

**Amathole District Municipality
Annual Financial Statements
Index**

for the year ended 30 June 2013

The reports and statements set out below comprise the annual financial statements presented to the Council on 30 August 2013.

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Amathole District Municipality
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for the year ended 30 June 2013

Abbreviations

SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ADM	Amathole District Municipality
AEDA	Amathole Economic Development Agency (Pty) Ltd
DWA	Department of Water Affairs (Previously DWAF)
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
MSIG	Municipal System Infrastructure Grant
NDPG	Neighbourhood Development Programme Grant
RRAMG	Rural Road Asset Management Grant
RBIG	Regional Bulk Infrastructure Grant
NT	National Treasury
PT	Provincial Treasury

Amathole District Municipality
Annual Financial Statements
General Information
for the year ended 30 June 2013

Members of the Council		Date Appointed
Konza, N.	Mayor	20 May 2011
Janda, S.	Speaker	20 May 2011
Mayoral Committee Members		
Mtintsilana, S.	Chief Whip	20 May 2011
Billie, P.	Health & Protection Community Services SC Chairperson	20 May 2011
Bikitsha, M.	Water & Sanitation Infrastructure SC Chairperson	20 May 2011
Finca, P.	Land and Housing	20 May 2011
Genu, S.	Strategic Planning & IDP	20 May 2011
Jacobs, L.E.V.	Budget & Treasury	20 May 2011
Kubukeli, T.	Community Liaison & Participation	20 May 2011
Madikane, E.	Community Safety	20 May 2011
Melitafa, B.	Engineering and Infrastructure	20 May 2011
Memani, M.	Local Economic Development Development & Planning SC Chairperson	20 May 2011
Papu, M.	Corporate Services Human Resources & Administration SC Chairperson	20 May 2011
Baleni, X.	Mbhashe Representative	02 June 2011
Bangani, L.	Great Kei Representative	03 June 2011
Benya, N.	Mbhashe Representative	02 June 2011
Duna, W.	ADM PR	20 May 2011
Dwanya, T.	Nkonkobe Representative	30 May 2011
Dyani, N.	Great Kei Representative	03 June 2011
Dyani, T.	Mnquma Representative	31 May 2011
Jali, S.	Ngqushwa Representative	02 June 2011
Macakela, S.	Nkonkobe Representative	30 May 2011
Magatya, N.	Mbhashe Representative	02 June 2011
Malgas, E.	ADM PR	20 May 2011
Maloni, Q.	Nxuba Representative	02 June 2011
Mfecane, N.	Mbhashe Representative	02 June 2011
Mgidlana, N.	ADM PR	20 May 2011
Mkosana, N.	Amahlathi Representative	02 June 2011
Mkosana, V.	ADM PR	20 May 2011
Mpande, Q.	Mnquma Representative	31 May 2011
Ndabazonke, N.	Ngqushwa Representative	02 June 2011
Ngqongolo, G.	Mnquma Representative	31 May 2011
Nonjaca, N.	Mbhashe Representative	02 June 2011
Nkunkuma, N.	Amahlathi Representative	02 June 2011
Plaatjie, N.	Mnquma Representative	31 May 2011
Qaba, P.	Amahlathi Representative	02 June 2011
Rawana, M.	Nkonkobe Representative	30 May 2011
Roji, X.	Amahlathi Representative	02 June 2011
Rulashe, N.	Nkonkobe Representative (MPAC Chairperson)	30 May 2011
Sinyongo, L.	Nkonkobe Representative	30 May 2011
Siwisa, M.	Ngqushwa Representative	02 June 2011
Solontsi, Z.	Mnquma Representative	31 May 2011
Tetyana, M.	Mbhashe Representative	02 June 2011
Tyala, N.	Mnquma Representative	31 May 2011
Tunyiswa, M.	Mnquma Representative	31 May 2011
Ward, W.	ADM PR	20 May 2011
Kabane, Z.	ADM PR	11 January 2012
Nyalambisa, N.	ADM PR	23 November 2011
Magwa, S.	Mbhashe Representative	14 December 2012

APPROVAL OF THE FINANCIAL STATEMENTS

The annual financial statements were approved by the Municipal Manager
on _____.

MUNICIPAL MANAGER

Mr C Magwangqana

CHIEF FINANCIAL OFFICER

Mr N Soga

**Amathole District Municipality
Annual Financial Statements
General Information**

for the year ended 30 June 2013

Grading of Local Authority and Jurisdiction

Grade 7

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

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

The Amathole District Municipality's demarcated area is made up of seven (7) local municipalities namely:

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

Auditors

Auditor-General

Bankers

Standard Bank, East London - Primary bank account
ABSA, East London

Legislation

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

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Amathole District Municipality
Annual Financial Statements
Statement of Financial Position
as at 30 June 2013

	Notes	2013 R	Restated 2012 R
ASSETS		153 727 311	160 738 338
Current assets		820 866 918	880 607 620
Cash and cash equivalents	1	191 063 454	346 293 276
Trade and other receivables from exchange transactions	2	99 752 986	33 235 538
Other receivables from non-exchange transactions	3	4 369 106	4 422 761
Current portion of non-current receivables	6	8 522	6 893
VAT receivable	13	49 605 218	21 864 848
Inventories	4	3 982 429	3 674 874
Current Investments	5	472 085 202	471 109 428
Non-current assets		3 266 769 461	2 854 347 324
Non-current receivables	6	999 587	701 238
Investments in Municipal entity	7	1 000	1 000
Intangible assets	9	402	402
Investment property	10	62 561 659	62 639 600
Property, plant and equipment	8	3 203 206 813	2 791 005 084
Total assets		4 087 636 379	3 734 954 944
LIABILITIES			
Current liabilities		229 663 360	329 088 889
Trade and other payables from exchange transactions	11	130 229 633	154 262 482
Taxes and transfers payable	14	5 287 518	-
Current provisions	15	3 315 641	2 747 387
Unspent conditional grants and receipts	16	88 503 680	169 834 335
Consumer deposits	12	1 943 650	1 772 978
Current portion of finance lease liability	17	383 237	471 709
Non-current liabilities		171 335 291	150 079 756
Finance lease liability	17	223 126	298 561
Operating Lease Liability	18	347 614	471 582
Non-current provisions	19	19 614 282	13 167 468
Employee benefit obligations	35	151 150 269	136 142 145
Total liabilities		400 998 651	479 168 645
Net assets		3 686 637 729	3 255 786 299
Reserves	46	18 665 018	18 665 018
Accumulated surplus		3 667 972 711	3 237 121 281
Total net assets and liabilities		4 087 636 379	3 734 954 944

Amathole District Municipality
Annual Financial Statements
Statement of Financial Performance
for the year ended 30 June 2013

	Notes	2013 R	Restated 2012 R
Revenue			
Revenue from non-exchange transactions		1 260 656 224	915 057 271
Other income	25	79 781 428	40 304 772
Government grants and subsidies	24	1 180 874 796	874 752 500
Revenue from exchange transactions		301 467 270	237 593 936
Service charges	20	236 312 355	164 948 362
Rental of facilities and equipment	21	326 333	311 445
Interest earned - external investments	22	36 605 289	37 946 670
Interest earned - outstanding receivables	23	23 270 634	27 186 952
Other income	25	4 952 660	7 200 507
Total revenue		1 562 123 494	1 152 651 209
Expenses			
Bulk purchases	33	51 558 536	48 672 685
Employee related costs	26	383 415 774	322 633 179
Remuneration of councillors	27	11 562 552	10 538 434
Bad debts	28	114 162 694	157 093 946
Depreciation and amortisation expense	30	120 585 643	89 772 766
Repairs and maintenance	29	35 883 736	19 929 923
Contracted services	36	29 016 058	19 025 643
Grants and subsidies paid	37	-	254 297
General expenses	32	384 558 571	344 058 354
Finance costs	31	140 337	114 991
Total expenses		1 130 883 900	1 012 094 218
Other (losses)/gains		(388 164)	1 975 098
(Loss)/gain on sale of assets	34	(388 164)	1 975 098
Surplus for the period		430 851 430	142 532 088

Amathole District Municipality
Annual Financial Statements
Statement of Changes in Net Assets
for the year ended 30 June 2013

	Note	46 Revaluation Reserve R	Accumulated Surplus/(Deficit) R	Total: Net Assets R
Balance at 1 July 2011		18 665 018	3 097 260 342	3 115 925 360
Correction of prior period error	42	-	(2 671 149)	(2 671 149)
Balance at 1 July 2011 - Restated balance		18 665 018	3 094 589 193	3 113 254 211
Surplus for the period as previously reported		-	146 772 838	146 772 838
Balance at 30 June 2012		18 665 018	3 241 362 031	3 260 027 049
Correction of prior period error	42	-	(4 240 750)	(4 240 750)
Balance at 1 July 2012 - Restated balance		18 665 018	3 237 121 281	3 255 786 299
Surplus for the period		-	430 851 430	430 851 430
Balance at 30 June 2013		18 665 018	3 667 972 711	3 686 637 729

Amathole District Municipality
Annual Financial Statements
Statement of Cash Flows
for the year ended 30 June 2013

	Notes	2013 R	Restated 2012 R
Cash flows from operating activities			
Receipts		1 300 166 351	1 059 866 478
Service charges		55 632 212	23 675 816
Grants		1 099 544 141	923 589 896
Interest and Rent on land		60 202 256	65 445 067
Other Receipts		84 787 742	47 155 699
Payments		(921 029 594)	(662 226 474)
Compensation of Employees		(372 955 133)	(300 669 202)
Goods and Services		(547 934 125)	(361 187 984)
Interest and Rent on land		(140 337)	(114 991)
Other payments		-	(254 297)
Net cash flows from operating activities	38	379 136 757	397 640 005
Cash flows from investing activities		(534 373 343)	(342 970 019)
Purchase of assets		(533 777 647)	(340 506 055)
Proceeds from sale of assets		680 056	2 495 769
Purchase of other intangible assets		-	(605)
Increase in long term receivables		(299 978)	(39 606)
Acquisition of investments		(975 774)	(4 919 522)
Net cash flows from investing activities		(534 373 343)	(342 970 019)
Cash flows from financing activities		6 765	(97 825)
Proceeds from consumer deposits		170 672	173 071
Finance lease payments		(163 907)	(270 896)
Net cash flows from financing activities		6 765	(97 825)
Net (decrease)/increase in cash and cash equivalents		(155 229 820)	54 572 160
Cash and cash equivalents at the beginning of the year	39	346 293 276	291 721 116
Cash and cash equivalents at the end of the year		191 063 454	346 293 276

Amathole District Municipality
Annual Financial Statements
Statement of Comparison of Budget and Actual Amounts
for the year ended 30 June 2013

Budget on Accrual Basis

	Approved Budget R	Adjustments R	Final budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Difference between final budget and actual %	Reference
Figures in Rand							
Statement of Financial Performance							
Revenue							
Revenue from exchange transactions							
Service charges	161 603 023	-	161 603 023	236 312 355	74 709 332	46%	1
Rental of facilities and equipment	271 807	-	271 807	326 333	54 526	20%	2
Interest earned - external investments	27 416 422	-	27 416 422	36 605 289	9 188 867	34%	3
Interest earned - outstanding receivables	26 978 019	-	26 978 019	23 270 634	(3 707 385)	-14%	4
Other income	182 921 952	118 054 275	300 976 227	4 952 660	(296 023 567)	-98%	5
Total revenue from exchange transactions	399 191 223	118 054 275	517 245 498	301 467 270	(215 778 228)		
Revenue from non-exchange transactions							
Government grants and subsidies	1 077 177 123	-	1 077 177 123	1 180 874 796	103 697 673	10%	6
Fines	10 000	-	10 000	-	(10 000)	-100%	7
Other income	48 362 877	-	48 362 877	79 781 428	31 418 551	65%	8
Total revenue from non-exchange transactions	1 125 550 000	-	1 125 550 000	1 260 656 224	135 106 224		
Total Revenue	1 524 741 223	118 054 275	1 642 795 498	1 562 123 494	(80 672 004)		
Expenditure							
Employee related costs	399 347 072	5 359 753	404 706 825	383 415 774	(21 291 051)	-5%	9
Remuneration of councillors	11 503 613	312 699	11 816 312	11 562 552	(253 760)	-2%	
Bad debts	64 223 965	-	64 223 965	114 162 694	49 938 729	78%	10
Depreciation and amortisation expense	90 586 148	-	90 586 148	120 585 643	29 999 495	33%	11
Repairs and maintenance	27 375 384	920 950	28 296 334	35 883 736	7 587 402	27%	12
Bulk purchases	64 363 382	(8 025 152)	56 338 230	51 558 536	(4 779 694)	-8%	
Contracted services	28 055 938	4 228 610	32 284 548	29 016 058	(3 268 490)	-10%	13
General expenses	327 412 368	114 790 877	442 203 245	384 558 571	(57 644 674)	-13%	14
Finance charges	32 290	133 538	165 828	140 337	(25 491)	-15%	15
Total expenditure	1 012 900 160	117 721 275	1 130 621 435	1 130 883 900	262 465		
Operating surplus	511 841 063	333 000	512 174 063	431 239 594	(80 934 469)		
(Loss)/loss on sale of assets	-	-	-	(388 164)	(388 164)	100%	16
Surplus for the period	511 841 063	333 000	512 174 063	430 851 430	(81 322 633)		

Explanation of material differences between the final budget and actual refer note 55

Amathole District Municipality
Annual Financial Statements
Appropriation Statement
for the year ended 30 June 2013

Description	2012/2013											2011/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by law)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Financial Performance															
Service charges	161 603 023	-	161 603 023	-		161 603 023	236 312 355		74 709 332	146%	146%				164 948 362
Investment revenue	27 416 422	-	27 416 422	-		27 416 422	36 605 289		9 188 867	134%	134%				37 946 670
Transfers recognised - operational	1 077 177 123	-	1 077 177 123	-		1 077 177 123	1 180 874 796		103 697 673	110%	110%				874 752 500
Other own revenue	258 544 657	118 054 275	376 598 932	-		376 598 932	107 942 890		(268 656 042)	29%	42%				76 978 775
Total Revenue (excluding capital transfers and contributions)	1 524 741 225	118 054 275	1 642 795 500	-		1 642 795 500	1 561 735 330		(81 060 170)						1 154 626 306
Employee costs	399 347 072	3 930 569	403 277 641	-	1 429 184	404 706 825	383 415 774	21 291 051	(21 291 051)	94.74%	96.01%				322 633 179
Remuneration of councillors	11 503 613	917 680	12 421 293	-	(604 981)	11 816 312	11 562 552	253 760	(253 760)	97.85%	100.51%				10 538 434
Debt impairment	64 223 965	-	64 223 965	-		64 223 965	114 162 694	(49 938 729)	49 938 729	177.76%	177.76%				157 093 946
Depreciation & asset impairment	90 586 148	-	90 586 148	-		90 586 148	120 585 643	(29 999 495)	29 999 495	133.12%	133.12%				89 772 766
Finance charges	32 290	-	32 290	-	133 538	165 828	140 337	25 491	(25 491)	84.63%	434.61%				114 991
Materials and bulk purchases	64 363 382	-	64 363 382	-	(8 025 152)	56 338 230	51 558 536	4 779 694	(4 779 694)	91.52%	80.11%				48 672 685
Transfers and grants	4 000 000	3 310 262	7 310 262	-	-	7 310 262	-	7 310 262	(7 310 262)	0.00%	100.00%				254 297
Other expenditure	378 843 690	109 562 764	488 406 454	-	7 067 411	495 473 865	449 458 365	46 015 500	(46 015 500)	90.71%	118.64%				383 013 920
Total Expenditure	1 012 900 160	117 721 275	1 130 621 435	-	-	1 130 621 435	1 130 883 900	(262 465)	(1 131 146 365)						1 012 094 217
Surplus/(Deficit)	511 841 065	333 000	512 174 065	-	-	512 174 065	430 851 430								
Transfers recognised - capital	459 560 438	-	459 560 438	-		459 560 438	-								
Contributions recognised - capital & contributed assets	-	-	-	-		-	-								
Surplus after capital transfers & contributions	971 401 503	333 000	971 734 503	-	-	-	430 851 430								142 532 089
Share of surplus/ (deficit) of associate	-	-	-	-		-	-								-
Surplus for the year	971 401 503	333 000	971 734 503	-	-	-	430 851 430								142 532 089
Capital expenditure & funds sources															
Capital expenditure															
Transfers recognised - capital	459 560 439	-	459 560 439	-		459 560 439	-								342 384 283
Public contributions & donations	-	-	-	-		-	-								-
Borrowing	-	-	-	-		-	-								-
Internally generated funds	52 280 622	333 000	52 613 622	-		52 613 622	-								35 664 728
Total sources of capital funds	511 841 061	333 000	512 174 061	-	-	512 174 061	-								378 049 011
Cash flows															
Net cash from (used) operating	(666 633 513)	-	(666 633 513)	-		(666 633 513)	379 136 757								397 640 005
Net cash from (used) investing	(511 841 061)	-	(511 841 061)	-		(511 841 061)	(534 373 343)								(342 970 019)
Net cash from (used) financing	-	-	-	-		-	6 765								(97 825)
Cash/cash equivalents at the year end	(1 938 979 808)	-	(1 938 979 808)	-	-	(1 938 979 808)	191 063 454								346 293 276

Amathole District Municipality
Annual Financial Statements
Accounting Policies
for the year ended 30 June 2013

1 BASIS OF PREPARATION

These annual financial statements have been prepared in accordance with Standards of 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 annual financial statements have been prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in note 41 "Changes in accounting policies".

2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The amounts in the annual financial statements are rounded to the nearest rand.

3 GOING CONCERN ASSUMPTION

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

4 COMPARATIVE INFORMATION

4.1 Current year comparatives (Budget)

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

The annual budget figures included in the annual financial statements are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan (IDP). The approved budget covers the fiscal period from 01/07/2012 to 30/06/2013.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of budget and actual amounts. Comparative information is not required.

4.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, 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.

The presentation and classification of items in the current year is consistent with prior periods.

5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The municipality has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

Standard number	Standard name	Effective date (if applicable)
	Preface to Interpretations of the Standards of GRAP	No effective date has been determined by the Minister of Finance. It is unlikely that the standard will have a material impact on the annual financial statements.
IGRAP7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	No effective date has been determined by the Minister of Finance. It is unlikely that the standard will have a material impact on the annual financial statements.
GRAP 18	Segment Reporting	No effective date has been determined by the Minister of Finance. The standard requires the identification and aggregation of the operating segments of the municipality into reportable segments. For each of the reportable segments identified details of the financial performance and financial position will be disclosed. The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting.
GRAP 20	Related Party Disclosure	No effective date has been determined by the Minister of Finance. It is unlikely that the standard will have a material impact on the annual financial statements. The municipality has based its accounting policy on this standard.
GRAP 25	Employee Costs	This standard is effective for financial years commencing on or after 1 April 2013. The municipality has based its accounting policy on this standard.
GRAP 105	Transfers of Functions between entities under common control	No effective date has been determined by the Minister of Finance. It is unlikely that the standard will have a material impact on the annual financial statements as the municipality has not had any transfers of functions.

Amathole District Municipality
Annual Financial Statements
Accounting Policies
for the year ended 30 June 2013

GRAP 106	Transfers of Functions between entities not under common control	No effective date has been determined by the Minister of Finance. It is unlikely that the standard will have a material impact on the annual financial statements as the municipality has not had any transfers of functions.
GRAP 107	Mergers	No effective date has been determined by the Minister of Finance. It is unlikely that the standard will have a material impact on the annual financial statements as the municipality has not had any mergers.

6 SIGNIFICANT JUDGEMENTS AND ESTIMATES

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the municipality's accounting policies the following estimates, were made:

Other provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions.

Pension and other post-employment benefits

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

For key actuarial assumptions, refer to Note 35 "Post-employment benefits".

Operating lease commitments - Municipality as lesser

The Municipality has entered into commercial property leases on its investment property portfolio. The municipality has determined that it retains all the significant risks and rewards of ownership of these properties and thus accounts for them as operating leases. Payments received under operating leases are recognised in the statement of financial performance on a straight-line basis over the period of the lease.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the municipality's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating how the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

Infrastructure assets

The determination of the fair value of the water infrastructure assets is based upon assumptions and professional judgement applied by consulting engineers using best engineering practice and industry norms and standards. The following assumptions have been made in the compilation of the low data confidence infrastructure asset register:

- The construction year is estimated using sources in the following order of precedence: available technical records, interviewing of operations staff, comparison with adjacent infrastructure. When the date of acquisition is not known and the construction year is estimated, the acquisition date is assumed to be on the 1st day of January in the year of construction.
- The consumption of the benefits of infrastructure assets are predominantly uniform over the life of the assets. The depreciation is therefore assumed to be straight line for all infrastructure assets.
- The residual value of all civil infrastructure assets is negligible as there is no open market for the materials used in civil infrastructure and the realizable value is very small. The scrap value of mechanical and electrical plant is also negligible.
- The Remaining Useful Life was estimated using a combination of visual inspection and information on asset performance provided by operations staff. For hidden assets, such as pipes, the assessment is based on the age of the pipes and information on performance from the operations staff.

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

Inventory - Water stock

The estimation of the water stock in the reservoirs and pipelines is based on an assumption of the network reticulation capacity at year end. Any existing drought conditions are also taken into consideration where applicable. The water stock on hand has been estimated using engineering best practice and industry norms and standards.

Impairments of non-financial assets

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

7 RESERVES

The municipality maintains reserves in terms of specific requirements.

REVALUATION RESERVE

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

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

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

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

8 FINANCIAL INSTRUMENTS

Initial Recognition

The municipality recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the municipality becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the municipality classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial Measurement

When a financial instrument is recognised, the municipality measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

- a) Financial instruments at fair value.
 - ° Derivatives.
 - ° Compound instruments that are designated at fair value i.e. an instrument that includes a derivative and a non-derivative host contract.
 - ° Instruments held for trading.
 - ° Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
 - ° An investment in a residual interest for which fair value can be measured reliably.
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

- b) Financial instruments at amortised cost.

Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the municipality designates at fair value at initial recognition or are held for trading.

- c) Financial instruments at cost.

Investments in residual interests, which do not have quoted market prices and for which fair value cannot be determined reliably.

The municipality assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above. All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Concessionary loans

The part of the concessionary loan that is a social benefit or non-exchange revenue is determined as the difference between the fair value of the loan and the loan proceeds, either paid or received.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency, interest rate risk and other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

Liquidity risk is the risk encountered by a the municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Derecognition is the removal of a previously recognised financial asset or financial liability from the municipality's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality shall estimate cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses. There is a presumption

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that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument, the municipality shall use the contractual cash flows over the full contractual term of the financial instrument.

A financial asset is defined as:

- cash;
- a residual interest of another municipality; or
- a contractual right to receive cash or another financial asset from another municipality or exchange of financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is defined as any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Financial instruments at amortised cost are non-derivative investments or financial liabilities with fixed or determinable payments and fixed maturity dates. Subsequent to initial recognition, such financial assets and financial liabilities are measured at amortised cost using the effective interest method less any impairment.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably measured. Subsequent to initial recognition such investments are measured at cost less any impairment.

Financial instruments at fair value are instruments held for trading. Subsequent to initial recognition, all changes to fair value are recognised through the Statement of Financial Performance.

Classification

The municipality initially classifies financial instruments, on initial recognition as a financial asset or financial liability in accordance with the substance of the contractual arrangement. The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Non-current receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade payables	Financial liability measured at amortised cost
Other payables	Financial liability measured at amortised cost

After initial recognition, a municipality measures concessionary loans in accordance with the subsequent measurement criteria set out for all financial instruments.

Derecognition of financial assets and liabilities

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is liable to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or part thereof) from its statement of financial position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. Demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not classify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirement for reclassification

Offsetting

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

Impairments

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For financial assets held at amortised cost:

The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

For financial assets held at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Receivables

Receivables are classified as financial assets at amortised cost less provision for impairment. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year end.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired.

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

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

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

An impairment of receivables is accounted for by reducing the carrying amount of 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 receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited in the Statement of Financial Performance.

Interest is charged on overdue amounts.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses or gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

Policies relating to specific financial instruments

Investments at amortised cost

Investments, which include [listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks] are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

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

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

Investments at cost

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments 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 and deposits held on call with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12

months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

9 INVESTMENT IN SUBSIDIARIES

Subsidiaries are all controlled entities over which the municipality has ownership control or effective control to govern the financial and operating policies of such controlled entities so as to benefit from its activities. Controlled entities are fully consolidated from the date on which control is transferred to the Municipality, and are carried at cost. Investments in municipal entities under the ownership control of the Municipality are carried at cost. Separate consolidated financial statements are prepared to account for the Municipality's share of net assets and post acquisition results of these investments. The municipality commences accounting for an investment in a subsidiary from the date that control exists and discontinues the application when it no longer has control over the subsidiary.

10 INVENTORIES

Initial recognition and measurement

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost 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.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), 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. The basis of determining cost is the first-in, first-out (FIFO) method.

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

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction 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.

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

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

Derecognition

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.

11 NON-CURRENT ASSETS HELD FOR SALE

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.

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.

Derecognition

Non-current assets and disposal groups held for sale are derecognised upon disposal of the item or where no further economic benefits or service potential is expected to flow from the asset or disposal group. Gains / loss that result from the derecognition of non-current assets or disposal groups held for sale are recognised in surplus / deficit in the period of the derecognition.

12 PROPERTY, PLANT AND EQUIPMENT

Initial recognition and measurement

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 recognised as assets when it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost where acquired through exchange transactions. However, when items of property, plant and equipment are acquired through non-exchange transactions, those items are initially measured at their fair values as at the date of acquisition.

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The cost of an item of property, plant and equipment is the purchase price and other costs directly 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 at which the asset is recognised. The cost also includes the estimated costs of dismantling and removing the asset and restoring the site on which it is operated.

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. These major components are depreciated separately over their useful lives.

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 is not determinable, its 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.

Subsequent measurement

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.

Subsequent to initial recognition, certain classes of property, plant and equipment are measured using the revaluation model. Application of the revaluation model results in carrying classes of property, plant and equipment at re-valued amounts. Depreciation for these classes of property, plant and equipment is adjusted proportionately for the revaluation increases and decreases upon revaluation of the items of property, plant and equipment. Revaluation increases / decreases are recognised in the revaluation reserve within the Statement of Changes in Net Assets. Where the revaluation model is applied, it is done so consistently for the entire class of assets. The following classes of property, plant and equipment are measured using the revaluation model:

Asset class
Land and buildings

Subsequent expenditure

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Depreciation

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 depreciable amount is determined after taking into account an assets' residual value, where applicable.

The annual depreciation rates are based on the following estimated asset useful lives:

Land & Buildings	Useful Life Range in Years
Buildings	30
Land	Indefinite Life
Infrastructure Assets	Useful Life Range in Years
Roads and Paving	10 – 30
Sewerage Mains & Purification Works	15 – 20
Water Supply & Reticulation	5– 30
Other Assets	Useful Life Range in Years
Bins & Containers	5 - 10
Emergency & Medical Equipment	5 - 15
Specialised vehicles	3 - 20
Vehicles	5
Office Equipment	3 - 7
Furniture & Fittings	7 - 10
Specialised plant and equipment	5 - 15
Security Systems	3 - 5
Computer Hardware	3 - 5
Other items	2 - 5
Community Assets	Useful Life Range in Years
Libraries	30
Buildings	30
Community Centres	30
Recreational Facilities	20
Parks and gardens	30
Finance Lease Assets	Useful Life Range in Years
Office Equipment	3 - 5

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where appropriate, the term of the relevant lease, and are recognised in the statement of financial performance.

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

Impairments

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.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

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

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.

Infrastructure assets

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

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

The construction year is estimated using sources in the following order of precedence: available technical recording, interviewing of operations staff and comparison with adjacent infrastructure. When the date of acquisition is not known and the construction year is estimated, the acquisition date is assumed to be on the first of 1st day of January in the year of construction.

The consumption of the benefits of infrastructure assets are predominately uniform over the life of the assets.

The depreciation is therefore assumed to be straight line for all infrastructure assets.

The residual value of civil infrastructure assets is negligible as there is no open market for materials used in civil infrastructure and the realisable value is very small. The scrap value of mechanical and electrical plant is also negligible.

To calculate the asset value at 1 July 2006, the current replacement cost at 30 June 2011 was indexed back using SA Building and construction Index. The last 12 months index figures were not available from the Department and industry, so the Service Providers index tracking published on its internal website was used to update the indices.

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

13 INTANGIBLE ASSETS

Initial recognition and measurement

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

- a) The municipality intends to complete the intangible asset for use or sale.
- b) It is technically feasible to complete the intangible asset.
- c) The municipality has the resources to complete the project.
- d) It is probable that the municipality will receive future economic benefits or service potential.
- e) The municipality has the ability to measure reliably the expenditure during development.

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

Subsequent measurement

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. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

Amortisation and impairment

Amortisation is charged to write off the cost 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:

Intangible	Useful Life Range in Years
Computer Software	3

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance. Amortisation shall commence when the asset is available for intended use. Amortisation of the asset begins when the development is complete and the asset is available for use.

The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The residual value of intangible assets is estimated to be nil.

Impairments

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 performed 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

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amount) and an impairment loss is charged to the Statement of Financial Performance. The municipality does not hold any intangibles with indefinite useful lives.

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 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.

14 INVESTMENT PROPERTY

Initial recognition and measurement

Investment property includes property 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.

Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property.

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.

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

The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

Subsequent measurement

Cost model

Investment property is measured using the cost model. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment. Land is not depreciated. Investment properties are written down as a result of impairment, where considered necessary.

Depreciation begins when the asset is available for use. 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	Useful Life Range in Years
Investment Property	30
Land	Indefinite Life

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

The investment property's residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year-end.

Impairments

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 Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

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

Derecognition

An Investment Property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property. All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

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

15 IMPAIRMENT OF CASH-GENERATING ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash generating assets.

Identification and recognition

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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 in order to determine the extent of the impairment loss (if any).

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. Cash-generating units shall be identified consistently from period to period for the same asset or types of assets, unless a change is justified.

Measurement

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash generating unit.

An asset is part of a cash generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

The value in use is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount or recoverable service amount of an asset is estimated to be less than its carrying amount,

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the carrying amount of the asset is reduced to its recoverable amount or 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. After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

For cash generating assets the value is determined as a function of the discounted future cash flows from the asset.

In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

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.

The 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.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future prices that could be achieved in an arm's length transaction in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating asset of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment losses

The municipality assesses at each reporting date whether there is any indication that an impairment loss is recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss.

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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating asset is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for the individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss what would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

IMPAIRMENT OF NON-CASH-GENERATING ASSETS

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

Non-cash-generating assets are assets other than cash-generating assets.

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

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

Identification and recognition

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-generating 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 non-cash-generating assets with an indefinite useful life or non-cash-generating assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed during the annual period and at the same time every period.

Measurement

Value in use of non-cash generating assets is the present value of the non-cash generating assets remaining service potential.

Where the asset is a non-cash generating asset the value in use is determined through one of the following approaches:

- Depreciated replacement cost approach – The current replacement cost of the asset is used as the basis for this value. This current replacement cost is depreciated for a period equal to the period that the asset has been in use so that the final depreciated replacement cost is representative of the age of the asset.
- Restoration cost approach - Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.
- Service units approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state.

The decision as to which approach to use is dependent on the nature of the identified impairment.

If the recoverable service amount of a non-cash generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that it is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

16 EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

Short term employee benefits

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

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

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

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

Post employment benefits

Post-employment benefits are employee benefits which are payable after the completion of employment.

The municipality provides retirement benefits for its employees and councillors.

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

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

Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

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

Multi-employer plans

The municipality classifies a multi-employer plans as a defined contribution plan or defined benefit plan under the terms of the plan. Where a plan is a defined contribution plan, the municipality accounts for it in the same way as for any other

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defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Defined benefit plans

Pursuant to the municipality's obligation to fund the post employment benefits provided through a defined benefit plan, the municipality recognises a defined benefit obligation or asset with reference to the fund's financial position. To the extent that the future benefits payable under the fund exceeds the value assets held to finance those benefits, the municipality recognises as defined benefit obligation. To the extent that the value of plan assets exceeds the future benefits payable by the fund the municipality recognises as defined benefit asset. Plan assets are assets that are held by long-term employee benefit funds or qualifying insurance policies. Plan assets are not available to the creditors of the municipality nor can they be paid directly to the municipality.

The defined benefit asset or obligation recognised is recognised as the net difference between the value of the plan assets and plan liabilities and also taking past service cost into consideration (further detail is available in Note 35) "Post employment benefits"

Plan assets included in the defined benefit plan asset or liability recognised are measured at their fair values. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of any defined benefit asset recognised is limited to the sum of any past service costs and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The plan liabilities are measured at the present value of the future benefits payable. This present value of the plan liabilities is determined through actuarial valuation techniques.

Actuarial valuations are conducted on an annual basis by independent actuaries for each plan using the projected unit credit method. The results of the valuation are updated for any material transactions and other material changes in circumstances up to the reporting date.

Actuarial gains and losses, which can arise from differences between the expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in surplus or deficit in the reporting period in which they occur.

Any increase in the present value of plan liabilities expected to arise from employee service during the period is charged to operating surplus. The expected return on plan assets and the expected increase during the period in the present value of plan liabilities are included in investment income and interest expense.

The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions are unbiased and mutually compatible. Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money.

The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan if any.

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

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

Medical Aid: Continued Members

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

According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such a medical aid fund, in which case the member is liable for 40% of the medical aid membership fee, and the municipality for the remaining 60%.

Assumptions about medical costs take into account estimated future changes in cost of medical services, resulting from both inflation and specific changes in medical costs.

Actuaries are used to determine the obligation on an annual basis.

The actuarial gain or loss is recognised in surplus or deficit.

Other Long Term Employee Benefits

The municipality provides long-term incentives to eligible employees, payable on completion of years of employment. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method has been used to value the obligation. Actuarial gains and losses on the long term incentives are accounted for in surplus or deficit.

The municipality offers employees long service awards for every five years of service completed, from five years of service to 45 years of service, inclusive.

17 LEASES

The municipality as Lessee

Recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum

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lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

Derecognition

The finance lease liabilities are derecognised when the municipality's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the municipality no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the municipality's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the municipality no longer anticipates economic benefits to flow from the asset.

The municipality as Lessor

Recognition

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Derecognition

Operating lease liabilities are derecognised when the municipality's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the municipality's right to the underlying cash flows expire or the municipality no longer expects economic benefits to flow from the operating lease asset.

18 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects, where applicable, the risk of the liability.

The impact of the periodic unwinding of the discount is recognised in surplus or deficit as a finance cost.

Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

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

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

19 REVENUE

Revenue is measured at the fair value of the consideration received or receivable, net of indirect taxes, rebates and trade discounts, and consists primarily of grants from National and Provincial Government, service charges, rentals, interest received and other services rendered. Revenue is recognised when it is probable that future economic benefits or services potential will flow to the municipality; the municipality retains neither continuing managerial involvement to the degree associated with ownership nor effective control over the goods sold; the amount can be measured reliably; and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrues to the municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

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

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

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

Specific exchange-revenue sources:

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Services

Service income is recognised on an invoice basis.

Service charges relating to water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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

Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered.

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.

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

Interest

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

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilized conditional grants is allocated to the creditor, if grant conditions indicate that interest is payable to the funder.

Rentals

Rental income arising on investment properties, facilities and equipment is accounted for on a straight-line basis over the lease terms on ongoing leases.

Sale of goods

Revenue from the sales of goods is recognised when the risk and rewards of ownership is passed to the consumer.

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

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

Services rendered

Revenue from services rendered is recognised with reference to the stage of completion of the service being rendered when the outcome of the transaction can reliably be estimated.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The stage of completion of the transaction at the reporting date can be measured reliably.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the municipality.

Expenditure from Exchange Transactions

The accounting policy for expenditure arising from exchange-transactions is similar to the policy for exchange revenue.

Revenue from Non-Exchange Transactions

Non-exchange transactions are transactions that are not exchange transactions.

Revenue from non-exchange transaction arises when the municipality either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving 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.

Specific non-exchange-revenue sources

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a liability is recognised.

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

Fines are recognised when it is probable that future economic benefits will flow to the municipality, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information available from the courts, it is not possible to measure this revenue in the invoicing period.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transactions recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

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Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

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

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfying the definition of an asset when the municipality controls the resources as a result of a past event and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfying the criteria for recognition as an asset when it is probable that an inflow of resources will occur and the fair value can be reliably measured.

The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes but not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine the taxable event are for the various taxes levied.

The taxable event for Value Added Tax is the undertaking of taxable activity during the tax period by the tax payer.

Taxation revenue is determined at a gross amount. It is not reduced by expenses paid through the tax system.

Expenditure relating to Non-Exchange Transactions

The accounting policy for expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

20 GRANTS, TRANSFERS AND DONATIONS

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

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

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

21 CONDITIONAL GRANTS AND RECEIPTS

Government grants and other grants are recognised as revenue when:

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

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

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

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

22 FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded are expensed.

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

Gains and losses arising on the translation are dealt with in the Statement of Financial Performance in the year in which they occur.

23 SURPLUS OR DEFICIT

Gains and Losses

Gains and losses arising from fair value adjustments on investments and loans, and from the disposal of assets, are presented separately from other revenue in the Statement of Financial Performance.

Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a Standard of GRAP.

24 VALUE ADDED TAX

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

25 COMMITMENTS

A commitment is the municipality's intention to commit to an outflow of its resources embodying economic benefits.

The municipality is committed under obligations for good and services, which have been contracted for on or before the reporting date, but not yet received or completed at year end.

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

Approved and contracted commitments represent expenditure that has been approved and the contract has been awarded at the reporting date.

Approved but not yet contracted commitments represent expenditure that has been approved and the contract is awaiting finalisation at the reporting date.

26 UNAUTHORISED EXPENDITURE

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

27 IRREGULAR EXPENDITURE

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

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

28 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. All fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

29 RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, and is recognised when the recovery thereof from the responsible officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income.

30 POST-REPORTING DATE EVENTS

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

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

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

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

31 RELATED PARTIES

The municipality has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the municipality any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual municipality or person in the same circumstances; and
 - terms and conditions within the normal operating parameters established by the reporting municipality's legal mandate;
- Further details about those transactions are disclosed in the notes to the financial statements.
Information about such transactions is disclosed in the financial statements.

The municipality has a related party relationship with its subsidiary Amathole Economic Development Agency (PTY) Ltd t/a ASPIRE. Subsidiaries are entities controlled by the municipality. The existence and effect of potential voting rights that are currently exercisable or convertible without restriction are considered when assessing whether the municipality controls the other entity. Subsidiaries are consolidated from the date that effective control is transferred to the municipality and are no longer consolidated from the date the effective control ceases.

Related party transactions are conducted on an arms length basis with terms comparable to transactions with third parties.

Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee Members, Municipal Manager and Executive Directors.

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	2013 R	Restated 2012 R
1 Cash and Cash Equivalents		
Cash and cash equivalents consist of the following:		
Cash on hand	9 000	9 000
Cash at bank	54 086 085	96 081 761
Call deposits	136 968 369	250 202 515
	191 063 454	346 293 276
The entity has the following bank accounts: -		
Current Accounts total	54 086 085	96 081 761
STANDARD BANK		
Account No 081093454, East London		
Cash book balance at beginning of year	27 106 245	115 810 057
Cash book balance at end of year	40 500 600	27 106 245
Bank statement balance at beginning of year	31 045 398	122 153 168
Bank statement balance at end of year	42 594 975	31 045 398
ABSA		
Account No 4063093498, East London		
Cash book balance at beginning of year	68 975 516	14 877 172
Cash book balance at end of year	13 585 485	68 975 516
Bank statement balance at beginning of year	68 975 516	14 877 172
Bank statement balance at end of year	13 585 485	68 975 516
Call Accounts total	136 968 369	250 202 515
STANDARD BANK		
Account No 88643816001, East London		
Cash book balance at beginning of year	120 000 000	30 000 000
Cash book balance at end of year	1 069 411	120 000 000
Bank statement balance at beginning of year	120 000 000	30 000 000
Bank statement balance at end of year	1 069 411	120 000 000
ABSA		
Account No 9157439416, East London		
Cash book balance at beginning of year	130 202 515	130 516 918
Cash book balance at end of year	135 898 958	130 202 515
Bank statement balance at beginning of year	130 202 515	130 516 918
Bank statement balance at end of year	135 898 958	130 202 515
Cash on hand	9 000	9 000
Total cash and cash equivalents	191 063 454	346 293 276

2 Trade and Other Receivables from Exchange Transactions

	Gross Balances R	Allowance for impairment R	Net Balance R
Balance as at 30 June 2013			
Water	184 673 014	(137 483 503)	47 189 511
Sanitation	125 139 601	(91 439 066)	33 700 535
Interest on arrears component	61 937 650	(43 074 710)	18 862 941
Total Trade and other receivables as at 30 June 2013	371 750 265	(271 997 279)	99 752 986
Balance as at 30 June 2012			
Water	70 333 915	(57 957 382)	12 376 533
Sanitation	60 786 249	(53 633 759)	7 152 490
Interest on arrears component	28 819 029	(15 112 513)	13 706 516
Total Trade and other receivables as at 30 June 2012	159 939 192	(126 703 654)	33 235 538

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	2013 R	Restated 2012 R
Water and Sanitation: Ageing		
Current (0 - 30 days)	46 258 874	39 350 755
30 - 60 Days	16 866 553	15 167 396
60 - 90 Days	17 228 984	13 663 393
90 - 120 Days	18 616 696	12 229 135
120 - 330 Days	144 319 670	61 152 526
+ 330 Days	128 459 488	18 375 987
Total	371 750 265	159 939 192

Summary of Debtors by Customer Classification

as at 30 June 2013

	Total R	Domestic R	Industrial / Commercial R
Current (0 – 30 days)	46 258 874	28 802 227	3 672 351
31 - 60 Days	17 358 271	12 519 149	1 562 669
61 - 90 Days	17 228 984	12 686 387	1 206 904
91 - 120 Days	18 856 841	14 669 565	1 541 080
121 - 365 Days	143 587 806	69 060 558	56 677 133
+ 365 Days	128 459 488	104 313 775	3 952 664
Sub-total	371 750 265	242 051 661	68 612 801
Less: Allowance for impairment	(271 997 279)	(177 101 133)	(50 201 700)
Total debtors by customer classification	99 752 986	64 950 528	18 411 101

Summary of Debtors by Customer Classification

as at 30 June 2012

	Total R	Domestic R	Industrial / Commercial R
Current (0 – 30 days)	39 350 755	28 998 524	2 270 215
30 - 60 Days	15 167 396	9 913 474	842 872
60 - 90 Days	13 663 393	10 297 252	698 912
90 - 120 Days	12 229 135	8 823 032	615 978
120 - 330 Days	61 152 526	41 072 188	4 831 669
+ 330 Days	18 375 988	376 473	11 678 094
Sub-total	159 939 193	99 480 943	20 937 740
Less: Allowance for impairment	(126 703 654)	(80 792 769)	(15 899 735)
Total debtors by customer classification	33 235 538	18 688 173	5 038 005

2.1 Reconciliation of the allowance of impairment including other receivables

	2013 R	2012 R
Balance at beginning of the year	137 925 838	251 776 424
Contributions to allowance	114 162 694	157 093 946
Doubtful debts written off against allowance	26 883 140	(270 944 531)
Balance at end of year	278 971 673	137 925 838

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments (more than 30 days overdue) are considered indicators that the consumer debtor is impaired. Total bad debts of R215 522 922 were written off during the year.

Trade and other receivables past due but not impaired

	2013 R	2012 R
The ageing of amounts past due but not impaired is as follows:		
Neither past due nor impaired		
Less than 30 days	27 755 325	23 610 453
31 to 60 days	3 471 654	3 033 479
61 to 90 days	3 445 797	2 732 679
91 to 120 days	3 771 368	2 445 827
Greater than 120 days	61 308 842	1 413 101
	99 752 986	33 235 538

Trade and other receivables impaired

	2013 R	2012 R
The amount of the provision was R271 997 279 as at 30 June 2013 and R126 703 654 as at 30 June 2012.		
The ageing of these receivables is as follows:		
1 to 3 months past due	18 503 550	23 610 453
3 to 6 months past due	13 886 617	12 133 917
6 to 9 months past due	13 783 187	10 930 714
More than 9 months past due	225 823 925	80 028 570
	271 997 279	126 703 654

2.2 Credit quality of trade and other receivables from exchange transactions

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

	2013	2012	
A	16%	29%	Government
B	18%	15%	Businesses
C	65%	56%	Domestic and other

Analysis of table:

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

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	2013 R	Restated 2012 R
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B - The debtors are usual good payers, but there is a possibility that the debtor may not be able to pay on time
C - These debtors usually pay, but have previously paid late and therefore there is a possibility that these debtors will not be recoverable.

2.2.1 Method of determining credit quality of trade and other receivables from exchange transactions:

The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness.
Consumer debtors with a demonstrative inability to pay are encouraged to apply for potential indigent status as an ongoing customer relationship strategy and also to enable the municipality to make adequate provision for such relief.
The municipality has determined the above credit ratings internally through the consideration of previous payment trends per debtor type.

3 Other Receivables from Non-Exchange Transactions

	2013 R	2012 R
Other debtors	11 343 497	15 628 708
Prepayments	-	16 239
Less: allowance for doubtful debtors	(6 974 392)	(11 222 186)
Total Other Debtors	4 369 106	4 422 761

In determining the recoverability of other receivables, the municipality considers any change in the credit quality of other receivables from the date on which the credit was initially granted up to the reporting date.
The fair value of other receivables approximates their carrying amounts.

4 Inventories

	2013 R	2012 R
Carrying value of inventory	3 982 429	3 674 874
Consumable stores	773 813	588 321
Housing projects	1 193 370	1 317 294
Water - own	1 663 420	1 440 632
Water - purchased	351 826	328 627

Housing Projects
The cost incurred on completed housing units that are occupied by beneficiaries has been transferred to the Statement of Financial Performance. A stock count of inventory on hand was conducted at year end and these quantities have been costed.

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

4.1 Amounts recognised as an expense

The following amounts, related to inventory, were recognised in the statement of financial performance during the year:

	2013 R	2012 R
Consumable stores purchased during the year	4 691 596	2 111 816
Consumable stores issued/consumed in the ordinary course of business during the year	(4 506 104)	(2 271 547)
Water purchased during the year	-	133 187 129
Water used during the ordinary course of business	-	(133 145 344)

4.2 Inventory pledged as security

No inventory pledged as security.

4.3 Write-down of inventory

Write-downs to the value of inventory were recognised during the year. The details of these write downs are as follows:

	2013 R	2012 R
Consumable stores	-	-
Housing projects	123 924	145 359
Water - own	-	-
Water - purchased	-	-
Total	123 924	145 359

Raw materials on site for the housing projects were found to be damaged and were not suitable for construction.

5 Investments

	2013 R	2012 R
Financial instruments	R	R
Call Investment Deposits	472 085 202	471 109 428
	472 085 202	471 109 428

Investments detailed as follows:

Balance at the beginning of the year	471 109 428	466 189 906
Capital invested	460 000 000	460 000 000
Investments matured	(485 015 265)	(48 360 551)
Recognised in the statement of financial performance		
Finance income	25 991 039	28 480 073

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	2013	Restated 2012
	R	R
Balance at the end of the year	<u><u>472 085 202</u></u>	<u><u>906 309 428</u></u>

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	2013 R	Restated 2012 R
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Financial Instruments at amortised cost

The following fixed deposit accounts have been classified as financial assets at amortised cost in accordance with GRAP 104: Financial Instruments.

Maturity periods are fixed and range between 3 - 12 months. Average rate of return on investments 5.42% (2012: 5.98%). In accordance with the Municipality's risk management policy deposits are only made with major banks with quality credit standing and limits exposure to any one counter party.

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

No investments were written off during the year.

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

6 Non-Current Receivables

	2013 R	2012 R
Deposits	997 795	690 955
Loans to Local Municipalities	10 314	17 176
	1 008 109	708 131
Less : Current portion transferred to current receivables	8 522	6 893
Loans to Local Municipalities	8 522	6 893
Total	999 587	701 238

Non-current receivables are financial assets which are categorised at amortised cost. The fair values of the loans are estimated to approximate their carrying amounts.

Loans to Local Municipalities

To facilitate the development of sporting facilities, loans were made to provide the necessary financial assistance. The loans to the local municipalities represents loans to the Winterstrand Recreation Club and the Kei Road Sports Club. The loans currently attract interest at 4% per annum and are repayable over a period of 40 years. These loans will be redeemed by June 2015.

7 Investments in Municipal entity

	2013 R	2012 R
Investments in Municipal Entity - cost	1 000	1 000
Total	1 000	1 000

Council's valuation of unlisted Investments

Investments in Municipal Entity	1 000	1 000
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Investments in Municipal Entity

Amathole Economic Development Agency (Pty) Ltd t/a ASPIRE

Issued Share Capital (1000 ordinary shares of R1,00 each)	1 000	1 000
Percentage owned by Council	100%	100%

The Amathole Economic Development Agency was established 1 September 2005

Place of incorporation: South Africa

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

The municipality transfers funds to the entity for operating purposes. No financial benefit accrues to the Agency or the District Municipality.

Refer note 50

**National and Provincial
Government
R**

13 784 296
3 276 453
3 335 694
2 646 196
17 850 116
20 193 049

61 085 803
(44 694 446)

16 391 357

**National and Provincial
Government
R**

8 082 016
4 411 051
2 667 229
2 790 126
15 248 668
6 321 421

39 520 511
(30 011 150)

9 509 361

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8 Property, Plant and Equipment

8.1.1 Reconciliation of Carrying Value

	2013			2012		
	Cost	Accumulated Depreciation & Impairment	Carrying Value	Cost	Accumulated Depreciation & Impairment	Carrying Value
	R	R	R	R	R	R
Land	4 570 962	-	4 570 962	4 570 962	-	4 570 962
Buildings	26 980 710	(4 073 230)	22 907 480	26 813 329	(3 379 439)	23 433 890
Infrastructure	3 589 350 252	(491 721 101)	3 097 629 151	3 084 514 002	(386 470 022)	2 698 043 980
Finance Lease Assets	3 823 757	(3 590 191)	233 566	3 478 455	(3 428 832)	49 623
Community Assets	8 543 332	(1 654 581)	6 888 751	8 543 332	(1 464 181)	7 079 151
Other Assets	133 150 151	(62 173 250)	70 976 901	109 366 932	(51 539 454)	57 827 478
Total	3 766 419 165	(563 212 353)	3 203 206 813	3 237 287 011	(446 281 929)	2 791 005 084

8.1.2 Reconciliation of Property Plant and Equipment - 2013

	Carrying Value Opening Balance	Additions	Disposals	Depreciation	Impairment	Revaluation	Under construction	Prior Year Errors	Carrying Value Closing Balance
	R	R	R	R	R	R	R	R	R
Land	4 570 962	-	-	-	-	-	-	-	4 570 962
Buildings	23 433 890	167 382	-	(693 791)	-	-	-	-	22 907 480
Infrastructure	2 698 043 981	132 553 221	-	(105 251 079)	-	-	372 283 030	-	3 097 629 152
Finance Lease Assets	49 623	345 302	-	(161 359)	-	-	-	-	233 566
Community Assets	7 079 151	-	-	(190 400)	-	-	-	-	6 888 751
Other Assets	57 827 478	28 428 712	(1 067 711)	(14 211 578)	-	-	-	-	70 976 901
Total	2 791 005 084	161 494 617	(1 067 711)	(120 508 207)	-	-	372 283 030	-	3 203 206 813

8.1.3 Reconciliation of Property Plant and Equipment - 2012

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment	Revaluation	Under construction	Prior Year Errors	Carrying Value Closing Balance
	R	R	R	R	R	R	R	R	R	R
Land	4 570 962	-	-	-	-	-	-	-	-	4 570 962
Buildings	21 396 580	83 253	-	-	(490 943)	-	-	2 445 000	-	23 433 890
Infrastructure	2 466 824 406	174 846 312	-	(7 267 007)	(74 395 817)	-	-	138 036 086	-	2 698 043 981
Finance Lease Assets	305 297	247 234	-	-	(502 908)	-	-	-	-	49 623
Community Assets	7 274 288	-	-	-	(195 137)	-	-	-	-	7 079 151
Other Assets	45 505 886	24 848 170	(520 671)	-	(12 005 908)	-	-	-	-	57 827 478
Total	2 545 877 419	200 024 970	(520 671)	(7 267 007)	(87 590 713)	-	-	140 481 086	-	2 791 005 084

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

Breakdown of Other Assets

Asset type	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance	
	R	R	R	R	R	R	R	R	
Total Other Assets	109 366 932	28 428 712	(4 645 493)	133 150 151	(51 538 859)	(14 211 578)	3 577 782	(62 172 655)	70 977 496
Office Equipment	3 769 115	551 486	-	4 320 601	(3 344 196)	(577 252)	-	(3 921 448)	399 152
Computer equipment	13 215 609	1 673 401	-	14 889 010	(10 387 640)	(1 745 140)	-	(12 132 780)	2 756 230
Bins and Containers	185 195	10 297	-	195 492	(11 887)	(19 091)	-	(30 978)	164 514
Emergency Equipment	168 862	2 424 418	-	2 593 280	(91 199)	(13 874)	-	(105 073)	2 488 207
Furniture and fittings	4 781 476	1 856 922	(5 300)	6 633 098	(3 158 800)	(412 125)	505	(3 570 420)	3 062 677
Plant and Equipment	10 756 161	2 145 095	(119 500)	12 781 756	(8 715 038)	(1 275 785)	95 365	(9 895 458)	2 886 298
Motor vehicles	76 490 514	19 767 093	(4 520 693)	91 736 914	(25 830 099)	(10 168 310)	3 481 913	(32 516 497)	59 220 417

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	2013	2012
	R	R
8.2 Property, plant and equipment pledged as security		
No assets were pledged as security in the year under review.		
8.3 Capitalised expenditure		
Infrastructure	132 553 221	174 846 312
Land and Buildings	167 382	83 253
Community	-	-
Finance lease assets	345 302	-
Other	28 428 712	25 095 404
	<u>161 494 617</u>	<u>200 024 970</u>
8.4 Compensation received for losses on property, plant and equipment – included in operating surplus		
Other assets: Motor vehicles	667 509	1 641 766
Other assets: Computer equipment	7 243	35 737
	<u>674 751</u>	<u>1 677 504</u>
8.5 Details of valuation		
Land and Buildings		
Land and buildings are re-valued independently every 3 -5 years.		
All land and buildings have been revalued during the 2009/10 financial year		
The effective date of the revaluation was December 2009. The revaluation was performed by an independent		
The valuation was performed using depreciated replacement values		
The carrying amount of the land and buildings would have been Rxxxx and Rxxx respectively had the assets been carried under the cost model.		
8.6 Compensation from third parties for losses		
Insurance payouts to compensate for damaged of PPE	667 509	1 641 766
Insurance payouts to compensate for the theft of PPE	7 243	35 737
Total	<u>674 751</u>	<u>1 677 504</u>
8.7 Reconciliation of Capital under construction (work in progress)		
	2013	2012
	R	R
Costs incurred on the construction of municipal assets included in infrastructure, plant and equipment.		
Depreciation only commences once the asset is ready for its intended use.		
An analysis is as follows:		
Balance at beginning of the year	486 176 539	511 355 713
Restatement	-	264 603
Additions	501 611 924	301 620 218
Transfer out for capitalisation	(129 328 895)	(319 796 988)
Transfer to non-capitalised expenditure	-	(7 267 007)
Balance at end of year	<u>858 459 569</u>	<u>486 176 539</u>
8.8 Other information		
	2013	2012
	R	R
Value of fully depreciated Property, plant and equipment:		
Other assets	<u>8 127 714</u>	

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9 Intangible Assets

9.1.1 Reconciliation of Carrying Value

	2013			2012		
	Cost	Accumulated Amortisation & Impairment	Carrying Value	Cost	Accumulated Amortisation & Impairment	Carrying Value
	R	R	R	R	R	R
Computer Software	2 032 368	-	2 032 368	2 032 368	(2 031 966)	402
Licenses	59 604	(59 604)	-	59 604	(59 604)	-
Total	2 091 972	(59 604)	2 032 368	2 091 972	(2 091 570)	402

9.1.2 Reconciliation of Intangible Assets - 2013

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Amortisation	Impairment	Revaluation	Internally Developed	Carrying Value Closing Balance
	R	R	R	R	R	R	R	R	R
Computer Software	402	-	-	-	-	-	-	-	402
Licenses	-	-	-	-	-	-	-	-	-
Total	402	-	-	-	-	-	-	-	402

9.1.3 Reconciliation of Intangible Assets - 2012

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Amortisation	Impairment	Revaluation	Internally Developed	Carrying Value Closing Balance
	R	R	R	R	R	R	R	R	R
Computer Software	17 039	605	-	-	(17 242)	-	-	-	402
Licenses	-	-	-	-	-	-	-	-	-
Total	17 039	605	-	-	(17 242)	-	-	-	402

9.2 Restrictions to title and pledged as security

No intangible assets pledged as security or restrictions to title.

9.3 Other information

Value of fully amortised Intangible Assets:

Licences 59 604 59 604

10 Investment Property Carried at Cost

10.1.1 Reconciliation of carrying value

	2013			2012		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
	R	R	R	R	R	R
Land and Buildings	64 958 706	(2 397 047)	62 561 659	64 958 706	(2 319 106)	62 639 600
Total	64 958 706	(2 397 047)	62 561 659	64 958 706	(2 319 106)	62 639 600

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10.1.2 Reconciliation of Investment Property Carried at Cost - 2013

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment	Revaluation	Carrying Value Closing Balance
	R	R	R	R	R	R	R	R
Land and Buildings	62 639 600			-	(77 941)	-	-	62 561 659
Total	62 639 600	-	-	-	(77 941)	-	-	62 561 659

10.1.3 Reconciliation of Investment Property Carried at Cost - 2012

	Carrying Value Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment	Revaluation	Carrying Value Closing Balance
	R	R	R	R	R	R	R	R
Land and Buildings	64 804 410	-	-	-	(2 164 810)	-	-	62 639 600
Total	64 804 410	-	-	-	(2 164 810)	-	-	62 639 600

10.2 Investment property pledged as security

There were no properties pledged as security

10.3 Fair value of investment property carried at cost

The municipality applies the cost model to recognize its investment properties. Owner-occupied properties have been transferred to investment property at fair value. Market valuations were performed by an independent valuer, Mr. Mark Sanan, Professional Associated Valuer, of Messrs Kula Valuation Services are not connected to the entity and have recent experience in location and category of the investment property being valued. Effective date of valuation December 2009. The fair value of the investment property was determined based on current prices in an active market for similar property in the same location and condition. Although these are investment properties there were no leases attached to these properties as ownership of these properties was confirmed in the current financial year. The carrying amount of the investment property if carried under the fair value model:

	2013 R	2012 R
	<u>69 842 913</u>	<u>69 842 913</u>
Rental income from investment property	<u>201 426</u>	<u>180 895</u>

Refer to Note 45.2 for lease commitments

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	Note	2013 R	Restated 2012 R
11 Trade and Other Payables from Exchange Transactions			
Trade creditors		65 629 594	96 541 212
Consumer debtors with credit balances		3 006 901	4 816 998
Amounts received in advance: Water and sanitation		8 066 269	4 826 418
Retentions		18 562 877	12 981 134
Accruals		9 648 058	11 372 121
Staff leave accrual	19	5 192 037	4 869 369
Accrued service bonus		9 599 700	8 064 263
Other creditors		9 924 296	10 790 967
Total creditors		130 229 633	154 262 482

11.1 Fair value of trade and other payables

Trading creditors are non-interest bearing and are normally settled on 30-day terms.
Retentions are non-interest bearing and are settled in terms of the contract agreement.
Management policies are in place to ensure that all payables are paid within a reasonable timeframe.

Short term payables with no stated interest rate may be measured at the original invoice amount if the effect of discounting is immaterial.
The carrying amount of trade payables approximates their fair value due.

The movement on the service bonus accrual balances as above for the 2013 financial year was as follows:

	2013 R	2012 R
Accrued Service Bonus		
Opening balance	8 064 263	6 125 249
Additional provision	25 376 346	14 113 985
Amounts utilised	-	-
Unused amounts reversed	(23 840 909)	(12 174 971)
Carrying amount at end of the year	9 599 700	8 064 263.02

The accrual calculation is based on the portion of the thirteenth cheque payable that falls due within the current year. The municipality has an obligation to pay a service bonus in terms of its condition of employment.

Staff leave accrual

This portion of the leave provision is based on the total number of accrued days versus the number of days sold as it is uncertain when employees are going to encash leave or the amount.

	2013 R	2012 R
12 Consumer Deposits		
Water	1 943 650	1 772 978
Total consumer deposits	1 943 650	1 772 978

The consumer deposits relate to the water and sanitation function.
The municipality does not have an unconditional right to defer the payment of the consumer deposits.
Deposits are released when the owner/occupant of a property terminates the contract with the municipality to supply water and electricity to the property, or when certain contractual services are delivered.

12.1 Guarantees held in lieu of Electricity and Water Deposits

2013 R	2012 R
130 000	130 000

	2013 R	2012 R
13 VAT Receivable		
VAT receivable	49 605 218	21 864 848

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

	2013 R	2012 R
14 Taxes and Transfers Payable (Non-Exchange)		
Taxes and transfers payable (Non-Exchange)	5 287 518	-
Total Taxes and transfers payable	5 287 518	-

This amount represents PAYE for the month of June 2013 that was paid in July 2013.

15 Current Provisions

15.1.1 Reconciliation of Movement in Provision - 2013

	Performance Bonus	Current portion of Long Service Awards	Total
	R	R	R
Opening Balance	1 044 604	1 702 783	2 747 387
Provisions Raised	1 195 401	417 457	1 612 858
Unused Amounts Reversed	(492 371)	-	(492 371)
Amounts Used	(552 232)	-	(552 232)
Closing Balance	1 195 401	2 120 240	3 315 641

15.1.2 Reconciliation of Movement in Provision - 2012

	Performance Bonus	Current portion of Long Service Awards	Total
	R	R	R
Opening Balance	905 453	1 434 381	2 339 834
Provisions Raised	1 044 604	268 402	1 313 006
Unused Amounts Reversed	(262 524)	-	(262 524)
Amounts Used	(642 929)	-	(642 929)
Closing Balance	1 044 604	1 702 783	2 747 387

The uncertainties noted for the provision for Performance Bonus are as follows:

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

The provision is calculated at 14% of the current total salary package of Section 57 employees for the 2012/13 financial year, however this is subject to change once the assessments have been finalised.

The uncertainties noted for the current portion of long service awards are as follows:

The current portion of the long service award has been calculated by independent actuaries that have performed a valuation for the long service award provision. Refer note 35.4 for assumptions used.

The prior year comparative figure for provisions has been restated by the amount of the current portion of the long service award being shown separately from the long term portion. Refer note 53.

	2013 R	2012 R
16 Unspent Conditional Grants and Receipts		
16.1 Unspent Conditional Grants from other spheres of Government		
National Government Grants	21 728 922	75 476 382
Provincial Government Grants	65 144 973	92 494 409
Other Grant Providers	1 629 786	1 863 545
Total Unspent Conditional Grants and Receipts	88 503 680	169 834 335
Non-current unspent conditional grants and receipts	-	-
Current portion of unspent conditional grants and receipts	88 503 680	169 834 335

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Unspent Conditional Grants and Receipts
Balance unspent at beginning of year
Current year receipts
Less: Expenditure including declined roll-over
Condition still to be met-remain as liabilities

169 834 337	120 996 939
463 564 648	392 771 520
(544 895 305)	(343 934 122)
88 503 680	169 834 337

For details refer to Annexure 1

17 Finance Lease Liability

2013	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	418 585	35 348	383 237
Within two to five years	234 573	11 447	223 126
Later than five years	-	-	-
	<u>653 159</u>	<u>46 795</u>	<u>606 363</u>
Less: Amount due for settlement within 12 months (current portion)			(383 237)
	653 159	46 795	223 126

It is the municipality's policy to lease certain office equipment under finance leases.
The average lease term was 3 years and the average effective borrowing rate was 9% (Prior Year: 9%).
All leases have fixed repayment terms with no annual escalation rate, but varies with the changes in the prime interest rate.
No arrangements have been entered into for contingent rent.
The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

2012	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	520 934	49 225	471 709
Within two to five years	313 471	14 910	298 561
Later than five years	-	-	-
	<u>834 405</u>	<u>64 135</u>	<u>770 270</u>
Less: Amount due for settlement within 12 months (current portion)			(471 709)
	834 405	64 135	298 561

It is the municipality's policy to lease certain office equipment under finance leases.
The average lease term was 3 years and the average effective borrowing rate was 9% (Prior Year: 9%).
All leases have fixed repayment terms with no annual escalation rate, but varies with the changes in the prime interest rate.
No arrangements have been entered into for contingent rent.
The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

18 Operating Lease Liability

	2013 R	2012 R
Operating lease accrual	<u>347 614</u>	<u>471 582</u>

Operating lease income and expenses have been recognised on a straight line basis over the lease term.

19 Non-Current Provisions

	Note	2013 R	2012 R
Reconciliation of Movement in Provision - 2013			
		<u>Provision for leave pay</u>	
		R	
Opening Balance		18 036 836	
Provisions Raised		15 958 427	
Unused Amounts Reversed		-	
Amounts Used		(9 188 944)	
Transfer to Current Provision	11	(5 192 037)	
Closing Balance		<u>19 614 282</u>	

The municipality makes provision for staff leave pay based upon the basic salary scale for 2012/13.
The short term portion of the provision is based on the number of accrued days versus the number of days sold as it is uncertain when employees are going to encash leave or the amount.

	Note	2013 R	2012 R
Reconciliation of Movement in Provision - 2012			
		<u>Provision for leave pay</u>	
		R	
Opening Balance		14 202 403	
Provisions Raised		10 686 224	
Unused Amounts Reversed		-	
Amounts Used		(6 851 791)	
Transfer to Current Provision	11	(4 869 369)	
Closing Balance		<u>13 167 468</u>	

The municipality makes provision for staff leave pay based upon the basic salary scale for 2011/12.
The short term portion of the provision is based on the number of accrued days versus the number of days sold as it is uncertain when employees are going to encash leave or the amount.

20 Service Charges

	2013 R	2012 R
Sale of water	150 891 038	92 033 572
Sewerage and sanitation charges	82 153 562	69 772 484
Fire Services	3 267 755	3 142 306
Total Service Charges	<u>236 312 355</u>	<u>164 948 362</u>

21 Rental of Facilities and Equipment

	2013 R	2012 R
Rental of facilities	212 763	180 895
- Straight lined operating lease receipts	212 763	180 895
- Contingent rentals	-	-
Other rentals	113 570	130 550
Total rentals	<u>326 333</u>	<u>311 445</u>

22 Interest Earned - External Investments

	2013 R	2012 R
Bank	10 614 250	9 466 597
Financial assets	25 991 039	28 480 073
Total Interest	<u>36 605 289</u>	<u>37 946 670</u>

23 Interest Earned - Outstanding Receivables

	2013 R	2012 R
Receivables - service charges	23 269 840	27 186 639
Financial assets	794	312
Total Interest	<u>23 270 634</u>	<u>27 186 951</u>

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24 Government Grants and Subsidies

Reconciliation of Movement in Grant - 2013

	Balance unspent at beginning of year	Current year receipts	Conditions met - transferred to revenue	Conditions still to be met - remain liabilities
Equitable Share	169 834 335	1 046 974 648	1 128 305 304	88 503 680
Levy Replacement Grant	-	355 842 708	355 842 708	-
MIG Grant	62 090 053	227 567 292	227 567 292	-
Other Government Grants and Subsidies	107 744 282	389 786 000	439 709 767	12 166 286
Neighbourhood Development Grant	-	73 778 648	105 185 537	76 337 394
Other operating grants	-	32 940 000	32 940 000	-
	-	18 533 000	19 629 493	-
Total Government Grant and Subsidies	169 834 335	1 098 447 648	1 180 874 796	88 503 680

Reconciliation of Movement in Grant - 2012

	Balance unspent at beginning of year	Current year receipts	Conditions met - transferred to revenue	Conditions still to be met - remain liabilities
Equitable share	120 996 939	923 589 896	874 752 500	169 834 335
Levy Replacement Grant	-	313 407 860	313 407 860	-
MIG Grant	-	203 595 140	203 595 140	-
Other Government Grants and Subsidies	120 996 939	321 323 000	259 232 947	62 090 053
	-	85 263 896	98 516 553	107 744 282
Total Government Grant and Subsidies	120 996 939	923 589 896	874 752 500	169 834 335

24.1 Unconditional grants

24.1.1 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 which is funded from the grant.

24.1.2 Levy Replacement Grant

Regional Services Council levies were abolished during June 2006. This grant is used to subsidise the operations of the District Municipality due to the significant change in funding.

24.2 Changes in levels of government grants

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

24.3 Conditional grants

24.3.1 Municipal Infrastructure Grant (MIG)

	2013 R	2012 R
Balance unspent at beginning of year	62 090 053	-
Current year receipts	389 786 000	321 323 000
Conditions met - transferred to revenue	(439 709 767)	(259 232 947)
Conditions still to be met - remain liabilities	12 166 286	62 090 053

24.3.2 Regional Bulk Infrastructure Grant

Balance unspent at beginning of year	11 670 139	15 859 988
Current year receipts	51 101 216	48 196 620
Less: Expenditure	(61 902 158)	(52 386 469)
Condition still to be met-remain as current liabilities	869 197	11 670 139

24.3.3 Budget Reform Grant

Balance unspent at beginning of year	330 440	216 578
Current year receipts	394 452	542 445
Less: Expenditure	(335 815)	(428 583)
Condition still to be met-remain as current liabilities	389 077	330 440

24.3.4 Municipal System Improvement Grant

Balance unspent at beginning of year	163 886	117 164
Current year receipts	1 000 000	790 000
Less: Expenditure	(1 044 662)	(743 278)
Condition still to be met-remain as current liabilities	119 224	163 886

24.3.5 Expanded Public Works Programme Grant

Balance unspent at beginning of year	10 917 173	7 481 209
Current year receipts	6 022 000	7 126 000
Less: Expenditure	(8 471 901)	(3 690 036)
Condition still to be met-remain as current liabilities	8 467 272	10 917 173

24.3.6 Public Transport Infrastructure Grant

Balance unspent at beginning of year	746 694	-
Current year receipts	1 778 000	1 687 000
Less: Expenditure	(2 522 694)	(940 306)
Condition still to be met-remain as current liabilities	-	746 694

24.3.7 Department of Water Affairs: Flood Relief Grant

Balance unspent at beginning of year	510 076	510 076
Current year receipts	-	-
Less: Expenditure	-	-
Condition still to be met-remain as current liabilities	510 076	510 076

24.3.8 Neighbourhood Development Partnership Grant

Balance unspent at beginning of year	-	-
Current year receipts	32 940 000	71 450 000
Less: Expenditure	(32 940 000)	(71 450 000)
Condition still to be met-remain as current liabilities	-	-

The focus of this grant is to support neighbourhood development projects that provide community infrastructure and create the platform for other public and private sector development, towards improving the quality of life of residents in targeted underserved neighbourhoods (townships generally).

The Neighbourhood Development Partnership is received by the municipality in accordance with DoRA and all amounts received are transferred to the municipality's municipal entity, ASPIRE. The above amounts reflects the unspent portion of the grant by ASPIRE at the end of the financial year.

During the current year, ASPIRE completed the following projects which constructed assets for the local municipalities:

Project	Date of completion
Hamburg Artist Retreat / Emthonjeni Arts	Sept 2012
Sluiterham CBD Upgrade	April 2013

25 Other Income

	2013 R	2012 R
Revenue from Exchange Transactions - Sundry income		
Commissions	223 081	244 986
Connection fees	(160 940)	618 117
Conservancy fees	1 207 040	1 071 038
Emergency tanked water	54 900	58 054
Legal fees recovered	89 334	74 985
Rfer to Drawer cheques bank charges recovered	4 578	3 448
Prepaid water sales	-	70
Solid waste charges	763 632	-
Sundry income	1 445 293	5 127 910
Bad debt recoveries	1 325 740	1 900
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 65)	-	-
Total Other Income	4 952 660	7 200 507

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25.2 Other income

Revenue from Non-exchange Transactions - Sundry income

Own revenue - VAT on MIG	61 193 497	39 460 719
Own revenue - VAT other grants	12 024 322	844 053
Actuarial gain on post employment medical aid obligation	6 563 608	
Total public contributions and donations	79 781 428	40 304 772

26 Employee Related Costs

	2013 R	2012 R
Employee related costs - Salaries and Wages	227 599 296	190 553 352
Employee related costs - Contributions for UIF, pensions and medical aids	59 790 451	46 478 749
Travel, motor car, accommodation, subsistence and other allowances	17 053 443	9 088 134
Housing benefits and allowances	1 893 192	1 357 414
Overtime payments	11 905 758	9 244 034
Performance and other bonuses	19 108 152	15 913 700
Leave pay provision contribution	15 924 379	10 625 146
Other employee related costs	8 151 913	9 084 995
Employee benefit obligation contribution	21 989 189	30 287 655
Employee Related Costs	383 415 774	322 633 179

The comparative figure has been restated with expenditure from internally funded projects.

Refer Note 53.3

Defined Benefit Plan (Post employment medical aid, retirement gratuity and long service award) Expense

	2013	2012
- current service cost	14 882 698	12 571 714
- interest cost	10 794 820	9 202 271
- actuarial (gain)/loss recognised	-5 544 823	11 910 699

Amount expended in respect of retirement benefit plans:

Defined contribution funds	50 912 582	40 252 848
Defined benefit funds	2 560 954	2 314 683

Remuneration of the Municipal Manager

	2013 R	2012 R
Annual Remuneration	1 209 273	815 265
Performance- and other bonuses	10 519	108 459
Leave encashment	85 068	221 865
Cell Phone Allowance	40 525	22 976
Travel, motor car, accommodation, subsistence and other allowances	180 000	132 003
Back pay of remuneration	168 325	24 155
Contributions to UIF, Medical and Pension Funds	446	1 373
Total	1 694 156	1 326 096

Municipal Manager Mr V. Mlotki resigned from Amathole District Municipality on 29 February 2012. Mr C. Magwangana was appointed as a Municipal Manager as from 3 May 2012.

Remuneration of the Chief Financial Officer

	2013 R	2012 R
Annual Remuneration	541 991	674 720
Performance- and other bonuses	126 877	120 556
Leave encashment	52 688	58 417
Acting allowance	-	27 187
Cell Phone Allowance	28 742	29 868
Travel, motor car, accommodation, subsistence and other allowances	184 191	223 917
Back pay of remuneration	63 374	19 570
Contributions to UIF, Medical and Pension Funds	140 431	165 841
Total	1 133 294	1 320 076

The Chief Financial Officer, Mr Y. Ngqele resigned from the Amathole District Municipality on 28 February 2013. Mr. N. Soga was appointed as the Chief Financial Officer as from 1 June 2013.

Remuneration of the Director: Engineering

	2013 R	2012 R
Annual Remuneration	616 605	631 761
Performance Bonuses	-	87 935
Leave encashment	-	59 493
Cell Phone Allowance	37 380	29 868
Travel, motor car, accommodation, subsistence and other allowances	377 061	271 012
Back pay of remuneration	60 827	14 575
Contributions to UIF, Medical and Pension Fund	149 218	157 169
Total	1 241 091	1 251 814

The Director of Engineering, Mr N. Jonker resigned from the Amathole District Municipality on 30 June 2012. Mr. M. Shezi was appointed as the Engineering Director as from 11 July 2012.

Remuneration of the Director: Strategic Management

	2013 R	2012 R
Annual Remuneration	664 605	672 709
Performance Bonuses	133 266	30 494
Cell Phone Allowance	35 170	29 383
Travel, motor car, accommodation, subsistence and other allowances	331 000	271 012
Back pay of remuneration	41 932	15 036
Contributions to UIF, Medical and Pension Fund	33 264	125 291
Total	1 239 237	1 143 925

The Director of Strategic Management, Mr S. Menzeleli resigned from the Amathole District Municipality on 30 June 2012. Mr. R. Links was appointed as the Strategic Director as from 1 August 2012.

Remuneration of the Director: Corporate Services

	2013 R	2012 R
Annual Remuneration	688 604	775 334
Performance bonus	116 405	107 792
Leave Encashment	36 533	175 250
Cell Phone Allowance	35 170	29 868
Travel, motor car, accommodation, subsistence and other allowances	233 890	144 000
Back Pay of Remuneration	33 953	20 048
Contributions to UIF, Medical and Pension Fund	131 797	144 666
Total	1 276 352	1 396 958

The Director of Corporate Services, Mr G. Taku resigned from the Amathole District Municipality on 30 June 2012. Mr. L. Taleni was appointed as the Corporate Services Director as from 1 August 2012.

Remuneration of the Director: Health & Protection

	2013 R	2012 R
Annual Remuneration	611 350	596 686
Performance Bonuses	125 874	108 983
Cell Phone Allowance	35 270	29 928
Travel, motor car, accommodation, subsistence and other allowances	318 708	258 958
Back pay of remuneration	69 672	36 205
Contributions to UIF, Medical and Pension Fund	143 718	135 106
Total	1 304 592	1 165 866

The Director of Health and Protection Services, Sister N. Solomon resigned from the Amathole District Municipality on 30 June 2012. Sister S. Taleni was appointed as the Health and Protection Services Director as from 11 July 2012.

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	2013 R	2012 R
Remuneration of the Director: Land Human Settlements and Economic Development		
Annual Remuneration	633 345	702 216
Performance Bonuses	-	78 710
Leave Encashment	44 086	-
Housing subsidy	-	99 118
Cell Phone Allowance	35 270	29 868
Travel, motor car, accommodation, subsistence and other allowances	300 999	258 958
Back Pay of Remuneration	95 451	42 722
Contributions to UIF, Medical and Pension Fund	161 424	31 935
Total	1 270 575	1 243 526

The Director of Land Human Settlements Economic Development, Mr. M. Gaba resigned from the Amathole District Municipality on 30 June 2012. Mr. M. Gaba was re-appointed as the Land Human Settlements and Economic Development Director as from 11 July 2012.

	2013 R	2012 R
Remuneration of the Director: Legislative Executive Services		
Annual Remuneration	336 351	-
Cell Phone Allowance	13 315	-
Travel, motor car, accommodation, subsistence and other allowances	105 000	-
Back Pay of Remuneration	3 985	-
Contributions to UIF, Medical and Pension Fund	744	-
Total	459 395	-

The Legislative Executive Services directorate was a newly created during the current year. Ms. L. Samanga was appointed as the Legislative Executive Services Director as from 1 February 2013.

27 Remuneration of Councillors

	2013 R	2012 R
Executive Mayor	828 559	790 113
Speaker (one speaker)	651 577	620 607
Executive Committee Members (11 members)	6 735 505	6 363 816
Councillors (49 Councillors)	3 248 753	2 734 893
Councillors' pension and medical aid contributions	-	29 005
Councillors' allowances	98 158	-
Total Councillors' Remuneration	11 562 552	10 538 434

In-kind Benefits

The 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.

The Executive Mayor has use of one council owned vehicle for official duties, and has a full-time driver/bodyguard. The salaries, allowances and benefits of the political office-bearers are within the upper limits of the framework as prescribed by section 219 of the Constitution

28 Debt Impairment

	2013 R	2012 R
Contributions to debt impairment provision	114 162 694	157 093 946

29 Repairs and Maintenance

	2013 R	2012 R
Repairs and maintenance during the year	35 883 736	19 929 923

The comparative figure has been restated with internally funded project expenditure. Refer note 53.3

30 Depreciation and Amortisation Expense

	2013 R	2012 R
Property, plant and equipment	120 507 702	87 590 714
Intangible assets	-	17 242
Investment property carried at cost	77 941	2 164 810
Total Depreciation and Amortisation	120 585 643	89 772 766

31 Finance Costs

	2013 R	2012 R
Finance leases	140 337	114 991
Total Finance Costs	140 337	114 991

32 General Expenses

	2013 R	2012 R
Included in general expenses are the following:-		
Advertising	1 678 374	1 668 433
Amathole Economic Development Agency Contribution	15 000 000	11 500 000
Annual event	627 353	239 941
Advisory forums	170 535	393 653
Assessment rates	330 389	34 676
Audit committee	402 611	335 028
Audit fees	4 262 296	3 875 091
Bank charges	345 856	319 903
Books and publications	63 872	34 588
By-law consultation	22 803	174 919
Bulk purchases: Chemicals	4 788 643	6 663 215
Bulk purchases: Repairs and maintenance	5 983 014	8 972 285
Bulk purchases: Labour, travel and supervision	22 106 721	35 797 408
Bulk purchases: General expenses	17 439 546	2 351 250
Bursary for rare skills	168 433	246 635
Campaigns and promotions	4 007 633	2 175 571
Chemicals	893 867	391 558
Cleaning	79 310	487
Collection costs	2 857 365	2 443 484
Communication	790 169	1 011 533
Community Based Organisation and initiatives	8 512 317	5 814 238
Conference expenses	2 182 111	2 338 684
Consultative forums	695 110	911 616
Consultants	57 696 533	79 827 454
Consumables	533 359	424 430
Cost of inventories	123 924	572 964
Dam safety	-	190 389
Database expenditure	266 230	394 996
Delegated management	1 405 356	876 547
Disposal of the dead	174 275	93 766
Electricity, water and refuse	26 204 153	19 316 505
Employee welfare	3 736 889	1 139 443
Emergency provisions	3 596 820	3 468 060
Entertainment	185 118	373 766
Fire services	-	2 849
First aid	-	965
Food control	7 189 534	3 070 625
Fumigation	117 921	160 873
Grants in aid	429 805	514 997
Hiring costs	1 181 920	1 483 488
IGR learner ship and programmes	99 092	154 597
Insurance	5 150 569	4 613 606
International programmes	165 423	10 107
Job evaluation expenditure	532 220	297 011
Licences and subscriptions	475 448	998 739
Marketing	2 571 509	2 317 399
Meeting costs	1 143 028	1 263 133

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Membership fees	3 393 126	2 113 931
Oversight committee	63 192	48 421
Pit latrine clearance	1 912 075	1 384 400
Postage	1 853 727	1 769 468
Printing and stationery	4 682 621	4 661 725
Project Management	740 766	171 023
Property transfer costs	-	38 902
Protective clothing	3 270 292	2 917 943
Public participation	2 826 994	2 183 880
Recruitment expenditure	346 937	-
Refreshments	2 626 141	2 970 025
Rentals: VPN lines	1 428 583	1 542 866
Sampling and testing	1 214 672	814 734
Security services	14 475 267	12 955 921
Skills development levy	2 976 518	2 309 088
Solid waste site costs	3 451 227	1 532 598
Software and computer expenditure	15 268 707	7 260 895
Special programmes	3 464 899	4 654 951
Stipend volunteers	880 734	534 175
Subsistence and travel	11 640 313	8 514 104
Telephone expenditure	3 925 775	3 700 982
Tools	75 211	93 220
Tourism	13 500	120 000
Training and workshops	5 945 934	6 791 065
Transport	15 063 503	14 147 512
Water research levy	362 446	1 520 212
Conditional grant expenditure	76 223 380	50 020 099
Whipperly	47 581	26 210
Total	384 558 571	344 058 354

The comparative figure for internally funded project allocation expenditure has been classified per expenditure type. Refer note 53.3

	2013	2012
	R	R
Water	51 558 536	48 672 685
Total Bulk Purchases	51 558 536	48 672 685

	2013	2012
	R	R
Property, plant and equipment	(388 164)	1 975 098
Intangible assets	-	-
Investment property	-	-
Other financial assets	-	-
Total Gain / (Loss) on Sale of Assets	(388 164)	1 975 098

35 Employee Benefit Obligations

	2013	2012
	R	R
35.1 Defined Benefit Plans		
Statement of Financial Position		
Provision for post employment health care benefits	139 627 863	126 837 070
Provision for ex-gratia benefits	181 228	196 539
Provision for long service benefits	11 341 178	9 108 536
Total	151 150 269	136 142 145

The prior year comparative figure for provisions has been restated by the amount of the current portion of the long service award being shown separately from the long term portion. Refer note 53.

	2013	2012
	R	R
Statement of Financial Performance		
Current service cost	14 882 698	12 571 714
Interest cost	10 804 592	9 202 271
Actuarial (gain)/loss recognised	(5 527 889)	11 910 699
Total	20 159 401	33 684 684

POST EMPLOYMENT BENEFIT INFORMATION

35.2 Provision for post employment health care benefits

	Number	Number
The Post Employment Health Care Benefit plan, of which the members are made up as follows:		
- In-service (employee) members	1033	939
- In service (employee) non members	621	511
- Continuation (retiree, widower and orphan) members	88	108
Total	1742	1558

	2013	2012
	R	R
The liability in respect of past service has been estimated to be as follows:		
- In-service members	91 154 486	91 267 591
- Continuation members	48 473 377	35 569 479
Total	139 627 863	126 837 070

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

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

On retirement of an employee Council has post retirement obligation to contribute 60% to the medical cost of the employee.

	2013	2012
	R	R
Reconciliation of assets and liabilities recognised in the balance sheet		
Present value of fund obligations	-	-
Fair value of plan assets	-	-
Present value of unfunded obligations	139 627 863	126 837 070
Present Value of Obligations in excess of Plan Assets	139 627 863	126 837 070
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Unrecognised transitional liability	-	-
Net liability in Balance Sheet	139 627 863	126 837 070

The municipality has elected to recognise this full increase in this defined benefit liability immediately.

	2013	2012
	R	R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	126 837 070	98 316 522
Current service costs	12 072 461	10 397 646
Expected benefits paid	(2 901 553)	(1 665 888)
Interest cost	10 183 493	8 600 932
Past service cost	-	-
Actuarial (gains)/losses	(6 563 608)	11 187 858
Contributions	-	-
Present value of fund obligation at the end of the year	139 627 863	126 837 070

	R millions	R millions
Total unfunded liability R millions		
In-service members	91 154	71 374
In-service non-members	20 761	19 894
Continuation members	27 712	35 569
All eligible individuals	139 627	126 837

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Average liability per individual	R	R
In-service members	88 242	76 011
In-service non-members	33 432	38 931
Continuation members	314 912	329 343
All eligible individuals	80 154	81 410

The total liability has increased by 10% (or R 12.791 million) since the last valuation. A numerical analysis of the unexpected movement (actuarial gain/loss) is provided in the next section. The main reasons for the actual movement in the liability are listed next.

Eligible employees

The average in-service member liability has increased by 16% over the year due to the following factors:

- an increase in the average age which means members are closer to retirement (less discounting) and less likely to leave before retirement;
- an increase in the average past service; and
- an increase in the average future employer contribution.

These impacts have been offset by an increase in the net discount rate.

The total in-service member liability has increased by 28% due to the above, combined with an increase in the number of members.

The average in-service non-member liability has decreased by 14% over the year due to a decrease in the average age,

a decrease in the average past service and an increase in the net discount rate, partly offset by an increase in the average future employer contribution.

The total in-service non-member liability has increased by 4% due to the above being more than offset by an increase in the number of members.

Continuation members

The average eligible retirees liability has decreased by 4% due to an increase in the net discount rate and an increase in the average age, partially offset by an increase in the average employer contribution. Additionally, there has been a decrease in the proportion of continuation members with spouse dependants receiving the subsidy. The total liability here has decreased by 22% due to the above, combined with a decrease in the number of continuation members.

Net liability in the balance sheet

Opening balance	126 837 070	98 316 522
Current service cost	12 072 461	10 397 646
Interest cost	10 183 493	8 600 932
Expected return on plan assets	-	-
Transitional liability recognised	-	-
Actuarial (gains)/losses	(6 563 608)	11 187 858
Past service costs	-	-
Net periodic cost recognised in profit and loss	15 692 346	30 186 436
Expected employer benefit payments	(2 901 553)	(1 665 888)
Transitional liability recognised outside profit and loss	-	-
Closing balance	139 627 863	126 837 070

Reconciliation of fair value of plan assets:

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

Trend information

Present Value of Obligations	139 627 863	126 837 070
Fair Value of Plan Assets	-	-
Present Value of Obligations in Excess of Plan Assets	139 627 863	126 837 070

Experience adjustments

Actuarial Gain/(Loss) before changes in Assumptions

In respect of Present Value of Obligations	(6 563 608)	11 187 858
In respect of Fair Value of Plan Assets	-	-

Sensitivity results

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

Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service R	Continuation R	Total R	Percentage Change
Central assumption		111 916 000	27 712 000	126 837 000	
	1%	132 159 000	30 204 000	148 383 000	16%
Health care inflation	-1%	94 726 000	25 522 000	109 415 000	-14%
Post retirement mortality	-1yr	115 253 000	28 925 000	131 180 000	3%
Average retirement age	-1yr	122 275 000	27 712 000	135 482 000	7%
Withdrawal rate	-50%	121 728 000	27 712 000	133 947 000	7%

Sensitivity Analysis on the Current -service and Interest Cost

Assumption	Change	Current service R	Interest Cost R	Total R	Percentage Change
Central assumption		12 072 500	10 183 500	18 998 500	
	1%	14 907 900	11 932 800	23 148 800	21%
Health care inflation	-1%	9 862 400	8 769 000	15 777 800	-16%
Post retirement mortality	-1yr	12 437 800	10 536 100	19 577 000	3%
Average retirement age	-1yr	12 940 100	10 885 400	20 651 400	7%
Withdrawal rate	-50%	13 886 400	10 760 800	21 276 200	11%

Key actuarial assumptions used

Financial Year	2013	2012
Health Care Cost Inflation rate	8.03%	7.08%
Discount rate	9.40%	8.12%
Net Discount Rate	1.27%	0.98%

Assumption	value		
Average retirement age	59 for males, 56 for females		
Continuation of membership at retirement	95%		
Proportion assumed married at retirement	95%		
Proportion eligible current non-member employees who will receive the benefit on retirement	50%		
Mortality during employment	SA 85-90		
Mortality post-retirement	PAG0-1		
Withdrawal from service	Age		
	Age	Females	Males
	20	10%	15%
	30	10%	7%
	40	7%	4%
	50	3%	1%
	>55	1%	0%

52.1.2 Provision for retirement gratuity benefits

Employees of Amathole District Municipality participate in the following funds:

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

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Multi-employer funds

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

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.

Thus, some of the entities defined benefit plans are not treated as defined benefit plans as defined by GRAP 25, but are rather accounted for as defined contribution plans. These are listed under the defined contribution plan heading as a GRAP 25 Exception

This is in line with the exemption in GRAP 25 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 following table reflects information on the defined benefit retirement, pension and provident funds to which councillors and employees belong, and in respect of which there is not sufficient information available to make more detailed disclosures.

Defined contribution (DC) Multi-employer plans

The table below reflects the municipality's contributions paid to the Defined Contribution plans for the year.

Full Name of Multi - Employer Plan	Number of the Municipality's employees belonging to the plan	Amount of contributions paid by the Municipality for the year ending 30 June 2013
Cape Retirement Fund (CRF)	1 116	R 46 056 897
SAMWU National Provident Fund (SNPF)	168	R 4 075 796
National Fund for Municipal Workers	14	R 437 284
Cape Joint Pension Fund	6	R 173 664
Eastern Cape Gratuity Fund	2	R 63 326
Eastern Cape Municipal Pension Fund	2	R 19 559
		R 86 057
TOTAL		R 50 912 582

Defined benefit (DB) Multi-employer plans

Sufficient information is not available in respect of these multi-employer DB plans to enable full DB accounting disclosure because:

- Plan assets are held as one portfolio and not notionally allocated to each participating employer
- Similarly, the plans' financial statements are not constructed separately for each participating employer, but rather in respect of the whole plan including all the participating employers.
- Contribution rates do not usually vary by participating employer

The table below reflects the municipality's contributions to these Defined Benefit (DB) plans for the year.

Multi - Employer Plan	Number of the Municipality's employees belonging to the plan	Total number of active members per the Plan's most recent valuation report	Amount of contributions paid by the Municipality for the year ending 30 June 2013	Date of most recently available actuarial valuation report	Funding level
GEPF	80	1 235 064	R 1 766 614	31/03/2010	100.0%
SALA PF	14	18 526	R 416 778	01/07/2012	100.0%
Cape Joint Pension Fund (CJPF)	8	1 222	R 377 562	30/06/2011	98.1%
TOTAL			R 2 560 954		

Multi - Employer Plan	Key Assumptions		
	Gross discount rate	Salary inflation	Net post-ret discount rate
GEPF	10.70%	6.70%	5.80%
SALA PF	10.75%	7.00%	5.75%
Cape Joint Pension Fund (CJPF)	9%	6.00%	5.52%
TOTAL			

Further information for each plan follows below:

GEPF (Government Employees Pension Fund)

The funding level of the GEPF was 60% as at the 31 March 2010 valuation date compared with a deficit of 91.5% as at the 31 March 2009. Part of this increase in funding level is attributable to a weaker valuation basis (with respect to the economic assumptions) as at 31 March 2010. The plan is holding reserves at 19% of what would be in line with the long term funding level per the Board of Trustees adopted GEPF Funding Policy.

The basis for calculating the required future employer contribution rate has also been changed since the previous valuation by including a 5% equity risk premium. This has resulted in a lower required contribution rate comprised (for the two groups of employees) as follows:

	Employee Category	
	Services	Other
Basic employer contribution rate required as at the valuation date:	18.00%	13.00%
Adjustment resulting from including the 5% equity risk premium:	(4.90%)	(3.80%)
Adjusted employer contribution rate required as at the valuation date:	13.10%	9.2%
Actual contribution rate at valuation date recommended to be maintained:	(16.00%)	(13.00%)
(Excess)/Shortfall between actual and required contribution rates:	(2.90%)	(3.80%)

The valuation actuaries recommend that the employers participating in the GEPF be made aware of the following:

- The use of this equity risk premium in determining the contribution rate is a "risk budgeting exercise".
- The higher the equity risk premium, the lower the required (adjusted) contribution rates, but the higher the risk of requiring additional contributions in future should the Plan's experience be worse than assumed.

SALA PF (South African Local Authorities Pension Fund)

There is a defined contribution section in this Plan (17% of the active membership).

The valuation actuary recommended that the prevailing employer contribution rate at 1 July 2012 be maintained at 19.18%. This includes a margin of 3.92% over and above the contribution rate required to fund the Projected Unit Method future service benefits and associated costs. The valuation actuary stated that the margin in the contribution rate remains necessary to build up a solvency reserve.

CJPF (Cape Joint Pension Fund)

The funding level of the CJPF Defined Benefit section was 98.1% as at the 30 June 2011 valuation date compared with a 100% funding level as at 30 June 2010. The valuation actuary recommended a total contribution rate of 32.40% which was in excess of the 27.0% contribution rate prevailing as at 30 June 2011.

The funding level of the CJPF Defined Benefit (DB) section was 99.4% as at the 30 June 2012 valuation date compared with a 98.1% funding level as at 30 June 2011. The valuation actuary recommended a total employer contribution rate of 26.62% which was in excess of the then current employer contribution of 23.06% of salaries in the DB Section. This shortfall translated to about R6.1 million a year based on the DB Section active member salaries at the valuation date.

The valuator further states that in light of the proposed conversion of the DB Section to a defined contribution (DC) plan, the current employer contribution rate of 23.06% is sufficient to meet the current cost of benefits accruing and that the required contribution rate will be reviewed during the next actuarial valuation as at 30 June 2013.

An amount of R53.4 million (2012: R42.5 million) was contributed by Council towards councillor and employee retirement funding. These contributions have been expensed.

Refer note 26

35.3 Provision for ex-gratia benefits

Eligible employees

	Female	Male	Total
Number of pensioners	2	7	9
Average Annual pension - R	2 314	5 341	4 669
Pension-weighted average age	73.0	87.2	85.6

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Reconciliation of assets and liabilities recognised in the balance sheet

Total value of liabilities	196 539	196 539
Value of assets	-	-
Unfunded accrued liability	196 539	196 539
Unrecognised transitional liability	-	-
Unrecognised actuarial gain/(loss)	-	-
Unrecognised past service cost	-	-
Net liability in balance sheet	196 539	196 539

Total unfunded liability
Average liability per retiree

The average liability has increased by 2% due to an increase in the average annual pension, resulting from the changes in the membership of the pensioners. This effect was partially offset by an increase in the average age of pensioners.
The total liability has decreased by 8% (or R 15,331) due to the above, and because the number of ex-gratia pensioners has decreased.

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	196 539	133 571
Current service costs	-	-
Interest cost	9 772	8 686
Past service cost	-	-
Actuarial (gains)/losses	16 934	77 926
Expected Benefit payments	(42 017)	(23 644)
Present value of fund obligation at the end of the year	181 228	196 539

Reconciliation of fair value of plan assets:

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

Current service costs and interest costs

Total cost	9 772	8 686
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There is no Current-service Cost as there are no in-service members eligible for ex-gratia pension benefits. The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefit payments, over the corresponding year. This arises because all future ex-gratia benefits are one year closer to payment.

Net liability in the balance sheet

Opening balance	196 539	133 571
Current service cost	-	-
Interest cost	9 772	8 686
Expected return on plan assets	-	-
Transitional liability recognised	-	-
Actuarial gains/(losses)	16 934	77 926
Past service costs	-	-
Net periodic cost recognised in profit and loss	26 706	86 612
Expected employer benefit payments	(42 017)	(23 644)
Transitional liability recognised outside profit and loss	196 539	133 571
Closing balance	181 228	196 539

Sensitivity analysis on the unfunded accrued liability

Assumption	Change	Liability R	% Change
Central assumption		181 228	
Discount rate	+1%	174 631	-4%
Discount rate	-1%	188 422	4%
Post-retirement mortality	-1 year	189 546	5%

The table above indicates, for example, that if the discount rate is 1% greater than the long-term assumption made, the liability will be 4% lower

Sensitivity analysis on the interest cost for the year

Assumption	Change	Liability R	% Change
Central assumption		9 772	
Discount rate	+1	11 027	13%
Discount rate	-1	8 397	-14%
Post-retirement mortality	-1 year	10 276	5%

Key actuarial assumptions used

Assumption	Value p.a	Value p.a
Discount rate	6.38%	5.55%
Mortality in retirement	PA (90)-1	PA(90)-1

35.4 Provision for long service benefits

An actuarial valuation has been performed of the municipality's liability for long service benefits relating to long service awards to which employees may become entitled to.
The municipality offers employees long service awards for every five years of service completed, from five years of service to 45 years of service, inclusive. This provision is the present value of the total long service awards expected to become payable under the municipality's current arrangements and based on the actuarial assumptions made. The increase in the provision has been recognised in full.

Summary of eligible employees

	Female	Male	Total
Number of eligible employees	551	991	1542
Average annual salary	R 169 393	R 141 310	R 151 345
Salary-weighted average age	37.8	42.2	40.4
Salary-weighted average past service	5.6	7.2	6.5

The municipality offers employees Long service awards for every 5 years of service completed, from five years of service to 45 years of service, inclusive.

Table of benefit awards

Completed Service (in years)	Long Service Bonuses (% of annual salary)	Description
5	3.9%	(5/260+2%) x annual salary
10	6.8%	(10/260+2%) x annual salary
15	9.8%	(15/260+2%) x annual salary
20	10.8%	(15/260+2%) x annual salary
25, 30, 35, 40, 45	11.8%	(15/260+2%) x annual salary

In the month that each completed service milestone is reached, the employee is granted a long service award. Working days awarded are valued at 1/260th of annual salary per day.

Retirement gifts are awarded to all employees who retire at age 65. According to the Municipality, only 3% of employees are expected to receive the retirement gift, since the majority retire earlier.

The value of the retirement gift was given at the last valuation as:

- R 1,730 for employees with under twelve years of total service at retirement
- R 3,240 for employees with twelve or more years of total service at retirement

These values have been assumed to increase by 6.84% since the last valuation. The value of the retirement gift is assumed to increase in line with CPI inflation in the future.

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Employee related costs	3 421 564	2 766 721
- current service cost	2 810 237	2 174 068
- interest cost	611 327	592 653

Provision for long service award liability

Opening accrued liability	10 811 319	9 107 180
Current service cost	2 810 237	2 174 068
Interest cost	611 327	592 653
Benefit Vestings	(1 790 249)	(1 707 497)
Total annual expense	1 631 315	1 059 224
Actuarial Loss/(Gain)	1 018 785	644 915
Closing Accrued Liability	13 461 418	10 811 319

Reconciliation of assets and liabilities recognised in the balance sheet

Present value of accrued liability	13 461 418	10 811 319
Fair value of plan assets	-	-

Present value of unfunded accrued liability

	13 461 418	10 811 319
Unrecognised transitional liability	-	-
Unrecognised actuarial gains/(losses)	-	-
Unrecognised past service cost	-	-
Net liability in Balance Sheet	13 461 418	10 811 319

The average liability has increased by 17% due to an increase in average salary and average past service, partially offset by an increase in the net discount rate. The total liability has increased by 25% (or R 2,650,100) due to the above, combined with the fact that there are 95 more eligible employees than at the last valuation. Full increase in this liability has been recognised immediately.

The amount of the liability represents the amount actually paid out in cash AND the portion that was either taken or "stored" as leave.

Net liability in balance sheet

Opening balance	10 811 318	9 107 179
Current service costs	2 810 237	2 174 068
Interest cost	611 327	592 653
Expected return on plan assets	-	-
Actuarial (gains)/losses recognised in profit and loss	1 018 785	644 915
Past service cost	-	-
Net periodic cost recognised in profit and loss	4 440 349	3 411 636
Expected employer benefit vestings	(1 790 249)	(1 707 497)
Closing balance	13 461 418	10 811 318
Current portion of liability (due in the next 12 months)	2 130 240	1 702 783
Non-current portion of liability	11 341 178	9 108 535

Reconciliation of present value of accrued liability:

Present value of accrued liability at the beginning of the year	10 811 318	9 107 179
Current service costs	2 810 237	2 174 068
Expected return on plan assets	-	-
Interest cost	611 327	592 653
Past service cost	-	-
Actuarial (gains)/losses	1 018 785	644 915
Expected employer benefit vestings	(1 790 249)	(1 707 497)
Present value of fund obligation at the end of the year	13 461 418	10 811 318

Total unfunded liability	13 461 418	10 811 318
Average liability per member	8 730	7 472

Reconciliation of fair value of plan assets:

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

Key actuarial assumptions used

Financial assumptions	2013	2012
Discount Rate	7.06%	6.17%
General salary inflation (long term)	6.73%	5.97%
Net effective discount rate	0.31%	0.19%

Salaries used in the valuation include an increase on 1 July 2013 of 6.84% as per SALGBC circular no. 4/2013.

Demographic assumptions

Average retirement age	59 for males and 56 for females		
Mortality during employment	SAB5-90		
Withdrawal from service	Age	Rate	
		Female	Male
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
55	0%	0%	

Sensitivity analysis

Accrued liability	Change	Liability R Millions	% change
Central assumptions		13 461	
	+1%	14 237	6%
General salary inflation	-1%	12 754	-5%
	-2yrs	12 122	-10%
Average retirement age	+2yrs	14 855	10%
Withdrawal rates	-50%	16 759	24%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6% higher.

Current service and interest costs

Assumption	Change	Current service cost	Interest cost	Total	% change
Central assumptions		2 810 200	611 300	3 421 500	
	+1%	2 962 100	648 500	3 610 600	6%
General salary inflation	-1%	2 673 000	576 600	3 249 600	-5%
Average retirement age	-2yrs	2 625 800	545 600	3 171 400	-7%
	+2yrs	2 989 000	683 000	3 672 000	7%
Withdrawal rates	-50%	3 587 500	774 600	4 362 100	27%

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	2013 R	Restated 2012 R
36 Contracted Services		
Contracted services for:		
Leasing of premises	13 348 448	9 235 420
Leasing of equipment	405 960	442 403
Hiring of vehicles	15 261 650	9 347 820
	29 016 058	19 025 643
37 Grants and Subsidies Paid		
	2013 R	2012 R
Mnquma Municipality	-	82 757
Ngqushwa Municipality	-	86 996
Nkonkobe Municipality	-	84 544
	-	254 297
The above grants relates to internally funded project allocations to local municipalities and grant expenditure from externally funded grants.		
38 Cash flows from operating activities		
	2013 R	2012 R
Surplus/(deficit) for the year from:		
Continuing operations	430 851 430	142 532 088
Discontinued operations	-	-
Adjustment for:-		
Depreciation	120 585 643	89 755 524
Amortisation	-	17 242
Increase in provision for post-retirement benefit obligation	15 008 124	30 287 655
Contribution to doubtful debt provision	114 162 694	157 093 946
Provision for inventory obsolescence	-	-
(Gain) / loss on sale of assets	388 164	-1 975 098
Contribution to provisions - non-current	6 446 814	4 393 961
Contribution to provisions - current	1 612 858	1 044 604
Provisions paid	(1 044 604)	(3 223 808)
Impairment loss / (reversal of impairment loss)	-	-
Transfer out of community asset	-	7 267 007
Operating surplus before working capital changes:	688 011 124	427 193 120
(Increase)/decrease in inventories	(307 555)	690 910
(Increase)/decrease in trade and other receivables	(180 626 488)	(141 622 127)
(Increase)/decrease in VAT receivable	(27 740 370)	19 350 923
(decrease)/increase in conditional grants and receipts	(81 330 655)	48 837 397
Increase/(decrease) in trade and other payables	(24 156 817)	43 189 782
Other working capital movements	5 287 518	-
Net cash flows from operating activities	379 136 757	397 640 005
39 Cash and Cash Equivalents		
	2013 R	2012 R
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	191 063 454	346 293 276
Bank overdrafts	-	-
Net cash and cash equivalents (net of bank overdrafts)	191 063 454	346 293 276
40 Purchase of Property, Plant and Equipment		
Cash payments of R32 581 152 were made to purchase property, plant and equipment.		
41 Change in Accounting Policy		
The following adjustments were made to amounts previously reported in the annual financial statements of the entity arising from the implementation of new accounting policies and changes to existing policies:		
The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.		
- GRAP 21 - Impairment of Non-cash-generating assets		
- GRAP 23 - Revenue from non-exchange transactions		
- GRAP 24 - Presentation of budget information in the financial statements		
- GRAP 26 - Impairment of cash-generating assets		
- GRAP 104 - Financial instruments		
41.1 GRAP 21: Impairment of Non-cash-generating assets		
During the year, the municipality changed its accounting policy with respect to the treatment of impairment of non-cash generating assets. In order to conform with the benchmark treatment in of GRAP21 – Impairment of Non-cash-generating assets which is now effective as per Directive 5. The municipality now assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease. The changes are applied prospectively		
41.2 GRAP 23 - Revenue from non-exchange transactions		
During the year, the municipality changed its accounting policy with respect to the treatment of revenue from non-exchange transactions. In order to conform with the benchmark treatment in of GRAP 23 - Revenue from non-exchange transactions as required by Directive 5. The municipality now recognises revenue from non-exchange transactions arising when it receives value from another entity without directly giving approximately equal value in exchange. The municipality measures an asset acquired through a non-exchange transaction initially at its fair value as at the date of acquisition. This revenue will be measured at the amount of increase in net assets recognised by the municipality.		
No affect on the amounts of line items, the revenue on the face of the income statement has been classified into revenue from exchange transactions and revenue from non-exchange transactions. In the prior year revenue was not split.		
41.3 GRAP 24 - Presentation of budget information in the financial statements		
During the year, the municipality changed its accounting policy with respect to the presentation of budget information in the financial statements. In order to conform with the benchmark treatment in of GRAP 24 - Presentation of budget information in the financial statements as per the GRAP framework in Directive 5. The municipality presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements.		
An explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts is disclosed by way of a note. Previously, the municipality disclosed the comparison of the budget versus actual figures by way of a note. Refer note 55.		
41.4 GRAP 26 - Impairment of cash-generating assets		
During the year, the municipality changed its accounting policy with respect to the treatment of the impairment of cash generating assets. In order to conform with the benchmark treatment in of GRAP 26 - Impairment of cash-generating assets as required in Directive 5. The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal. If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease. Previously the municipality applied IAS 36: Impairment which identified and measured impairments using similar principles.		

Restated

41.5 GRAP 104 - Financial instruments

During the year, the municipality changed its accounting policy with respect to the treatment of financial instruments. In order to conform with the benchmark treatment in of GRAP104 – Financial instruments as part of the accounting framework in Directive 5. The municipality now applies GRAP 104 for the recognition, measurement, presentation and disclosure for financial instruments. Financial assets and financial liabilities are now subsequently measured either at fair value or, amortised cost or cost. Previously IAS 32, IAS 39 and IFRS 7 were applied by the municipality to recognise, measure, present and disclose financial instruments in which financial instruments were classified at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The change in the accounting policy has not resulted in any material effect on the amounts of financial instruments, only the classification.

Financial statement line items affected:

Current investments were previously classified as financial assets held to maturity. These are now classified as financial instruments at amortised cost. There has been no adjustment to the amount disclosed as the subsequent measurement is the same.

Non-current receivables were previously classified as loans and receivables. These are now classified as financial instruments at amortised cost. There has been no adjustment to the amount disclosed as the subsequent measurement is the same.

Trade and other receivables were previously classified as loans and receivables. These are now classified as financial instruments at amortised cost. There has been no adjustment to the amount disclosed as the subsequent measurement is the same.

Cash and cash equivalents were previously classified as loans and receivables. These are now classified as financial instruments at amortised cost. There has been no adjustment to the amount disclosed as the subsequent measurement is the same.

42 Correction of Error

42.1 Revenue - service charges

On 1 July 2006 the municipality assumed responsibility for the provision of water and sanitation services as required by Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998). The municipality is continually checking the accuracy of its debtors database. During previous years, consumer accounts taken over from the local municipalities were incorrect. Hence revenue was incorrectly recognised. The error was corrected in the current financial year and was adjusted retrospectively.

The comparative amount has been restated as follows:

	2013 R	2012 R
Decrease in service charges (accumulated surplus)		2 671 149
Statement of financial performance		
Decrease in service charges		4 240 750
Statement of financial position		
Decrease in consumer debtors		(6 911 899)
Net effect on Statement of Financial Position		(6 911 899)
Net effect on Accumulated surplus opening balance		2 671 149

43 Unauthorised, Irregular, Fruitless and Wasteful Expenditure Disallowed

43.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

	2013 R	2012 R
Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident

None noted

43.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

	2013 R	2012 R
Opening balance -	447 326	1 336 611
Fruitless and wasteful expenditure current year	17 523	47 733
Condoned or written off by Council	-	(937 018)
Fruitless and wasteful expenditure awaiting condonement	464 849	447 326

Incident

During the 2012/13 financial year, interest of R7 617 was incurred on the late payment of the First Auto account. Interest of R302 was incurred on the late payment of an amount to the Auditor General. Interest of R9 603 was incurred on the late payment of rental due for the lease of premises. The ADM is investigating all the matters of late payment and will recover any costs if necessary.

During August 2011 interest of R43 963 was incurred on Telkom accounts. This was as a result of a dispute logged with Telkom regarding previously charged interest and reconnection fees. The dispute was never resolved, yet Telkom continued accumulating interest on the amount in dispute. This matter is currently under investigation.

An amount of R2 for interest on late payment of Cape Joint Fund was incurred during May 2012. The matter is currently under investigation.

On the 5 July 2011 the air tickets to Johannesburg for a Councillor to attend a MINMEC were cancelled. As the tickets were already issued, a cancellation fee of R798.00 was charged by the travel agent. The matter has been written off by Council during 2011/12.

During February 2012, interest of R85 were incurred as a result of late payment to the Cape Retirement fund. The late payment was as a result of an employee being on unpaid maternity leave and her not being that she was to pay for this amount out of her own pocket. The matter is still to be investigated.

Penalties of R20.00 were incurred during February 2012 as a result of the Private Bag address not being renewed on time. This matter is still to be investigated.

Interest of R2 850.00 was incurred during February 2012 due to late payment of the SABC TV licences and DSTV subscriptions. This matter is still to be investigated.

During August 2010, interest of R55 461 was incurred on the rental of the Telkom VPN lines due to late payment. The late payments were due to the billing cycles of the supplier. The matter was investigated by the MPAC and the Council resolved to write off the amount.

During the 2010/11 financial year, the municipality incurred costs of R129 951 to hire vehicles for the provision of water services due to the non-delivery of vehicles purchased from service providers appointed by the municipality. These hire costs were deemed to be fruitless and wasteful expenditure. The matter was investigated and a legal opinion was obtained. Council have resolved to treat this expenditure as normal expenditure during 2011/12 financial year.

During the 2010/11 financial year, rental of R71 187 was incurred for the months of December 2010 and January 2011 for office accommodation in the Metropolitan Building for the Supply Chain Management Unit. The unit however only occupied the premises from February 2011. The ADM investigated the matter and Council resolved to write the matter off during the 2011/12 financial year.

Rental for the months of December 2010, January 2011 and February 2011 amounting to R117 108 was incurred for the premises to be occupied by the Municipal Support Unit. The premises were only occupied during March 2011 due to renovations that took longer than anticipated. The ADM investigated the matter and the Council resolved to write the matter off during the 2011/12 financial year.

During June 2011, interest of R714 was incurred on late payment to Telkom. The ADM has investigated the matter. Awaiting Council resolution for the condonation of this matter on 31 August 2012.

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During the 2009/10 financial year, rental costs of R91 835, R88 803 and R184 207 were incurred for the 9th, 14th and ground floors respectively at Caxton House. The matter is awaiting Council approval.

During November 2009, a claim of R562 514 was submitted to the ADM for interest incurred on the Ngqushwa Ward 6, 7 & 13 Sanitation project that was originally commenced under the Department of Water Affairs and subsequently transferred to the ADM upon assuming the function of a Water Services Authority. Works were suspended due to budget constraints and non-payment of claims. It was agreed to avoid the contractor withdrawing from the site, and thereby delaying service delivery and incurring further costs, to make the payment. The ADM investigated the matter and the Council resolved that it be written off. This was written off during the 2011/12 financial year.

A payment of R34 831 was made to a contractor for interest incurred on the construction of the Macleantown sport field and ablution facilities. The interest was to be paid per the ruling of the Mediator. The ADM is to investigate the matter and recover any costs if necessary.

43.3 Irregular expenditure

Reconciliation of irregular expenditure

	2013 R	2012 R
Opening balance	546 238	17 344 286
Irregular expenditure current year	1 550 991	-
Condoned or written off by Council	-	(16 798 048)
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>2 097 229</u>	<u>546 238</u>

Incident

During the 2011/12 financial year, an oversight to ensure that the tender would be over R10m and therefore a minimum of 30 days advertising period required. The contract value was R11 664 597 and the amount advertised was R1 550 991. The report has been drafted to Council to condone/write off the irregular expenditure.

During the 2010/11 financial year, breaches on contracts to the value of R546 238 were found. These are being investigated.

During the 2009/10 financial year, deviations on contracts to the value of R16 798 048 were identified. These alleged deviations were investigated and it was found that the proper procedures were in fact followed for the approval of these procurements as these items were submitted to the Bid Adjudication Committee for approval. These were mainly extensions of contracts, limited bidding processes and variation orders. The Council resolved to condone the expenditure.

44 Additional Disclosures in Terms of Municipal Finance Management Act.

44.1 Audit fees

	2013 R	2012 R
Opening balance	-	-
Current year audit fee	4 262 296	3 875 091
Amount paid - current year	(4 262 296)	(3 875 091)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

44.2 VAT

VAT input receivables and VAT output payables are shown in note 13. All VAT returns have been submitted by the due date throughout the year.

	2013 R	2012 R
	49 605 218	21 864 848

44.3 PAYE and UIF

	2013 R	2012 R
Opening balance	-	-
Current year payroll deductions	47 079 440	37 206 779
Amount paid - current year	(41 791 922)	(37 206 779)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>5 287 518</u>	<u>-</u>

The balance represents PAYE and UIF deducted from the June 2013 payroll. The amount due was paid during July 2013 and has been included in current liabilities.

44.4 Pension and Medical Aid Deductions

	2013 R	2012 R
Opening balance	-	-
Current year payroll deductions and Council Contributions	80 947 656	65 022 198
Amount paid - current year	(80 947 656)	(65 022 198)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

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The balance represents pension and medical aid contributions deducted from employees in the June 2013 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during June 2013.
The pension fund contributions disclosed above includes contributions to the defined benefit and defined contribution funds.

44.5 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at -

as at 30 June 2013	Outstanding more than 90 days R
Councillor N. Nonjaca	625
Councillor M.J. Papu	1 106
Councillor T.P. Dwanya	13 832
Councillor M.P. Solani	154
Total Councillor Arrear Consumer Accounts	15 717

as at 30 June 2012	
Councillor N. Nonjaca	1 773
Councillor M.J. Papu	501
Councillor T.P. Dwanya	17 205
Total Councillor Arrear Consumer Accounts	19 479

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

as at 30 June 2013	Highest Amount Outstanding R	Ageing Days
Councillor T.P. Dwanya	17 205	90 plus days
Councillor M.J. Papu	888	90 plus days
Councillor N. Nonjaca	1 773	90 plus days

44.6 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipal Manager has the power to authorise deviations from the normal Procurement Process. Contracts awarded in terms of deviations from and ratification of minor breaches of procurement processes of the Supply Chain Management policy amounted to R185 853 331 being 449 instances.

SUMMARY OF SUPPLY CHAIN MANAGEMENT DEVIATIONS RATIFIED

Type	Amount R
Deviations	173 868 359
Breaches	11 984 971
Total	185 853 331

44.7 Non-Compliance with Section 71 of the Municipal Finance Management Act

All the monthly budget statements were submitted to the Mayor, National and Provincial Treasury during the financial year, however the month of October 2012 was not submitted within 10 working days.

44.8 Non-Compliance with Section 65(2)(e) of the Municipal Finance Management Act

Not all invoices received by the municipality were paid within 30 days of receipt.
Refer note 54.6.1

44.9 Bids awarded to family of employees in service of the state

In terms of the SCM regulations, any award above R2 000 to family members of employees in the service of the State must be disclosed in the annual financial statements. The following is a list as recorded on the declaration-of-interest form.

Connected person	Position held	2013	2012
		R	R
N. Soga	Chief Financial Officer	109 052	-
Z. Poto	Engineering Assistant	5 523	-
Total		114 575	-

45 Commitments

45.1 Commitments in respect of capital expenditure

	2013 R	2012 R
- Approved and contracted for	524 844 928	563 132 942
Infrastructure	510 102 343	543 310 932
Community	11 224 774	12 563 660
Other-Land and buildings	3 517 811	7 258 290
- Approved but not yet contracted for	-	-
Infrastructure	-	-
Community	-	-
Other	-	-
Total	524 844 928	563 132 942

This expenditure will be financed from:

	2013	2012
- Government Grants	398 589 760	496 963 164
- Own resources	126 255 168	66 169 778
	524 844 928	563 132 942

The comparative figure for capital commitments has been restated. Refer note 53.4.

45.2 Operating leases

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

Operating leases - as lessee (expense)

The major category of asset leased is office equipment in the form of printers and fax machines.

	2013	2012
Up to 1 year	8 752 163	11 572 680
1 to 5 years	3 670 411	4 628 489
More than 5 years	-	-
	12 422 575	16 201 169

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

Operating leases - as lessor (income)

The major category of asset leased is property.
At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2013	2012
Up to 1 year	123 909	45 248
1 to 5 years	300 287	267 165
More than 5 years	133 471	134 007
	557 667	446 420

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Operating Leases consists of the following: Operating lease payments represent rentals receivable by the Municipality for certain of its properties situated in Stutterheim, Komga, Cathcart, Adelaide and Maclean town. No contingent rent is payable.		
Leases are negotiated for an average of 7 years and rentals escalate by an average of 12% annually.		
46 Revaluation reserve	2013	2012
	R	R
The surplus arising from the revaluation of land is credited to a non -distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance. Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).		
Opening balance	18 665 018	18 665 018
Contributions	-	-
	18 665 018	18 665 018
47 Material Losses		
Water distribution losses	17 618 141	18 076 288
The amount recorded as distribution losses emanates from the provision of water to free basic services beneficiaries through communal standpipes and also network/distribution losses due to burst pipes and other leakages. The water losses have increased from the prior year mainly due to the significant increase in the tariff rate used.		
48 Contingent Liabilities	2013	2012
	R	R
The following contingent liabilities have been disclosed and not recognised:		
Legal claims		
Three legal claims submitted to the legal department of the municipality are in the process of being resolved. The estimated liability of such claims, should the claimant be successful is disclosed. The timing of the legal proceedings regulating the claims is uncertain. Legal disputes relate to:		
48.1 Claim for damages	588 308	588 308
The plaintiff has instituted legal action against the municipality for damages after a motor vehicle accident involving livestock		
48.2 Compensation for work performed by a contractor	3 310 894	3 310 894
The municipality has been sued for the payment of outstanding amounts claimed in relation to the construction of RDP houses. The municipality has pleaded that it is not obliged to pay the amounts until receipt of funds from the Eastern Cape Department Of Human Settlements		
48.3 Cession agreement	27 225	27 225
Legal action has been instituted against the municipality in respect of a cession agreement which the plaintiff claims that the municipality is indebted to it for.		
Total contingent liabilities from litigation	3 926 427	3 926 427
48.4 Cape Joint Pension Fund	-	-
In terms of Rule 17(5) of the fund's rules pertaining to the Defined Benefit Section (Part A of the Rules), local authorities associated with the Fund are under an obligation to contribute pro rata to the Fund such a sum as will make up for any shortfall between actual earnings and an investment return of 5.5% on all its assets. The fund reported an actual investment return of -0.94% on the 28th October 2009.		
48.5 Task Grade	-	-
The job evaluation committee has received applications from employees to have their jobs re-graded and are in the process of re-grading. However, the amount and timing is uncertain as the re-grading is subject to an audit. The final outcome is dependant on the findings of the audit. Job Evaluation Unit has calculated a rough estimate of R2 250 000. The new SALGA Job Evaluation Policy specifies that all results must be audited by Provincial Audit Committees (PACs). These Committees are in the process of being formulated by SALGA. The job evaluation results from the ADM Grading Committee will be submitted to the PAC once it has been finally constituted. At this stage there is no indication for the timeline for this process.		
49 Contingent Assets	2013	2012
	R	R
The following contingent asset has been disclosed and not recognised as the outcome is dependent on a legal ruling:		
49.1 Non-performance on a contract	500 595	500 595
The municipality has instituted legal action against a contractor and its surety. The municipality and its lawyers are of the opinion that the litigation is likely to be in the municipality's favour. The timing of the legal proceedings regulating the above is uncertain.		
49.2 Contractual dispute	54 152	51 619
The municipality has claimed the bill of costs for a dismissed case relating to a contract. The municipality and its lawyers are of the opinion that the litigation is likely to be in the municipality's favour. The timing of the legal proceedings regulating the above is uncertain.		
49.3 Breach of contract	1 198 370	1 198 370
The municipality instituted legal action against a contractor for damages related to breach of contract as a result of the contractors abandonment of the project. The municipality and its lawyers are of the opinion that the litigation is likely to be in the municipality's favour. The timing of the legal proceedings regulating the above is uncertain.		
Total contingent assets from litigation	1 753 117	1 750 584

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	2013 R	Restated 2012 R
50 Related Parties		
Members of key management (refer note 26)		
Compensation to councillors and other key management (refer to note 27)		
Subsidiary / Municipal entity		The municipality owns 100% of the municipal entity, ASPIRE
Related party balances	2013	2012
Loan accounts - Owing (to) by related parties	R	R
Related party transactions		
Amathole Economic Development Agency (Pty) Ltd for the operations of the agency		
Funding provided to Amathole Economic Development Agency (AEDA) for the operations of the agency	15 000 000	11 500 000
The account operates on a current account basis, i.e. the Agency's service providers are paid by the municipality on the Agency's behalf. No financial benefit accrues to the Agency or the municipality.		
Neighbourhood Development Grant		
Funds transferred to AEDA for implementation of NDPG project	32 940 000	71 450 000
Ndakana Honey Coop		
Funds transferred to AEDA for the support of the Blueberry project	500 000	-
Hogsback Compost Coop		
Funds transferred to AEDA for the support of the Essential Oils project	500 000	-
Abenzi Furniture Makers Coop		
Funds transferred to AEDA for the support of the young furniture makers project	400 000	-
Dutywa Water and Sewer Pipe Replacement Programme		
Funds transferred to AEDA for the implementation of the Dutywa pipe replacement programme	500 000	-
No financial benefit accrues to the Agency or the municipality		
51 Events After the Reporting Date		
No significant events after the reporting date.		
52 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		
Present value of defined benefit obligation		
Fair value of plan assets		
Provision for doubtful debts		
Impairment of assets		
Provision for long-term service award		
Water inventory		
The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:		
Impairment of assets		
Provisions		
53 Restatement of Comparative Information		
The indigent subsidy has been reclassified from general expenditure to service charges. This expenditure has been off-set against the revenue in accordance with GRAP 9.		
53.1 Statement of Financial Performance:		
Decrease General expenditure		(3 457 806)
Decrease Service charges		3 457 806
Refer note 32 and 20 respectively.		
53.2 The current portion of the long service award has been separately disclosed as current provisions. The current portion has been calculated by the actuaries appointed to perform the valuation of the Long service award provision included in the Employee benefits obligation		
Statement of Financial Position:		
Increase in current provisions		(1 702 783)
Decrease in the Employment benefit obligation		1 702 783
Refer to note 15 and 35 respectively		
53.3 All expenditure disclosed as internally funded project allocations has been re-classified per expenditure type. This line is disclosed within General expenditure.		
Statement of Financial Performance:		
General expenditure		(18 923 188)
Increase in Salaries and wages		8 298 609
Repairs and maintenance		10 624 579
Refer note 32, 26 and 29 respectively		
53.4 The comparative figure for capital commitments was restated due to errors identified in the contract amounts and related expenditure recorded in the register. This restatement only impacts disclosure and thus has no effect on the Statement of Financial Position or Statement of Financial Performance. The figures have been restated as follows:		
Increase in Infrastructure		75 389 847
Refer note 45.1		

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54 Financial Instruments

54.1 Risk Management

Exposure to interest rate, credit risk and liquidity risks arise in the normal course of the municipality's operations. The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities. Council has established a Risk Management Committee, which is responsible for developing and monitoring the municipality's risk management policies.

This note presents information regarding the municipality's exposure to credit risk, market risk and liquidity risk. Further quantitative disclosures are included throughout these financial statements.

The accounting policy for financial instruments was applied to the following items in the statement of financial position:

Financial Assets	Amortised cost
2013	R
Cash and cash equivalents	191 063 454
Trade and other receivables from exchange transactions	99 752 986
Other receivables from non-exchange transactions	4 369 106
Current Investments	472 085 202
	<u>767 270 749</u>
Financial Assets	Amortised cost
2012	R
Cash and cash equivalents	346 293 276
Trade and other receivables from exchange transactions	33 235 538
Other receivables from non-exchange transactions	4 422 761
Current Investments	471 109 428
	<u>855 061 003</u>
Financial Liabilities	Amortised cost
2013	R
Trade and other payables from exchange transactions	130 229 633
	<u>130 229 633</u>
Financial Liabilities	Amortised cost
2012	R
Trade and other payables from exchange transactions	154 262 482
	<u>154 262 482</u>

54.2 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis.

Investments and borrowing

To manage credit risk in borrowing and investing, the municipality's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions and by spreading its exposure over a range of such institutions in accordance with its investment policies approved by Council. The municipal entity determines concentrations of credit risk by reference to major counter-parties. Counter-parties comprise large South African banks with high quality credit ratings. Consequently, the municipality does not consider there to be any significant exposure to credit risk.

Loans receivable

Loans are granted and managed in accordance with policies and regulations as set out in note 6. The associated interest rates and repayments are clearly defined and, where appropriate, the municipality obtains certain suitable forms of security when granting loans. Allowances for impairment are made in certain instances.

Cash and cash equivalents

The municipality limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating, and within specific guidelines set in accordance with Council's approved investment policy. Consequently, the municipality does not consider there to be any significant exposure to credit risk.

Receivables

Receivables are amounts owing by consumers, and are presented net of impairment losses. The municipality has a credit control and debt collection policy in place, and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's strategy for managing its risk includes encouraging residents to install water management devices that control water flow to households. In certain instances, a deposit is required for new service connections, serving as a guarantee.

The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographic area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables.

The average credit period on services rendered is 30 days from date of invoice. Interest is raised at prime plus 2% on any unpaid accounts after the due date. The municipality has provided fully for all receivables outstanding over 365 days. Receivables up to 365 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience. Additional information relating to the analysis of receivables is given in note 2.

Consumer debtors with a demonstrative inability to pay are encouraged to apply for potential indigent status as an ongoing customer relationship strategy and also to enable the municipality to make adequate provision for such relief.

Maximum exposure to credit risk

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

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

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The financial assets carried at amortised cost expose the entity to credit risk. The value of the maximum exposure to credit risk are as follows for each of classes of financial assets at amortised cost:
Cash and cash equivalents
Trade and other receivables from exchange transactions
Other current financial assets
Current Investments
Other non-current financial assets

2013 R	2012 R
191 063 454	346 293 276
99 752 986	33 235 538
4 369 106	4 422 761
472 085 202	471 109 428
1 008 109	708 131

54.3 Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they fall due. The municipality's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the municipality's reputation. The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts and budgets are prepared and adequate utilised borrowing facilities are monitored.

On average 38% (2012: 35%) of receivable (own billed) income is realised within 30 days after the due date, and payables are settled within 30 days of invoice. National and provincial grant funding is received in terms of DoRA

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

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

2013
Gross finance lease obligations
Trade and other payables
Other

Not later than one month	Later than one month and not later than three months
34 882	104 646
78 884 453	-
-	-

2013
Gross finance lease obligations
Trade and other payables
Other

Later than three months and not later than one year	Later than one year and not later than five years
418 585	234 573
51 345 179	-
1 195 401	19 614 282

2012
Gross finance lease obligations
Trade and other payables
Bank overdraft
Other

Not later than one month	Later than one month and not later than three months
43 411	130 234
112 730 331	-
-	-
-	-

2012
Gross finance lease obligations
Trade and other payables
Bank overdraft
Other

Later than three months and not later than one year	Later than one year and not later than five years
347 289	313 471
41 532 151	-
-	-
1 044 604	13 167 468

54.4 Interest rate risk

The municipality's activities expose it primarily to the risks of fluctuations in interest rate. Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Market risk exposures are measured using sensitivity analysis. A sensitivity analysis shows how surplus and/or net assets would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

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

At year end, financial instruments exposed to interest rate risk were as follows:
Balances with banks, deposits and all call and current accounts attract interest at rates that vary with South African prime rate. The municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus / deficit.
Investments at fixed interest rates.
Trade debtors in arrears are linked to South African prime rate plus two percent.
Loans granted are linked to a fixed rate of interest.
Surplus funds are invested with banks for fixed terms on fixed interest rates not exceeding one year. For details refer Note 5.

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

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Interest rate risk sensitivity analysis

Financial assets

At 30 June 2013, if interest rate at that date had been 50 basis points higher, with all other variables held constant, the effect on the statement of financial performance would have been R299 748 higher (2012: R325 668) with the opposite effect if the interest rate had been 50 basis points lower.

Financial liabilities

At 30 June 2013, if the interest rate at that date had been 50 basis points higher, with all the other variables held constant, the effect on the statement of financial performance would have been R702 lower (2012: R575), with the opposite effect if the interest rate had been 50 basis points lower. This is an immaterial effect on the surplus/(deficit) for the year.

54.5 Currency risk

The municipality was not a direct party to any outstanding forward exchange contracts at the reporting date. The movement in the currency was not material to the municipality's procurement and, consequently, is not elaborated on any further

54.6 Defaults and breaches

During the year the entity defaulted and / or breached certain of the contractual terms of certain of its financial liabilities. Details of the defaults and / or breaches are presented below.

Defaults that occurred during the year:

54.6.1 Trade and other payables from exchange transactions

Payments to suppliers for goods and services were not all paid within 30 days of receipt of the invoice by the municipality. This has resulted in non-compliance with Section 65(2)(e) of the MFMA. In order to remedy this, the municipality has implemented controls to centralise the receipt of invoices by recording the receipt in a register. The register facilitates the process of following up on the authorisation of invoices for payment. The number of invoices not paid within this timeframe is 2631 and the value R44 592 358.

54.7 Credit quality of financial assets carried at amortised cost

54.7.1 Method of determining credit quality of other non-current financial assets

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

	2013	2012	
A	19%	29%	Government Accounts
B	5%	15%	Businesses
C	76%	56%	Domestic and other

Analysis of table:

- A - The debtors are of good credit quality and no default in payment is expected.
- B - The debtors are usual good payers, but there is a possibility that the debtor may not be able to pay on time
- C - These debtors usually pay, but have previously paid late and therefore there is a possibility that these debtors will not be recoverable.

The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness. Consumer debtors with a demonstrative inability to pay are encouraged to apply for potential indigent status as an ongoing customer relationship strategy and also to enable the municipality to make adequate provision for such relief. The municipality has determined the above credit ratings internally through the consideration of previous payment trends per debtor type. Interest is raised at prime plus 2% on overdue accounts.

54.8 Reconciliation disclosures for non-current financial assets carried at amortised cost

	2013	2012
Non-current financial assets measured at amortised cost		
Deposits	997 795	690 955
Loans to Local Municipalities	10 314	17 176
Terms and conditions	Deposits	Loans to local municipalities
Instrument period (not applicable to equity investments)	0	40 years
Contractual interest rate (if applicable)	0	4%
Is the instrument listed on a stock exchange	no	no
For debt instruments - frequency of contractual payments	none	bi-annually

54.9 Impairment disclosures for other current financial assets carried at amortised cost

Reconciliation between gross and net balances

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Other receivables from non-exchange transactions	11 343 497	(6 974 392)	4 369 106
Total	11 343 497	(6 974 392)	4 369 106

Reconciliation of the doubtful debt provision

Balance at beginning of the year	11 222 186	9 873 258
Contributions to provision	-	1 348 928
Doubtful debts written off against provision	-	-
Reversal of provision	(4 247 794)	-
Balance at end of year	6 974 392	11 222 186

Other current financial assets carried at amortised cost past due but not impaired

Other current financial assets carried at amortised cost which are less than 1 months past due are not considered to be impaired. At 30 June 2013, R 4 136 829 (2012: R4 422 761) were past due but not impaired.

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

	2013 R	2012 R
1 month past due	-	-
2 months past due	-	-
3 months past due	4 369 106	4 422 761

Other current financial assets carried at amortised cost impaired

As of 30 June 2013, other current financial assets carried at amortised cost of R6 974 392 - (2012: R11 222 186 -) were impaired and provided for.

The ageing of these balances is as follows:

	2013 R	2012 R
3 to 6 months	-	-
Over 6 months	6 974 392	11 222 186

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54.10 Reconciliation disclosures for investments

Investments measured at amortised cost
Call Investment Deposits

	2013	2012
	<u>472 085 202</u>	<u>471 109 428</u>

Terms and conditions

The following fixed deposit accounts have been classified as financial assets at amortised cost in accordance with GRAP 104: Financial Instruments.

Maturity periods are fixed and range between 3 - 12 months. Average rate of return on investments 5.42% (2012: 5.98%). In accordance with the Municipality's risk management policy deposits are only made with major banks with quality credit standing and limits exposure to any one counter party.

55 [Budget Information](#)

55.1 Explanation of variances between approved and final budget amounts

The variances between the approved and final budgets are mainly due to adjustments and virements.

Income

The overall income variance is due to budget adjustments on funds rolled over from the prior year pertaining to internally funded projects.

Additional funding was required for the new Legislative Executive Support Services department and for Local Economic Development projects.

An additional amount was allocated to fund Councillor salaries.

Expenditure

The expenditure budget was increased as a result of the additional operating activities from the establishment of the Legislative Executive Support Services department, as well as the expenditure items on the internally funded projects and Councillor salaries.

Capital

The overall capital budget has increased as a result of the establishment of the new Legislative Executive Support Services department.

55.2 Explanation of variances greater than 10%: Final budget and actual amounts

55.2.1 Statement of financial performance

Revenue

1 Service charges

The actual service charges billed for the year exceeds the budgeted amount as additional meters were installed, these were not included when determining the budget figure.

Further to this the Service Coverage information implemented on the system was not yet received when the the budget for 2012/13 financial year was being finalised.

2 Rental of facilities and equipment

The variance is the result of improved processes relating to rental of property and facilities.

3 Interest earned - external investments

Interest earned on the continuous favourable cash/investment balance during the year. Interest rates are linked to market conditions.

4 Interest earned - outstanding receivables

The municipality has written off bad debts during the year thereby reducing the outstanding amounts.

5 Other income

Other income includes an amount from the accumulated surplus to balance the budget.

6 Government grants and subsidies

Actual government grants received exceeds the budgeted amount due to the conditions of the MIG grant being met and transferred to revenue including the roll-over from then 2011/12 financial year.

7 Fines

The fines that were budgeted for include air pollution and waste management fines. There were none charged during the year.

8 Other income

This item includes the VAT portion of grants that is recognised as own revenue.

Expenditure

9 Employee related costs

The under spending on employee costs is as a result of approved and budgeted posts not being filled during the current year. In addition there have been resignations.

10 Bad debts

The actual bad debt expense exceeds the budgeted amount, due to a large number of account holders who have not paid their long outstanding debts.

The municipality has made many follow – ups and attempts to collect the outstanding debts from consumers by: Restrictions and disconnections as per the credit control and debt collection policy;

Handing over of accounts to Debt Collector; and

Indigent registration throughout the 7 local municipalities that the ADM is servicing.

Due to the very low recovery rate, the provision for bad debts has been increased.

11 Depreciation and amortisation expense

New schemes commissioned during the during the year, hence depreciation has increased.

12 Repairs and maintenance

Under spending on repairs and maintenance is as a result of the anticipated repair not occurring.

The budget amount includes an element of contingency and attempts to cater for unexpected repairs that may occur.

13 Contracted services

The leasing expenditure for office equipment such as fax machines and printers is less than the budgeted amount as the capital portions of the lease payments that have been classified as finance leases are offset against the lease liability in the statement of financial position.

14 General expenses

Staff recruitment is under-spent as the budget was not utilised due to staff being recruited internally, hence no recruitment costs that were initially catered for were not incurred.

Job evaluation spending is dependent on the outcomes of the job grading.

Subsistence and travel is underspent as officials did not travel as envisaged and the municipality attempts to save costs where it can by travelling locally.

The **indigent support** expenditure was set off against service charges as required by GRAP 9.

15 Finance charges

New lease agreements were entered into for the lease of photo-copiers and fax machines. Certain of these lease agreements were classified as finance lease agreements in accordance with the requirements of the GRAP standards.

16 Gain / Loss on sale of assets

Gain/loss on the disposal of assets is not budgeted for due its ad hoc nature and level of uncertainty

56 [Performance on conditional grants](#)

56.1 Budget reform

An application for rollover has been sent to National Treasury. The remaining funds are earmarked for training of Minimum Competency Training including other related capacity building training that has been requested by the interns. The municipality is fully committed to spend the balance as there is need to fully empower the youth in the Amathole District Municipality on Local Government Finance.

56.2 Expanded Public Works Programme Incentive Grant

Application for Roll-over has been submitted to National Treasury for approval. A portion of the balance has been spent in July for the payments of the EPWP Internship stipends

56.3 MSIG

Computerised systems for local municipalities

Project did not materialise due to lack of IT infrastructure to carry the project.

Workplace skills plans for local municipalities

Project was completed in June 2012 and the remaining amount is declared as savings.

Local municipality support - Nkonkobe

The project has been completed in July 2013. There is an invoice of R 11,860 that has been paid in July 2013 that requires a roll over application. The balance is to be declared.

Purchase and install civil designer

The project was completed during December 2012.

HR Strategy Development

Project completed the remaining balance is VAT portion to be returned to the funder.

Review of HR policies

Project completed the remaining balance is VAT portion to be returned to the funder.

56.4 MIG

Application for Roll-over has been submitted to National Treasury for approval. The projects that the budget will be spent on are ready for implementation with the Contractors already in place. It will take one month for the ADM to finish the roll-over.

56.5 Flood Relief Projects

These were the savings on the Road Disaster in 2006, initially ADM Health Dept (Disaster Unit) was going to apply for the utilisation of these funds in their disaster projects but have subsequently no longer shown interest to utilise these funds.

56.6 DWA - Bulk Water Supply

Great Kei River Basin: Feasibility study was completed and the closing report was sent. DWA did not approve the water use licence so that we continue with the scheme amount to be returned R 492 000.00. Idutywa Water supply: This project is being implemented under MIG amount to be returned is R 376 447.50

56.7 DWA Support - Drought issues

Currently equipping boreholes. The project is also co-funded by ADM's internal funds.

56.8 Development planning funds

Victoria Post

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Department of Local Government for a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

Teko Springs/Ndlovini

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Department of Local Government for a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

Needs Camp

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Department of Local Government for a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

Hogsback

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Department of Local Government for a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

Haga Haga

Funded by the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting the finalisation of the Feasibility Study for land suitability before end June.

Willowvale

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Eastern Cape Development Tribunal for a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

Elliotdale

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Department of Local Government for

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a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

Ndevana

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Department of Local Government for a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

Msombomvu

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Department of Local Government for a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

Hertzog

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Department of Local Government for a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

Great Kei Planning

Project complete

Mnquma Planning

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Department of Local Government for a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

Ngqushwa Planning

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Department of Local Government for a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

Nkonkobe Planning

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Department of Local Government for a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

Mnquma Survey

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Department of Local Government for a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

Ngqushwa Survey

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Department of Local Government for a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

Nkonkobe Survey

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Department of Local Government for a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

Lewis Survey

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Department of Local Government for a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

H&LG Survey

Funding was received from the Provincial Department of Local Government through Business Plans that were requesting funding. However, the project is awaiting approval of the Provincial Department of Local Government for a submitted Layout Plan. The balance thereon will be paid upon approval of the Plan.

56.9 Provincial Housing Project Funds

Prudoe Eng Design

Project complete

Dongwe Eng Design

Project complete

Kubusie Establishment grant

The project was funded by the Provincial Department of Human Settlements through Business Plans that were requesting funding. However, the project is awaiting top up funding from the Provincial Department of Human Settlements to complete the project in 2013/14 provincial financial year.

Ndlovini Establishment grant

The funds being a balance are or should have been in the process of being transferred back to the funder, since the project is complete.

Ducats Establishment grant

Project was funded by the Provincial Department of Human Settlements through Business Plans that were requesting funding. However, the project is awaiting top up funding from the Provincial Department of Human Settlements to complete the project in 2013/14 provincial financial year.

Macleantown Establishment grant

The funds are or should have been in the process of being transferred back to the funder, since BCM is now

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implementing the project.

Prudoe Establishment grant

Project was funded by the Provincial Department of Human Settlements through Business Plans that were requesting funding. However, the project is awaiting top up funding from the Provincial Department of Human Settlements to complete the project in 2013/14 provincial financial year.

Dongwe/Prudoe Establishment grant

Project was funded by the Provincial Department of Human Settlements through Business Plans that were requesting funding. However, the project is awaiting top up funding from the Provincial Department of Human Settlements to complete the project in 2013/14 provincial financial year.

Teko Springs Establishment grant

Project was funded by the Provincial Department of Human Settlements through Business Plans that were requesting funding. However, the project is awaiting top up funding from the Provincial Department of Human Settlements to complete the project in 2013/14 provincial financial year.

Needs Camp Establishment grant

Project was funded by the Provincial Department of Human Settlements through Business Plans that were requesting funding. However, the project is awaiting top up funding from the Provincial Department of Human Settlements to complete the project in 2013/14 provincial financial year.

Teko Spring Top Structure

Project was funded by the Provincial Department of Human Settlements through Business Plans that were requesting funding. However, the project is awaiting top up funding from the Provincial Department of Human Settlements to complete the project in 2013/14 provincial financial year.

Prudoe Top Structure

Project was funded by the Provincial Department of Human Settlements through Business Plans that were requesting funding. However, the project is awaiting top up funding from the Provincial Department of Human Settlements to complete the project in 2013/14 provincial financial year.

Dongwe Top Structure

Project was funded by the Provincial Department of Human Settlements through Business Plans that were requesting funding. However, the project is awaiting top up funding from the Provincial Department of Human Settlements to complete the project in 2013/14 provincial financial year.

Needs Camp Top Structure

Project was funded by the Provincial Department of Human Settlements through Business Plans that were requesting funding. However, the project is in its final stages and is to be finalised and closed in the current Provincial financial year.

Ducats top Structures Subsidy

Project was funded by the Provincial Department of Human Settlements through Business Plans that were requesting funding. However, the project is awaiting top up funding from the Provincial Department of Human Settlements to complete the project in 2013/14 provincial financial year.

Kubusie Top Structure

Project complete.

Macleantown Top Structure

Funds were returned to the funder

Lilyvale Kayb Establishment Grant

The funds are or should have been in the process of being transferred back to the funder, since BCM is now implementing the project

Kaysers Beach Housing Project

The balance of the funds should be taken as ADM income as ADM bridged the financing.

Lilyvale Eng Designs

Project complete

56.10 Keiskamma Betterment (DLA)

Currently implementing the projects as per the development plan. This is multi year in nature.

Restitution Award

Currently implementing the projects as per the development plan. This is multi year in nature.

56.11 Elliotdale BNG Pilot Funds

Beneficiary Administration

Project complete

Geo Hydrology

The Geohydrological Investigation was never undertaken due to implementation of this project being taken over by the Eastern Cape Provincial Department of Human Settlements. No further advances will be forthcoming in respect of this project from Province, hence the Eastern Cape Provincial Department of Human Settlements deemed it prudent to recover these unutilised Housing Funds remaining in respect of Elliotdale BNG Housing Project Geohydrological Investigation Account as a matter of urgency. The funds (advanced) will be returned to Eastern Cape Provincial Department of Human Settlements

56.12 DEDEA

Bawa Falls LED Project

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Finalising the terms of reference for the renovation of the existing structure as the funding is insufficient to undertake the construction of the new chalets.

Elliotdale Brick making

Currently procuring block making machinery.

EC Information Initiative Support

Project complete and the balance is as a result of the VAT.

56.13 Public Transport Facility Grant

EDCOT funds

The ECDOT funds amount of R 2 741 792.50 is allocated for the Butterworth Public Transport Facility – Taxi Roof Structure which is currently at contractor procurement stage. The project forms part of the 2013/14 SDBIP.

56.14 Mbhashe LM: Extension 8

Idutywa Extension 8

The funds are to be sent back to the funder as the project is now implemented by the Department of Housing.

56.15 Roof Top Rain Water Harvesting

Funds will be used on rain water harvesting in 2013/14.

56.16 Design guidelines and standard drawings

Project complete, to apply to the funder to use the balance for other related projects.

56.17 WMIS grant

Project Complete balance to be used for new existing WMIS project, being funded using internal funding.

56.18 Water Service Capacity Business Plan 10/11

Projects complete - requesting permission from funder to utilise the funding on other water related projects

56.19 Household Leak Repair

After initial delays, the contractor has been appointed and project will be completed by 28 February 2014.

56.20 Ngqusi Rain Water Harvesting

VAT portion, to be consolidated to Roof top rain water harvesting.

56.21 Communal Water Stations

VAT portion, to be consolidated to Roof top rain water harvesting.

56.22 Business Plans for WSP's

Project complete

56.23 Free Basic Services Strategy Development

Free Basic Policy developed using funding from another source. Will request permission from funder to utilise the funds on other priority projects

56.24 Adelaide Water Re-use Phase 1

Initial project complete, savings are being used to top up "sister" sanitation upgrade project.
Project is 90% complete

56.25 WSA Routine Monitoring Program

Project complete, to request permission from funder to utilise the funds on other priority projects.

56.26 Adelaide Old Oxidation Ponds

Project in progress - 90% complete.

56.27 Balfour Sawmills

A letter was sent to the funder to change the scope of the project as the funds were originally transferred to ADM without identifying and no consultation were done prior the transfer of funds. ADM is still awaiting response.

56.28 Highlands Resort

Project complete, as the Business Plan is Complete and the balance and need to be taken to the funder.

56.29 Peddie Brick Making

Currently procuring the services for the brick making material.

56.30 Inkuthalo Hydroponics

Currently, process payments for the hydroponic tunnels material and the remaining balance will be used to pay the clearing of the site.

56.31 Silwindlala Women's Project

The project is in the procurement phase.

56.32 Capacity Building for LM's

Funds to be utilised for LED Training in early June.

56.33 LED Capacity Building - Ngqushwa

Recruitment processes are underway to appoint an LED assistant for a period of 2 years.

56.34 DWA once-off Accommodation

Quotations for ablution facilities sourced, will be spent by the end of this financial year.

56.35 DWA Refurbishment

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There were some delays in procuring the services of these National Term Tenders since it was a new thing but because of our newly appointed Supply Chain Manager (SCM) it helped and eventually the ADM participated on the contract. An application for rollover has been sent to National Treasury as these funds are now committed to a service provider.

56.36 Chanta Development Fund

Funds will be used on Rain Water Harvesting in 2013/14.

56.37 Fingoland Regional Authority

Currently implementing the projects as per the development plan. This is multi year in nature.

56.38 Dwesa Cwebe Restitutional

Need to revise as per the resolution of the Budget Steering Committee of August 2012 .

56.39 Development Craft Centre

Funds are committed to undertake the architectural designs of the Craft Market.

56.40 Tourism Survey

Currently procuring the services for the Tourism Survey.

56.41 Skills Development Centre

Project complete

56.42 Co-operatives Specialist

CDC needs analysis currently being conducted.

56.43 Tourism Marketing Strategy

Project Complete, and funds need to be returned to the funder.

56.44 Nxuba Dam Chalets Development

Project Complete, and funds need to be returned to the funder.

56.45 Capacitate and Resource Centre

Funds are being utilised for capacitating centres.

56.46 Eastern Regional Solid Waste

Project complete.

56.47 SETA

Funds will be utilised this financial year for training of staff on Asset Management (RFQ with SCM), Finance for Non Financial Managers (RFQ already in ADM website), First Aid Training (tender already awarded) some of the funds will be utilised for payment of 3 LGSETA interns). Correspondence will be prepared and forwarded to LGSETA requesting a rollover to the next financial year for any remaining funds.

56.48 Ploughing Contractors - Ward 10

Will be integrated into the 13/14 Ploughing Projects as part of the Mechanisation Input and Supply .

56.49 Ploughing Contractor - Ngxakaxa

Will be integrated into the 13/14 Ploughing Projects as part of the Mechanisation Input and Supply .

56.50 Ploughing Contractors - Ward 15

Will be integrated into the 13/14 Ploughing Projects as part of the Mechanisation Input and Supply .

56.51 Bucket Eradication

Project complete

56.52 Tech Assistance to Development Profile

Currently processing payments for the development of the Great Kei LED Strategy, Nxuba LED Strategy and Training of LED Practioners

56.53 IDP local municipalities

Project complete

56.54 Public Awareness

Project complete

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Appendix A - Schedule of External Loans
for the year ended 30 June 2013

EXTERNAL LOANS	Loan number	Interest Rate	Redeemable Date	Balance at 30 June 2012	Received during the period	Redeemed / written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
				R	R	R	R	R	R
LONG-TERM LOANS									
DBSA Loan - Nkonkobe	8237	11%	9/30/2014	-	-	-	-	-	-
DBSA Loan - Great Kei	10876	15%	6/30/2019	-	-	-	-	-	-
DBSA Loan - Nxuba	11416	17%	6/30/2009	-	-	-	-	-	-
Loan - Amahlathi	100001	4%	6/30/2009	-	-	-	-	-	-
Loan - Amahlathi	100001	4%	6/30/2009	-	-	-	-	-	-
Loan - Amahlathi	100001	4%	6/30/2009	-	-	-	-	-	-
Loan - Amahlathi	100001	4%	6/30/2009	-	-	-	-	-	-
Total long-term loans				-	-	-	-	-	-
CURRENT PORTION									
DBSA Loan - Amahlathi (in arrears)	11641	11%	6/30/2007	-	-	-	-	-	-
DBSA Loan - Nxuba	11240	16%	12/31/2010	-	-	-	-	-	-
Total term Loans				-	-	-	-	-	-
TOTAL EXTERNAL LOANS				-	-	-	-	-	-

The loans were settled during the 2008/09 financial year

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Appendix B - Analysis of Property, plant and equipment
for the year ended 30 June 2013

Classification	Cost/Revaluation					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Revalue	Disposals	Closing Balance	Opening Balance	Additions	Revalue	Disposals	Closing Balance	
INFRASTRUCTURE	3 084 514 000	3 224 327	-	-	3 087 738 326	(386 470 022)	(921 092)	-	-	(387 391 114)	2 700 347 212
Roads											
Bridges, Subways & Culverts	0					-				-	-
Water											
Reservoirs & Tanks	306 113 946	-	-	-	306 113 946	(48 251 429)	-	-	-	(48 251 429)	257 862 518
Supply / Reticulation	1 241 063 285	1 019 820	-	-	1 242 083 105	(220 239 763)	(131 658)	-	-	(220 371 421)	1 021 711 684
Water - Other	429 154 684	1 249 466	-	-	430 404 150	(44 396 356)	(22 989)	-	-	(44 419 345)	385 984 804
Water Mains	173 461 762	13 990	-	-	173 475 752	(28 784 532)	(466)	-	-	(28 784 998)	144 690 755
Meters	59 930 361	849 850	-	-	60 780 212	(15 134 344)	(765 979)	-	-	(15 900 323)	44 879 888
Sanitation											
Purification works	166 186 820	-	-	-	166 186 820	(15 196 024)	-	-	-	(15 196 024)	150 990 796
Sewers	79 394 457	91 200	-	-	79 485 657	(14 467 574)	-	-	-	(14 467 574)	65 018 083
Infrastructure under Construction	629 208 685	-	-	-	629 208 685	-	-	-	-	-	629 208 685
COMMUNITY	21 120 703	-	-	-	21 120 703	(1 464 181)	(190 400)	-	-	(1 654 581)	19 466 122
Clinics & Hospitals	1 670 000	-	-	-	1 670 000	(371 853)	(55 667)	-	-	(427 520)	1 242 480
Fire Stations	2 100 000	-	-	-	2 100 000	(686 000)	(56 000)	-	-	(742 000)	1 358 000
Security System	47 594	-	-	-	47 594	(47 595)	-	-	-	(47 595)	(1)
Museum & Art Galleries	262 000	-	-	-	262 000	(70 000)	(70 000)	-	-	(140 000)	122 000
Civic Buildings	1 680 000	-	-	-	1 680 000	(288 734)	(8 733)	-	-	(297 467)	1 382 533
Under Construction	15 361 109	-	-	-	15 361 109	-	-	-	-	-	15 361 109
INVESTMENT PROPERTIES											
OTHER	131 652 307	-	-	-	131 652 307	(58 347 723)	-	-	-	(58 347 723)	73 304 584
LAND AND BUILDINGS	18 806 918	167 382	-	-	18 974 300	(3 379 438)	(693 821)	-	-	(4 073 259)	14 901 041
Land	4 570 961	-	-	-	4 570 961	-	-	-	-	-	4 570 961
Buildings	14 235 957	167 382	-	-	14 403 339	(3 379 438)	(693 821)	-	-	(4 073 259)	10 330 080
Office Equipment	17 281 450	2 569 592	-	-	19 851 042	(12 120 706)	(2 499 118)	-	-	(14 619 824)	5 231 218
Air Conditioners	276 462	121 847	-	-	398 309	(65 581)	(52 970)	-	-	(118 551)	279 758
Computer Hardware	12 155 392	1 929 201	-	-	14 084 594	(8 317 592)	(1 772 619)	-	-	(10 090 211)	3 994 382
Operating Software	1 109 708	-	-	-	1 109 708	(1 111 479)	-	-	-	(1 111 479)	(1 771)
Other Office Equipment	1 590 676	227 841	-	-	1 818 517	(975 151)	(329 440)	-	-	(1 304 591)	513 927
Office Machines	2 149 211	290 702	-	-	2 439 914	(1 650 903)	(344 089)	-	-	(1 994 991)	444 922
Furniture and Fittings	4 965 520	1 867 816	-	5 300	6 828 036	(2 993 966)	(431 215)	-	(505)	(3 424 676)	3 403 360
Tables and Desks	1 413 529	467 449	-	-	1 880 978	(850 598)	(135 151)	-	-	(985 749)	895 229
Chairs	1 068 871	530 477	-	-	1 599 349	(662 333)	(88 182)	-	-	(750 515)	848 834
Furniture and Fittings : Other	2 286 414	859 593	-	5 300	3 140 707	(1 467 585)	(188 791)	-	(505)	(1 655 871)	1 484 836
Bin & Containers	196 705	10 297	-	-	207 002	(13 450)	(19 091)	-	-	(32 541)	174 460
Plant and Equipment	10 925 024	4 569 514	-	119 500	15 375 038	(7 725 427)	(1 275 784)	-	(95 365)	(8 905 846)	6 469 192
Compressors	1 240	-	-	-	1 240	(579)	(291)	-	-	(870)	370
Medical Equipment	20 212	-	-	-	20 212	(18 368)	(1 843)	-	-	(20 212)	-
Fire Equipment	168 863	2 424 418	-	-	2 593 281	(63 451)	(13 874)	-	-	(77 325)	2 515 956
Fire Arms	1 775	-	-	-	1 775	(1 775)	-	-	-	(1 775)	-
Laboratory Equipment	38 240	10 351	-	-	48 591	(21 906)	(4 112)	-	-	(26 018)	22 573
Lawnmowers	245 648	177 664	-	-	423 312	(93 670)	(125 343)	-	-	(219 013)	204 298
Plant & Equipment : General	1 024 174	1 957 080	-	-	2 981 254	(1 426 368)	(205 491)	-	-	(1 631 859)	1 349 395
Tractors and Trailers	9 402 430	-	-	119 500	9 282 930	(6 077 103)	(924 593)	-	(95 365)	(6 906 331)	2 376 599
Radio Equipment	22 443	-	-	-	22 443	(22 206)	(237)	-	-	(22 443)	0
Motor Vehicles	79 673 395	19 767 093	-	4 520 693	94 919 795	(32 128 185)	(10 168 310)	-	(3 481 913)	(38 814 582)	56 105 212
Motor Vehicles	6 088 521	2 963 247	-	601 352	8 450 416	(2 808 850)	(1 180 211)	-	(601 352)	(3 387 709)	5 062 707
Fire Engines	7 348 611	1 323 001	-	-	8 671 612	(2 471 854)	(406 336)	-	-	(2 878 190)	5 793 422
Trucks & Bakkies	66 236 263	15 480 845	-	3 919 341	77 797 767	(26 847 482)	(8 581 763)	-	(2 880 561)	(32 548 684)	45 249 083
TOTAL	3 237 287 010	32 165 723	-	4 645 493	3 264 807 240	(446 281 926)	(16 179 740)	-	(3 577 783)	(458 883 883)	2 805 923 357

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Appendix C - Segmental Analysis of Property, plant and equipment per department

for the year ended 30 June 2013

	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	
Council & General	2 518 867	1 135 624	-	(675 782)	2 978 709	1 817 921	239 454	(675 782)	1 381 593	1 597 116
Municipal Management	1 208 013	328 212	-	(353 907)	1 182 318	797 627	161 519	(74 065)	885 082	297 236
Budget & Treasury	5 746 577	1 012 731	-	(118 271)	6 641 036	3 505 111	926 898	(118 271)	4 313 738	2 327 298
Corporate Services	21 517 983	1 716 013	-	(158 244)	23 075 752	8 544 267	1 457 470	(158 244)	9 843 493	13 232 259
Health & Protection	18 941 341	7 482 763	-	(475 765)	25 948 339	8 637 071	2 553 270	(470 970)	10 719 371	15 228 968
Engineering Services	305 867 061	339 310	-	(511 644)	305 694 727	8 032 749	779 229	(511 644)	8 300 334	297 394 393
O & M Water & Sanitation	2 857 912 191	19 044 408	-	(2 232 379)	2 874 724 221	399 324 410	7 595 531	(1 412 809)	405 507 132	2 469 217 089
Strategic Management	10 389 331	545 421	-	-	10 934 752	7 023 599	1 142 163	-	8 165 762	2 768 990
Land & Housing	13 185 647	561 241	-	(119 500)	13 627 388	8 599 174	1 324 205	(155 998)	9 767 381	3 860 008
Total	3 237 287 012	32 165 723	-	(4 645 493)	3 264 807 243	446 281 927	16 179 740	(3 577 783)	458 883 882	2 805 923 359

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Appendix D- Segmental Statement of financial performance
for the year ended 30 June 2013

2012			2013		
Actual Income	Actual Expenditure	Surplus	Actual Income	Actual Expenditure	Surplus
R	R	R	R	R	R
RATES AND GENERAL SERVICES					
Community Services					
21 778 967	36 478 412	(14 699 445)	28 650 676	32 547 297	(3 896 621)
3 069	9 395 903	(9 392 834)	2 241 224	10 758 325	(8 517 101)
56 524 889	11 203 377	45 321 512	50	3 609 249	(3 609 199)
1 221 542	7 868 776	(6 647 234)	4 360	22 266 374	(22 262 014)
-	15 328 020	(15 328 020)	69 885 302	9 227 237	60 658 066
66 856	15 430 083	(15 363 227)	1 063 250	14 645 338	(13 582 088)
237 908	19 608 952	(19 371 044)	-	1 299 025	(1 299 025)
316	2 695 328	(2 695 012)	14 989 632	35 575 662	(20 586 030)
66 017 533	46 277 673	19 739 860	76 621 682	48 428 898	28 192 784
671 291	21 243 784	(20 572 493)	1 351 041	26 838 870	(25 487 828)
62 296 128	7 959 656	54 336 472	70 292 819	10 440 233	59 852 587
397 616	408 076	(10 460)	702 112	702 647	(535)
28 480 364	8 860 634	19 619 730	25 991 039	8 706 252	17 284 787
-	3 023 051	(3 023 051)	-	2 946 428	(2 946 428)
14 145	6 441 518	(6 427 373)	2 032 770	9 101 274	(7 068 504)
494	2 081 397	(2 080 903)	-	2 135 017	(2 135 017)
95 539	38 887 279	(38 791 740)	111 340	40 651 243	(40 539 903)
-	4 157 417	(4 157 417)	8 912	5 461 927	(5 453 015)
558 406 526	61 354 696	497 051 830	779 975 333	76 793 989	703 181 344
2 135	8 318 347	(8 316 212)	874	13 432 305	(13 431 432)
-	1 645 449	(1 645 449)	763 632	3 451 227	(2 687 595)
431	4 079 185	(4 078 754)	255	5 277 555	(5 277 299)
9 496 481	21 262 465	(11 765 984)	6 504 419	8 068 738	(1 564 319)
193 170 777	414 729 582	(221 558 806)	269 414 625	477 767 329	(208 352 704)
24 437	120 613 067	(120 588 630)	24 645	53 669 922	(53 645 277)
51 513 210	33 605 455	17 907 755	64 330 581	51 690 098	12 640 483
1 531	22 582 524	(22 580 993)	42 924 240	75 045 051	(32 120 811)
19 189 474	5 841 979	13 347 495	33 481 269	4 876 801	28 604 467
21 380	2 532 094	(2 510 714)	2 343	2 308 156	(2 305 813)
5 550	6 438 165	(6 432 615)	11 251	8 366 158	(8 354 907)
78 016 438	10 703 000	67 313 438	66 292 944	12 118 562	54 174 382
1 070 400	6 959 221	(5 888 821)	466 138	8 007 373	(7 541 236)
6 023	12 524 354	(12 518 331)	2 538	16 015 899	(16 013 361)
3 919 759	17 957 541	(14 037 782)	3 982 199	24 808 428	(20 826 229)
-	3 601 657	(3 601 657)	-	3 845 016	(3 845 016)
-	-	-	-	-	-
-	(3 900)	3 900	-	-	-
1 152 651 209	1 012 094 218	140 556 991	1 562 123 494	1 130 883 902	431 239 592
		1 975 098			(388 163)
1 152 651 209	1 012 094 218	142 532 089	1 562 123 494	1 130 883 902	430 851 429

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Appendix E- Actual versus budget (acquisition of property plant and equipment)
for the year ended 30 June 2013

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY PLANT AND EQUIPMENT)
for the period ended 31 December 2012

	2012/13 Actual	2012/13 Budget	2012/13 Variance	2012/13 Variance %	Explanation for Significant Variances greater than 10% vs Budget
	R	R	R		
LAND AND BUILDINGS					
Administration	167 382	3 771 000	(3 603 618)	100%	
	167 382	3 771 000	(3 603 618)		
INFRASTRUCTURE					
Water - Other	3 224 327	222 195 646	(218 971 319)	100%	
Other	-	121 151 667	(121 151 667)	100%	
Plant and equipment - General	1 957 080	-	1 957 080	100%	
Laboratory equipment	2 434 770	-	2 434 770	100%	
Sewers	-	116 213 125	(116 213 125)	100%	
	7 616 176	459 560 438	(451 944 262)		
COMMUNITY					
Clinics & Hospitals	-	-	-	100%	
Fire Stations	-	-	-	100%	
Museum & Art Galleries	-	-	-	100%	
Ablution facilities	-	-	-	100%	
Security System	-	-	-	100%	
INVESTMENT PROPERTIES					
	-	-	-	100%	
OTHER					
Air Conditioners	121 847	-	121 847	100%	
Bins and Containers	10 297	-	10 297	100%	
Computer Hardware	1 929 201	2 725 900	(796 699)	100%	
Computer Software	-	-	-	100%	
Office Machines	518 544	-	518 544	100%	
Cabinets & Cupboards	612 185	-	612 185	100%	
Chairs	530 477	-	530 477	100%	
Furniture and Fittings : Other	247 408	17 670 143	(17 422 735)	100%	
Tables & Desks	467 449	-	467 449	100%	
Lawnmowers	177 664	-	177 664	100%	
Motor Vehicles	2 963 247	28 446 580	(25 483 333)	100%	
Fire Engines	1 323 001	-	1 323 001	100%	
Tractors	-	-	-	100%	
Trucks & Bakkies	15 480 845	-	15 480 845	100%	
	24 382 164	48 842 623	(24 460 459)		
TOTAL	32 165 723	512 174 061	(480 008 338)		

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Appendix F - Disclosure of grants and subsidies in terms of the MFMA
for the year ended 30 June 2013

Name of Grant	Name of Organ of State	QUARTERLY RECEIPTS					QUARTERLY EXPENDITURE					GRANTS & SUBSIDIES DELAYED/WITHHELD					Reason for delays/ withheld	Compliance with DORA	Reason for non-compliance
		June 12	Sept 12	Dec 12	March 13	June 13	June 12	Sept 12	Dec 12	March 13	June 13	June 12	Sept 12	Dec 12	March 13	June 13			
		R	R	R	R	R	R	R	R	R	R	R	R	R	R	R			
BUDGET REFORM	NT/COGTA						25 535	137 893	82 939	89448	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
MINIMUM COMPETENCY:RPL						481 374	-	59 116	218817	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
EPWLLP	NT/DPW	3 355 000		860 000	1 807 000		12 450	386 367	1 607 901	5403605	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
EPWLLP SALARIES	NT/DPW						-	-	-	1061577	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
DELIGATION POLICIES	NT						69 074	-	-	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
MSIG-IMPROVED IN FIXED ASSET REGISTERS		250 000					250 000	-	-	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
REVIEW MSIG LMS SDF							70 642	-5 954	-	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
MSIG: REVIEW MSIG LM SUPPORT _NKONKOB		170 000					5 211	7 408	105659	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
MSIG: PURCHASE & INSTALL CIVIL DESIGNER		180 000					-	180 000	0	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
MSIG:HR STRATEGY DEVELOPMENT		300 000					-	4 875	174 153	96035	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
MSIG: REVIEW OF HR POLICIES		100 000					-	-	87560	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
MIG	NT/COGTA	80 192 000		105 065 000	204 529 000		40 241 303	72 916 017	86 467 476	240084971	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
ROAD ASSET MANAGEMENT SYSTEM	NT/Road and Transport	1 776 000					396 200	654 571	273 447	1198476	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
DWAF-BULK WATER SUPPLY SCHEME	DWA	10 240 789		4 327 358	21 071 041	13 959 489	3 420 399	8 646 893	20 271 281	29563584	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
DWAF SUPPORT (DROUGHT ISSUES)	DWA						-	4 888	-	24181	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
GREAT KEI PLANNING FUNDS	DWA						-	19 298	-	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
KUBUSIE ESTABLISHMENT GRANT							4 250	2 100	16799	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
PRUDOE ESTAB GRANT							700	-	-	1305	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
KRUBOE TOP STRUCTURE							-	14 640	-	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
KUBUSI TOP STRUCTURE							50 325	-	-	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
MACLEANTOWN TOP STRUCTURE							-	-	867 953	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
LILLYVALE TOP STRUCTURE							-	-	1 861 879	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
PLANNING GRANT DLA	DHLG&TA						10 053	23 108	12 829	17200	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
RESTITUTION AWARD(DLA)							-	1 857 823	2 393 540	3315048	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
BENEFICIARY ADMINISTRATION (BNG)	DHLG&TA						14 650	27 275	17 500	26250	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
ECDOT FUNDS	DOT						2 366 219	393 454	74 374	40853	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
IDUTYWA EXTENTION 8 (VIP TOILETS,RDS&W)	DWA				1 062 180	121 803	-	-	1 062 180	121803	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
ROOF TOP RAIN WATER HARVESTING						1 000 000	510 757	-	-	334413	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
WATER INFRA SAFETY MANAGEMENT PLAN							-	8 166	-	1462	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
GROUND WATER INVESTIGATION							-	-	-	113648	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
WATER CONSERVATION & WT DEMAND MNGT							-	-	-	26200	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
BUSINESS PLANS FOR WSP'S							-	39 950	-	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
ADELAIDE WATER RE-USE PHASE 1							-	228 021	464 390	397104	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
WSA ROUTINE MONITORING PROGRAM							-	-	-	351041	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
ADELAIDE OLD OXIDATION PONDS				58 767	663 445	1 234 480	-	51 550	6 331	1829224	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
BALFOUR SAWMILLS	DEDEA						-	-	-	11004	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
PEDDIE BRICKS MAKING							-	-	-	28620	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
INKUTHALO HYDROPONICS							-	-	27 079	16221	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
SILWINDLALA WOMEN'S PROJECT							-	-	6 395	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
LED STRATEGY	DHLG&TA						-	162 853	-	268385	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
CAPACITY BUILDING FOR LMS							-	-	-	18960	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
DWAF ONCE OF ACCOMMODATION	DWA						-	-	-	1033	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
DWAF REFURBISHMENT	DWA	3 500 000		1 750 000	1 860 200	-110 200	-	1 173 601	222 136	5013689	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
DEVELOPMENT CRAFT CENTRE	DEDEA						-	81 254	-	682290	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
SKILLS DEVELOPMENT CENTRE							-	-	-	24550	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
DISASTER: REBUILD FUND	DHLG&TA						14 537	-	-	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
CAPACITATE AND RESOURCE CENTRE							147 655	174 994	11 143	117808	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
SATELITE FIRE STATION-CHINTSA							-	4 825	1 199	296	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
SATELITE FIRE STATION-KEI MOUTH							-	-	165 002	540915	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
FIRE SERVICES-CONTINGENCY FUNDS							-	-	-	207	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
EASTERN REGIONAL SOLID WASTE (GK)							-	15 024	-	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
SETA: IMPLEMENTATION	LG SETA	205 054		549 464	224 418	-267 337	46 548	211 121	709 553	228008	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
LG SETA MSU							-	-	-	5326	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
LG SETA INTERNS						632 708	-	-	-	143890	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
VUNA AWARDS-PMS							-	-	7 029	977	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
ELLIOTDALE BNG HOUSES							-	-	96 484	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
MK VETERANS						500 000	433	8 878	-	774332	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
IDP-LOCAL MUNICIPALITIES							-	-	5 132	4967	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
LAND USE MANAGEMENT							18 863	-	1 650	991	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
PUBLIC AWARENESS							-	-	-	66642	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
TOTAL OTHER GRANT PROVIDERS		-	100 268 843	112 610 589	231 217 284	17 070 943	-	87 646 515	#####	292 475 373	N/A	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A

Amathole District Municipality
Annual Financial Statements
Annexure 1 - Conditional Grants and Receipts
for the year ended 30 June 2013

CONDITIONAL GRANTS AND RECEIPTS	Funder/ Transferring Department	Balance at 01/07/2012	Contributions during the Year	Other Income	Expenditure during the Year
		R	R	R	R
NATIONAL GOVERNMENT GRANTS					
LOCAL GOVERNMENT: FINANCIAL MANAGEMENT GRANT					
BUDGET REFORM	NT/COGTA	330 440	394 452	-	335 815
MINIMUM COMPETENCY:RPL		718 060	-	-	641 075
EXPANDED PUBLIC WORKS PROGRAMME INCENTIVE GRANT					
EPWLLP	NT/DPW	10 917 173	-	-	7 410 324
EPWLLP_SALARIES	NT/DPW	-	-	6 022 000	1 061 577
MUNICIPAL SYSTEMS IMPROVEMENT GRANT (MSGI)					
DELIGATION POLICIES		69 074	-	-	69 074
COMPUTERISED SYSTEMS FOR LM'S		3 993	-	-	-
WORKPLACE SKILLS PLANS FOR LM'S		26 133	-	-	-
MSGI-IMPROVED IN FIXED ASSET REGISTERS		-	-	250 000	250 000
REVIEW MSGI LM'S SDF	NT	64 689	-	-	64 688
MSGI: REVIEW MSGI LM SUPPORT_NKONKOB		-	-	170 000	118 278
MSGI: PURCHASE & INSTALL CIVIL DESIGNER		-	-	180 000	180 000
MSGI:HR STRATEGY DEVELOPMENT		-	-	300 000	275 063
MSGI: REVIEW OF HR POLICIES		-	-	100 000	87 560
MUNICIPAL INFRASTRUCTURE GRANT (MIG)					
MIG	NT/COGTA	62 090 053	-	389 786 000	439 709 767
ROAD ASSET MANAGEMENT SYSTEM GRANT					
ROAD ASSET MANAGEMENT SYSTEM	NT/Road and Transport	746 694	-	1 776 000	2 522 694
FLOOD RELIEF PROJECTS					
FLOOD RELIEF PROJECTS	NT/COGTA	510 076	-	-	-
TOTAL NATIONAL GOVERNMENT GRANTS		75 476 384	394 452	398 584 000	452 725 914
PROVINCIAL GOVERNMENT GRANTS					
REGIONAL BULK INFRASTRUCTURE					
DWAF-BULK WATER SUPPLY SCHEME	DWA	11 670 139	1 502 539	49 598 677	61 902 158
MIG-DISASTER MANAGEMENT					
MIG-DISASTER MANAGEMENT		-	-	-	-
DWAF SUPPORT (DROUGHT ISSUES)					
DWAF SUPPORT (DROUGHT ISSUES)	DWA	150 506	-	-	29 069
DEVELOPMENT PLANNING FUNDS					
VICTORIA POST		195 000	-	-	-
TEKO SPRINGS/NDLOVINI		68 161	-	-	-
NEEDS CAMP		33 714	-	-	-
HOGSBACK		130 884	-	-	-
HAGA HAGA		213 473	-	-	-
WILLOWVALE		171 954	-	-	-
ELLIOTDALE		9 275	-	-	-
NDEVANA		34 766	-	-	-
MSOMBOMVU		57 530	-	-	-
HERTZOG	DHLG&TA	84 070	-	-	-
GREAT KEI PLANNING FUNDS		23 327	-	-	19 298
MNQUMA PLANNING FUNDS		110 000	-	-	-
NGQUSHWA PLANNING FUNDS		46 667	-	-	-
NKONKOB		53 063	-	-	-
MNQUMA SURVEY		25 000	-	-	-
NGQUSHWA SURVEY FUNDS		177 510	-	-	-
NKONKOB SURVEY		116 200	-	-	-
LEWIS SURVEY		141 125	-	-	-
H&LG SURVEY FUNDS		61 680	-	-	-
PHP FUNDS					
PRUDOE ENG DESIGN		1 348	-	-	-
DONGWE ENG DESIGN		9 499	-	-	-
TEKOSPRINGS INFRASTRUCTURE		-	-	-	-
KUBUSIE ESTABLISHMENT GRANT		35 070	-	-	23 149
NDLOVINI ESTABLISHMENT GRANT		10 291	-	-	-
DUCATS ESTABLISHMENT GRANT		70 542	-	-	-
MACLEAN/T ESTAB GRANT		16 849	-	-	-
PRUDOE ESTAB GRANT		53 238	-	-	2 005
DONGWE PRODOE ESTAB GRANT		76 675	-	-	-
TEKO SPRING ESTAB GRANT		35 082	-	-	-
NEEDS CAMP ESTAB GRANT		66 222	-	-	-
TEKO SPRING TOP STRUCTURE	DHLG&TA	106 438	-	-	-
PRUDOE TOP STRUCTURE		482 535	-	-	14 640
DONGWE TOP STRUCTURE		1 347 309	-	-	-
NEEDSCAMP TOP STRUCTURE		3 838	-	-	-
DUCATS TOP STRUC SUBSIDY		23 234	-	-	-
KUBUSI TOP STRUCTURE		54 143	-	-	50 325
MACLEANTOWN TOP STRUCTURE		867 953	-	-	867 953
LILYVALE KAYB ESTABLISHMENT GRANT		2 643	-	-	-
KAYSERS BEACH HOUSING PROJECT		529 380	-	-	-
LILLYVALE TOP STRUCTURE		1 861 879	-	-	1 861 879

Amathole District Municipality
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for the year ended 30 June 2013

CONDITIONAL GRANTS AND RECEIPTS	Funder/ Transferring Department	Balance at 01/07/2012	Contributions during the Year	Other Income	Expenditure during the Year
LILLYVALE ENG DESIGNS		5 940	-	-	-
KEISKAMAHOEK BETTERMENT (DLA)					
PLANNING GRANT DLA	DHLG&TA	1 892 281	-	-	63 190
RESTITUTION AWARD(DLA)		44 307 718	-	-	7 566 411
ELLIOTDALE BNG PILOT FUNDS					
BENEFICIARY ADMINISTRATION (BNG)		101 740	-	-	85 675
ENVIROMENTAL IMPECT ASSESMENT	DHLG&TA	894 135	-	-	-
GEO HYDROLOGY		1 394 200	-	-	-
DEDEA'S SUPPORT TO ADM					
BAWA FALLS LED PROJECT		691 267	-	-	-
ELLIOTDALE BRICK MAKING	DEDEA	232 804	-	-	-
EC INFORMATION INITIATIVE SUPPORT		46 053	(6 917)	-	-
PUBLIC TRANSPORT FASCILITY GRANT					
ECDOT FUNDS	DOT	5 608 452	-	-	2 874 900
MBHASHE LM: EXTENSION OF EXT 8					
IDUTYWA EXTENTION 8 (VIP TOILETS,RDS&W)	DWA	171 679	-	1 183 983	1 183 983
EMERGENCY WATER SUPPLY					
ROOF TOP RAIN WATER HARVESTING		510 757	-	1 000 000	845 170
DONOR BUDGET ALLOCATION: WSP'S & WATER DEMAND MANAGEMENT/MASIBAMBANE PROJECTS					
DESIGN GUIDELINES & STD DRAWINGS	DWA	94 571	-	-	-
WMIS GRANT		17 306	-	-	-
WATER SERVICE CAPACITY BUSINESS PLAN1011		399 789	-	-	-
WATER MANAGEMENT PLAN		9 628	-	-	9 628
GROUND WATER INVESTIGATION		113 648	-	-	113 648
HOUSEHOLD LEAK REPAIR		333 524	-	-	-
NGQUSI RAIN WATER HARVESTING		221 763	-	-	-
COMMUNAL WATER STATIONS(DST/ CSIR)		355 645	-	-	-
WATER CONSERVATION & WT DEMAND MNGT		26 200	-	-	26 200
BUSINESS PLANS FOR WSP'S		43 850	-	-	39 950
FREE BASIC SERVICES STRATEGY DEVELOPMENT		330 000	-	-	-
ADELAIDE WATER RE-USE PHASE 1		1 872 778	-	-	1 089 515
WSA ROUTINE MONITORING PROGRAM		400 000	-	-	351 041
ADELAIDE OLD OXIDATION PONDS		-	-	1 956 691	1 887 104
SUPPORT ON LED PROJECTS					
BALFOUR SAWMILLS	DEDEA	300 000	-	-	11 004
HIGHLANDS RESORT		75 836	-	-	-
PEDDIE BRICKS MAKING		70 335	-	-	28 620
INKUTHALO HYDROPONICS		200 054	-	-	43 300
SILWINDLALA WOMEN'S PROJECT		12 420	-	-	6 395
LED STRATEGY DEVELOPMENT FUNDING					
LED STRATEGY	DHLG&TA	424 321	6 917	-	431 238
CAPACITY BUILDING FOR LM's/APPOINTMENT OF LED EXPECT					
CAPACITY BUILDING FOR LM's	DHLG&TA	31 585	-	-	18 960
LED CAPACITY BUILDING-NGQUSHWA		350 000	-	-	-
DWAF FUNDS					
DWAF ONCE OF ACCOMMODATION	DWA	205 617	-	-	1 033
DWAF REFURBISHMENT		-	-	7 000 000	6 409 426
SHIXINI WATER SUPPLY		-	500 000	-	-
ADMINISTRATION-SETTLEMENT OF CHATHA COMMUNITY RESTITUTION CLAIM					
CHANTA DEVELOPMENT FUND	DHLG&TA	2 413 456	-	-	-
FINGOLAND REGIONAL AUTHORITY					
FINGOLAND REGIONAL AUTHORITY	DPLG	101 278	-	-	-
ADMINISTRATION-SETTLEMENT OF DWESA/CWEBE COMMUNITY RESTITUTION CLAIM					
DWESA CWEBE RESTITUTIONAL	DHLG&TA	5 329 653	-	-	-
TOURISM PROJECTS					
DEVELOPMENT CRAFT CENTRE		2 181 757	(267 782)	-	763 543
TOURISM SURVEY	DEDEA	3 475	-	-	-
SKILLS DEVELOPMENT CENTRE		24 551	-	-	24 550
CO-OPERATIVES SPECIALIST		153 000	-	-	-
TOURISM MARKETING STRATEGY	DHLG&TA	98 094	-	-	-
NXUBA DAM CHALETS DEVELOPMENT		17 895	-	-	-
DISASTER AND FIRE SERVICES					
DISASTER: REBUILD FUND		14 538	-	-	14 537
CAPACITATE AND RESOURCE CENTRE	DHLG&TA	470 158	-	-	451 600
SATELITE FIRE STATION-CHINTSA		6 320	-	-	6 320
SATELITE FIRE STATION-KEI MOUTH		705 918	-	-	705 918
FIRE SERVICES-CONTIGENCY FUNDS		207	-	-	207
TOTAL PROVINCIAL GOVERNMENT GRANTS		92 494 409	1 734 756	60 739 351	89 823 543

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for the year ended 30 June 2013

CONDITIONAL GRANTS AND RECEIPTS	Funder/ Transferring Department	Balance at 01/07/2012	Contributions during the Year	Other Income	Expenditure during the Year
OTHER GRANT PROVIDERS					
KOMGA LANDFILL SITE					
EASTERN REGIONAL SOLID WASTE (GK)	GREAT KEI MUNICIPALITY	36 481	-	-	15 024
SETA					
SETA: IMPLEMENTATION		1 439 234	-	711 600	1 195 231
LG SETA MSU	LG SETA	5 326	-	-	5 326
LG SETA INTERNS		-	-	632 708	143 890
CONTRIBUTIONS BY THE COMMUNITY TOWARDS TRACTOR MANAGEMENT					
PLOUGHING CONTACTORS-WARD 10		8 000	-	-	-
PLOUGHING CONTRACTOR-NGXAKAXA	COMMUNITY	10 150	-	-	-
PLOUGHING CONTRACTOR-ward 15		25 240	-	-	-
OTHER PROJECTS					
VUNA AWARDS-PMS		8 006	-	-	8 006
ELLIOTDALE BNG HOUSES		96 484	-	-	96 484
BUCKET ERADICATION		4 378	-	-	-
TECH ASST TO DEV DISTRICT DEV PROFILE		105 963	-	-	-
MK VETERANS		15 860	267 782	500 000	783 643
IDP-LOCAL MUNICIPALITIES		11 926	-	-	10 099
LAND USE MANAGEMENT		21 504	-	-	21 504
PUBLIC AWARENESS		74 994	-	-	66 642
TOTAL OTHER GRANT PROVIDERS		1 863 546	267 782	1 844 308	2 345 848
TOTAL		169 834 339	2 396 990	461 167 659	544 895 305

Balance at 30/06/2013
R
389 077
76 985
3 506 849
4 960 423
-
3 993
26 133
-
-
51 722
-
24 937
12 440
12 166 286
0
510 076
21 728 922
869 197
-
121 437
195 000
68 161
33 714
130 884
213 473
171 954
9 275
34 766
57 530
84 070
4 029
110 000
46 667
53 063
25 000
177 510
116 200
141 125
61 680
1 348
9 499
-
11 921
10 291
70 542
16 849
51 233
76 675
35 082
66 222
106 438
467 895
1 347 309
3 838
23 234
3 818
-
2 643
529 380
-

Balance at 30/06/2013
5 940
1 829 091 36 741 307
16 065 894 135 1 394 200
691 267 232 804 39 136
2 733 552
171 679
665 587
94 571 17 306 399 789 (0) 0 333 524 221 763 355 645 - 3 900 330 000 783 263 48 959 69 587
288 996 75 836 41 715 156 754 6 025
0
12 625 350 000
204 584 590 574 500 000
2 413 456
101 278
5 329 653
1 150 432 3 475 1 153 000 98 094 17 895
1 18 558 0 1 (0)
65 144 973

Balance at 30/06/2013
21 457
955 603 0 488 818
8 000 10 150 25 240
- - 4 378 105 963 (1) 1 827 (0) 8 352
1 629 788
88 503 682

**Amathole District Municipality
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Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2012/2013										2011/2012				
	Original Budget	Budget Adjustments (i.l.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.l.o. s31 of the MFMA)	Virement (i.l.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Revenue - Standard															
<i>Governance and administration</i>	1 032 876	92 954	1 125 831	-	-	1 125 831	1 165 584	-	(39 754)	0	0	-	-	-	865 495
Executive and council	862 127	91 611	953 738			953 738	973 483	-	(19 745)	102%	113%	-	-	-	707 455
Budget and treasury office	91 684	1 343	93 028			93 028	99 139	-	(6 111)	107%	108%	-	-	-	91 284
Corporate services	79 064	-	79 064			79 064	92 962	-	(13 898)	118%	118%	-	-	-	66 756
<i>Community and public safety</i>	72 164	2 100	74 264	-	-	74 264	83 411	-	(9 146)	0	0	-	-	-	87 856
Public safety	4 500	-	4 500			4 500	4 449	-	50	99%	99%	-	-	-	4 990
Housing	1 509	2 100	3 609			3 609	12 667	-	(9 058)	351%	839%	-	-	-	4 843
Health	66 156	-	66 156			66 156	66 294	-	(139)	100%	100%	-	-	-	78 022
<i>Economic and environmental services</i>	75 865	23 000	98 865	-	-	98 865	42 925	-	55 939	0	0	-	-	-	4
Planning and development	75 865	23 000	98 865			98 865	42 925	-	55 939	43%	57%	-	-	-	4
<i>Trading services</i>	343 836	-	343 836	-	-	343 836	270 203	-	73 633	0	0	-	-	-	207 974
Water	262 335	-	262 335			262 335	186 068	-	76 267	71%	71%	-	-	-	137 116
Waste water management	80 738	-	80 738			80 738	83 371	-	(2 634)	103%	103%	-	-	-	70 858
Waste management	764	-	764			764	764	-	-	100%	100%	-	-	-	-
Total Revenue - Standard	1 524 741	118 054	1 642 795	-	-	1 642 795	1 562 123	-	161 344	0	0	-	-	-	1 161 328
Expenditure - Standard															
<i>Governance and administration</i>	324 213	92 621	416 834	-	(1 532)	415 302	343 678	71 624	71 624	0	0	-	-	-	343 453
Executive and council	133 600	91 278	224 878		(1 961)	222 917	152 690	70 228	70 228	68%	114%	-	-	-	185 879
Budget and treasury office	90 305	1 343	91 648		-	91 648	80 145	11 503	11 503	87%	89%	-	-	-	73 523
Corporate services	100 308	-	100 308		429	100 737	110 843	(10 106)	(10 106)	110%	111%	-	-	-	84 051
<i>Community and public safety</i>	77 526	2 100	79 626	-	(1 746)	77 880	113 920	(36 040)	(36 040)	0	0	-	-	-	82 997
Public safety	35 853	-	35 853		700	36 553	34 030	2 523	2 523	93%	95%	-	-	-	24 917
Housing	14 975	2 100	17 075		(1 719)	15 357	49 125	(33 768)	(33 768)	320%	328%	-	-	-	31 251
Health	26 697	-	26 697		(728)	25 970	30 765	(4 796)	(4 796)	118%	115%	-	-	-	26 829
<i>Economic and environmental services</i>	62 853	23 000	85 853	-	1 980	87 833	89 776	(1 944)	(1 944)	0	0	-	-	-	46 223
Planning and development	62 853	23 000	85 853		1 980	87 833	89 776	(1 944)	(1 944)	102%	143%	-	-	-	46 223
<i>Trading services</i>	548 308	-	548 308	-	1 298	549 606	583 509	(33 903)	(33 903)	0	0	-	-	-	542 879
Water	478 425	-	478 425		-	478 425	476 104	2 321	2 321	100%	100%	-	-	-	426 889
Waste water management	65 583	-	65 583		20 289	85 872	103 954	(18 082)	(18 082)	121%	159%	-	-	-	114 345
Waste management	4 300	-	4 300		(18 991)	(14 691)	3 451	(18 142)	(18 142)	-23%	80%	-	-	-	1 645
Total Expenditure - Standard	1 012 900	117 721	1 130 621	-	-	1 130 621	1 130 884	262	(525)	0	0	-	-	-	1 015 552
Surplus/(Deficit) for the year	511 841	333	512 174			512 174	431 240	262	161 869						145 776

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Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2012/2013											2011/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Revenue by Vote															
Vote 01 - Legislative & Executive Support Services	48 393	5 354	53 747			53 747	30 896	-	22 850	57%	64%	-	-	-	-
Vote 02 - Strategic Management	71 525	-	71 525			71 525	85 938	-	(14 413)	120%	120%	-	-	-	21 782
Vote 03 - Internally Funded Projects	-	111 357	111 357			111 357	-	-	111 357	0%	100%	-	-	-	-
Vote 04 - Corporate Services	77 529	-	77 529			77 529	77 973	-	(444)	101%	101%	-	-	-	58 052
Vote 05 - Budget & Treasury	91 684	1 343	93 028			93 028	99 139	-	(6 111)	107%	108%	-	-	-	66 689
Vote 06 - Engineering Department	672 929	-	672 929			672 929	787 245	-	(114 316)	117%	117%	-	-	-	91 284
Vote 07 - Health & Protection Department	70 655	-	70 655			70 655	70 744	-	(89)	100%	100%	-	-	-	-
Vote 08 - Water & Sanitation Management	32 592	-	32 592			32 592	27	-	32 565	0%	0%	-	-	-	558 409
Vote 09 - Water Services	229 620	-	229 620			229 620	186 041	-	43 579	81%	81%	-	-	-	83 013
Vote 10 - Sanitation Services	80 738	-	80 738			80 738	83 371	-	(2 634)	103%	103%	-	-	-	207 974
Vote 11 - Land Human Settlement & Economic Development	129 500	-	129 500			129 500	107 255	-	22 245	83%	83%	-	-	-	51 515
Vote 12 - Municipal Management	19 577	-	19 577			19 577	33 495	-	(13 918)	171%	171%	-	-	-	22 611
	-	-	-			-	-	-	-	-	-	-	-	-	-
Total Revenue by Vote	1 524 741	118 054	1 642 795	-	-	1 642 795	1 562 123	-	80 672			-	-	-	1 161 328
Expenditure by Vote, to be appropriated															
Vote 01 - Legislative & Executive Support Services	72 487	5 021	77 508		(60)	77 448	69 181	8 266	8 266	89%	95%	-	-	-	-
Vote 02 - Strategic Management	45 598	-	45 598		-	45 598	59 448	(13 850)	(13 850)	130%	130%	-	-	-	45 874
Vote 03 - Internally Funded Projects	-	111 357	111 357		-	111 357	1 299	110 058	110 058	1%	100%	-	-	-	-
Vote 04 - Corporate Services	76 014	-	76 014		(51)	75 963	75 268	696	696	99%	99%	-	-	-	72 128
Vote 05 - Budget & Treasury	90 305	1 343	91 648		-	91 648	80 145	11 503	11 503	87%	89%	-	-	-	68 621
Vote 06 - Engineering Department	49 296	-	49 296		(3 372)	45 924	63 681	(17 757)	(17 757)	139%	129%	-	-	-	73 523
Vote 07 - Health & Protection Department	62 551	-	62 551		(28)	62 523	64 795	(2 272)	(2 272)	104%	104%	-	-	-	-
Vote 08 - Water & Sanitation Management	143 466	-	143 466		(44 619)	98 847	79 146	19 701	19 701	80%	55%	-	-	-	92 114
Vote 09 - Water Services	324 737	-	324 737		29 270	354 008	391 680	(37 673)	(37 673)	111%	121%	-	-	-	51 746
Vote 10 - Sanitation Services	65 583	-	65 583		18 661	84 244	103 954	(19 710)	(19 710)	123%	159%	-	-	-	537 154
Vote 11 - Land Human Settlement & Economic Development	63 715	-	63 715		-	63 715	126 735	(63 020)	(63 020)	199%	199%	-	-	-	56 188
Vote 12 - Municipal Management	19 148	-	19 148		199	19 347	15 551	3 796	3 796	80%	81%	-	-	-	18 207
Vote 15 - Other	-	-	-		-	-	-	-	-	-	-	-	-	-	(4)
Total Expenditure by Vote	1 012 900	117 721	1 130 621	-	-	1 130 621	1 130 884	(262)	(262)			-	-	-	1 015 552
Surplus/(Deficit) for the year	511 841	333	512 174	-	-	512 174	431 240	262	80 934			-	-	-	145 776

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Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2012/2013										2011/2012				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Revenue By Source															
Service charges - water revenue	89 551	-	89 551	-	-	89 551	150 891	-	(61 340)	168%	168%	-	-	-	99 732
Service charges - sanitation revenue	68 772	-	68 772	-	-	68 772	82 154	-	(13 382)	119%	119%	-	-	-	69 772
Service charges - other	3 280	-	3 280	-	-	3 280	3 268	-	12	100%	100%	-	-	-	3 142
Rental of facilities and equipment	272	-	272	-	-	272	326	-	(55)	120%	120%	-	-	-	311
Interest earned - external investments	27 416	-	27 416	-	-	27 416	36 605	-	(9 189)	134%	134%	-	-	-	28 480
Interest earned - outstanding debtors	26 978	-	26 978	-	-	26 978	23 271	-	3 707	100%	100%	-	-	-	27 187
Fines	10	-	10	-	-	10	-	-	10	0%	0%	-	-	-	-
Transfers recognised - operational	617 617	-	617 617	-	-	617 617	1 180 875	-	(563 258)	100%	191%	-	-	-	562 193
Grants and subsidies	-	-	-	-	-	-	-	-	-	0%	0%	-	-	-	370 510
Other revenue	690 845	118 054	808 900	-	-	808 900	84 734	-	724 165	10%	12%	-	-	-	-
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-	100%	100%	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	1 524 741	118 054	1 642 795	-	-	1 642 795	1 562 123	-	80 672	95%	102%	-	-	-	1 161 328
Expenditure By Type															
Employee related costs	399 347	3 931	403 278	-	1 429	404 707	383 416	21 291	21 291	95%	96%	-	-	-	314 335
Remuneration of councillors	11 504	918	12 421	-	(605)	11 816	11 563	254	254	98%	101%	-	-	-	10 538
Debt impairment	64 224	-	64 224	-	-	64 224	114 163	(49 939)	(49 939)	178%	178%	-	-	-	157 094
Depreciation & asset impairment	90 586	-	90 586	-	-	90 586	120 586	(29 999)	(29 999)	133%	133%	-	-	-	89 773
Finance charges	32	-	32	-	134	166	140	25	25	85%	435%	-	-	-	115
Bulk purchases	64 363	-	64 363	-	(8 025)	56 338	51 559	4 780	4 780	92%	80%	-	-	-	48 673
Contracted services	61 380	-	61 380	-	-	61 380	29 016	32 364	32 364	47%	47%	-	-	-	53 784
Transfers and grants	4 000	-	4 000	-	-	4 000	-	4 000	4 000	0%	0%	-	-	-	254
Other expenditure	317 464	112 873	430 337	-	7 067	437 404	420 442	16 962	16 962	96%	132%	-	-	-	340 986
Loss on disposal of PPE	-	-	-	-	-	-	388	(388)	(388)	0%	0%	-	-	-	-
Total Expenditure	1 012 900	117 721	1 130 621	-	-	1 130 621	1 131 272	(651)	(651)	100%	112%	-	-	-	1 015 552
Surplus/(Deficit)	511 841	333	512 174	-	-	512 174	430 851	651	81 323	(0)	(0)	-	-	-	145 776
Transfers recognised - capital	459 560	-	459 560	-	-	459 560	501 612	-	(42 051)	109%	109%	-	-	-	-
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	52 281	333	52 614	-	-	52 614	32 166	-	20 448	61%	62%	-	-	-	35 665
Surplus/(Deficit) after capital transfers & contributions	511 841	333	512 174	-	-	512 174	533 778	-	(21 604)	104%	104%	-	-	-	181 441
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	511 841	333	512 174	-	-	512 174	533 778	-	(21 604)	0	0	-	-	-	181 441
Attributable to minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	511 841	333	512 174	-	-	512 174	533 778	-	(21 604)	0	0	-	-	-	181 441
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	511 841	333	512 174	-	-	512 174	533 778	-	(21 604)	0	0	-	-	-	181 441

**Amathole District Municipality
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Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2012/2013											2011/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Capital expenditure - Vote															
Multi-year expenditure															
Vote 06 - Engineering Department	395 404	-	395 404	-	-	395 404	501 612	(106 207)	(106 207)	127%	127%	-	-	-	-
Vote 11 - Land Human Settlement & Economic Development	64 156	-	64 156	-	-	64 156	-	64 156	64 156	0%	0%	-	-	-	-
Capital multi-year expenditure sub-total	459 560	-	459 560	-	-	459 560	501 612	(42 051)	(42 051)			-	-	-	-
Single-year expenditure															
Vote 01 - Legislative & Executive Support Services	979	-	979	-	-	979	1 136	(157)	(157)	116%	116%	-	-	-	-
Vote 02 - Strategic Management	854	333	1 187	-	-	1 187	545	642	642	46%	64%	-	-	-	795
Vote 03 - Internally Funded Projects	-	-	-	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 04 - Corporate Services	1 515	-	1 515	-	-	1 515	1 706	(191)	(191)	113%	113%	-	-	-	1 336
Vote 05 - Budget & Treasury	1 380	-	1 380	-	-	1 380	1 003	377	377	73%	73%	-	-	-	1 557
Vote 06 - Engineering Department	1 496	-	1 496	-	59	1 555	339	1 216	1 216	22%	23%	-	-	-	923
Vote 07 - Health & Protection Department	8 105	-	8 105	-	-	8 105	7 503	602	602	93%	93%	-	-	-	-
Vote 08 - Water & Sanitation Management	11 314	-	11 314	-	(1 357)	9 957	4 727	5 230	5 230	47%	42%	-	-	-	1 291
Vote 09 - Water Services	22 022	0	22 022	-	(330)	21 691	11 497	10 194	10 194	53%	52%	-	-	-	1 206
Vote 10 - Sanitation Services	2 560	-	2 560	-	1 629	4 189	2 821	1 368	1 368	67%	110%	-	-	-	29 706
Vote 11 - Land Human Settlement & Economic Development	1 628	(0)	1 628	-	-	1 628	561	1 067	1 067	34%	34%	-	-	-	443
Vote 12 - Municipal Management	428	-	428	-	-	428	328	100	100	77%	77%	-	-	-	133
Capital single-year expenditure sub-total	52 281	333	52 614	-	-	52 614	32 166	20 448	20 448	0	0	-	-	-	37 388
Total Capital Expenditure - Vote	511 841	333	512 174	-	-	512 174	533 778	(21 604)	(21 604)	0	0	-	-	-	37 388
Capital Expenditure - Standard															
Governance and administration	401 083	333	401 416	-	59	401 475	506 505	(105 030)	(105 030)	0	0	-	-	-	5 151
Executive and council	397 488	333	397 821	-	109	397 930	503 375	(105 445)	(105 445)	126%	127%	-	-	-	2 024
Budget and treasury office	1 380	-	1 380	-	-	1 380	1 003	377	377	73%	73%	-	-	-	923
Corporate services	2 215	-	2 215	-	(50)	2 165	2 127	37	37	98%	96%	-	-	-	2 204
Community and public safety	9 040	-	9 040	-	-	9 040	7 909	1 131	1 131	-	-	-	-	-	1 240
Public safety	7 012	-	7 012	-	417	7 429	6 945	484	484	93%	99%	-	-	-	1 111
Housing	935	-	935	-	-	935	406	529	529	43%	43%	-	-	-	35
Health	1 092	-	1 092	-	(417)	676	557	118	118	82%	51%	-	-	-	1 095
Economic and environmental services	65 787	-	65 787	-	-	65 787	285	65 502	65 502	0	0	-	-	-	846
Planning and development	65 787	-	65 787	-	-	65 787	285	65 502	65 502	0%	0%	-	-	-	846
Trading services	35 931	-	35 931	-	(59)	35 872	19 079	16 793	16 793	0	0	-	-	-	30 150
Water	33 371	-	33 371	-	(1 688)	31 683	16 258	15 425	15 425	51%	49%	-	-	-	28 145
Waste water management	2 560	-	2 560	-	1 629	4 189	2 821	1 368	1 368	67%	110%	-	-	-	2 005
Waste management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	511 841	333	512 174	-	-	512 174	533 778	(21 604)	(21 604)	0	0	-	-	-	37 388
Funded by:															
National Government	459 560	-	459 560	-	-	459 560	501 612	(42 051)	(42 051)	109%	109%	-	-	-	-
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital															
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing															
Internally generated funds	52 281	333	52 614	-	-	52 614	32 166	20 448	20 448	61%	62%	-	-	-	37 388
Total Capital Funding	511 841	333	512 174	-	-	512 174	533 778	(21 604)	(21 604)	0	0	-	-	-	37 388

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Reconciliation of Table A7 Budgeted Cash Flows

Description	2012/2013								2011/2012
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
R thousand	1	2	3	6	7	9	10	11	12
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts	(1 520 442)	118 054	1 638 496	1 638 496	1 300 166	338 329	0	(0)	1 063 324
Ratepayers and other	(393 170)	118 054	511 224	511 224	140 420	370 804	27%	-36%	74 601
Government - operating	(613 317)		613 317	613 317	1 099 544	(486 227)	179%	-179%	923 590
Government - capital	(459 560)		459 560	459 560		459 560	0%	0%	
Interest	(54 394)		54 394	54 394	60 202	(5 808)	100%	100%	65 134
Payments	853 808	(117 721)	(736 087)	(736 087)	(921 030)	184 943	0	0	(665 684)
Suppliers and employees	853 776	(117 721)	(736 054)	(736 054)	(920 889)	184 835	125%	-108%	(665 315)
Finance charges	32		(32)	(32)	(140)	108	100%	100%	(115)
Other						-	100%	100%	(254)
NET CASH FROM/(USED) OPERATING ACTIVITIES	(666 634)	333	902 409	902 409	379 137	523 272	0	(0)	397 640
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts	-	-	-	-	(596)	596	0	0	(2 463)
Proceeds on disposal of PPE	-	-	-	-	680	(680)	100%	100%	2 496
Decrease (Increase) in non-current debtors						-	100%	100%	
Decrease (Increase) other non-current receivables	-	-			(300)	300	100%	100%	(40)
Decrease (Increase) in financial assets	-	-	-	-	(976)	976	100%	100%	(4 920)
Payments	(511 841)	(333)	(512 174)	(512 174)	(533 778)	21 604	0	0	(340 507)
Capital assets	(511 841)	(333)	(512 174)	(512 174)	(533 778)	21 604	104%	104%	(340 507)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(511 841)	(333)	(512 174)	(512 174)	(534 373)	22 199	0	0	(342 970)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts	-	-	-	-	171	(171)			(98)
Borrowing long term/refinancing	-	-	-	-		-	100%	100%	173
Increase (decrease) in consumer deposits	-	-	-	-	171	(171)	100%	100%	(271)
Payments	-	-	-	-	(164)	164	0	0	-
Repayment of borrowing	-	-	-	-	(164)	164	100%	100%	
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	-	7	(7)			(98)
NET INCREASE/ (DECREASE) IN CASH HELD	(1 178 475)	-	390 235	390 235	(155 230)	545 465	0	0	54 572
Cash/cash equivalents at the year begin:	(760 505)		(760 505)	(760 505)	346 293	(1 106 799)	-46%	-46%	291 721
Cash/cash equivalents at the year end:	(1 938 980)	-	(370 270)	(370 270)	191 063	(561 334)	-52%	-10%	346 293