AMAJUBA DISTRICT MUNICIPALITY

Financial Statements

for the year ended 30 June 2015

General Information

Legal Form of Entity	Municipality
Legislation Governing the Municipality's Operations	Municipal Fiance Management Act (Act No.56 of 2003)

Executive Committee

Mayor	Councillor JCN MaMkhwanazi
Deputy Mayor	Councillor MN Majola Mrs
Executive Committee -Engineering	Councillor NA Zwane
Executive Committee -Corporate Services	Councillor ME Zwane
Executive Committee -Planning & Development	Councillor SB Hlatshwayo
Speaker	Councillor EM Sigasa
Grading of local authority	Grade 3 Low Capacity
Auditors	Auditor General
Bankers	ABSA Public Sector
Registered office	B9356 Section 1 Madadeni Newcastle 2951
Postal address	Private Bag X6615 Newcastle 2940

Members of Council

Councillor FS Tsotetsi	Councillor TA Chonco
Councillor NA Msibi	Councillor VR Hlatshwayo
CouncillorTM Mhlongo	Councillor SB Harber
Councillor JME Damons	Councillor MP Sithole
Councillor SD Msibi	Councillor MA Gama
Councillor S Kubheka	Councillor SJ Zulu
Councillor MN Mbokazi	Councillor DRF Buthelezi
Councillor MA Buthelezi	

Audi Commitee Members	Mr Babadile Mbange - Chairperson Mr Simphiwe Ngwenya - Member Ms Thabisile Ndlela Mr Bheki Dlala - Member - Member
Acting Chief Financial Officer (CFO)	Mr Henry Mthembu

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The reports and statements set out below comprise the financial statements presented:

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Abbreviations

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

Accounting Officer's Responsibilities and Approval

The Amajuba District Municipality is situated at the Amajuba Building, B 9356, Madadeni, is a category C Municipality established in terms of section 12 (1) of the Municipal Structures Act, No.117 and published in terms of Provincial Goverment Notice 346 on the 19 September 2000. The Local Goverment Operations of the Municipality are assigned by Section 156 and 229 of the South African Constitution and defined specifically in terms of section 83 of the Municipal Structures Act.

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

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Provincial and National Government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Provincial and National Governments have neither the intention nor the need to liquidate or curtail materially the scale of funding of the municipality.

The financial statements set out on pages 4 to 52, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2015 and were signed on its behalf by:

Accounting Officer
Municipal Manager

Statement of Financial Position as at 30 June 2015

	Notes	2015 R	2014 R Restated
Assets			
Current Assets			
Receivables from non-exchange transactions	7	3 187 895	2 993 403
VAT receivable	8	10 624 899	5 494 489
Consumer debtors	9	14 748 858	5 506 154
Inventory	10	5 793 653	5 814 650
Cash and cash equivalents	11	147 870	332 310
		34 503 175	**20 141 006**
Non-Current Assets			
Investment property	3	507 955	530 835
Property, plant and equipment	4	311 320 418	303 710 577
Intangible assets	5	7 241 290	3 140 376
Investments in associates	6	355 636 131	79 241 176
		674 705 794	**386 622 964**
Total Assets		**709 208 969**	**406 763 970**
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	66 329 508	43 752 027
Unspent conditional grants and receipts	14	6 809 857	22 617 656
Current portion of other financial liabilities	12	1 365 151	224 711
Current portion of finance leases obligation	13	67 335	53 232
Provisions	15	10 835 206	9 092 361
		85 407 057	**75 739 987**
Non-Current Liabilities			
Other financial liabilities	12	8 858 863	9 462 449
Finance leases obligation	13	11 754	53 672
		8 870 617	**9 516 121**
Total Liabilities		**94 277 674**	**85 256 108**
Net Assets		**614 931 295**	**321 507 862**
Net Assets			
Accumulated surplus		**614 931 295**	**321 507 862**

Amajuba District Municipality
Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

	Notes	2015 R	2014 R Restated
Revenue	18	208 452 629	205 731 771
Loss on disposal of assets and liabilities		-	(336 642 574)
Operating expenses		(200 161 295)	(234 729 514)
Operating surplus	23	**8 291 334**	**(365 640 317)**
Investment revenue	18, 26	1 017 113	716 878
Finance costs	28	(1 758 247)	(970 171)
Surplus (Deficit) for the year		**7 550 200**	**(365 893 610)**

Statement of Changes in Net Assets

	Notes	Accumulated surplus R	Total net assets R
Balance at 01 July 2013		**689 422 321**	**689 422 321**
Surplus (Deficit) for the year		(365 893 610)	(365 893 610)
Changes in net assets		(50 938 837)	(50 938 837)
Balance at 30 June 2014		**272 589 874**	**272 589 874**
Correction of prior period errors			
Statement of Financial Position	36	55 229 042	55 229 042
Statement of Financial Performance	36	(6 311 054)	(6 311 054)
Restated balance at 30 June 2014		**321 507 862**	**321 507 862**
Changes in net assets relating to prior years		9 478 278	9 478 278
Surplus for the year		7 550 200	7 550 200
Increase in valuation of Investment in Associate		276 394 955	276 394 955
Total changes		293 423 433	293 423 433
Balance at 30 June 2015		**614 931 295**	**614 931 295**

Cash Flow Statement

	Notes	2015 R	2014 R
Cash flows from operating activities			
Receipts			
Taxation		8 563 431	5 847 086
Sale of goods and services		6 865 467	14 409 977
Grants		183 869 030	144 321 970
Public contributions and donations		100 000	-
Investment in associate		-	(8 597 761)
Provisions		248 845	5 377 649
Interest income		1 017 113	716 878
		200 663 886	162 075 799
Payments			
Employee costs		(72 507 103)	(69 628 199)
Remuneration of councillors		(4 320 335)	(4 204 529)
Suppliers		(72 848 225)	(138 291 482)
Changes in net assets - prior year adjustments		(9 478 278)	(50 938 837)
Finance costs		(1 758 247)	(970 171)
		(160 912 188)	(264 033 218)
Net cash flows from operating activities	32	**39 751 698**	**(101 957 419)**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(36 056 213)	(266 808 048)
Purchase of investment property	3	-	(68 095)
Purchase of intangible assets	5	(4 388 964)	(1 193 564)
Net cash flows from investing activities		**(40 445 177)**	**(268 069 707)**
Cash flows from financing activities			
Receipt (Repayment) of other financial liabilities		536 854	9 687 160
Receipt (Repayment) of finance leases obligations		(27 815)	106 904
Movement in Investment in associate			357 902 716
Net cash flows from financing activities		**509 039**	**367 696 780**
Net increase/(decrease) in cash and cash equivalents		**(184 440)**	**(2 330 346)**
Cash and cash equivalents at the beginning of the year		332 310	2 662 656
Cash and cash equivalents at the end of the year	11	**147 870**	**332 310**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the 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 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

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

1.2 Consolidation

Entity combinations

The municipality accounts for entity combinations using the acquisition method of accounting. The cost of the entity combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the entity combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the municipality assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for municipality purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Accounting Policies

1.2 Consolidation (continued)

Investment in associates

An associate is an entity over which the controlling entity has significant influence and which is neither a controlled entity nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on Non-current Assets Held-For-Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the municipality's share of net assets of the associate, less any impairment losses.

Equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the municipality’s share of net assets of the investee. The surplus or deficit of the municipality includes the municipality’s share of the surplus or deficit of the investee.

The municipality’s share of the surplus or deficit of the investee is recognised in surplus or deficit.

Distributions received from an investee reduce the carrying amount of the investment.

The most recent available financial statements of the associate are used by the municipality in applying the equity method. When the reporting date's of the municipality and the associate are different, the associate prepares, for the use of the municipality, financial statements as of the same date as the financial statements of the municipality unless it is impractical to do so.

When the financial statements of an associate used in applying the equity method are prepared as of a different reporting date from that of the municipality, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the municipality’s financial statements. In any case, the difference between the reporting date of the associate and that of the municipality is more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

The municipality’s financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances.

Deficits in an associate in excess of the municipality's interest in that associate are recognised only to the extent that the municipality has incurred a legal or constructive obligation to make payments on behalf of the associate. If the associate subsequently reports surpluses, the municipality resumes recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in surplus or deficit.

Surpluses and deficits on transactions between the municipality and an associate are eliminated to the extent of the municipality's interest therein.

The controlling entity discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and account for the investment in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement from that date, unless the associate becomes a controlled entity or a joint venture, in which case it is accounted for as such. The carrying amount of the date that it ceases to be an associate is regarded as its cost on initial measurement as a financial asset in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement

Jointly controlled entities

An interest in a jointly controlled entity is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on Non-current Assets Held-For-Sale and Discontinued Operations. Under the equity method, interests in jointly controlled entities are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the municipality's share of net assets of the jointly municipality, less any impairment losses. Surpluses and deficits on transactions between the municipality and a joint venture are eliminated to the extent of the municipality's interest therein.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Accounting Policies

1.4 Property, plant and equipment (continued)

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. 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 a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. 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 in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	**Average useful life**
Land	Indefinite
Buildings	30 years
Plant and machinery	10 - 15 years
Furniture and fixtures	7 - 10 years
Office equipment	
Specialised Vehicles	10 -15 years
Other Vehicles	3 - 7 years
IT equipment	3 years
Computer software	3 years
Infrastructure	
Water and Swerage	10 years

Accounting Policies

1.4 Property, plant and equipment (continued)

Community	
Recreational Facilities	20 - 30 years
Building	30 years
Other property, plant and equipment	2 -5 years

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.
An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the
The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Accounting Policies

1.5 Intangible assets (continued)

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

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

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item
Computer software, internally generated
Computer software, other

Intangible assets are derecognised:
on disposal; or
when no future economic benefits or service potential are expected from its use or disposal.

1.6 Investments in associates

See accounting policy note 1.2

1.7 Financial instruments

Classification
The municipality classifies financial assets and financial liabilities into the following categories:
• Held-to-maturity investment financial assets
• Loans and receivables financial assets
• Available-for-sale financial assets
• Financial liabilities measured at amortized cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Recognition
Financial assets and financial liabilities are initially recognized on the statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

Measurement
When a financial asset or financial liability is recognized initially, the municipality measures it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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 business 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.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity specific inputs.
It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a 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.

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. If any such evidence exists, the municipality applies the following to determine the amount of any impairment loss:

Accounting Policies

1.7 Financial instruments (continued)

Financial assets carried at amortized cost: If there is objective evidence that an impairment loss on loans and receivables or held-to maturity investments carried at amortized 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 amount of the loss is recognized in surplus or deficit.

Financial assets carried at cost: If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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.

Available-for-sale financial assets: When a decline in the fair value of an available-for-sale financial asset has been recognized in accumulated surplus or deficit and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in accumulated surplus or deficit is reclassified from accumulated surplus or deficit to surplus or deficit as a reclassification adjustment even though the financial asset has not been derecognized.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the municipality has the positive intention and ability to hold to maturity.
Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method.
The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) 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 estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments) the municipality uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
Loans and receivables are subsequently measured at amortized cost using the effective interest method.
The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) 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 estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments) the municipality uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.
Available-for-sale financial assets are subsequently measured at fair value with changes in fair value recognized in accumulated surplus.
Impairment losses, interest income and dividend income are reported in surplus or deficit.

Other financial liabilities
Other financial liabilities are subsequently measured at amortized cost using the effective interest method.
The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) 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 estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments) the municipality uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Accounting Policies

1.7 Financial instruments (continued)

De-recognition
Financial assets
A financial asset is de-recognized where the contractual rights to receive cash flow from the asset have expired, or the municipality has transferred the asset and the transfer qualifies for de-recognition. A transfer qualifying for de-recognition occurs when the municipality transfers the contractual rights to receive the cash flows of the financial asset. Where the municipality has transferred its rights to the cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the municipality's continuing involvement in the asset.
Financial liabilities
A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Categorization
The municipality has various types of financial instruments and these can be broadly categorized as either financial assets or financial liabilities.
A financial asset is any asset that is:
cash;
a contractual right to receive cash or to receive another financial asset from another entity;
a contractual right to exchange financial instruments on potentially favorable terms;
an equity instrument of another entity;
a contract that may or will be settled in the entity's own equity instruments (subject to certain conditions).
The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:
Loans and receivables
Consumer debtors
Other receivables
Call investment deposits
In accordance with IAS 39.09 the financial assets of the municipality are classified as follows into one of the four categories allowed by this standard:

Type of financial asset	**Classification in terms of IAS 39.09**
Loans and receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other receivables	Loans and receivables
Call investment deposits	Available for sale

A financial liability is any liability that is:
- a contractual obligation to deliver cash or to deliver another financial asset;
- a contractual obligation to exchange financial instruments on potentially unfavorable terms;

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:
Long term liabilities
Trade and other payables
Consumer deposits
Unspent conditional grants
Bank overdraft

There are two main categories of financial liabilities, classified based on how they are measured.
Any other financial liabilities are classified as financial liabilities that are not measured at fair value through profit or loss.
In accordance with IAS 39.09 the financial liabilities of the municipality are classified only as financial liabilities that are not measured at fair value through profit or loss because none of the following instruments are held for trading.

Type of financial liability	**Classification in terms of IAS 39.09**
Long term liabilities	Financial liability that is not measured at fair value through profit or loss
Trade and other payables	Financial liability that is not measured at fair value through profit or loss
Consumer deposits	Financial liability that is not measured at fair value through profit or loss
Unspent conditional grants	Financial liability that is not measured at fair value through profit or loss
Bank overdraft	Financial liability that is not measured at fair value through profit or loss

Accounting Policies

1.8 Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs,boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.
The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.
Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.
When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.
The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.
Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.
Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).
Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.
Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.
Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.
Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.
Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

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 a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in Use

Value in use of a cash-generating asset 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.
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 and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
bases cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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

Reversal of impairment loss
The municipality assess at each reporting date whether there is any indication that an impairment loss 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.
A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.
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.
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 that 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.

1.11 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).
Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.
Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.
Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.
Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)
Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.
Useful life is either:
(a)the period of time over which an asset is expected to be used by the municipality; or
(b)the number of production or similar units expected to be obtained from the asset by the municipality.

Identification
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.

Recognition and measurement
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.
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 is a requirement in the Standards 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
The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.
A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.
After a reversal of an impairment loss is recognised, 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.

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.

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

1.13 Provisions and contingencies

Provisions are recognised when:
the municipality has a present obligation as a result of a past event;
it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
a reliable estimate can be made of the obligation.
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.

1.13 Provisions and contingencies (continued)

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. 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.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Rendering of services
When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
the amount of revenue can be measured reliably;
it is probable that the economic benefits 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; and
the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.15 Revenue from non-exchange transactions

1.16 Investment income
Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Borrowing costs

1.18 Comparative figures
Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure
Unauthorised expenditure means:
overspending of a vote or a main division within a vote

All expenditure relating to unauthorised expenditure is recognised as an expense 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, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure
Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense 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, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure
Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Accounting Policies

1.21 Irregular expenditure (continued)

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity'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.

1.22 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. Sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.23 Investments

Where the carrying amount of an investment 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.

1.24 Conditional grants and receipts

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

1.25 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.26 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The 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 financial statements.

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.
Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.28 Employee benefits

Retirement Funds
The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are expensed in the year in which they become payable.
The municipality contributes to defined contribution and defined benefit funds. These funds are multi-employer funds
Defined Contribution Funds
Where an employee has rendered services to the municipality during the year, the municipality recognizes the contribution payable to a defined contribution plan in exchange for that service immediately as an expense.
Defined Benefit Plans
The municipality does not apply "defined benefit accounting" to the defined benefit funds to which it is a member where these funds as classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved. As a result, paragraph 30 of IAS 19 is applied and such funds are accounted for as defined contribution funds.
To the extent that a surplus or deficit in the place, based on available information, may affect the amount of future contributions, these are assessed. In the case of surpluses, no change is made in the rate of contributions. In the case of deficits, the municipality will increase contributions on a phased basis. To the extent that the full discounted value of obligations to the funds is not fully accounted for at year end, a contingent liability arises and is reported on accordingly.
Medical Aid: Continued Members
The municipality provides post-retirement benefits by subsidizing 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 (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the municipality for the remaining portion.
Defined contribution plans
Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.
Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.
Defined benefit plans
For defined benefit plans the cost of providing the benefits is determined using the projected credit method.
Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.
Past service costs are recognized immediately to the extent that the benefits are already vested, and are otherwise amortized on a straight line basis over the average period until the amended benefits become vested.
To the extent that, at the beginning of the financial period, any cumulative unrecognized actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognized in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognized.
Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the municipality is demonstrably committed to curtailment or settlement.
When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognized as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognized for a reimbursement.
The amount recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs, and reduces by the fair value of plan assets.
Any asset is limited to unrecognized actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Accounting Policies

1.28 Employee benefits (continued)

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a municipality to recognize:
- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied standards and interpretations which have been published and are only mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

Amajuba District Municipality
Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R Restated

7. Receivables from non-exchange transactions

Sundry Debtors	**3 187 895**	**2 993 403**

8. VAT receivable

VAT	**10 624 899**	**5 494 489**

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

9. Consumer debtors

Gross balances		
Water	**20 440 217**	**12 871 993**
Less: Allowance for impairment		
Water	**(5 691 359)**	**(7 365 839)**
Net balance		
Water	**14 748 858**	**5 506 154**
Water		
Current (0 -30 days)	3 917 305	1 531 851
31 - 60 days	2 300 876	1 597 270
61 - 90 days	660 727	790 780
91 - 120 days	542 685	582 562
121 - 365 days	571 549	701 518
> 365 days	12 447 075	302 173
	20 440 217	**5 506 154**

Notes to the Financial Statements

	2015 R	2014 R Restated
9. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	3 905 818	1 531 851
31 - 60 days	2 300 745	1 597 270
61 - 90 days	660 597	790 780
91 - 120 days	537 409	582 562
121 - 365 days	571 194	701 518
> 365 days	12 416 892	302 173
	20 392 655	**5 506 154**
Industrial/ commercial		
Current (0 -30 days)	11 135	-
31 - 60 days	53	-
61 - 90 days	53	-
91 - 120 days	5 199	-
121 - 365 days	279	-
> 365 days	455	-
	17 174	**-**
National and provincial government		
Current (0 -30 days)	353	-
31 - 60 days	78	-
61 - 90 days	78	-
91 - 120 days	77	-
121 - 365 days	76	-
> 365 days	29 726	-
	30 388	**-**
Total		
Current (0 -30 days)	3 917 306	1 531 851
31 - 60 days	2 300 876	1 597 270
61 - 90 days	660 728	790 780
91 - 120 days	542 685	582 562
121 - 365 days	571 549	701 518
> 365 days	12 447 073	302 173
	20 440 217	**5 506 154**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(7 365 839)	-
Contributions to allowance	-	(7 365 839)
Debt impairment written off against allowance	1 674 480	-
	(5 691 359)	**(7 365 839)**

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Notes to the Financial Statements

	2015 R	2014 R Restated

9. Consumer debtors (continued)

Consumer debtors impaired

As of 30 June 2015, consumer debtors of R5,691,359 (2014: R7,365,839) were impaired and provided for.

10. Inventory

Purified water	**5 793 653**	**5 814 650**

11. Cash and cash equivalents

Cash and cash equivalents included in the statement of financial position comprise the following statement of amounts indicating financial position:

Petty cash	3 000	3 000
Bank balances	6 212	197 340
Call investment deposits	138 658	131 597
Other cash and cash equivalents	-	373
	147 870	**332 310**

No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities.
No restrictions exist with regard to the use of cash.
No portion is past due or impaired.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.
Although credit quality can be assessed, the municipality did not apply any methods to evaluate the credit quality

The municipality had the following bank accounts

Account number / description

	Bank Statement balance R	Cash book balance R
30 June 2015		
ABSA BANK - Cheque Account - 405 347 259	6 212	6 212
Standard BANK - 32 Day Notice Account - 068 448 3090 02	138 658	138 658
Total	**144 870**	**144 870**
30 June 2014		
ABSA BANK - Cheque Account - 405 347 259	197 340	197 340
Standard BANK - 32 Day Notice Account - 068 448 3090 02	131 597	131 597
Total	**328 937**	**328 937**

Notes to the Financial Statements

	2015 R	2014 R Restated

12. Other financial liabilities

Designated at fair value		
DBSA Loan - 61000383	-	521 896
DBSA Loan - 61000384	10 224 014	4 454 759
DBSA Loan - 61000385	-	377 314
DBSA Loan - 61003315	-	3 269 437
DBSA Loan - 61000916	-	328 474
DBSA Loan - 61000917	-	735 280
	10 224 014	**9 687 160**
Less: Current portion	**(1 365 151)**	**(224 711)**
Long term portion	**8 858 863**	**9 462 449**

The financial liability relates to DBSA loans taken over form uThukela Water which are now due and payable by Amajuba DM in terms of the transfer of the water and sanitation function. These loans include interest capitalised as they were not serviced by uThukela Water.

The loans were consolidated into one loan with a repayment period of 10 years. The final repayment date is January 2025

Non-current liabilities		
Designated at fair value	8 858 863	9 462 449

13. Finance leases obligation

Laptops and Tablets	**79 089**	**106 904**
Less: Current portion	**(67 335)**	**(53 232)**
Long term portion	**11 754**	**53 672**

Opening Balance	106 904	114 881
Additions	37 568	-
Amortisation	(5 815)	(7 977)
Total finance leases obligation	**138 657**	**106 904**

Minimum lease payments due		
- within one year	67 335	53 232
- in second to fifth year inclusive	11 754	53 672
Present value of minimum lease payments	**79 089**	**106 904**

It is municipality policy to lease certain ICT equipment under finance leases.
The average lease term is 2 years (24 months) and the average effective borrowing rate was 3% average (2014: 2%).
Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Notes to the Financial Statements

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2015 R	2014 R Restated
MIG Grant	30 944	6 605 896
Shared services grant	51 988	-
Governance Expert Grant	264 812	820 398
Department of Public Works grant	-	7 078
Massification grant	16 796	16 796
Municipal Systems Improvement Grant MSIG	240 804	187 043
Disaster Management Centre Grant	620 428	5 620 428
WC/WD Management Grant	1 453	1 453
Road Asset Management System Grant	-	59 922
Boreholes Maintenance Grant	699 837	699 837
Finance Management Grant	57 464	654 443
ACIP grant - Call Centre	534 958	37 820
Councillors Trainning Grant	79 388	79 388
DOHS - Rural Household Infrastructure Grant	-	4 000 000
DWA - Municipal Infrastructure Grant MWIG	4 210 985	3 827 154
	6 809 857	**22 617 656**
Movement during the year		
Balance at the beginning of the year	22 617 656	42 376 393
Roll overs not approved	(16 263 939)	-
Additions during the year	71 484 030	39 786 955
Further approval	3 400 000	-
VAT claimed	(8 208 531)	-
Income recognition during the year	(66 219 359)	(59 545 692)
	6 809 857	**22 617 656**

15. Provisions

Reconciliation of provisions - 2015

	2015 R	2014 R Restated
Staff leave		
Opening balance	5 925 889	1 020 780
Additions	553 671	4 905 109
Reversed	-	-
Closing balance	6 479 560	5 925 889
Performance bonuses		
Opening balance	954 472	481 932
Additions	-	472 540
Reversed	(304 826)	-
Closing balance	649 646	954 472
Post retirement medical aid benefit		
Opening balance	195 000	-
Additions	932 000	195 000
Reversed	-	-
Closing balance	1 127 000	195 000
Long service awards		
Opening balance	2 017 000	-
Additions	562 000	2 017 000
Reversed	-	-
Closing balance	2 579 000	2 017 000
Total	**10 835 206**	**9 092 361**

Performance bonuses provision

Performance bonuses are paid to employees subject to certain conditions. The provision is a calculation of the amount due to employees at the reporting date. Performance bonuses are measured at face value as it is expected that these would normally be paid shortly after the financial year end once performance evaluations have been completed.

Notes to the Financial Statements

15. Provisions (continued)		**2015**	**2014**
		R	**R**
Post retirement medical aid benefit			**Restated**
Independent valuers, One Pangaea Financial, carried out a statutory valuation on an annual basis			
The principal actuarial assumptions used were as follows:			
Discount rate per annum		8.59%	9.44%
Healthcare cost inflation		7.79%	8.47%
Net discount rate		0.73%	0.89%
Examples of mortality rates used were as follows:			
Average retirement age		63	63
Mortality during employment		PA-90	PA-90

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

	2015	2014
Present value of funded obligations	1 127 000	195 000
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	1 127 000	195 000

Long service awards provision
Independent valuers, One Pangaea Financial, carried out a statutory valuation on an annual basis
The principal actuarial assumptions used were as follows:

		2015	2014
Discount rate per annum		8.59%	9.44%
Healthcare cost inflation		7.79%	8.47%
Net discount rate		0.73%	0.89%
Examples of mortality rates used were as follows:			
Average retirement age		63	63
Mortality during employment		PA-90	PA-90
Members withdrawn from services:		**Rates**	
	Age 20	12%	
	Age 25	6.6%	
	Age 30	5.1%	
	Age 35	3.6%	
	Age 40	2.6%	
	Age 45	1.8%	
	Age 50	1.1%	
	Age +55	0%	

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

	2015	2014
Present value of funded obligations	2 579 000	2 017 000
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	2 579 000	2 017 000

Movements in the defined benefit obligation is as follows:

	2015	2014
Balance at beginning of the year	2 017 000	1 469 000
Current service cost	-	449 000
Interest cost	618 000	169 000
Benefit payments	(70 000)	(70 000)
Actuarial(gains)/losses	14 000	0
Balance at end of year	2 579 000	2 017 000

Notes to the Financial Statements

16. Payables from exchange transactions

	2015 R	2014 R Restated
Trade payables	61 980 524	42 058 356
Retentions	3 966 333	1 334 232
Other creditors	55 819	13 562
Deposits received	326 832	345 877
	66 329 508	**43 752 027**

17. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

	Financial liabilities at amortised cost	Total
2015		
Other financial liabilities	10 224 014	10 224 014
Finance leases obligation	79 089	79 089
Trade and other payables	66 329 508	66 329 508
	76 632 611	**76 632 611**
2014		
Other financial liabilities	9 687 160	9 687 160
Finance leases obligation	106 904	106 904
Trade and other payables	43 752 027	43 752 027
Sundry Creditors	345 876	345 876
	53 891 967	**53 891 967**

18. Revenue

	2015 R	2014 R Restated
Service charges	17 863 039	17 424 490
Interest received (trading)	1 358 925	2 622 213
Rental income	287 486	288 082
Recoveries	11 455	52 355
Sundry Revenue	237 688	60 652
Interest received - investment	1 017 113	716 878
Indirect taxes (VAT, customs duty)	8 563 431	5 847 086
Government grants & subsidies	178 604 359	172 422 491
Public contributions and donations	100 000	-
Newly identified assets at fair value	1 426 246	7 014 402
	209 469 742	**206 448 649**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2015 R	2014 R Restated
Service charges	17 863 039	17 424 490
Interest received (trading)	1 358 925	2 622 213
Rental income	287 486	288 082
Recoveries	11 455	52 355
Sundry Revenue	208 330	60 652
Interest received - investment	1 017 113	716 878
	20 746 348	**21 164 670**

Notes to the Financial Statements

	2015 R	2014 R Restated

18. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

	2015 R	2014 R Restated
Taxation revenue		
Indirect taxes (VAT, customs duty)	8 563 432	5 847 086
Transfer revenue		
Government grants & subsidies	178 604 359	172 422 491
Public contributions and donations	100 000	-
	187 267 791	**178 269 577**

19. Service charges

	2015 R	2014 R Restated
Sale of water	15 111 300	15 004 370
Sewerage and sanitation charges	2 751 739	2 420 120
	17 863 039	**17 424 490**

Notes to the Financial Statements

20. Government grants and subsidies

	2015 R	2014 R Restated
Equitable share	55 797 000	52 618 015
DWAF Water Op[erating Subsidy	-	1 500 000
Capital and Operating Projects Grants	61 722 789	61 610 261
Levies Replacement Grant	56 588 000	51 917 000
Municipal Systems Improvement Grant	693 196	616 629
Financial Management Grant	2 096 979	845 557
Skills Developemnt Grant	202 797	32 688
Road Asset Management	-	1 153 140
Councillors Trainning Grant	-	120 612
ACIP Tweedildale Grant	-	1 078 106
IGR Grant -Government Expert	555 586	50 911
Shared services - GIS	948 012	-
Disaster Management Grant;	-	879 572
	178 604 359	**172 422 491**

Equitable Share
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

	2015 R	2014 R Restated
Balance unspent at beginning of year	6 605 896	6 605 896
Roll over not approved	(6 605 896)	0
Current-year receipts	41 650 000	51 962 000
Conditions met - transferred to revenue	(41 619 056)	(51 962 000)
	30 944	**6 605 896**

Conditions still to be met - remain liabilities (see note 13).

Skills Development Grant

	2015 R	2014 R Restated
Balance unspent at beginning of year	0	0
Current-year receipts	202 797	0
Conditions met - transferred to revenue	(202 797)	0
	-	**-**

Shared Services Grant

	2015 R	2014 R Restated
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(948 012)	-
	51 988	**-**

Conditions still to be met - remain liabilities (see note 13).

2010 Base Camp and Academy (Monte Vista)

	2015 R	2014 R Restated
Balance unspent at beginning of year	-	7 338 250
Other	-	(7 338 250)
	-	**-**

Conditions still to be met - remain liabilities (see note 13).

Sports and Recreation Grant

	2015 R	2014 R Restated
Balance unspent at beginning of year		1 357 058
Conditions met - transferred to revenue	-	(1 357 058)
	-	**-**

Amajuba District Municipality
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Notes to the Financial Statements

	2015 R	2014 R Restated

20. Government grants and subsidies (continued)

National Lottery

Balance unspent at beginning of year	-	3 116 000
Other	-	(3 116 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 13).

Governance Expert Grant

Balance unspent at beginning of year	820 398	871 308
Conditions met - transferred to revenue	(555 586)	(50 910)
	264 812	**820 398**

Conditions still to be met - remain liabilities (see note 13).

Public Works (EPWP) Grant

Balance unspent at beginning of year	7 078	1 672 301
Roll over not approved	(7 078)	-
Current-year receipts	1 276 000	1 000 000
Conditions met - transferred to revenue	(1 276 000)	(1 455 223)
Other	-	(1 210 000)
	-	**7 078**

Conditions still to be met - remain liabilities (see note 13).

Massification Grant

Balance unspent at beginning of year	16 796	1 584 150
Conditions met - transferred to revenue	-	(1 567 354)
	16 796	**16 796**

Conditions still to be met - remain liabilities (see note 13).

Municipal Systems Improvement Grant

Balance unspent at beginning of year	187 043	-
Roll over not approved	(187 043)	-
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(693 196)	(702 957)
	240 804	**187 043**

Conditions still to be met - remain liabilities (see note 13).

Notes to the Financial Statements

	2015 R	2014 R Restated

20. Government grants and subsidies (continued)

Disaster Management Centre Grant

	2015 R	2014 R Restated
Balance unspent at beginning of year	5 620 428	5 000 000
Roll over not approved	(5 000 000)	-
Current-year receipts	-	1 500 000
Conditions met - transferred to revenue	-	(879 572)
	620 428	**5 620 428**

Conditions still to be met - remain liabilities (see note 13).

WC/WD Management Grant

	2015 R	2014 R Restated
Balance unspent at beginning of year	1 453	3 518 701
Conditions met - transferred to revenue	-	(3 517 248)
	1 453	**1 453**

Conditions still to be met - remain liabilities (see note 13).

Road Asset Management System Grant

	2015 R	2014 R Restated
Balance unspent at beginning of year	59 922	1 532 189
Roll over not approved	(59 922)	
Current-year receipts	2 020 000	1 706 000
Conditions met - transferred to revenue	(2 020 000)	(1 620 323)
Other	-	(1 557 944)
	-	**59 922**

Boreholes Refurbishment Grant

	2015 R	2014 R Restated
Balance unspent at beginning of year	**699 837**	**699 837**

Conditions still to be met - remain liabilities (see note 13).

COGTA Maintenance Grant

	2015 R	2014 R Restated
Balance unspent at beginning of year	-	3 026 568
Conditions met - transferred to revenue	-	(3 026 568)
	-	**-**

Notes to the Financial Statements

	2015 R	2014 R Restated

20. Government grants and subsidies (continued)

Finance Management Grant

Balance unspent at beginning of year	654 443	993 355
Current-year receipts	1 500 000	1 500 000
Conditions met - transferred to revenue	(2 096 979)	(845 557)
Other	-	(993 355)
	57 464	**654 443**

Conditions still to be met - remain liabilities (see note 13).

ACIP Grant - Call Centre

Balance unspent at beginning of year	37 820	265 981
Current-year receipts	2 379 049	-
Conditions met - transferred to revenue	(1 881 911)	-
Other	-	(228 161)
	534 958	**37 820**

Conditions still to be met - remain liabilities (see note 13).

Councillors Trainning Grant

Balance unspent at beginning of year	79 388	200 000
Conditions met - transferred to revenue	-	(120 612)
	79 388	**79 388**

Conditions still to be met - remain liabilities (see note 13).

DOHS - Rural Household Infrastructure Granrt

Balance unspent at beginning of year	4 000 000	-
Roll over not approved	(4 000 000)	-
Current-year receipts	-	4 000 000
	-	**4 000 000**

Conditions still to be met - remain liabilities (see note 13).
Provide explanations of conditions still to be met and other relevant information.

DWA - Municipal Water Infrastructure Grant MWIG

Balance unspent at beginning of year	3 827 154	-
Roll over not approved	(404 000)	-
Current-year receipts	12 040 000	10 484 000
Further approved	3 400 000	-
Conditions met - transferred to revenue	(14 652 169)	(6 656 846)
	4 210 985	**3 827 154**

Regional Bulk Water Infrastructure Grant

Balance unspent at beginning of year	0	0
Current-year receipts	8 482 184	0
Conditions met - transferred to revenue	(8 482 184)	0
	-	**-**

Notes to the Financial Statements

	2015 R	2014 R Restated

21. Other revenue

	2015 R	2014 R Restated
Rental income - third party	287 486	288 082
Recovery - Telephone	11 455	52 355
Sundry income	237 688	60 652
	536 629	**401 089**

22. General expenses

	2015 R	2014 R Restated
Accounting fees	10 753	1 097 377
Advertising	141 347	192 133
Assessment rates & municipal charges	559 241	73 377
Auditors remuneration	2 075 812	1 484 403
Bank charges	68 358	177 291
Cleaning	279 738	580 758
Consulting and professional fees	3 043 869	233 082
Consumables	565 270	573 862
Debt collection	47 044	39 502
Entertainment	28 334	153 937
Insurance	686 355	431 523
Conferences and seminars	29 567	135 966
Audit Commitee Costs	759 615	236 025
Audit Commitee Costs	155 641	122 400
Chemicals	546 422	-
Lease rentals on operating lease	575 250	578 965
Fleet	2 563 411	1 903 392
Internal Audit Fees	18 490	1 806 203
Magazines, books and periodicals	-	1 726
Pest control	111 907	-
Postage and courier	11 068	6 082
Printing and stationery	73 075	142 215
Professional fees - VAT	959 649	1 213 956
Project initiation fund	1 826 763	-
Promotions	29 347	344 478
Protective clothing	112 650	116 865
License fees	183 102	261 003
Staff welfare	8 273	-
Telephone and fax	855 250	1 021 569
Town planning support	1 445 838	-
Training	416 519	232 339
Travel - local	1 358 183	2 389 036
Electricity	4 956 900	3 875 022
Tourism Development Programmes	22 387	109 395
Water analysis	807 290	-
General Expenditure	2 763 850	2 909 461
LED Projects Cost	-	4 385 194
Sports Debvelopment Programmes	1 137 321	2 919 473
Community assets	29 910 614	64 903 749
VAT penalties and interest	1 396 422	-
Disaster Management Programmes	468 887	550 397
	61 009 812	**95 202 156**

Notes to the Financial Statements

	2015 R	2014 R Restated
23. Operating surplus		
Operating surplus for the year is stated after accounting for the following:		
Operating lease charges		
Equipment - contractual amounts	575 250	578 965
Loss on scrapping of property, plant and equipment	1 465 900	3 228 340
Loss on disposal of assets and liabilities	-	336 642 574
Depreciation and amortisation of fixed assets	27 005 892	27 345 019
Impairment of property, plant and equipment	1 711 756	101 519
Employee costs	72 507 103	69 628 199
Newly identified assets at fair value	1 426 246	7 014 402

Amajuba District Municipality
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Notes to the Financial Statements

	2015 R	2014 R Restated

24. Employee related costs

	2015 R	2014 R Restated
Basic	45 994 975	44 145 883
Bonus	4 030 928	3 893 130
Medical aid - company contributions	2 704 650	2 254 725
UIF	297 939	292 845
SDL	653 692	634 149
Other payroll levies	309 460	270 721
Leave pay provision charge	1 781 435	4 509 917
Short term benefit 1	3 132	-
Defined contribution plans	5 582 451	4 617 956
Travel, motor car, accommodation, subsistence and other allowances	5 526 358	4 889 959
Overtime payments	4 667 547	3 673 480
Housing benefits and allowances	205 048	189 503
Bargaining council contribution	13 281	12 535
Standby Allowance	676 462	223 722
Shift Allowance	59 745	19 674
	72 507 103	**69 628 199**

Remuneration of Municipal Manager

Annual Remuneration	1 145 007	908 333
Car Allowance	183 000	148 000
Other	275 786	256 844
	1 603 793	**1 313 177**

Remuneration of Chief Financial Officer

Annual Remuneration	367 524	1 006 858
Other	6 000	18 000
	373 524	**1 024 858**

The Chief Financial Officer has been in the employ of the municipality for 5 months of the 2015 financial year and 12 months of the 2014 financial year.

Corporate services

Annual Remuneration	176 785	786 943
Car Allowance	38 425	175 000
Other	4 500	18 000
	219 710	**979 943**

The Director Corporate Services has been in the employ of the municipality for only 3 months in the 2015 financial year and 12 months of the 2014 financial year.

Director of Engineering Services

Annual Remuneration	667 731	616 937
Car Allowance	148 083	108 000
Other	238 964	241 015
	1 054 778	**965 952**

Director of Development and Planning

Annual Remuneration	748 264	682 120
Car Allowance	228 945	217 406
Other	83 730	72 917
	1 060 939	**972 443**

Notes to the Financial Statements

	2015 R	2014 R Restated

24. Employee related costs (continued)

Director of Community Services

	2015 R	2014 R Restated
Annual Remuneration	826 468	754 373
Car Allowance	143 987	138 000
Other	84 897	87 962
	1 055 352	**980 335**

25. Remuneration of councillors

	2015 R	2014 R Restated
Mayor	685 377	685 377
Deputy Mayor	342 577	342 576
Executive Committee Members	581 089	556 877
Speaker	536 311	536 311
Councillors	2 174 981	2 083 388
	4 320 335	**4 204 529**

In-kind benefits

The Mayor, Deputy 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 Mayor has use of a Council owned vehicle for official duties and has four full time driver/bodyguards.

26. Investment revenue

	2015 R	2014 R Restated
Interest revenue		
Bank	1 017 113	716 878

27. Depreciation and amortisation

	2015 R	2014 R Restated
Property, plant and equipment	26 694 962	27 154 193
Intangible assets	288 050	172 472
Investment property	22 880	18 354
	27 005 892	27 345 019

28. Finance costs

	2015 R	2014 R Restated
Other interest payable	1 758 247	970 171

29. Auditors' remuneration

	2015 R	2014 R Restated
Fees	2 705 812	1 484 403

30. Contracted services

	2015 R	2014 R Restated
Information Technology Services	-	422 175
Security Services	3 691 953	1 510 382
Water Tanker Services	11 515 714	-
Hygiene Services	-	19 158
Other Contractors	-	9 193 781
	15 207 667	**11 145 496**

Notes to the Financial Statements	2015 R	2014 R Restated

31. Bulk purchases

Water	7 510 997	7 000 000

32. Cash generated from (used in) operations

Surplus (Deficit) for the year	7 550 200	(365 893 610)
Adjustments for:		
Depreciation : Property plant and equipment	26 694 962	27 154 193
Depreciation : Investment property	22 880	18 354
Impairment : Intangible assets	288 050	172 472
Impairment : Property, plant and equipment	1 711 756	101 519
Loss on disposal of property, plant and equipment	1 465 900	3 228 340
Newly identified assets at fair value	(1 426 246)	(7 014 402)
Loss on disposal of assets and liabilities	-	336 642 574
Debt impairment	-	7 365 839
Changes in net assets relating to prior year	9 478 278	(64 932 013)
Movements in provisions	1 742 845	2 212 000
Changes in working capital:		
Receivables from non-exchange transactions	(194 492)	(2 993 188)
VAT receivable	(5 130 410)	(4 768 613)
Consumer debtors	(9 242 704)	(6 644 265)
Inventory	20 997	(5 814 650)
Payables from exchange transactions	22 577 481	(1 033 232)
Unspent conditional grants and receipts	(15 807 799)	(19 758 737)
Cash generated from (used in) operations	**39 751 698**	**(101 957 419)**

33. Commitments
Authorised capital expenditure

Already contracted for		
Property, plant and equipment	87 103 961	43 070 756
Not yet contracted for and authorised by accounting officer		
Property, plant and equipment	15 014 000	1 500 000

This committed expenditure relates to projects and will be financed by conditional grants and funds internally generated

34. Contingencies
Litigation is in the process against the municipality relating to a dispute with a service provider who alleges that the municipality has contravened a contract by terminating the contract prior to the termination, and is seeking damages of R3,900,000.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and therefore no provision has been made in the financial statements.

A summons was received from the Department of Labour relating to late submission / non-submission of the Employment Equity Plan. The Department is imposing a fine of R1,500,000. Management has filed opposing papers in court, and the success of this action is not considered to be successful. Hence no provision has been made.

35. Related parties
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Relationships

Shareholder with joint control — uThukela Water(Proprietary) Limited

The entity, uThukela Water (Pty) Ltd, is jointly owned and controlled by Amajuba DM, Newcastle LM and uMzinyathi DM and supplies the municipality with bulk water services.

Related party balances

Amounts included in Trade Receivables (Trade Payables) regarding related parties

uThukela Water(Proprietary) Limited	(4 269 300)	(7 000 000)

Related party transactions

Purchases from (sales to) related parties

Notes to the Financial Statements	2015 R	2014 R Restated

36. Prior year errors

The adjustment of prior year errors resulted from incorrect and incomplete accounting.
Adjustment for errors in the prior year is as follows:

	Previously reported	Restated
Statement of Financial Position	**R**	**R**
Investment in associate	-	79 241 176
Receivables from exchange transactions	6 227 728	-
Receivables from non-exchange transactions	215	2 993 403
VAT receivable	5 597 624	5 494 489
Consumer debtors	-	5 506 154
Inventory	-	5 814 650
Cash and cash equivalents	330 248	332 310
Investment property	569 052	530 835
Property, plant and equipment	315 993 823	303 710 577
Payables from exchange transactions	(26 395 069)	(43 752 027)
Provisions	-	(2 212 000)
Current portion of other financial liabilities	-	(224 711)
Current portion of finance leases obligation	-	(53 232)
Long term portion of other financial liabilities	(9 687 160)	(9 462 449)
Long term portion of finance leases obligation	-	(53 672)
	292 636 461	347 865 503
Net restatement		55 229 042
Accumulated surplus	266 278 820	321 507 862
Net restatement		55 229 042
Statement of Financial Performance		
Revenue		
Other income	7 129 656	60 652
Indirect taxes	-	5 847 086
Newly identified assets at fair value	-	7 014 402
	7 129 656	12 922 140
Expenditure		
General expenses	28 223 327	30 298 407
Depreciation and amortisation	27 945 679	27 345 019
Finance costs	966 483	970 171
Contracted services	11 610 075	11 145 496
Sports development programmes	2 919 473	-
Social development programmes	1 942 485	-
Loss on disposal of property, plant and equipment	-	3 228 340
Impairment of property, plant and equipment	-	101 519
	73 607 522	73 088 952
Expenditure total more than revenue total	(66 477 866)	(60 166 812)
Net restatement		6 311 054

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Notes to the Financial Statements

	2015 R	2014 R Restated

37. Risk management

Capital risk management

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes , , , 12, 11, cash and cash equivalents disclosed in note 10, and equity as disclosed in the statement of financial position.
Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.
This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.
There are no externally imposed capital requirements.

	2015 R	2014 R Restated
Total borrowings		
Finance lease obligation	138 657	106 904
Other financial liabilities	9 462 449	9 687 160
	9 601 106	**9 794 064**
Less: Cash and cash equivalents	(147 870)	(330 248)
	9 453 236	9 463 816
Total equity	873 029 957	581 807 394
Total capital	**882 483 193**	**591 271 210**

Liquidity risk

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.

Interest rate risk

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

Credit risk

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

38.Going concern

We draw attention to the fact that at 30 June 2015, while the municipality had an accumulated surplus of R631,378,563, the current liabilities exceeded the current assets by R34,456,614 and that the available cash resources did not cover the commitments for unspent conditional grants with an amount of R6,661,987 uncovered .
The financial statements have been prepared on the basis of accounting policies applicable to a going concern.
This basis presumes that both Provincial and National government have neither the intention nor the need to liquidate or curtail materially the scale of funding of the municipality.

38. Unauthorised expenditure

	2015 R	2014 R Restated
Unauthorised expenditure	6 661 987	22 287 408
Budget overspending	46 541 136	447 893 114
	53 203 123	**470 180 522**

Notes to the Financial Statements

	2015 R	2014 R Restated

38. Unauthorised expenditure (continued)

The unauthorised expenditure relates to the spending of conditional grants on other matters not related to the grant conditions as well as overspending of the budget. Included in the amount for budget overspending is an amoount for impairment of investment in associate.
The matter is still under investigation and appropriate action will be taken when the matter is finalised
There is currently no disciplinarhy action taken in respect to this unauthorised expenditure

39. Fruitless and wasteful expenditure

	2015 R	2014 R Restated
Fruitless and wasteful expenditure	**1 469 509**	**290 417**

Fruitless and wasteful expenditure relates to penalties and interest charged on late payments of VAT, PAYE and late submission of EMP201 returns to SARS.This has been corrected and all returns have been submitted.

40. Irregular expenditure

	2015 R	2014 R Restated
Opening balance	47 738 282	75 112 134
Add: Irregular Expenditure - current year	2 411 406	267 287
Less: Amounts condoned	(80 000)	(27 641 139)
	50 069 688	**47 738 282**

Analysis of expenditure awaiting condonation (under investigation)

	2015 R	2014 R Restated
Current year	2 411 406	267 287
Prior years	47 658 282	47 470 995
	50 069 688	**47 738 282**

Details of irregular expenditure – current year

Non-compliance with SCM policy	No disciplinary steps taken / criminal proceedings	2 331 406
Acting Allowance payments	No disciplinary steps taken / criminal proceedings	80 000
		2 411 406

Details of irregular expenditure condoned

Acting Allowance payments	Condoned by Council	**80 000**

Details of irregular expenditure recoverable (not condoned)
None -

41. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2015 R	2014 R Restated
Net surplus per the statement of financial performance	**7 550 200**	**(365 893 610)**

Notes to the Financial Statements

	2015 R	2014 R Restated

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	-	1 097 377
Amount paid - current year	-	(1 097 377)
	-	-

Audit fees

Current year subscription / fee	2 075 812	1 484 403
Amount paid - current year	(2 075 812)	(1 484 403)
	-	-

PAYE and UIF

Current year subscription / fee	8 760 232	12 875 771
Amount paid - current year	(8 760 232)	(12 875 771)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	8 287 101	6 872 681
Amount paid - current year	(8 287 101)	(6 872 681)
	-	-

VAT

VAT receivable	10 624 899	5 494 489

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

Notes to the Financial Statements

	2015 R	2014 R Restated

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations (SCM Deviations)

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

Incident	2015	2014
SALGA Games Accomodation - direct purchase	865 800	-
Direct Purchase - Supply and deliver round-up ready maize seeds	199 300	-
TLB Hire services	127 572	-
SCM - Impractical to follow SCM procedure	888 460	-
Supply and Delivery of chemicals for water treatment plants	-	167 481
Direct Purchase - Supply and deliver round-up ready maize seeds	-	434 032
Direct Purchase - Supply and deliver PPE	-	133 225
Repair sewerage pump	-	31 760
Installation of pump and removal of sludge	-	66 117
TLB Hire for burst pipes	-	55 225
Technical support for loading water and waste water analysis data	-	12 339
Supply mobrey open channel ultrasonic flowmeter	-	20 385
Supply and deliver V250F submersible drainage pipe	-	1 636
Repair, service and calibrate water testing equipment	-	12 400
	2 081 132	**934 600**

44. Utilisation of Long-term liabilities reconciliation

	2015	2014
Long-term liabilities raised	10 303 103	9 794 064
Used to finance property, plant and equipment	(10 303 103)	(9 794 064)
	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

45. Water losses

The water losses are as follows:	2015	2014
Kilolitres	1,035,740 kl	2,653,000 kl
Valued at cost	8 410 209	21 542 360.00

46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.
The services and goods as detailed above were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
The deviations were reported to Council and ratified by Council as per the municipality's Supply Chain Management Policy.

Amajuba District Municipality
Financial Statements for the year ended 30 June 2015

Detailed Income Statement

	Notes	2015 R	2014 R Restated
Revenue			
Service charges	18	17 863 039	17 424 490
Interest received (trading)	18	1 358 925	2 622 213
Government grants and subsidies	18	178 604 359	172 422 491
Rental income	18	287 486	288 082
Recoveries	18	11 455	52 355
Sundry revenue	18	237 688	60 652
Interest received - investment	26	1 017 113	716 878
Indirect taxes (VAT, customs duty)	18	8 563 431	5 847 086
Public contributions and donations	18	100 000	-
Newly identified assets at fair value	4	1 426 246	7 014 402
Total revenue		**209 469 742**	**206 448 649**
Expenditure			
Employee related costs	24	72 507 103	69 628 199
Remuneration of councillors	25	4 320 335	4 204 529
Depreciation and amortisation	27	27 005 892	27 345 019
Finance costs	28	1 758 247	970 171
Debt impairment		-	7 365 839
Repairs and maintenance		7 302 864	5 123 223
Bulk purchases	31	7 510 997	7 000 000
Contracted services	30	15 207 667	11 145 496
Contributions to provisions	15	1 494 000	-
General expenses	22	61 009 812	95 202 156
LED project costs		624 969	4 385 194
Loss on disposal of property, plant and equipment	4	1 465 900	3 228 340
Impairment of property, plant and equipment	4	1 711 756	101 519
Total expenditure		**201 919 542**	**235 699 685**
Loss on disposal of assets and liabilities		-	(336 642 574)
Surplus (Deficit) for the year		**7 550 200**	**(365 893 610)**