>20x0 Gross finance lease obligations Borrowings Trade and other payables Other</p>		<p>Not later than one month</p>	<p>Later than one month and not later than three months</p>
<p>20x0 Gross finance lease obligations Borrowings Trade and other payables Other</p>		<p>Later than three months and not later than one year</p>	<p>Later than one year and not later than five years</p>

60.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

OR

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

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

- Call deposits
- Notice deposits
- Long term annuity
- Development Bank of South Africa loan
- ABSA overdraft

60.4 Other price risk

Examples include changes in commodity prices

eDumbe Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2011

	Note	2011 R	2010 R
61 RESTATEMENT OF COMPARATIVE INFORMATION			
Provision for leave and bonuses have been reclassified as accruals. The effect of the restatement is summarised below:			
Statement of Financial Position:			
Provisions			
Accruals - leave			
Accruals - bonuses			-

62 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

eDumbe Municipality
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2011

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2010	Received during the period	Redeemed / written off during the period	Balance at 30 June 2011
			R	R	R	R
LONG-TERM LOANS						
DBSA	25 778	30/09/2013	1 220 195			1 220 195
Total long-term loans			1 220 195			1 220 195
TOTAL EXTERNAL LOANS			1 220 195	-	-	1 220 195

eDumbe Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R			
Land													
Land	11 118 809	-	-	-	11 118 809	-	-	-	-	-	-	-	11 118 809
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	11 118 809	-	-	-	11 118 809	-	-	-	-	-	-	-	11 118 809
Buildings	10 841 293	-	-	-	10 841 293	(2 489 786)	-	-	-	(2 489 786)	-	-	8 351 507
Infrastructure													
Drains	15 028 603	-	-	-	15 028 603	(5 207 101)	-	-	-	(5 207 101)	-	-	9 821 502
Roads	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Under construction	-	2 568 093	-	-	2 568 093	-	-	-	-	-	-	-	2 568 093
	15 028 603	2 568 093	-	-	17 596 696	(5 207 101)	-	-	-	(5 207 101)	-	-	12 389 595
Community Assets													
Parks & Gardens	511 523	-	-	-	511 523	(177 398)	-	-	-	(177 398)	-	-	334 125
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
	511 523	-	-	-	511 523	(177 398)	-	-	-	(177 398)	-	-	334 125
Heritage Assets													
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	37 500 228	2 568 093	-	-	40 068 321	(7 874 285)	-	-	-	(7 874 285)	-	-	32 194 036

eDumbe Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	37 500 228	2 568 093	-	-	40 068 321	(7 874 285)	-	-	-	(7 874 285)	-	-	32 194 036
Other Assets													
Office Equipment	836 020				836 020	(299 660)				(299 660)			536 360
Furniture & Fittings	1 395 966				1 395 966	(424 728)				(424 728)			971 238
Bins and Containers	22 850				22 850	(12 357)				(12 357)			10 493
Laboratory Equipment	16 500				16 500	(8 942)				(8 942)			7 558
Motor vehicles	1 968 319				1 968 319	(1 276 767)				(1 276 767)			691 552
Capital Work in Progress	3 318 732				3 318 732	-				-			3 318 732
Other equipment	140 099				140 099	(135 655)				(135 655)			4 444
Signage	31 690				31 690	(14 794)				(14 794)			16 896
Tools and loose gear	72 400				72 400	(66 195)				(66 195)			6 205
Computer Equipment	945 913				945 913	(483 781)				(483 781)			462 132
Computer Software (part of computer equipment)	-				-	-				-			-
Other Property, plant and equipment	990 238				990 238	(241 826)				(241 826)			748 412
Other Property, plant and equipment	40 500				40 500	(24 975)				(24 975)			15 525
	9 779 227	-	-	-	9 779 227	(2 989 680)	-	-	-	(2 989 680)	-	-	6 789 547
Finance Lease Assets													
Office Equipment	-				-	-				-			-
Other Assets	-				-	-				-			-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	47 279 455	2 568 093	-	-	49 847 548	(10 863 965)	-	-	-	(10 863 965)	-	-	38 983 583

eDumbe Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R			
Land													
Land	11 118 809	-	-	-	11 118 809	-	-	-	-	-	-	-	11 118 809
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	11 118 809	-	-	-	11 118 809	-	-	-	-	-	-	-	11 118 809
Buildings	10 767 061	74 232	-	-	10 841 293	(2 091 356)	(398 430)	-	-	(2 489 786)	-	-	8 351 507
Infrastructure	12 990 239	2 038 364	-	-	15 028 603	(3 832 067)	(1 375 034)	-	-	(5 207 101)	-	-	9 821 502
Infrastructure													
Roads	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Mains	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Under construction	-	-	-	-	-	-	-	-	-	-	-	-	-
	12 990 239	2 038 364	-	-	15 028 603	(3 832 067)	(1 375 034)	-	-	(5 207 101)	-	-	9 821 502
Community Assets	287 523	224 000	-	-	511 523	(153 790)	(23 608)	-	-	(177 398)	-	-	334 125
Community Assets													
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
	287 523	224 000	-	-	511 523	(153 790)	(23 608)	-	-	(177 398)	-	-	334 125
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	35 163 632	2 336 596	-	-	37 500 228	(6 077 213)	(1 797 072)	-	-	(7 874 285)	-	-	29 625 943

eDumbe Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	35 163 632	2 336 596	-	-	37 500 228	(6 077 213)	(1 797 072)	-	-	(7 874 285)	-	-	29 625 943
Other Assets													
Office Equipment	829 520	6 500	-	-	836 020	(194 166)	(105 494)	-	-	(299 660)	-	-	536 360
Furniture & Fittings	1 395 966	-	-	-	1 395 966	(283 131)	(141 597)	-	-	(424 728)	-	-	971 238
Bins and Containers	22 850	-	-	-	22 850	(7 787)	(4 570)	-	-	(12 357)	-	-	10 493
Laboratory Equipment	16 500	-	-	-	16 500	(6 042)	(2 900)	-	-	(8 942)	-	-	7 558
Motor vehicles	2 049 902	-	81 583	-	1 968 319	(1 024 767)	(252 000)	-	-	(1 276 767)	-	-	691 552
Capital Work in Progress	-	3 318 732	-	-	3 318 732	-	-	-	-	-	-	-	3 318 732
Other equipment	140 099	-	-	-	140 099	(92 625)	(43 030)	-	-	(135 655)	-	-	4 444
Signage	31 690	-	-	-	31 690	(9 996)	(4 798)	-	-	(14 794)	-	-	16 896
Tools and loose gear	72 400	-	-	-	72 400	(46 185)	(20 010)	-	-	(66 195)	-	-	6 205
Computer Equipment	799 165	146 748	-	-	945 913	(329 333)	(154 448)	-	-	(483 781)	-	-	462 132
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Property, plant and equipment	494 019	496 219	-	-	990 238	(74 103)	(167 723)	-	-	(241 826)	-	-	748 412
Other Property, plant and equipment	40 500	-	-	-	40 500	(16 875)	(8 100)	-	-	(24 975)	-	-	15 525
	5 892 611	3 968 199	81 583	-	9 779 227	(2 085 010)	(904 670)	-	-	(2 989 680)	-	-	6 789 547
Finance Lease Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	41 056 243	6 304 795	81 583	-	47 279 455	(8 162 223)	(2 701 742)	-	-	(10 863 965)	-	-	36 415 490

eDumbe Municipality
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Executive & Council										
Finance & Admin										
Planning & Development										
Health										
Community & Social Services										
Public Safety										
Sport & Recreation										
Environmental Protection										
Waste Management										
Road Transport										
Water										
Electricity										
Other										
Total	-	-	-	-	-	-	-	-	-	-

eDumbe
APPENDIX E (1)

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

	2011				Explanation of significant variances greater than 10 % versus budget
	Actual R	Budget R	Variance R	Variance %	
REVENUE					
Property rates			-	#DIV/0!	
Rates penalties and collection charges			-	#DIV/0!	
Service charges			-	#DIV/0!	
Rental of facilities and equipment			-	#DIV/0!	
Interest earned - external investments			-	#DIV/0!	
Fines			-	#DIV/0!	
Licences and permits			-	#DIV/0!	
Government grants and subsidies			-	#DIV/0!	
Other income			-	#DIV/0!	
Gain on disposal of property, plant and equipment			-	#DIV/0!	
Total Revenue	-	-	-	#DIV/0!	
EXPENDITURE					
Employee related costs			-	#DIV/0!	
Remuneration of Councillors			-	#DIV/0!	
Bad Debts write off					
Provision for Bad debts			-	#DIV/0!	
Depreciation			-	#DIV/0!	
Repairs and maintenance			-	#DIV/0!	
Interest paid			-		
Bulk purchases			-	#DIV/0!	
Contracted services			-	#DIV/0!	
General expenses			-	#DIV/0!	
Total Expenditure	-	-	-	#DIV/0!	
Surplus (Deficit) for the year	-	-	-		
Change in Accounting Estimate					
Profit / (loss) on fair value adjustment					
Adjusted Surplus for the period	-				

eDumbe
APPENDIX E (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

	2011				
	Additions R	Under Construction R	Total Additions R	Budgeted Additions R	Variance
Buildings			-		-
Infrastructure					
Roads			-		-
Electrical Infrastructures			-		-
Cemeteries			-		-
	-	-	-	-	-
Community Assets					
Recreational facilities					
Tourism Hub	-	-	-		-
Production Centre	-	-	-		-
	-	-	-	-	-
Other Assets					
Office & Computer Equipment		-	-		-
Air conditioners		-	-		-
Furniture and fittings		-	-		-
Machinery and equipment		-	-		-
Vehicles		-	-		-
	-	-	-	-	-
Total	-	-	-	-	-

APPENDIX F
eDumbe MUNICIPALITY: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA ACT 56 OF 2003.
FOR THE YEAR ENDED 30 JUNE 2011

Description	Unspent balance at 1 July 2010	Adjustment 2010/2011	Received 2010/2011	Expenditure 2010/2011	Transfer 2010/2011	Unspent balance at 30 June 2011	Grants delayed/ withheld	Reason for delaying/ withholding funds	Compliance with grant conditions
	R	R	R	R	R	R	R		
Finance Management Grant	-45 477.00		1 200 000.00	1 214 589.11		-60 066.11	N/A		YES
MSIG	-93 587.00		1 000 000.00	980 494.27		-74 081.27	N/A		YES
MIG	-		19 598 000.00	1 214 589.11		18 383 410.89	N/A		YES
Intergrated National Electrification Grant	-		2 508 000.00	1 214 589.11		1 293 410.89	N/A		YES
	-139 064.00	-	24 306 000.00	4 624 261.60	-	19 542 674.40			