



Amathole District Municipality

Annual financial statements  
for the year ended 30 June 2015

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## General Information

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### Mayoral committee

Executive Mayor

Konza, N

Councillors

Janda, S (Speaker)

Mtintsilana, S (Chief Whip)

Madikane, E (Corporate Services Human Resources & Admin)

Mgidlana, N (Community Safety)

Memani, M (Land and Housing)

Finca, P (Local Economic Development)

Bikitsha, M (Strategic Planning)

Jacobs, L.E.V (Budget and Treasury)

Genu, S (Water and Sanitation)

Melitafa, B (Engineering and Infrastructure)

Zuka, S (Community Services)

Nyalambisa, N (Community Liason and Participation)

### Grading and jurisdiction of the District Municipality

Grade 7

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

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## General Information

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- The receipt and allocation of grants

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

### Provincial Administration areas

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

Amahlathi Municipality;  
Great Kei Municipality  
Mbhashe Municipality  
Mnquma Municipality  
Ngqushwa Municipality  
Nkonkobe Municipality  
Nxuba Municipality

## LEGISLATION

**The ADM complies with the following key and other related pieces of legislation:**

Municipal Finance Management Act 56 of 2003  
Municipal Demarcation Act 27 of 1998  
Municipal Structures Act 117 of 1998,  
Laws Amendment Act 51 of 2002  
Constitution of the Republic of South Africa Act No.108 as amended,  
Municipal Systems Act 32 of 2000  
Water Service Act 108 of 1997  
Basic Conditions of Employment Act 75 of 1997,  
Labour Relations Act 66 of 1995,  
Remuneration of the Public Office Bearers Act 20 of 1998,  
Division of Revenue Act 10 of 2014  
Housing Act 107 of 1997,  
Local government transitions Act 209 of 1993,  
Local government transitions Act Second Amendment Act 97 of 1996  
Local government: Municipal Planning and Performance Management Regulations 2001,  
Local government: Municipal Performance Regulations for Municipal Managers and managers directly accountable to Municipal Managers 2006,  
Supply Chain Management Regulations 2005,  
Value Added Tax Act 89 of 1991, and  
Unemployment Insurance Act 30 of 1996

<b>Accounting Officer</b>	C Magwangqana
<b>Business address</b>	Waverly Office Park No 3-33 Phillip Frame Road Chiselhurst 5247
<b>Postal address</b>	PO BOX 320 East London 5200
<b>Bankers</b>	Standard Bank, East London
<b>Auditors</b>	Auditor General of South Africa

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## General Information

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### Councillors

Baleni, X (Mbhashe)  
Bangani,L (Great Kei)  
Benya,N (Mbhashe)  
Tyali,C (PR)  
Dwanya,T (Nkonkobe)  
Dyani,T (Mnquma)  
Jali,S (Ngqushwa)  
Macakela,S (Nkonkobe)  
Magatya,N (Mbhashe)  
Malghas,E (PR)  
Mentoor,B (Nxuba)  
Peter,M (Mbhashe)  
Mkosana,N (Amahlathi)  
Mkosana,V (PR)  
Ntanga,T (Mnquma)  
Ndabazonke,N (Ngqushwa)  
Ngqongolo,G (Mnquma)  
Nonjaca, N (Mbashe)  
Nkunkuma,N (Amahlathi)  
Plaatjie,N (Mnquma)  
Qaba,P (Amahlathi)  
Rawana,M (Nkonkobe)  
Roji,X (Amahlathi)  
Ngaye,T (Nkonkobe)  
Sinyongo,L (Nkonkobe)  
Siwisa,M (Ngqushwa)  
Solontsi,Z (Mnquma)  
Msindwana,KD (Mbashe)  
Tyala,N (Mnquma)  
Manxila,T (Mnquma)  
Ward,W (PR)  
Kabane,Z (PR - MPAC Chairperson)  
Mlungu,N (Mbhashe)  
Skelenge,NH (Mnquma Representative)  
Papu ,M (PR)

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

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

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### Abbreviations

NT	National Treasury
PT	Eastern Cape Provincial Treasury
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
DWA	Department Of Water Affairs and Sanitation
PR	Proportional Representative
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)
ADM	Amathole District Municipality
AEDA	Amathole Economic Development Agency (Proprietary) Limited t/a ASPIRE
EPWP	Expanded Public Works Programme

# **Amathole District Municipality**

Annual Financial Statements for the year ended 30 June 2015

## **Responsibilities and Approval**

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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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual 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 annual financial statements and was given unrestricted access to all financial records and related data.

The annual 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 annual financial statements are based upon 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 place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the 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 adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable 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 is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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 grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the grants funders has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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**C Magwangqana**  
**Municipal Manager**

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**S Kieck**  
**Acting Chief Financial Officer**

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	12	6,991,453	4,371,608
Current investments	9	125,385,117	387,616,947
Receivables from exchange transactions	13	95,299,339	71,607,983
Receivables from non-exchange transactions	14	20,140,735	7,763,149
VAT receivable	15	105,889,959	41,885,190
Current portion of receivables transferred from non current assets	8	159,001,792	3,215
Cash and cash equivalents	16	79,660,624	116,150,039
		<b>592,369,019</b>	<b>629,398,131</b>
<b>Non-Current Assets</b>			
Heritage assets	3	400,000	400,000
Investment property	4	92,829,514	92,900,347
Property, plant and equipment	5	4,424,154,686	3,500,309,808
Intangible assets	6	5,761,461	1,142,192
Investments in controlled entities	7	1,000	1,000
Non- current receivables	8	128,859,696	1,310,847
		<b>4,652,006,357</b>	<b>3,596,064,194</b>
Non-Current Assets		4,652,006,357	3,596,064,194
Current Assets		592,369,019	629,398,131
Non-current assets held for sale (and) (assets of disposal groups)		-	-
<b>Total Assets</b>		<b>5,244,375,376</b>	<b>4,225,462,325</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current portion of the Interest bearing borrowings DBSA	21	172,351,148	-
Finance lease obligation	18	199,693	669,829
Payables from exchange transactions	22	343,744,290	184,511,349
Taxes and transfers payable (non-exchange)	23	-	5,651,074
Consumer deposits	25	2,457,622	2,114,008
Unspent conditional grants and receipts	19	45,239,540	51,030,246
Provisions	20	6,154,999	8,478,041
		<b>570,147,292</b>	<b>252,454,547</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	18	97,340	297,033
Operating lease liability	10	1,788,161	324,731
Employee benefit obligation	11	213,629,904	187,496,157
Interest bearing borrowings DBSA	21	127,320,150	-
		<b>342,835,555</b>	<b>188,117,921</b>
Non-Current Liabilities		342,835,555	188,117,921
Current Liabilities		570,147,292	252,454,547
Liabilities of disposal groups		-	-
<b>Total Liabilities</b>		<b>912,982,847</b>	<b>440,572,468</b>
Assets		5,244,375,376	4,225,462,325
Liabilities		(912,982,847)	(440,572,468)
<b>Net Assets</b>		<b>4,331,392,529</b>	<b>3,784,889,857</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated
Reserves			
Revaluation reserve	17	38,325,750	30,146,045
Accumulated surplus		4,293,066,779	3,754,743,812
<b>Total Net Assets</b>		<b>4,331,392,529</b>	<b>3,784,889,857</b>



# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	28	242,418,883	200,458,055
Rental of facilities and equipment	27	315,510	396,046
Interest earned - outstanding receivables	57	35,223,104	31,908,697
Other income	30	20,017,037	8,233,315
Interest received	35	27,381,848	32,462,037
<b>Total revenue from exchange transactions</b>		<b>325,356,382</b>	<b>273,458,150</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	29	1,525,719,110	1,124,974,361
Own revenue - VAT on MIG	26	47,466,413	46,561,234
Other revenue - VAT other grants	26	48,503,349	7,117,523
<b>Total revenue from non-exchange transactions</b>		<b>1,621,688,872</b>	<b>1,178,653,118</b>
		325,356,382	273,458,150
		1,621,688,872	1,178,653,118
<b>Total revenue</b>	26	<b>1,947,045,254</b>	<b>1,452,111,268</b>
<b>Expenditure</b>			
Employee related costs	32	(569,950,775)	(464,158,302)
Remuneration of councillors	33	(13,029,865)	(12,252,662)
Depreciation and amortisation	36	(91,832,327)	(106,308,633)
Finance costs	37	(31,001,620)	(14,476,675)
Debt impairment	34	(154,873,868)	(116,309,046)
Collection costs		(1,968,610)	(1,707,699)
Repairs and maintenance	56	(54,028,745)	(48,485,952)
Bulk purchases	39	(57,572,563)	(62,048,818)
Contracted services	38	(28,038,567)	(19,273,444)
General Expenses	31	(400,727,232)	(432,288,061)
<b>Total expenditure</b>		<b>(1,403,024,172)</b>	<b>(1,277,309,292)</b>
		-	-
Total revenue		1,947,045,254	1,452,111,268
Total expenditure		(1,403,024,172)	(1,277,309,292)
<b>Operating surplus</b>		<b>544,021,082</b>	<b>174,801,976</b>
Gain/(Loss) on disposal of assets	58	(5,698,121)	1,362,103
Surplus before taxation		538,322,961	176,164,079
Taxation		-	-
<b>Surplus for the year</b>		<b>538,322,961</b>	<b>176,164,079</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	30,146,046	3,689,605,019	3,719,751,065
Adjustments			
Prior year adjustments (Note 45)		- (111,025,286)	(111,025,286)
<b>Balance at 01 July 2013 as restated*</b>	<b>30,146,046</b>	<b>3,578,579,733</b>	<b>3,608,725,779</b>
Changes in net assets			
Surplus for the year		- 176,164,079	176,164,079
Total changes		- 176,164,079	176,164,079
<b>Balance at 01 July 2014</b>	<b>30,146,045</b>	<b>3,754,743,818</b>	<b>3,784,889,863</b>
Changes in net assets			
Fair value gains: Land and buildings	8,179,704	-	8,179,704
Net income (losses) recognised directly in net assets	8,179,704	-	8,179,704
Surplus for the year		- 538,322,961	538,322,961
Total recognised income and expenses for the year	8,179,704	538,322,961	546,502,665
Total changes	8,179,704	538,322,961	546,502,665
<b>Balance at 30 June 2015</b>	<b>38,325,750</b>	<b>4,293,066,779</b>	<b>4,331,392,529</b>
Note(s)	17		

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service charges		97,258,021	75,052,094
Grants		1,222,351,254	1,087,500,924
Interest income		29,507,012	64,766,780
Other receipts		103,744,858	58,518,029
		<u>1,452,861,145</u>	<u>1,285,837,827</u>
<b>Payments</b>			
Employee costs		(558,995,811)	(434,902,675)
Suppliers		(444,953,808)	(519,439,972)
Finance costs		(17,650,472)	(14,476,675)
		<u>(1,021,600,091)</u>	<u>(968,819,322)</u>
Total receipts		1,452,861,145	1,285,837,827
Total payments		(1,021,600,091)	(968,819,322)
<b>Net cash flows from operating activities</b>	40	<b><u>431,261,054</u></b>	<b><u>317,018,505</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(1,012,315,953)	(480,172,896)
Proceeds from sale of property, plant and equipment	5	1,566,995	4,690,011
Purchase of other intangible assets	6	(5,000,000)	(1,142,192)
Decrease/(Increase) in current investments		262,231,830	84,468,255
Movement in current portion of non-current receivables		-	5,307
Increase in non - current receivables		(227,276)	(311,260)
		<u>(753,744,404)</u>	<u>(392,462,775)</u>
<b>Net cash flows from investing activities</b>		<b><u>(753,744,404)</u></b>	<b><u>(392,462,775)</u></b>
<b>Cash flows from financing activities</b>			
Movement in interest bearing borrowings DBSA		286,320,150	-
Proceeds from consumer deposits		343,614	170,355
Finance lease payments		(669,829)	360,499
		<u>285,993,935</u>	<u>530,854</u>
<b>Net cash flows from financing activities</b>		<b><u>285,993,935</u></b>	<b><u>530,854</u></b>
<b>Net decrease in cash and cash equivalents</b>		<b>(36,489,415)</b>	<b>(74,913,416)</b>
Cash and cash equivalents at the beginning of the year		116,150,039	191,063,454
<b>Cash and cash equivalents at the end of the year</b>	16	<b><u>79,660,624</u></b>	<b><u>116,150,038</u></b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	156,197,913	-	<b>156,197,913</b>	242,418,883	<b>86,220,970</b>	1
Rental of facilities and equipment	737,583	-	<b>737,583</b>	315,510	<b>(422,073)</b>	2
Interest earned - outstanding receivables	30,783,330	-	<b>30,783,330</b>	35,223,104	<b>4,439,774</b>	3
Other income	504,310,630	868,345,514	<b>1,372,656,144</b>	20,017,037	<b>(1,352,639,107)</b>	4
Interest received - investment	26,450,363	-	<b>26,450,363</b>	27,381,848	<b>931,485</b>	
<b>Total revenue from exchange transactions</b>	<b>718,479,819</b>	<b>868,345,514</b>	<b>1,586,825,333</b>	<b>325,356,382</b>	<b>(1,261,468,951)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	1,152,246,981	51,030,247	<b>1,203,277,228</b>	1,525,719,110	<b>322,441,882</b>	5
<b>Transfer revenue</b>						
Own revenue - VAT on MIG	-	-	-	47,466,413	<b>47,466,413</b>	7
Own revenue - VAT other grants	-	-	-	48,503,349	<b>48,503,349</b>	8
<b>Total revenue from non-exchange transactions</b>	<b>1,152,246,981</b>	<b>51,030,247</b>	<b>1,203,277,228</b>	<b>1,621,688,872</b>	<b>418,411,644</b>	
'Total revenue from exchange transactions'	718,479,819	868,345,514	<b>1,586,825,333</b>	325,356,382	<b>(1,261,468,951)</b>	
'Total revenue from non-exchange transactions'	1,152,246,981	51,030,247	<b>1,203,277,228</b>	1,621,688,872	<b>418,411,644</b>	
<b>Total revenue</b>	<b>1,870,726,800</b>	<b>919,375,761</b>	<b>2,790,102,561</b>	<b>1,947,045,254</b>	<b>(843,057,307)</b>	
<b>Expenditure</b>						
Personnel	(521,705,056)	(70,554,678)	<b>(592,259,734)</b>	(569,950,775)	<b>22,308,959</b>	9
Remuneration of councillors	(15,659,101)	2,175,503	<b>(13,483,598)</b>	(13,029,865)	<b>453,733</b>	10
Depreciation and amortisation	(153,349,033)	(1,690,135)	<b>(155,039,168)</b>	(91,832,327)	<b>63,206,841</b>	11
Finance costs	(15,790,339)	(47,281,876)	<b>(63,072,215)</b>	(31,001,620)	<b>32,070,595</b>	12
Debt impairment	(83,000,000)	(78,888,280)	<b>(161,888,280)</b>	(154,873,868)	<b>7,014,412</b>	13
Collection costs	(810,000)	4,647	<b>(805,353)</b>	(1,968,610)	<b>(1,163,257)</b>	14
Repairs and maintenance	(53,543,641)	23,504,781	<b>(30,038,860)</b>	(54,028,745)	<b>(23,989,885)</b>	15
Bulk purchases	(69,917,501)	10,163,172	<b>(59,754,329)</b>	(57,572,563)	<b>2,181,766</b>	
Contracted Services	(25,687,104)	(2,086,677)	<b>(27,773,781)</b>	(28,038,567)	<b>(264,786)</b>	16
General Expenses	(418,225,223)	(107,439,511)	<b>(525,664,734)</b>	(400,727,232)	<b>124,937,502</b>	17
<b>Total expenditure</b>	<b>(1,357,686,998)</b>	<b>(272,093,054)</b>	<b>(1,629,780,052)</b>	<b>(1,403,024,172)</b>	<b>226,755,880</b>	
	1,870,726,800	919,375,761	<b>2,790,102,561</b>	1,947,045,254	<b>(843,057,307)</b>	
	(1,357,686,998)	(272,093,054)	<b>(1,629,780,052)</b>	(1,403,024,172)	<b>226,755,880</b>	
<b>Operating surplus</b>	<b>513,039,802</b>	<b>647,282,707</b>	<b>1,160,322,509</b>	<b>544,021,082</b>	<b>(616,301,427)</b>	
Loss on disposal of assets	-	-	-	(5,698,121)	<b>(5,698,121)</b>	18
	513,039,802	647,282,707	<b>1,160,322,509</b>	544,021,082	<b>(616,301,427)</b>	
	-	-	-	(5,698,121)	<b>(5,698,121)</b>	
<b>Surplus before taxation</b>	<b>513,039,802</b>	<b>647,282,707</b>	<b>1,160,322,509</b>	<b>538,322,961</b>	<b>(621,999,548)</b>	
Deficit before taxation	513,039,802	647,282,707	<b>1,160,322,509</b>	538,322,961	<b>(621,999,548)</b>	

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Taxation	-	-	-	-	-	
<b>Actual Amount on Comparable</b>	<b>513,039,802</b>	<b>647,282,707</b>	<b>1,160,322,509</b>	<b>538,322,961</b>	<b>(621,999,548)</b>	

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	3,715,980	-	<b>3,715,980</b>	6,991,453	<b>3,275,473</b>	
Current investments	460,000,000	-	<b>460,000,000</b>	125,385,117	<b>(334,614,883)</b>	
Receivables from exchange transactions	560,649,583	-	<b>560,649,583</b>	95,299,339	<b>(465,350,244)</b>	
Receivables from non-exchange transactions	55,760,053	-	<b>55,760,053</b>	20,140,735	<b>(35,619,318)</b>	
VAT receivable	-	-	-	105,889,959	<b>105,889,959</b>	
Current portion of receivables transferred from non current assets	-	-	-	159,001,792	<b>159,001,792</b>	
Cash and cash equivalents	635,210,942	-	<b>635,210,942</b>	79,660,624	<b>(555,550,318)</b>	
	<b>1,715,336,558</b>	-	<b>1,715,336,558</b>	<b>592,369,019</b>	<b>(1,122,967,539)</b>	
<b>Non-Current Assets</b>						
Heritage assets	-	-	-	400,000	<b>400,000</b>	
Investment property	68,785,633	-	<b>68,785,633</b>	93,234,247	<b>24,448,614</b>	
Property, plant and equipment	2,364,639,871	-	<b>2,364,639,871</b>	4,423,749,951	<b>2,059,110,080</b>	
Intangible assets	-	-	-	5,761,461	<b>5,761,461</b>	
Investments in controlled entities	1,000	-	<b>1,000</b>	1,000	-	
Non - current receivables	905,728	-	<b>905,728</b>	128,859,696	<b>127,953,968</b>	
	<b>2,434,332,232</b>	-	<b>2,434,332,232</b>	<b>4,652,006,355</b>	<b>2,217,674,123</b>	
Non-Current Assets	1,715,336,558	-	<b>1,715,336,558</b>	592,369,019	<b>(1,122,967,539)</b>	
Current Assets	2,434,332,232	-	<b>2,434,332,232</b>	4,652,006,355	<b>2,217,674,123</b>	
Non-current assets held for sale (and) (assets of disposal groups)	-	-	-	-	-	
<b>Total Assets</b>	<b>4,149,668,790</b>	-	<b>4,149,668,790</b>	<b>5,244,375,374</b>	<b>1,094,706,584</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Current portion of the Interest bearing borrowings DBSA	-	-	-	172,351,148	<b>172,351,148</b>	
Finance lease obligation	275,482	-	<b>275,482</b>	199,693	<b>(75,789)</b>	
Payables from exchange transactions	327,994,141	-	<b>327,994,141</b>	343,744,290	<b>15,750,149</b>	
Consumer deposits	2,113,329	-	<b>2,113,329</b>	2,457,622	<b>344,293</b>	
Unspent conditional grants and receipts	-	-	-	45,239,540	<b>45,239,540</b>	
Provisions	224,818,056	-	<b>224,818,056</b>	6,154,999	<b>(218,663,057)</b>	
	<b>555,201,008</b>	-	<b>555,201,008</b>	<b>570,147,292</b>	<b>14,946,284</b>	
<b>Non-Current Liabilities</b>						
Finance lease obligation	498,609	-	<b>498,609</b>	97,340	<b>(401,269)</b>	
Operating lease liability	-	-	-	1,788,161	<b>1,788,161</b>	
Employee benefit obligation	-	-	-	213,629,904	<b>213,629,904</b>	
Interest bearing borrowings DBSA	-	-	-	127,320,150	<b>127,320,150</b>	

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	<b>498,609</b>	-	<b>498,609</b>	<b>342,835,555</b>	<b>342,336,946</b>	
	555,201,008	-	<b>555,201,008</b>	570,147,292	<b>14,946,284</b>	
	498,609	-	<b>498,609</b>	342,835,555	<b>342,336,946</b>	
	-	-	-	-	-	
<b>Total Liabilities</b>	<b>555,699,617</b>	-	<b>555,699,617</b>	<b>912,982,847</b>	<b>357,283,230</b>	
Assets	4,149,668,790	-	<b>4,149,668,790</b>	5,244,375,374	<b>1,094,706,584</b>	
Liabilities	(555,699,617)	-	<b>(555,699,617)</b>	(912,982,847)	<b>(357,283,230)</b>	
<b>Net Assets</b>	<b>3,593,969,173</b>	-	<b>3,593,969,173</b>	<b>4,331,392,527</b>	<b>737,423,354</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Revaluation reserve	18,665,018	-	<b>18,665,018</b>	38,325,750	<b>19,660,732</b>	
Accumulated surplus	3,575,304,155	-	<b>3,575,304,155</b>	4,293,066,778	<b>717,762,623</b>	
<b>Total Net Assets</b>	<b>3,593,969,173</b>	-	<b>3,593,969,173</b>	<b>4,331,392,528</b>	<b>737,423,355</b>	

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Service charges	661,246,126	-	<b>661,246,126</b>	30,672,924	<b>(630,573,202)</b>	
Grants	1,152,246,981	-	<b>1,152,246,981</b>	260,416,161	<b>(891,830,820)</b>	
Interest income	57,233,693	-	<b>57,233,693</b>	9,355,339	<b>(47,878,354)</b>	
Other receipts	-	-	-	(20,677,353)	<b>(20,677,353)</b>	
	<b>1,870,726,800</b>	-	<b>1,870,726,800</b>	<b>279,767,071</b>	<b>(1,590,959,729)</b>	
<b>Payments</b>						
Employee costs	(1,341,896,659)	-	<b>(1,341,896,659)</b>	(131,565,128)	<b>1,210,331,531</b>	
Suppliers	-	-	-	(183,588,572)	<b>(183,588,572)</b>	
Finance costs	(15,790,339)	-	<b>(15,790,339)</b>	(3,853,383)	<b>11,936,956</b>	
	<b>(1,357,686,998)</b>	-	<b>(1,357,686,998)</b>	<b>(319,007,083)</b>	<b>1,038,679,915</b>	
Total receipts	1,870,726,800	-	<b>1,870,726,800</b>	279,767,071	<b>(1,590,959,729)</b>	
Total payments	(1,357,686,998)	-	<b>(1,357,686,998)</b>	(319,007,083)	<b>1,038,679,915</b>	
<b>Net cash flows from operating activities</b>	<b>513,039,802</b>	-	<b>513,039,802</b>	<b>(39,240,012)</b>	<b>(552,279,814)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(513,039,813)	-	<b>(513,039,813)</b>	(37,410,819)	<b>475,628,994</b>	
Proceeds from sale of property, plant and equipment	-	-	-	308	<b>308</b>	
Decrease in current investments	-	-	-	54,616,947	<b>54,616,947</b>	
Increase in non current receivables	-	-	-	(23,387)	<b>(23,387)</b>	
<b>Net cash flows from investing activities</b>	<b>(513,039,813)</b>	-	<b>(513,039,813)</b>	<b>17,183,049</b>	<b>530,222,862</b>	
<b>Cash flows from financing activities</b>						
Proceeds from consumer deposits	-	-	-	113,244	<b>113,244</b>	
Finance lease payments	-	-	-	(1)	<b>(1)</b>	
<b>Net cash flows from financing activities</b>	-	-	-	<b>113,243</b>	<b>113,243</b>	
Net increase/(decrease) in cash and cash equivalents	(11)	-	<b>(11)</b>	(21,943,720)	<b>(21,943,709)</b>	
Cash and cash equivalents at the beginning of the year	374,136,406	-	<b>374,136,406</b>	116,150,039	<b>(257,986,367)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>374,136,395</b>	-	<b>374,136,395</b>	<b>94,206,319</b>	<b>(279,930,076)</b>	



# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2015</b>											
<b>Financial Performance</b>											
Service charges	156,197,913	-	156,197,913	-	-	156,197,913	242,418,883	-	86,220,970	155 %	155 %
Investment revenue	13,450,363	-	13,450,363	-	-	13,450,363	27,381,848	-	13,931,485	204 %	204 %
Transfers recognised - operational	681,519,788	51,030,247	732,550,035	-	-	732,550,035	703,329,011	-	(29,221,024)	96 %	103 %
Other own revenue	548,831,543	868,345,514	1,417,177,057	-	-	1,417,177,057	151,525,413	-	(1,265,651,644)	11 %	28 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1,399,999,607</b>	<b>919,375,761</b>	<b>2,319,375,368</b>	<b>-</b>	<b>-</b>	<b>2,319,375,368</b>	<b>1,124,655,155</b>	<b>-</b>	<b>(1,194,720,213)</b>	<b>48 %</b>	<b>80 %</b>
Employee costs	(521,705,056)	(39,479,756)	(561,184,812)	-	-	(561,184,812)	(569,950,775)	-	(8,765,963)	102 %	109 %
Remuneration of councillors	(15,659,101)	-	(15,659,101)	-	-	(15,659,101)	(13,029,865)	-	2,629,236	83 %	83 %
Debt impairment	(119,187,257)	(71,873,868)	(191,061,125)	-	-	(191,061,125)	(154,873,868)	-	36,187,257	81 %	130 %
Depreciation and asset impairment	(153,349,033)	(253,821)	(153,602,854)	-	-	(153,602,854)	(91,832,327)	-	61,770,527	60 %	60 %
Finance charges	(15,790,339)	(47,254,254)	(63,044,593)	-	-	(63,044,593)	(31,001,620)	-	32,042,973	49 %	196 %
Materials and bulk purchases	(69,917,501)	10,000,000	(59,917,501)	-	-	(59,917,501)	(57,572,563)	-	2,344,938	96 %	82 %
Other expenditure	(462,078,711)	(152,721,041)	(614,799,752)	-	-	(614,799,752)	(490,461,275)	-	124,338,477	80 %	106 %
<b>Total expenditure</b>	<b>(1,357,686,998)</b>	<b>(301,582,740)</b>	<b>(1,659,269,738)</b>	<b>-</b>	<b>-</b>	<b>(1,659,269,738)</b>	<b>(1,408,722,293)</b>	<b>-</b>	<b>250,547,445</b>	<b>85 %</b>	<b>104 %</b>
Total revenue (excluding capital transfers and contributions)	1,399,999,607	919,375,761	2,319,375,368	-	-	2,319,375,368	1,124,655,155	-	(1,194,720,213)	48 %	80 %
Total expenditure	(1,357,686,998)	(301,582,740)	(1,659,269,738)	-	-	(1,659,269,738)	(1,408,722,293)	-	250,547,445	85 %	104 %
<b>Surplus/(Deficit)</b>	<b>42,312,609</b>	<b>617,793,021</b>	<b>660,105,630</b>	<b>-</b>	<b>-</b>	<b>660,105,630</b>	<b>(284,067,138)</b>	<b>-</b>	<b>(944,172,768)</b>	<b>(43)%</b>	<b>(671)%</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	470,727,193	-	470,727,193	-		470,727,193	822,390,099		351,662,906	175 %	175 %
Contributions recognised - capital and contributed assets	-	617,793,021	617,793,021	-		617,793,021	-		(617,793,021)	- %	DIV/0 %
Surplus/(Deficit)	42,312,609	617,793,021	660,105,630	-	-	660,105,630	(284,067,138)	-	(944,172,768)	(43)%	(671)%
Capital transfers and contributions	470,727,193	617,793,021	1,088,520,214	-	-	1,088,520,214	822,390,099	-	(266,130,115)	76 %	175 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>513,039,802</b>	<b>1,235,586,042</b>	<b>1,748,625,844</b>	-		<b>1,748,625,844</b>	<b>538,322,961</b>		<b>(1,210,302,883)</b>	<b>31 %</b>	<b>105 %</b>
Surplus (Deficit) after capital transfers and contributions	513,039,802	1,235,586,042	1,748,625,844	-	-	1,748,625,844	538,322,961	-	(1,210,302,883)	31 %	105 %
<b>Surplus/(Deficit) for the year</b>	<b>513,039,802</b>	<b>1,235,586,042</b>	<b>1,748,625,844</b>	-		<b>1,748,625,844</b>	<b>538,322,961</b>		<b>(1,210,302,883)</b>	<b>31 %</b>	<b>105 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	-	-	-	-		-	831,544,434		831,544,434	DIV/0 %	DIV/0 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	470,727,193	-	470,727,193	-		470,727,193	-		(470,727,193)	- %	- %
Borrowing	-	631,835,837	631,835,837	-		631,835,837	-		(631,835,837)	- %	DIV/0 %
Internally generated funds	42,312,620	(14,042,816)	28,269,804	-		28,269,804	-		(28,269,804)	- %	- %
<b>Total sources of capital funds</b>	<b>513,039,813</b>	<b>617,793,021</b>	<b>1,130,832,834</b>	-		<b>1,130,832,834</b>	-		<b>(1,130,832,834)</b>	<b>- %</b>	<b>- %</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	513,039,802	-	513,039,802	-		513,039,802	431,261,054		(81,778,748)	84 %	84 %
Net cash from (used) investing	(513,039,813)	-	(513,039,813)	-		(513,039,813)	(753,744,404)		(240,704,591)	147 %	147 %
Net cash from (used) financing	-	-	-	-		-	285,993,935		285,993,935	DIV/0 %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(11)</b>	<b>-</b>	<b>(11)</b>	<b>-</b>		<b>(11)</b>	<b>(36,489,415)</b>		<b>(36,489,404)</b>	<b>721,955 %</b>	<b>721,955 %</b>
Cash and cash equivalents at the beginning of the year	116,150,039	-	116,150,039	-		116,150,039	116,150,039		-	100 %	100 %
Net increase / (decrease) in cash and cash equivalents	(11)	-	(11)	-	-	(11)	(36,489,415)	-	36,489,404	721,955 %	721,955 %
Cash and cash equivalents at the beginning of the year	116,150,039	-	116,150,039	-	-	116,150,039	116,150,039	-	-	100 %	100 %
<b>Cash and cash equivalents at year end</b>	<b>116,150,028</b>	<b>-</b>	<b>116,150,028</b>	<b>-</b>		<b>116,150,028</b>	<b>79,660,624</b>		<b>36,489,404</b>	<b>69 %</b>	<b>69 %</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2014</b>				
<b>Financial Performance</b>				
Service charges				200,458,055
Investment revenue				32,462,037
Transfers recognised - operational				665,018,800
Other own revenue				95,578,918
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>993,517,810</b>
Employee costs	-	-	-	(464,158,302)
Remuneration of councillors	-	-	-	(12,252,662)
Debt impairment	-	-	-	(116,309,046)
Depreciation and asset impairment	-	-	-	(106,308,633)
Finance charges	-	-	-	(14,476,675)
Materials and bulk purchases	-	-	-	(62,048,818)
Other expenditure	-	-	-	(501,755,156)
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,277,309,292)</b>
Total revenue (excluding capital transfers and contributions)	-	-	-	993,517,810
Total expenditure	-	-	-	(1,277,309,292)
<b>Surplus/(Deficit)</b>				<b>(283,791,482)</b>
Transfers recognised - capital				459,955,561
Surplus/(Deficit)	-	-	-	(283,791,482)
Capital transfers and contributions	-	-	-	459,955,561
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>176,164,079</b>
Surplus (Deficit) after capital transfers and contributions	-	-	-	176,164,079
<b>Surplus/(Deficit) for the year</b>				<b>176,164,079</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				479,346,554
<b>Sources of capital funds</b>				
Transfers recognised - capital				459,955,561
<b>Cash flows</b>				
Net cash from (used) operating				317,018,505
Net cash from (used) investing				(392,462,775)
Net cash from (used) financing				530,854
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>(74,913,416)</b>
Cash and cash equivalents at the beginning of the year				191,063,454
Net increase / (decrease) in cash and cash equivalents	-	-	-	(74,913,416)
Cash and cash equivalents at the beginning of the year	-	-	-	191,063,454
<b>Cash and cash equivalents at year end</b>				<b>116,150,038</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1. Basis of presentation

The annual 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 annual 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance GRAP 3 on Accounting Policies, Changes in Estimates and Errors as read with Directive 5.

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

These accounting policies are consistent with the previous period, unless specified otherwise.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

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

##### **Estimates**

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

##### **Pension and other post - employment benefits**

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

For key actuarial assumptions, refer to Note 11 "Employee benefit obligation".

##### **Operating lease commitments - Municipality as lesser**

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

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Depreciation and amortisation

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

#### Infrastructure assets

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

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

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

information on performance from the operations staff.

#### Allowance for doubtful debts

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

#### Fair value determination of investment properties

In determining the fair value of investment property and property, plant and equipment the municipality applies a valuation methodology to determine the fair value of the properties based on any one of, or a combination of the following factors:

- The market related selling price of the property; or
- The market related rental that can be earned for the property; or
- The market related selling price of similar properties in the area; or
- The rentals currently or previously earned by The property.

#### Inventory - Water Stock

The estimation of the water stock in the reservoirs and pipelines is based on an assumption of the network reticulation capacity at year end. Any existing drought conditions are also taken into consideration where applicable.

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

#### Impairments of non-financial assets

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

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Provisions and contingent liabilities

Management's judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. Provisions are discounted where the effect of discounting is material.

#### Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks and other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

### 1.4 Investment property

#### Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property is initially recognised when future benefits are probable and the cost or fair value can be determined reliably.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

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

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated. Investment properties are written down as a result of impairment, where considered necessary. Depreciation begins when the asset is available for use. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Investment property includes land held with an indefinite use. This land is recognised at fair value on the date of recognition.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.



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## Accounting Policies

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### 1.4 Investment property (continued)

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

#### Impairments

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

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

### 1.5 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.

#### Subsequent measurement

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

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Annual Financial Statements for the year ended 30 June 2015

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### 1.5 Property, plant and equipment (continued)

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

Land and Buildings 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.

When an item of land and buildings 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.

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 accumulated surplus/(deficit) when the asset is derecognised.

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.

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

<b>Item</b>	<b>Average useful life</b>
Land	Indefinite Life
Buildings	30 years
Furniture and fittings	7 to 10 years
Motor vehicles	
• Vehicles	5 years
• Specialised vehicles	3 to 20 years
Office equipment	3 to 7 years
IT equipment	3 to 5 years
Infrastructure	
• Roads and Paving	10 to 30 years
• Sewerage Mains and Purification Works	15 to 20 years
• Water Supply and Reticulation	5 to 30 years
Community	
• Libraries	30 years
• Buildings	30 years
• Community Centres	20 years
• Recreational Facilities	30 years
• Parks and Gardens	
Other property, plant and equipment	
• Specialised Plant and Equipment	5 to 15 years
• Emergency and Medical Equipment	5 to 15 years
Ancillary fleet equipment and security	
• Security Equipment	3 to 5 years
Bins and containers	5 to 10 years
Other items	2 to 5 years
Leased Assets	3 to 5 years

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## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

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.

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

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. Depreciation of an asset commences when the asset is ready for its use as intended by management. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where appropriate, the term of the relevant lease, and are recognised in the statement of financial performance.

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.

#### Impairments

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

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

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

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.

Intangible assets are initially recognised at cost.

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.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Intangible assets (continued)

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 period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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.

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

#### Subsequent Measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the statement of financial performance under expenses consistent with the function of the intangible asset.

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

Item	Useful life
Computer software	3 years

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

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

Amortisation of the asset begins when the development is complete and the asset is available for use.

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

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

#### Impairments

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset maybe impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance. The municipality does not hold any intangibles with indefinite useful lives.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.7 Heritage assets

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.7 Heritage assets (continued)

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

#### Impairment

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

#### Derecognition

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such a difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.8 Investments in controlled entities

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

Controlled entities are fully consolidated from the date on which control is transferred to the municipality, and are carried at cost. Investments in municipal entities under the ownership control of the municipality are carried at cost. Separate consolidated financial statements are prepared to account for the municipality's share of net assets and post acquisition results of these investments.

The municipality commences accounting for an investment in a subsidiary from the date that control exists and discontinues the application when it no longer has control over the subsidiary.

### 1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment

A concessionary loan is a loan granted to or received by a municipality on terms that are not market related.

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

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

# Amathole District Municipality

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## Accounting Policies

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### 1.9 Financial instruments (continued)

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (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, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall 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 (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:

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

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

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

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

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

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

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;

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## Accounting Policies

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### 1.9 Financial instruments (continued)

- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

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

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

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

<b>Class</b>	<b>Category</b>
Trade payables	Financial liability measured at amortised cost
Other payables	Financial liability measured at amortised cost
Interest bearing borrowings: DBSA	Financial liability measured at amortised cost

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

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

#### Reclassification

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

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

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the municipality reclassifies the instrument from cost to fair value.

#### Offsetting

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

#### Gains and losses

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

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

#### Impairment of financial assets

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.

Financial assets measured at amortised cost:



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### 1.9 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

### Receivables

Receivables are classified as financial assets at amortised cost less provision for impairment. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivables is impaired. Bad debts are written off in the year in which they are identified as irrecoverable, subject to the approval of the necessary delegated authority. Impairments are determined by discounting expected future cash flows to their present value. Amounts receivable within 12 months from the date of reporting are classified as current. An impairment of receivables is accounted for by reducing the carrying amount of receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited in the Statement of Financial Performance. Interest is charged on overdue amounts.

# Amathole District Municipality

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## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

##### Financial liabilities

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

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

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

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Presentation

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

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

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

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

#### Policies relating to specific financial instruments

##### Investment at amortised cost

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

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

##### Investment at cost

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

##### Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

##### Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account. Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

##### Trade and other payables

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

### 1.10 VAT

#### VAT

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

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.11 Leases

#### Finance leases -municipality as a lessee

##### Recognition

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

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

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

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

##### Measurement

Assets subject to a finance lease, as recognised in the statement of financial position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the of the future minimum lease payments.

Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

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

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

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

##### Derecognition

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

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

##### Subsequent measurement

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

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.11 Leases (continued)

#### Operating leases - municipality as a lessor

Income for leases is disclosed under revenue in statement of financial performance.

#### Recognition

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

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

#### Measurement

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

#### Derecognition

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

#### Operating leases - municipality as a 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. The liability or asset is not discounted. Any contingent rents are expensed in the period they are incurred.

### 1.12 Inventories

#### Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.12 Inventories (continued)

#### Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

The basis of determining cost is the first-in-first-out (FIFO) method.

Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

Housing development inventory is measured at cost on the first-in, first-out basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs. The carrying amount of these inventories held for distribution is recognised as an expense when beneficiaries take occupation of the houses.

Housing development funding received is recognised as revenue and expenditure on the Statement of Financial Performance to the extent that the Municipality has complied with any of the criteria, obligations or conditions of the grant.

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

#### Derecognition

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

### 1.13 Impairment of cash-generating assets

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

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset in order to determine the extent of the impairment loss (if any).

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

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

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

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

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

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

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.13 Impairment of cash-generating assets (continued)

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

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

#### 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.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### 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:

- base 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 or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.13 Impairment of cash-generating assets (continued)

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### 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.

#### 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.

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

When the amount estimated for an impairment loss is greater than the carrying amount of the 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.



# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.13 Impairment of cash-generating assets (continued)

#### Cash-generating units

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

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

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

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

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

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

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

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

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

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

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.13 Impairment of cash-generating assets (continued)

#### 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.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

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

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

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

The amount of the reversal of the impairment loss 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.

### 1.14 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.

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.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.14 Impairment of non-cash-generating assets (continued)

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 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.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.14 Impairment of non-cash-generating assets (continued)

#### 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.

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

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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.

### 1.15 Employee benefits

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

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Multi-employer plans

The municipality classifies a multi-employer plan plans as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

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

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

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.15 Employee benefits (continued)

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

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

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

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

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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



# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.15 Employee benefits (continued)

#### Other post retirement obligations

The municipality provides post-retirement health care benefits to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. According to the rules of the medical aid funds, with which

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

#### Medical Aid:Continued Members

The municipality provides post retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the municipality is associated, a member ( who is on the current conditions of service), on retirement, is entitled to remain a continued member of such a medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the municipality for the remaining 70%. Assumption about the medical costs take into account estimated future changes in cost medical services, resulting from both inflation and specific changes in medical costs. Actuaries are used to determine the obligation on an annual basis. The actuarial gain or loss is recognised in surplus or deficit.

#### Other Long Term Employee Benefits

The municipality provides long-term incentives to eligible employees, payable on completion of years of employment. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method has been used to value the obligation. Actuarial gains and losses on long term incentives are accounted for in surplus or deficit. The municipality offers employees long service awards for every five years of services completed, from five years of service to 45 years of service, inclusive.

### 1.16 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.

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.

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.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.16 Provisions and contingencies (continued)

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

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

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

Provisions are not recognised for future operating deficits.

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

### 1.17 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.

#### Sale of goods

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

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

#### Rendering of services

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

Revenue arising from consumption of water and sanitation in the month of June is fully accounted for whether invoiced or not. Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered. Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from the council and are levied monthly. Revenue arising from fire services is based on set basic tariffs

#### Interest, rentals and agency services

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

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

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.18 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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

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

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

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

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

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

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

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

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

#### Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria, conditions and obligations embodied in the agreement. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional and funds are invested until utilised. Grants without any conditions attached are recognised as revenue when the asset is recognised.

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

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.19 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

### 1.20 Investment income

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

### 1.21 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.22 Translation of foreign currencies

#### Foreign currency transactions

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

Transaction in foreign currency are accounted for at the exchange ruling on the date of the transaction.

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

### 1.23 Surplus/deficit

#### Gains and Losses.

Gains and losses arising from fair value adjustments on investments and loans, and from the disposal of assets, are presented separately from other revenue in the Statement of Financial Performance. Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in the net assets is especially allowed or required by a Standard of GRAP.

### 1.24 Comparative figures

#### Current year comparatives (budget)

Budget information in accordance with GRAP 1 and 24, has been provided as separate additional a financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanations and comments to material differences are provided in the notes to the annual financial statements.

In addition a note has been added to the annual financial statements, for the current financial year only. The annual budget figures included in the annual financial statements are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan (IDP). The approved budget covers the fiscal period from 01/07/2014 to 30/06/2015. The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of budget and actual amounts. Comparative information is not required.

#### Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified and restated. The nature and reason for the reclassification and restatement are disclosed in the Notes to the Annual Financial Statements. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The presentation and classification of items in the current year is consistent with prior periods.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.25 Unauthorised expenditure

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

### 1.26 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.

### 1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act ( Act No. 20 of 1998) or is in contravention of municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.28 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual 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.

### 1.29 Revaluation reserve

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

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

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

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

### 1.30 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.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.31 Conditional grants and receipts

Government grants and other grants are recognised as revenue when:

(a) it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,

(b) the amount of the revenue can be measured reliably, and

(c) to the extent that there has been compliance with any restrictions associated with the grant

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

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

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

### 1.32 Related parties

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

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

- normal supplier and/ or client/ recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual municipality or persons in the same circumstances and;
- terms and conditions within the normal operating parameters established by the reporting municipality's legal mandate;

Further details about those transactions are disclosed in the notes to the financial statements.

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

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

### 1.33 Commitments

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

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

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

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

### 1.34 Post balance sheet events

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

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

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

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

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>GRAP 18: Segment Reporting</li> </ul>	01 April 2015	No effective date has been determined by the Minister of Finance. The Standard requires the identification and aggregation of the operating segments of the municipality into reportable segments. For each of the reportable segments identified details of the financial performance will be disclosed. The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting.
<ul style="list-style-type: none"> <li>GRAP 105: Transfers of functions between entities under common control</li> </ul>	01 April 2015	It is unlikely that the standard will have a material impact on the annual financial statements as the municipality has not had any transfer of functions.
<ul style="list-style-type: none"> <li>GRAP 106: Transfers of functions between entities not under common control</li> </ul>	01 April 2015	It is unlikely that the standard will have a material impact on annual financial statements as the municipality has not had any transfers of functions.
<ul style="list-style-type: none"> <li>GRAP 107: Mergers</li> </ul>	01 April 2015	It is unlikely that the standard will have a material impact on the annual financial statements as the municipality has not had any mergers.
<ul style="list-style-type: none"> <li>GRAP 20: Related parties</li> </ul>	01 April 2015	The municipality has based its accounting policy on this standard, hence it is unlikely that the standard will have a material impact on the annual financial statements
<ul style="list-style-type: none"> <li>GRAP32: Service Concession Arrangements: Grantor</li> </ul>	01 April 2015	No effective date has been determined by the Minister of Finance

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

### 2. New standards and interpretations (continued)

- GRAP108: Statutory Receivables

01 April 2015

No effective date has been determined by the Minister of Finance.

### 3. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Collection of historical implements	400,000	-	400,000	400,000	-	400,000

#### Reconciliation of heritage assets - 2015

	Opening balance	Total
Collection of historical implements	400,000	400,000

#### Reconciliation of heritage assets - 2014

	Opening balance	Total
Collection of historical implements	400,000	400,000

#### Pledged as security

Carrying value of heritage assets is not pledged as security.

#### Methods and assumptions used

Valuations are performed by an independent valuer, Mrs Penelope Jean Lindstrom, Board member of South African Institute of Valuers and currently the chairperson. Messers Penny Lindstrom Valuations CC are not connected to the Municipality and have recent experience in location and category of asset being valued.

### 4. Investment property

	2015			2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	93,234,247	(404,733)	92,829,514	93,234,247	(333,900)	92,900,347



# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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Figures in Rand

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### 4. Investment property (continued)

#### Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	92,900,349	(70,833)	92,829,516

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# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

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### 4. Investment property (continued)

#### Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	92,971,182	(70,833)	92,900,349

The investment property comparative figure has been restated due a to prior period error. Refer to note 45.

#### Pledged as security

There were no properties pledged as security

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 4. Investment property (continued)

#### Details of valuation

#### Investment property carried at cost:

The municipality applies the cost model to recognize its investment properties

Market valuations were performed by an independent valuer, Mrs. Penelope Jean Lindstrom, Board Member of South African Institute of Valuers and currently the chairperson. Messrs Penny Lindstrom Valuations CC are not connected to the Municipality and have recent experience in location and category of the investment property being valued.

Effective date of valuation June 2015

The fair value of the investment property was determined based on current prices in an active market for similar property in the same location and condition. Although these are investment properties, not all properties have leases attached to these properties, ownership of these properties was confirmed in the current financial year.

The carrying amount of the investment property if carried under the fair value model: 92,860,000    80,448,677

Rental income from investment property 171,936    213,640

Refer to Note for 41 lease commitments

### 5. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	13,198,615	-	13,198,615	10,290,315	-	10,290,315
Buildings	31,034,438	(7,393,368)	23,641,070	25,187,101	(6,289,963)	18,897,138
Infrastructure	4,858,080,768	(624,508,001)	4,233,572,767	3,861,390,273	(551,689,566)	3,309,700,707
Community	62,192,975	(4,835,914)	57,357,061	62,192,975	(2,616,960)	59,576,015
Finance leased Assets	1,121,190	(761,354)	359,836	1,121,190	(154,322)	966,868
Other assets	164,575,122	(68,549,785)	96,025,337	154,795,613	(53,916,848)	100,878,765
<b>Total</b>	<b>5,130,203,108</b>	<b>(706,048,422)</b>	<b>4,424,154,686</b>	<b>4,114,977,467</b>	<b>(614,667,659)</b>	<b>3,500,309,808</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Revaluations	Underconstruct ion:Work in progress	Depreciation	Total
Land	10,290,318	-	-	-	2,908,300	-	-	13,198,618
Buildings	18,897,140	575,933	-	-	5,271,404	-	(1,103,405)	23,641,072
Infrastructure	3,309,700,702	39,353,482	(3,295,738)	(2,239,432)	-	962,872,183	(72,818,435)	4,233,572,762
Community	59,576,019	-	-	-	-	-	(2,218,954)	57,357,065
Finance leased Assets	966,868	-	-	-	-	-	(607,032)	359,836
Other assets	100,878,765	12,485,099	(2,705,591)	-	-	-	(14,632,937)	96,025,336
	<b>3,500,309,812</b>	<b>52,414,514</b>	<b>(6,001,329)</b>	<b>(2,239,432)</b>	<b>8,179,704</b>	<b>962,872,183</b>	<b>(91,380,763)</b>	<b>4,424,154,689</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Underconstruct ion:WIP	Depreciation	Total
Land	10,147,318	143,000	-	-	-	10,290,318
Buildings	13,392,209	6,500,000	-	-	(995,070)	18,897,139
Infrastructure	2,929,637,728	123,043,171	-	339,292,511	(82,272,708)	3,309,700,702
Community	61,786,239	-	-	-	(2,210,220)	59,576,019
Finance leased Assets	173,122	991,257	-	-	(197,511)	966,868
Other assets	114,565,608	8,234,223	(975,401)	-	(20,945,665)	100,878,765
	<b>3,129,702,224</b>	<b>138,911,651</b>	<b>(975,401)</b>	<b>339,292,511</b>	<b>(106,621,174)</b>	<b>3,500,309,811</b>

#### Pledged as security

Carrying value of assets were not pledged as security in the year under review.

There was a change in estimate due to the review of useful lives Refer Note 44

Comparative figures have been restated refer to Note 45

#### Capitalised expenditure(excluding borrowing costs)

Land and buildings	136,088	6,643,000
Infrastructure	40,119,456	462,335,682
Finance lease assets	-	991,257
Other	13,605,113	8,234,223
	<b>53,860,657</b>	<b>478,204,162</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
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### 5. Property, plant and equipment (continued)

#### Compensation received for losses on property, plant and equipment – included in operating profit.

Motor vehicles	707,618	401,405
IT equipment	105,877	89,430
Infrastructure	-	1,329,677
	<b>813,495</b>	<b>1,820,512</b>

#### Assets subject to finance lease (Net carrying amount)

Office equipment	1,328,557	1,489,916
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#### Revaluations of Land and Buildings

The effective date of the revaluations was June 2015. Revaluations were performed by independent valuer, Mrs Penelope Jean Lindstrom [Board Member of South African Institute of Valuers], and currently the chairman. Messrs Penny Lindstrom Valuations CC are not connected to the municipality.

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

The valuation was performed using the depreciated replacement values.

#### Other information

#### Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Other assets	-	33,269,559
Infrastructure	2,548,838	1,124,114
	<b>2,548,838</b>	<b>34,393,673</b>

#### Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Total
Opening balance	1,074,469,927	1,074,469,927
Additions	995,790,870	995,790,870
Transferred to completed items	(2,239,432)	(2,239,432)
	<b>2,068,021,365</b>	<b>2,068,021,365</b>

#### Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Total
Opening balance	752,066,998	752,066,998
Additions/capital expenditure	443,344,548	443,344,548
Transferred to completed items	(120,941,619)	(120,941,619)
	<b>1,074,469,927</b>	<b>1,074,469,927</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

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### 6. Intangible assets

	2015			2014		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, licences	6,142,192	(380,731)	5,761,461	3,234,164	(2,091,972)	1,142,192

#### Reconciliation of intangible assets - 2015

	Opening balance	WIP Additions	Amortisation	Total
Computer software, licences	1,142,192	5,000,000	(380,731)	5,761,461

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, licences	402	1,142,192	(402)	1,142,192

#### Pledged as security

Carrying value of intangible assets is not pledged as security.

#### Restricted title

Carrying value of intangible assets whole title is not restricted

#### Other information

Fully amortised intangible assets still in use	2,091,972	2,091,972
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# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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Figures in Rand				2015	2014 Restated
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### 7. Investments in controlled entities

Name of company	Held by	% holding 2015	% holding 2014	Carrying amount 2015	Carrying amount 2014
Amathole Economic Development Agency (Pty) Ltd t/a ASPIRE	ADM	100.00 %	100.00 %	1,000	1,000

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#### *Investments in Municipal Entity*

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

Issued Share Capital (1000 ordinary shares of R1,00 each)

100 Percentage owned by ADM Council

The Amathole Economic Development Agency was established 1 September 2005

**Place of incorporation:** South Africa

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

The municipality transfers funds to the entity for operating purposes. Refer note 43 for related party transactions.

Both the ADM and ASPIRE management agree that uncertainty exists in respect of the ability of the Municipal Entity to meet its financial obligations as they fall due. Accordingly it is the intention of the ASPIRE and ADM management to further identify the root cause of the current situation by way of investigation and to impose a financial recovery plan as envisaged in Section 109 of the MFMA.



# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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<b>8. Non current receivables</b>		
Long term debtor -National Treasury (MIG)	127,320,150	-
National Treasury approved the pledging of the Municipal Infrastructure Grant (MIG) for the two outer years in order to fast track Sanitation backlogs. It will be received over the next two financial years.		
Long term receivable	1,539,546	1,310,847
Non-current receivables are financial assets which are categorised at amortised cost The fair values of the loans are estimated to approximate their carrying amounts		
<b>Loans to sport clubs in the District</b>		
The loans to the local municipalities represents loans to Winterstrand and Kei Road Sports Club. The loans currently attract interest at 4% per annum and are repayable in 40 instalments over 20 years.		
<b>Deposits</b>		
The deposits relates to the amount paid when the municipality enters into the leases for buildings and utilities.		
	<b>128,859,696</b>	<b>1,310,847</b>
<b>Non current receivables</b>		
Deposits	1,539,546	1,310,847
Loans to sport clubs in the District	1,792	3,215
Long term debtor - National Treasury (MIG)	286,320,150	-
Subtotal	287,861,488	1,314,062
Less: Current portion transferred to current receivables	(159,001,792)	(3,215)
	<b>128,859,696</b>	<b>1,310,847</b>
<b>Long term debtor - NT(MIG)</b>		
Current asset	159,000,000	-
Non current asset	127,320,150	-
	<b>286,320,150</b>	<b>-</b>
<b>9. Current investments</b>		
<b>At amortised cost</b>		
Call investments deposits	125,385,117	387,616,947
	-	-
	-	-
	125,385,117	387,616,947
<b>Current assets</b>		
Call investment deposit	125,385,117	387,616,947
Non-current assets	-	-
Current assets	125,385,117	387,616,947

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

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### 9. Current investments (continued)

#### Financial Assets at amortised cost

Call Accounts

125,507,039 387,616,947

The following fixed deposit accounts have been classified at amortised cost in accordance with GRAP104: Financial Instruments.

Maturity periods are fixed and range between 1 - 6 months. Average rate of return on investments 6.04 % (2014: 5.90%).

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

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

No investments were written off during the year.

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

### 10. Operating lease asset (accrual)

Non-current liabilities

(1,788,161) (324,731)

**(1,788,161) (324,731)**

Operating lease income and expenses have been recognised on a straight line basis over the lease term. The effect of accounting for operating leases on the straight line basis had the above effect.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>11. Employee benefit obligation</b>		
<b>Defined contribution plan</b>		
Provision for post employment health care benefits	195,444,834	177,172,143
Provision for ex-gratia benefits	113,772	158,901
Provision for long service benefits	18,071,299	10,165,113
	<b>213,629,905</b>	<b>187,496,157</b>
<b>Statement of Financial Performance</b>		
Current service cost	21,899,487	11,943,918
Interest cost	17,437,189	13,900,021
Actuarial gain recognised	15,274,468	-
Actuarial loss recognised	(1,691,881)	15,507,604
	<b>52,919,263</b>	<b>41,351,543</b>
<b>Post retirement medical aid plan</b>		
The Post Employment Health Care Benefit plan, of which the members are made up as follows:		
- In-service (employee) members	1,354	1,229
- Continuation (retiree, widow / er and orphan) members	395	487
- In-service ( employee) non-members	82	84
	<b>1,831</b>	<b>1,800</b>
The unfunded liability in respect of past service has been estimated to be as follows :		
- In-service (employee) members	142,122,822	123,190,637
- In-service (employee) non-members	25,871,814	25,987,679
- Continuation (retiree and widow) members	27,450,198	27,993,827
	<b>195,444,834</b>	<b>177,172,143</b>
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes :		
- Bonitas		
- Hosmed		
- Keyhealth		
- LA Health		
- Samwumed		
- Gems		
On retirement of an employee Council has post retirement obligation to contribute 70% to the medical cost of the employee.		
<b>Reconciliation of assets and liabilities recognised in the balance sheet</b>		
Present value of fund obligations	-	-
Fair value on plan assets	-	-
<b>Present value of unfunded obligations</b>	<b>195,444,834</b>	<b>177,172,143</b>
Present Value of Obligations in excess of Plan Assets	195,444,834	177,172,143
Unrecognised past service cost	-	-

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>11. Employee benefit obligation (continued)</b>		
Unrecognised actuarial (gains) / losses	-	-
Unrecognised transitional liability	-	-
<b>Net liability in Balance Sheet</b>	<b>195,444,834</b>	<b>177,172,143</b>
The municipality has elected to recognise this full increase in this defined benefit liability immediately.		
<b>Reconciliation of present value of fund obligation :</b>		
Present value of fund obligation at the beginning of the year	177,172,143	139,627,863
Current service costs	18,758,177	13,990,344
Expected benefits paid	(1,608,191)	(2,432,724)
Interest cost	16,375,268	13,014,837
Past service costs	-	-
Actuarial gains / (losses)	(15,252,564)	12,971,823
Contributions	-	-
<b>Present value of fund obligation at the end of the year</b>	<b>195,444,833</b>	<b>177,172,143</b>
<b>Total unfunded liability</b>	R millions	R millions
In-service members	142,123	123,191
In-service non-members	25,872	25,988
Continuation members	27,450	27,994
<b>All eligible individuals</b>	<b>195,445</b>	<b>177,173</b>
<b>Average liability per individual</b>		
In-service members	104,965	100,236
In-service non-member	65,498	53,363
Continuation members	334,759	333,260
<b>All Eligible Individuals</b>	<b>106,742</b>	<b>98,429</b>

The total liability has increased by 16% (or R28.497 million) since the last valuation. A numerical analysis of the unexpected movement ( actuarial gain /loss ) is provided in the next section . The main reasons for the actual movement in the liability are listed next .

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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### 11. Employee benefit obligation (continued)

#### Eligible employees

The average in-service member liability has increased by 5% since the last valuation due to the following factors :

- an increase in the average which means members are closer to retirement
- an increase in the average past service and
- an increase in the average future employer contribution

These impacts have been offset by :

- an increase in the net discount rate

The total in-service member liability has increased by 15% due to the above, combined with the increase in the number of members.

The average in-service non-member liability has increased by 23% since the last valuation for similar reasons to those described above for in-service members.

The total in-service non-members liability has increased by less than 15% due to the above, offset by decrease in the number of non-members.

#### Continuation members

The average continuation member liability has increased by less than 1% due to an increase in the average employer contribution offset by an increase in the average age and an increase in the discount rate.

The total continuation member liability has decreased by 2% due to the above, being more than offset by a decrease in the number of members

#### Analysis of the Unexpected Movement in the Liability

The table below analyses the extent of unexpected increases or decreases in the liability over the valuation period. These unexpected movements ( otherwise termed Actuarial and Losses) are separated into three main components: the effect of the change in the basis ( assumptions), unexpected increases in the contribution rates; and unpredicted movements in the membership profile.

#### **Actuarial Gains and Losses**

Actuarial (Gain)/Loss for the period	(15,252,564)	12,971,823
Contribution to Actuarial Loss:	-	-
Basis Changes : in net discount rate	(1,624,701)	13,250,182
Contribution increases higher than assumed	898,946	4,754,868
Changes to membership profile different from assumed	(13,652,164)	(5,033,227)
Actual benefits vesting, lower than expected	(874,645)	-
	-	-

#### **Net liability in the balance sheet**

Opening balance	177,172,143	139,627,863
Current service cost	18,758,177	13,990,344
Interest cost	16,375,268	13,014,837
Expected return on plan assets	-	-
Transitional liability recognised	-	-
Actuarial (gain) / losses	(15,252,564)	12,971,823
Past service costs	-	-
Net periodic cost recognised in surplus and deficit	19,880,881	39,977,004
Expected employee benefit payments	(1,608,191)	(2,432,724)
Transitional liability recognised outside surplus and deficit	-	-

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>11. Employee benefit obligation (continued)</b>		
<b>Closing balance</b>	<b>195,444,833</b>	<b>177,172,143</b>
Current portion of Liability ( due in next 12 months)	2,561,700	2,482,836
Non-current portion of Liability	192,883,134	174,689,307
	<b>195,444,834</b>	<b>177,172,143</b>

### Reconciliation of fair value of plans assets :

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions : employer	-	-
Contributions : employee	-	-
Actuarial gains	-	-
Benefits paid	-	-
	-	-

### Trend information

	2015	2014	2013	2012
Present Value of Obligation	195,444,834	177,172,143	139,627,863	126,837,070
Fair value of Plan Assets	-	-	-	-
	<b>195,444,834</b>	<b>177,172,143</b>	<b>139,627,863</b>	<b>126,837,070</b>

### Experience adjustments

Actuarial Gain (Loss) before changes in Assumptions	-	-
In respect of Present Value of Obligations	15,252,564	(12,971,823)
In respect of Fair Value of Plan Assets	-	-
	<b>15,252,564</b>	<b>(12,971,823)</b>

### Sensitivity results

The liability at the Valuation Date was recalculated to show the effect of :

- A 1% increase and decrease in the assumed rate of health care cost inflation ;
- A 1% increase and decrease in the discount rate;
- A one-year age reduction in the assumed rates of post-retirement mortality;
- A one-year decrease in the assumed average retirement age; and
- A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

### Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service	Continuation	Total	Percentage change
Central assumption	-	167,995	27,450	195,445	-
Health care inflation	1 %	185,839	28,822	214,660	10 %
	(1)%	146,062	25,868	171,930	(12)%
Discount Rate	1 %	140,093	25,485	165,578	(15)%
	-1 %	204,306	29,702	234,008	20 %
Post-retirement mortality	-1 yr	172,663	28,675	201,337	3 %
Average retirement age	-1 yr	183,091	27,450	210,541	8 %
Continuation of membership at retirement	(10)%	148,160	27,450	175,610	(10)%
	- %	-	-	-	- %

# Amathole District Municipality

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### 11. Employee benefit obligation (continued)

The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 10% higher than that shown.

#### Sensitivity Analysis on the Current-service and Interest Cost

Assumption	Change	Current Service	Interest Cost	Total	% Change
Average retirement age (59 for males, 56 for females)	-	-	-	-	-
Central assumption	-	18,758,200	16,375,300	35,133,500	-
Health care inflation	1 %	22,527,700	19,094,100	41,621,800	18 %
	(1)%	15,431,700	14,039,600	29,471,300	(16)%
Discount rate	1 %	15,189,700	15,378,800	30,568,500	(13)%
	(1)%	23,517,400	17,481,100	40,998,500	17 %
Post-retirement mortality	-1 yr	19,336,300	16,934,800	36,271,100	3 %
Average retirement age	-1 yr	19,802,800	17,640,700	37,443,500	7 %
Continuation of membership at retirement	(10)%	16,528,800	14,730,500	31,259,300	(11)%

Key actuarial assumptions used

Assumption	Value p.a	Value p.a
Health Care Cost Inflation rate	9.22 %	8.44 %
Discount Rate	8.22 %	9.31 %
Net effective discount rate	0.87 %	0.80 %
	- %	- %

Assumption	Value	Value
Average retirement age	-	-
Continuation of membership at retirement	95 %	95 %
Proportional assumed married at retirement	95 %	95 %
Proportional eligible non-members joining the scheme by retirement	50 %	50 %
Mortality during employment	SA 85-90	SA 85-90
Mortality post-retirement	PA 90-2	PA 90-2
Withdrawal from service	-	-
	- %	- %

Withdrawal from service	Age	2015		2014	
		Females	Male	Females	Males
	20	10 %	15 %	10 %	15 %
	30	10 %	7 %	10 %	7 %
	40	7 %	4 %	7 %	4 %
	50	3 %	1 %	3 %	1 %
	> 55	1 %	- %	1 %	- %
	-	- %	- %	- %	- %

#### Provision for retirement gratuity benefits

# Amathole District Municipality

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### 11. Employee benefit obligation (continued)

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

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

#### Multi-employer funds

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

The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of details.

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

This is in line with the exemption in GRAP 25 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for a defined contribution plans.

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

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

#### Defined contribution (DC) Multi-employer plans

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

Full Name of Multi-Employer Plan	Number of the Municipality's employees belongings to the plan	Amount of contributions paid by the Municipality for the year ending 30 June 2015
Cape Retirement Fund (CRF)	1,496	48,662,943
SAMWU National Provident Fund (SNPF)	151	3,202,049
National Fund for Municipal Workers	11	246,550
Cape Joint Pension Fund	7	2,444,223
Easter Cape Gratuity Fund	2	22,085
Eastern Cape Municipal Pension Fund	2	57,420
	-	-



# Amathole District Municipality

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### 11. Employee benefit obligation (continued)

#### Defined benefits (DB) Multi-employer plans

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

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

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

Multi-Employer Plan	Number of the Municipality's employees belonging to the plan	Total number of active members per the Plan's most recent valuation report	Amount of contributions paid by the Municipality for the year ending 30 June 2015	Date of most recently available actuarial valuation report	Funding level
GEPF	64	1,235,064	1,044,126	31 March 2012	100.0 %
SALA PF	6	17,382	251,433	01 July 2014	100.0 %
	-	-	-		- %

#### Key Assumptions Multi-Employer Plan

	Gross discount rate	Salary inflation	Net post-ret discount rate
GEPF	10.70 %	6.70 %	5.80 %
SALA PF	10.75 %	8.00 %	5.75 %
	- %	- %	- %

Further information for each plan follows below :

#### GEPF ( Government Employees Pension Fund )

The funding level of the GEPF remained at 100% as at the 31 March 2012 valuation date compared with the 100% funding level as at the 31 March 2010. The plan is holding reserves at 5.9% of what would be in line with the long-term funding level per the Board of Trustees adopted GEPF Funding Policy.

This employer contribution rate remains at 16% in respect of the 'Services' employee category and 13% in respect of the 'Others' employee category.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
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### 11. Employee benefit obligation (continued)

#### Defined contribution plan

##### SALA PF(South African Local Authorities Pension Fund)

There is a defined contribution section in this Plan (23% of the active membership). The valuation actuary recommended that the prevailing employer contribution rate at 1 July 2014 be maintained at 19.18%. This includes a margin of 1.65% over and above the contribution rate required to fund the Projected Unit Method future service benefits and associated costs. The valuation actuary stated that the margin in the contribution rate remains necessary to build up a solvency reserve and further because the 19.18% is lower than the 19.76% required contribution rate calculated using the Attained Age method, which is more appropriate for a scheme closed to new (often younger) entrants.

##### CJPF (Cape Joint Pension Fund)

The funding level of the CJPF Defined Benefit section was 99.7% as at the 30 June 2013 valuation date compared with a 99.4% funding level as at 30 June 2012. The valuation actuary recommended a total contribution rate of 26.77% which was in excess of the then 23.06% contribution of salaries in the Defined Benefit section.

The valuator further stated that although the Defined Benefit section funding level was slightly below 100% at 30 June 2013, he is confident that the Fund has since returned to sound financial condition. He also put forward that once the Financial Services Board approves the imminent conversion of the Defined Benefit section to a Defined Contribution basis the fund will have achieved an important milestone in ensuring its sound financial management.

#### Provision for Ex-Gratia Benefits

Eligible employees

	Male	Total
Number of Pensioners	5	5
Pension - weighted Average Age	6,701	6,701
	89.3	89.3
	-	-

Reconciliation of assets and liabilities recognised in the balance sheet

Total value of liabilities	113,772	158,901
Value of assets	-	-
<b>Unfunded Accrued Liability</b>	<b>113,772</b>	<b>158,901</b>

Unfunded accrued liability	113,772	158,901
Unrecognised actuarial gain	-	-
Unrecognised past service cost	-	-
<b>Net liability in balance sheet</b>	<b>113,772</b>	<b>158,901</b>

Total unfunded liability	113,772	158,901
Average liability per retiree	22,754	19,863
	-	-

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>11. Employee benefit obligation (continued)</b>		
<p>The average liability has increased by 15% due to an increase in the average pension and a decrease in the discount rate, partially offset by an increase in the average age.</p> <p>The total liability has decreased by 28% (or R45,129) since the last valuation due to the above being more than offset by a decrease in the number of pensioners. A numerical analysis of this movement is provided in the next section.</p>		
<b>Analysis of the unexpected movement in the liability</b>		
Actuarial Gain for the period	(21,904)	9,440
Contribution to Actuarial Loss:	-	-
Basis Changes	893	(5,823)
Changes to membership profile different from assumed	(16,355)	15,264
Actual pensions paid lower than expected	(6,442)	-
	<u>-</u>	<u>-</u>
Trend Information		
Present Value of Obligations	113,772	158,901
Fair Value of Plan Assets	-	-
	<u><b>113,772</b></u>	<u><b>158,901</b></u>
	<u><b>181,228</b></u>	<u><b>181,228</b></u>
Experience adjustments		
<b>Actuarial Gain / (Loss) before in Assumptions</b>		
In respect of Present Value of Obligations	(22,797)	15,264
In respect of Fair Value of Plan Assets	-	-
	<u><b>(22,797)</b></u>	<u><b>15,264</b></u>
	<u><b>22,880</b></u>	<u><b>22,880</b></u>
Experience Adjustments		
Present value of fund obligation at the beginning of the year	158,900	181,228
Current service costs	-	-
Interest cost	10,279	10,249
Past service cost	-	-
Actuarial (losses)/gain	(21,904)	9,440
Expected Benefit payments	(33,504)	(42,017)
	<u><b>113,771</b></u>	<u><b>158,900</b></u>
<b>Reconciliation of fair value of plan assets :</b>		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions : employee	-	-
Past service costs	-	-
Actuarial gains / (losses)	-	-
Benefits paid	-	-

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>11. Employee benefit obligation (continued)</b>		
<b>Fair value of plan assets at the end of the year</b>	-	-
Current service costs and interest costs		
Total cost	10,279	10,249

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

### Net liability in the balance sheet

Opening balance	158,900	181,228
Current-service cost	-	-
Interest Cost	10,279	10,249
Expected Return on Plan Assets	-	-
Transitional Liability Recognised	-	-
Actuarial (Gain) / Loss	(21,904)	9,440
Net Periodic Cost Recognised in surplus and deficit	(11,625)	19,689
Expected Employer Benefit Payments	(33,504)	(42,017)
Transitional Liability Recognised outside surplus and deficit	-	-
<b>Closing balance</b>	<b>113,771</b>	<b>158,900</b>
Current portion	33,506	39,946
Non-current portion	80,266	118,955
	-	-

### Sensitivity analysis on the unfunded accrued liability

Assumption	Change	Liability	% Change
Central assumptions	- %	113,772	- %
Discount rate	1 %	110,691	(3)%
	(1)%	117,056	3 %
Post-retirement mortality	(1)%	119,446	5 %
	- %	-	- %

The table above indicates, for example, that if the discount rate is 1% greater than the long-term assumption made, the liability will be 3% lower .

### Sensitivity analysis on the interest cost for year

Assumption	Change	Liability	% Change
Central assumptions	- %	10,279	- %
Discount rate	1 %	11,226	9 %
	(1)%	9,255	(10)%
Post-retirement mortality	(1)%	10,809	5 %
	- %	-	- %

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>11. Employee benefit obligation (continued)</b>		
<b>Key actuarial assumptions used</b>	Value p.a	Value p.a
<b>Assumption</b>		
Discount Rate	7.10 %	7.38 %
Mortality in retirement	PA(90)-1	PA(90)-1
	- %	- %

### Provision for Long Service Benefits

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

Summary of eligible employees	Female	Male	Total
Number of eligible employees	- 684	1,064	1,748
Average annual salary	- 212,098	180,380	192,792
Salary-weighted average age	- 38.0	42.5	40.6
Salary-weighted average past service	- 6.2	7.6	7.0
	-	-	-

Long Service Awards for levels of past service

Description	Completed Service (in years)	Long Service Bonuses ( % of Annual Salary )
(5/260+2%) x annual salary	5	3.9 %
(10/260+3%) x annual salary	10	6.8 %
(15/260+4%) x annual salary	15	9.8 %
(15/260+5%) x annual salary	20	10.8 %
(15/260+6%)x annual salary	2,530,354,045	11.8 %
	-	- %

In the month that each " Completed Service " milestone is reached, the employee is granted a LSA.

Working days awarded are valued at 1/260 of annual salary per day ( [ Daily leave is valued as follows: Annual basic salary / ( 12 months x 4.33 weeks per month x 5 days per week ] )

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

The value of the retirement gift used in the last valuation was :

R 1,977 for employees with under twelve years of total service at retirement  
R3,404 for employees with twelve or more years of total service at retirement

These values have been assumed to increase by 7% since the last valuation. The value of the retirement gift is assumed to increase in line with CPI inflation in the future.

Employee related costs		
Current service cost	3,141,310	2,548,555
Interest cost	1,051,642	874,935
	-	-

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>11. Employee benefit obligation (continued)</b>		
i) The Current-service Cost reflects the additional liability that is expected to accrue in respect of in-service members service over the corresponding year.		
ii) The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefit vestings, over the corresponding year. This arises because all future LSA benefits are one year closer to payment.		
<b>Provision for long service award liability</b>		
Opening accrued liability	17,291,009	13,461,418
Current service cost	3,141,310	2,548,555
Interest cost	1,051,642	874,935
Benefit Vestings	(1,382,142)	(2,120,240)
Total annual expense	2,810,810	1,303,250
Actuarial Loss	1,691,881	2,526,341
	<b>21,793,700</b>	<b>17,291,009</b>
Reconciliation of assets and liabilities recognised in the balance sheet		
Present value of accrued liability	21,793,700	17,291,009
Fair value of plan assets	-	-
	<b>21,793,700</b>	<b>17,291,009</b>
Unrecognised transitional liability	-	-
Unrecognised actuarial gains/(losses)	-	-
Unrecognised past service cost	-	-
<b>Net liability in Balance sheet</b>	<b>21,793,700</b>	<b>17,291,009</b>
The average liability has increased by 32% due to a 21% increase in the average salary and an increase in average past service, partially offset by an increase in the net discount rate.		
The total liability has increased by 26%(or R4,502,691) due to the above partially offset by the fact that there are 87 fewer eligible employees than at the last valuation.		
<b>Net liability to reflect in balance sheet</b>		
Opening balance	17,291,009	13,461,418
Current service costs	3,141,310	2,548,555
Interest cost	1,051,642	874,935
Expected return on plan assets	-	-
Transitional liability recognised	-	-
Actuarial gains recognised in surplus and deficit	1,691,881	2,526,341
Past service cost	-	-
Net periodic cost recognised in surplus and deficit	5,884,833	5,949,831
Expected employer benefit vestings	(1,382,142)	(2,120,240)
	<b>21,793,700</b>	<b>17,291,009</b>
Current portion of liability (due in the next 12 months) refer note 20	3,722,401	7,125,896
Non current portion of liability	18,071,299	10,165,113
	-	-
	-	-
<b>Reconciliation of present value of accrued liability</b>		

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>11. Employee benefit obligation (continued)</b>		
Present value of accrued liability at the beginning of the year	17,291,009	13,461,418
Current service costs	3,141,310	2,548,555
Expected return on plan assets	-	-
Interest cost	1,051,642	874,935
Past service cost	-	-
Actuarial gains	1,691,881	2,526,341
Expected employer benefit vestings	(1,382,142)	(2,120,240)
<b>Closing Balance</b>	<b>21,793,700</b>	<b>17,291,009</b>
Total unfunded liability	21,793,700	17,291,009
Average liability per member	12,468	9,423
	-	-
<b>Reconciliation of fair value of plan asset</b>		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: employee	-	-
Past service costs	-	-
Actuarial gains / ( losses )	-	-
Benefits paid	-	-
<b>Fair value of plan assets at the end of the year</b>	<b>-</b>	<b>-</b>
Key actuarial assumptions used		
<b>Financial assumptions</b>		
Discount rate	7.81 %	7.79 %
General Salary Inflation (long-term)	6.97 %	7.03 %
Net effective discount rate	0.79 %	0.71 %
	- %	- %
The general salaries inflation rate of 6.97% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. this assumption reflects a net discount rate of 0.79%.		
It has been assumed that the next salary increase will take place 1 July 2016.		
<b>Demographic assumption</b>		
Average retirement age		59 male and 56 females
Mortality during employment		SA 85-90
<b>Withdrawal from service</b>		
Age	Rate	
	- Female	Males
20	24 %	16 %
30	15 %	10 %
40	6 %	6 %
50	2 %	2 %
55	- %	- %
-	- %	- %
<b>Sensitivity analysis assumption Accrued liability</b>		
Change	Liability R Millions	% change
Central assumptions	- % 21,794	- %
General salary inflation	1 % 23,011	6 %

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand		2015	2014 Restated	
<b>11. Employee benefit obligation (continued)</b>				
		(1)%	20,681	(5)%
Discount Rate		1 %	20,609	(5)%
		(1)%	23,115	6 %
Average retirement age	-2 yrs		19,865	(9)%
	2 yrs		23,877	10 %
Withdrawal rates		(50)%	26,852	23 %
		- %	-	- %

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

### Current service and interest costs

Assumptions	Change	Current service cost	Interest cost	Total	% change
Central assumptions	- %	3,141,300	1,051,600	4,192,900	- %
General salary inflation	1 %	3,351,300	1,125,900	4,477,200	7 %
	(1)%	2,951,000	983,800	3,934,800	(6)%
Discount Rate	1 %	2,937,600	1,105,200	4,042,800	(4)%
	(1)%	3,370,700	986,900	4,357,600	4 %
Average retirement age	-2 yrs	2,903,200	845,300	3,748,500	(11)%
	2 yrs	3,376,300	1,244,800	4,621,100	10 %
Withdrawal rates	50 %	4,243,700	1,370,300	5,614,000	34 %
	- %	-	-	-	- %

### 12. Inventories

Housing projects	1,068,427	1,149,355
Consumable stores	490,330	520,205
Water	5,432,696	2,702,048
	<b>6,991,453</b>	<b>4,371,608</b>

#### Housing Projects

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

#### Water Inventory

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

#### Write down of inventory

Raw materials of Rnil (2014: R44 015) on site for the housing projects were found to be damaged and were not suitable for construction.

No inventory pledged as security.

### 13. Receivables from exchange transactions

Trade receivables	95,299,339	71,607,983
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#### Trade receivables



# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014  
Restated

### 13. Receivables from exchange transactions (continued)

#### Balance as at 30 June 2015

	Gross balances	Allowance for impairment	Net balance
Water	289,491,731	(236,427,964)	53,063,767
Sanitation	200,377,317	(173,407,849)	26,969,468
Interest on arrears component	109,092,143	(93,826,037)	15,266,106
	<b>598,961,191</b>	<b>(503,661,850)</b>	<b>95,299,341</b>

#### Balance as at 30 June 2014

	Gross balances	Allowance for impairment	Net balance
Water	227,487,078	(186,566,106)	40,920,972
Sanitation	149,510,935	(129,997,131)	19,513,804
Interest on arrears component	85,600,389	(74,427,185)	11,173,204
	<b>462,598,402</b>	<b>(390,990,422)</b>	<b>71,607,980</b>

#### Debtors ageing Water and sanitation

	2015	2014
Current (0-30 days)	48,149,534	46,858,159
30-60 days	18,549,634	17,544,996
60-90days	17,351,782	17,343,452
90-120days	23,256,378	15,731,456
120-330days	109,033,013	132,385,618
+330days	382,620,850	232,734,721
	<b>598,961,191</b>	<b>462,598,402</b>

#### Summary of Debtors by Customer Classification 30 June 2015

	Domestic	Industrial / Commercial	National and Provincial Government	Total
Current (0-30days)	31,959,779	3,972,303	12,217,452	48,149,534
30-60days	13,800,414	1,121,890	3,627,330	18,549,634
60-90days	12,881,417	1,220,373	3,249,992	17,351,782
90-120days	19,215,189	912,736	3,128,452	23,256,377
120-330days	81,734,098	5,754,661	21,544,254	109,033,013
+330days	303,043,989	12,691,777	66,885,083	382,620,849
Subtotal	462,634,886	25,673,740	110,652,563	598,961,189
Less: Allowance for impairment	(389,605,692)	(21,479,700)	(92,576,459)	(503,661,851)
	<b>73,029,194</b>	<b>4,194,040</b>	<b>18,076,104</b>	<b>95,299,338</b>

#### Summary of Debtors by Customer Classification 30 June 2014

	Domestic	Industrial / Commercial	National and Provincial Government	Total
Current (0-30 days)	31,551,043	4,244,516	11,062,598	46,858,157
30-60days	12,443,385	986,218	4,115,393	17,544,996
60-90days	12,578,692	1,049,648	3,715,111	17,343,451
90-120days	12,019,066	708,155	3,004,234	15,731,455
120-330days	103,808,625	5,749,206	26,098,342	135,656,173
+330days	183,078,807	8,254,541	38,130,820	229,464,168
Subtotal	355,479,618	20,992,284	86,126,498	462,598,400
Less: Allowance for impairment	(297,152,719)	(15,639,617)	(78,198,084)	(390,990,420)
	<b>58,326,899</b>	<b>5,352,667</b>	<b>7,928,414</b>	<b>71,607,980</b>

The comparative figure was restated refer to note 45.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>13. Receivables from exchange transactions (continued)</b>		
<b>Credit quality of trade and other receivables</b>		
The following represents information on the credit quality of trade receivables that are neither past due nor impaired:		
<b>Trade receivables</b>		
<b>Counterparties without external credit rating</b>		
A - Government	19	10
B - Businesses	5	7
C - Domestic and other	76	83
	<b>100</b>	<b>100</b>
A - The debtors are of good credit quality and no default in payment is expected.		
B – The debtors are usual good payers, but there is a possibility that the debtor may not be able to pay on time.		
C – These debtors usually pay, but have previously paid late and therefore there is a possibility that these debtors will not be recoverable.		
<b>Method of determining credit quality of trade and other receivables from exchange transaction</b>		
The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness.		
Consumer debtors with a demonstrative ability to pay are encouraged to apply for potential indigent status as an ongoing customer relationship strategy and also to enable the municipality to make adequate provision for such relief.		
The municipality has determined the above credit ratings internally through the consideration of previous payment trends per debtor type		
Interest is raised at prime on overdue accounts.		
<b>Trade and other receivables past due but not impaired</b>		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	28,889,720	28,114,894
2 months past due	3,709,927	3,508,999
3 months past due	3,470,356	3,468,690
4 months past due	4,651,275	3,146,291
greater than 4 months	57,621,698	38,015,054
<b>Trade and other receivables impaired</b>		
The amount of the provision was R 503,661,852 as of 30 June 2015 (2014: R 390,990,422).		
The ageing of these loans is as follows:		
1 to 3 months	19,259,814	18,743,263
3 to 6 months	14,839,707	14,035,997
6 to 9 months	13,881,426	13,874,761
more than 9 months past due	554,023,881	344,336,401
<b>Reconciliation of provision for impairment of trade and other receivables including other receivables</b>		
Opening balance	400,891,915	303,835,988
Provision for impairment	154,873,868	116,309,046
Amounts written off as uncollectible	(38,004,137)	(19,253,119)
	<b>517,761,646</b>	<b>400,891,915</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
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### 13. Receivables from exchange transactions (continued)

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments (more than 30 days overdue) are considered indicators that the consumer debtor is impaired. Total bad debts of R38 004 137 were written off during the year.

### 14. Receivables from non-exchange transactions

Total other debtors	20,140,735	7,763,149
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#### Receivables from non-exchange transactions

Sundry receivables	34,240,531	17,664,643
Subtotal	34,240,531	17,664,643
Allowance for doubtful debts	(14,099,796)	(9,901,494)
	<b>20,140,735</b>	<b>7,763,149</b>

In determining the recoverability of other receivables, the municipality considers any change in the credit quality of other receivables from the date on which the credit was initially granted up to the reporting date.

The fair value of other receivables approximates their carrying amounts.

#### Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R 20,140,735 (2014: R 7,763,149) were past due but not impaired.

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

3 months past due	20,140,735	7,763,149
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#### Receivables from non-exchange transactions impaired

The amount of the provision was R 14,099,796 as of 30 June 2015 (2014: R 9,901,494).

The ageing of these loans is as follows:

Over 6 months	14,099,796	9,901,494
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#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	9,901,494	6,974,392
Provision for impairment	4,198,302	2,927,102
	<b>14,099,796</b>	<b>9,901,494</b>

### 15. VAT receivable

VAT	105,889,959	41,885,190
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VAT is paid over to SARS only once payment is received from debtors. All VAT returns have been submitted by the due date throughout the year. The comparative figure has been restated. Refer to note 45.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
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### 16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	9,000	9,000
Bank balances	78,651,624	115,141,039
Short-term deposits	1,000,000	1,000,000
	<b>79,660,624</b>	<b>116,150,039</b>

An amount of R 45,239,540 (2014: R 51,030,246) of the unspent conditional grant is included in the cash and cash equivalents..

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA BANK - Account No. - 406-309-3498	43,930,738	16,448,843	13,585,485	43,930,738	16,448,843	13,585,485
STANDARD BANK - Account No. - 081-093-454 (Primary Account)	35,546,978	100,284,746	42,594,975	34,267,739	100,284,746	40,500,600
ABSA BANK - Call Account No. - 915-743-9416	-	-	135,898,958	-	-	135,898,958
STANDARD BANK - Call Account No. - 886-438-16001	1,000,000	1,000,000	1,069,411	1,000,000	1,000,000	1,069,411
<b>Total</b>	<b>80,477,716</b>	<b>117,733,589</b>	<b>193,148,829</b>	<b>79,198,477</b>	<b>117,733,589</b>	<b>191,054,454</b>

### 17. Revaluation reserve

The surplus arising from the revaluation of land is credited to a non distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains and losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance. Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss is recognised in the accumulated surplus/(deficit).

Opening balance	30,146,045	30,146,045
Change during the year	8,179,704	-
	<b>38,325,749</b>	<b>30,146,045</b>

During the current year, land and buildings were valued by an independent valuer. Certain properties increased in value. Refer to note 4.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>18. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	215,225	726,848
- in second to fifth year inclusive	101,400	316,625
	<u>316,625</u>	<u>1,043,473</u>
less: future finance charges	(19,592)	(76,611)
<b>Present value of minimum lease payments</b>	<b><u>297,033</u></b>	<b><u>966,862</u></b>
<b>Present value of minimum lease payments due</b>		
- within one year	199,693	669,828
- in second to fifth year inclusive	97,340	297,034
	<u>297,033</u>	<u>966,862</u>
Non-current liabilities	97,340	297,033
Current liabilities	199,693	669,829
	<u>297,033</u>	<u>966,862</u>

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

The average lease term was 3 years and the average effective borrowing rate was 8.5% (2014: 9.5%). All leases have fixed repayment terms with no annual escalation rate, but varies with the changes in the prime interest rate. No arrangements have been entered into for contingent rent.

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

### Defaults and breaches

During the financial year, 313 payments were paid after 30 days of receipt of the invoice as per the requirement stipulated in Section 65(2)(e) of the Municipal Finance Management Act No.56 of 2003. The municipality has implemented controls in the form of registers to improve.

### 19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Total unspent conditional grants and receipts	<u>45,239,540</u>	<u>51,030,246</u>
National Government Grants	239,768	435,640
Provincial Government Grants	44,402,302	50,147,515
Other Grants Providers	597,470	447,091
	<u>45,239,540</u>	<u>51,030,246</u>

#### Movement during the year

Balance at the beginning of the year	51,030,246	88,503,680
Additions during the year	844,985,933	465,946,909
Income recognition during the year	(850,776,639)	(503,420,343)
	<u>45,239,540</u>	<u>51,030,246</u>

The unspent conditional grant funding is covered within the cash and cash equivalents and current investments.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand 2015 2014  
Restated

### 20. Provisions

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision:Post employment benefit	7,125,896	-	-	(3,403,495)	3,722,401
Performance bonus	1,352,145	1,580,879	(500,426)	-	2,432,598
	<b>8,478,041</b>	<b>1,580,879</b>	<b>(500,426)</b>	<b>(3,403,495)</b>	<b>6,154,999</b>

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision : Post employment benefit	2,120,240	5,005,656	-	-	7,125,896
Performance Bonus	1,195,401	1,352,145	(617,034)	(578,367)	1,352,145
	<b>3,315,641</b>	<b>6,357,801</b>	<b>(617,034)</b>	<b>(578,367)</b>	<b>8,478,041</b>

#### Performance bonuses

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

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

The provision is calculated at 14% of the current total salary package of Section 57 employees for the 2014/15 financial year, however this is subject to change once the assessments have been finalised.

#### Employee benefit cost provision

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

The current portion of the long service award was calculated by independent actuaries that have performed a valuation for the long service award provision. Refer to Note 11 for the assumptions used.

### 21. Interest bearing borrowings DBSA

The loan was obtained from DBSA to fund sanitation projects. Interest is charged at 8.5% and is repayable in 6 instalments over 2 years. The capital portion of the loan is secured by the MIG grant.

Non current liabilities	127,320,150	-
Current liabilities	172,351,148	-
	<b>299,671,298</b>	<b>-</b>

### 22. Payables from exchange transactions

Trade payables	37,614,700	83,879,263
Amounts received in advance :Water and sanitation	13,956	12,891
Other payables	8,894,666	10,882,499
Accruals	190,745,881	10,975,437
Accrued service bonus	12,834,608	12,428,377
Retentions	44,721,547	26,535,455
Consumer debtors with credit balances	6,944,067	6,907,026
Accrued Leave pay	41,974,865	32,890,401
	<b>343,744,290</b>	<b>184,511,349</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
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### 22. Payables from exchange transactions (continued)

#### Fair value of trade and other payables

Trading creditors are non-interest bearing and are normally settled on 30-day terms. Retentions are non-interest bearing and are settled in terms of the contract agreement.

Management policies are in place to ensure that all payables are paid within a reasonable timeframe.

Short term payables with no stated interest rate may be measured at the original invoice amount if the effect of discounting is immaterial.

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

The movement on the staff leave accrual balances as above for the 2015 financial year was as follows:

#### Accrued Leave Pay

Opening balance	32,890,401	24,806,319
Plus: Contributions during the year	22,476,962	18,697,331
Leave sold during the year	(13,392,497)	(10,613,249)
	<b>41,974,866</b>	<b>32,890,401</b>

The leave accrual is based on the total number of accrued days at the reporting date. The full amount of the leave liability is recognised as an accrual as the municipality does not have an unconditional right to defer settlement of its leave liabilities and its policies allow leave to be carried forward or paid out without any restrictions. Hence the timing and amount are certain.

The movement on the service bonus accrual balances as above for the 2015 financial year was as follows:

#### Accrued Service Bonus

Opening balance	12,428,377	9,599,700
Additional provision	39,472,288	34,242,177
Unused amounts reversed	(39,066,057)	(31,413,500)
	<b>12,834,608</b>	<b>12,428,377</b>

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

### 23. Taxes and transfers payable (non-exchange)

Other payables from non-exchange	-	5,651,074
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### 24. Financial instruments disclosure

#### Categories of financial instruments

#### 2015

#### Financial assets

	At amortised cost	Total
Cash and cash equivalents	79,660,624	79,660,624
Non- current receivables	1,539,546	1,539,546
Trade and other receivables from exchange transactions	95,299,338	95,299,338
Other receivables from non-exchange transactions	20,140,735	20,140,735

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>Financial instruments disclosure (continued)</b>		
Current Investments	125,385,117	125,385,117
	<b>322,025,360</b>	<b>322,025,360</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
Trade and other payables from exchange transactions	343,608,647	343,608,647
Interest Bearing Borrowings:DBSA	299,671,298	299,671,298
	<b>643,279,945</b>	<b>643,279,945</b>
<b>2014</b>		
<b>Financial assets</b>		
	At amortised cost	Total
Cash and cash equivalent	116,150,039	116,150,039
Non- current receivables	1,310,847	1,310,847
Trade and other receivables from exchange transactions	71,607,980	71,607,980
Other receivables from non-exchange transactions	7,763,149	7,763,149
Current investments	387,616,947	387,616,947
	<b>584,448,962</b>	<b>584,448,962</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
Trade and other payables from exchange transactions	184,511,344	184,511,344
<b>25. Consumer deposits</b>		
Water and sanitation	2,457,622	2,114,008
<p>The consumer deposits relate to the water and sanitation function.                      The municipality does not have an unconditional right to defer the payment of the consumer deposits. Deposits are released when the owner of a property terminates the contract with the municipality to supply water to the property.</p>		
<b>26. Revenue</b>		
Service charges	242,418,883	200,458,055
Rental of facilities and equipment	315,510	396,046
Interest earned - outstanding receivables	35,223,104	31,908,697
Other income	20,017,037	8,233,315
Interest received - investment	27,381,848	32,462,037
Government grants & subsidies	1,525,719,110	1,124,974,361
Own revenue - VAT on MIG	47,466,413	46,561,234
Own revenue - VAT other grants	48,503,349	7,117,523
	<b>1,947,045,254</b>	<b>1,452,111,268</b>



# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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Figures in Rand	2015	2014 Restated
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### 26. Revenue (continued)

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

Service charges	242,418,883	200,458,055
Rental of facilities and equipment	315,510	396,046
Interest earned - outstanding receivables	35,223,104	31,908,697
Other income	20,017,037	8,233,315
Interest received - investment	27,381,848	32,462,037
	<b>325,356,382</b>	<b>273,458,150</b>

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

#### Transfer revenue

Government grants & subsidies	1,525,719,110	1,124,974,361
Own revenue -VAT MIG	47,466,413	46,561,234
Own revenue -VAT other grants	48,503,349	7,117,523
	<b>1,621,688,872</b>	<b>1,178,653,118</b>

### 27. Rental and other facilities

#### Other and Facilities

##### Rental of facilities

Straight lined operating lease receipts	173,771	220,452
Other rentals	141,739	175,594
	<b>315,510</b>	<b>396,046</b>

### 28. Service charges

Sale of water	145,957,183	140,562,704
Sewerage and sanitation charges	92,232,036	56,207,949
Fire service charges	4,229,664	3,687,402
	<b>242,418,883</b>	<b>200,458,055</b>

Service charges are reflected at an amount net of subsidy to indigents amounting to R22,335,778 (2014:R10,852,544) for both water and sanitation.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>29. Government grants and subsidies</b>		
<b>Operating grants</b>		
Conditional grants: conditions met - transferred to revenue	6,943,089	15,578,104
Other government grants and subsidies	32,834,922	27,809,696
Levy replacement grant	270,433,000	248,104,000
Equitable share	393,118,000	373,527,000
	<u>703,329,011</u>	<u>665,018,800</u>
<b>Capital grants</b>		
DBSA income recognition	286,320,150	-
MWIG capital	14,132,094	12,300,003
RHIG	9,095,274	8,404,726
RBIG	87,078,581	27,237,547
MIG grant	425,764,000	412,013,285
	<u>822,390,099</u>	<u>459,955,561</u>
	<b><u>1,525,719,110</u></b>	<b><u>1,124,974,361</u></b>
<b>Conditional and Unconditional</b>		
<b>Unconditional</b>		
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of which is funded from the grant.		
<b>Equitable Share</b>		
Current-year receipts	393,118,000	373,527,000
Conditions met - transferred to revenue	(393,118,000)	(373,527,000)
	<u>-</u>	<u>-</u>
<b>Levy Grant Replacement</b>		
Current-year receipts	270,433,000	248,104,000
Conditions met - transferred to revenue	(270,433,000)	(248,104,000)
	<u>-</u>	<u>-</u>
Regional Services Council levies were abolished during June 2006. This grant is used to subsidise the operations of the District Municipality due to the significant change in funding.		
<b>Changes in levels of government grants</b>		
Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
<b>Conditional</b>		
<b>Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	-	12,166,286
Current-year receipts	425,764,000	399,847,000
Conditions met - transferred to revenue	(425,764,000)	(412,013,286)
	<u>-</u>	<u>-</u>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>29. Government grants and subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 19).		
<b>Regional Bulk Infrastructure Grant (RBIG)</b>		
Balance unspent at beginning of year	3,018,158	869,197
Current-year receipts	89,226,394	29,386,508
Conditions met - transferred to revenue	(89,355,520)	(27,237,547)
	<b>2,889,032</b>	<b>3,018,158</b>
Conditions still to be met - remain liabilities (see note 19).		
<b>Municipal System Improvement Grant (MSIG)</b>		
Balance unspent at beginning of year	149,534	119,226
Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(903,921)	(859,692)
	<b>179,613</b>	<b>149,534</b>
Conditions still to be met - remain liabilities (see note 19).		
<b>Expanded Public Works Programme Grant (EPWP)</b>		
Balance unspent at beginning of year	-	8,467,272
Current-year receipts	3,045,000	3,125,000
Conditions met - transferred to revenue	(3,045,000)	(11,592,272)
	-	-
Conditions still to be met - remain liabilities (see note 19).		
<b>Department of Water Affairs :Flood Relief Grant</b>		
Balance unspent at beginning of year	190,589	510,076
Conditions met - transferred to revenue	(190,589)	(319,487)
	-	<b>190,589</b>
Conditions still to be met - remain liabilities (see note 19).		
<b>Financial Management Grant (FMG)</b>		
Balance unspent at beginning of year	-	366,774
Current-year receipts	1,250,000	1,250,000
Expenditure	(1,250,000)	(1,616,774)
	-	-
Conditions still to be met - remain liabilities (see note 19).		
<b>Rural Roads Asset Management Grant (RAMS)</b>		
Balance unspent at beginning of year	244	-
Current-year receipts	2,708,000	2,347,000
Conditions met - transferred to revenue	(2,648,089)	(2,346,756)
	<b>60,155</b>	<b>244</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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Figures in Rand	2015	2014 Restated
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### 29. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 19).

#### Water Services Operating Subsidy Grant (WSOG)/Refurbishment

Balance unspent at beginning of year	-	590,574
Current-year receipts	-	6,000,000
Conditions met - transferred to revenue	-	(6,590,574)
	-	-

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#### DWA Refurbishment Grant

Balance unspent at beginning of year	54,583	54,583
Current-year receipts	10,000,000	-
Conditions met - transferred to revenue	(10,000,000)	-
Transferred to the consolidated	(54,583)	-
	-	<b>54,583</b>

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Conditions still to be met - remain liabilities (see note 19).

#### Municipal Water Infrastructure Grant (MWIG)

Current-year receipts	14,132,094	12,300,000
Conditions met - transferred to revenue	(14,132,094)	(12,300,000)
	-	-

---

Conditions still to be met - remain liabilities (see note 19).

#### Rural Housing Infrastructure Grant (RHIG)

Balance unspent at beginning of year	95,274	-
Current-year receipts	9,000,000	8,500,000
Conditions met - transferred to revenue	(9,095,274)	(8,404,726)
	-	<b>95,274</b>

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Conditions still to be met - remain liabilities (see note 19).

#### Neighbourhood Development Partnership Grant (NDPG)

Current-year receipts	11,257,000	-
Conditions met - transferred to revenue	(11,257,000)	-
	-	-

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Conditions still to be met - remain liabilities (see note 19).

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>30. Other income</b>		
Actuarial gain	15,280,893	182,925
Commission	620,147	538,079
Connection fees	1,057,284	809,893
Conservancy fees	1,420,256	1,407,632
Discount received	-	272,822
Legal fees recovered	-	15,502
Sundry income	1,527,387	4,115,247
Bad debts recovered	43,270	198,161
RD cheques bank charges recovered	2,817	1,797
Solid waste charges	-	539,633
Emergency tanked water	64,983	151,624
	<b>20,017,037</b>	<b>8,233,315</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>31. General expenses</b>		
Advertising	1,323,526	1,081,931
Advisory Forums	17,119	162,037
Amathole Economic Development Agency Contribution	16,680,858	15,000,000
Annual Event	1,225,831	1,400,561
Assessment rates	718,049	710,991
Bank charges	242,556	297,530
Audit Committee	518,250	590,295
Audit fees	4,063,574	4,167,159
Books and Publications	24,078	85,463
Bursary for Rare Skills	365,052	419,943
Consumables	1,511,728	498,878
Campaigns and Promotions	2,383,697	5,084,230
Chemicals	10,297,201	6,108,409
Cleaning Materials	30,695	45,059
Gifts	354,698	253,728
Communication	1,175,167	2,046,810
Community Based Organisation	29,192,710	19,961,181
Entertainment	3,819,841	160,476
Conditional Grant Expenditure	45,034,804	61,939,228
Conferences Expenses	1,535,712	2,621,583
Consultants	36,194,075	40,975,206
Consultative Forums	504,960	670,643
Database expenditure	287,308	564,272
Delegated Management	1,322,943	1,247,142
Insurance	6,081,543	6,032,907
Disposal of the Dead	162,946	181,116
Electricity, Water and Refuse	31,443,803	49,376,986
Emergency Provisions	1,996,064	1,775,379
Employee Welfare	5,884,753	5,420,403
Administration	5,670	400
Food Control	1,451,346	2,775,273
Marketing	2,622,393	3,251,463
Grants In Aid	630,140	477,166
Hiring Costs	6,556,751	22,809,905
Housing Inventories	80,928	44,015
IGR Learnership and Programmes	161,806	131,872
Recruitment expenditure	749,745	836,275
Internally Funded Project Allocations	34,506	-
International Programmes	427,354	220,529
Job Evaluation Expenditure	50,000	-
Fumigation	20,422	68,270
Licenses and Subscriptions	745,698	687,685
Printing & Stationery	6,058,805	5,327,627
Meeting Costs	2,287,125	3,713,631
Membership Fees	5,863,821	4,693,934
Oversight Committee	435,823	410,744
Protective clothing and uniform	7,017,900	6,795,090
Pit Latrine Clearance	9,770,603	6,054,996
Postage	1,961,849	2,145,837
Project Management	237,684	785,839
Property Transfer Costs	13,902	57,777
Public Participation	1,945,950	2,669,465
Refreshments	2,809,967	3,040,689
Rentals:VPN Lines	1,797,661	1,397,671
Livestock improvement	34,200	441,122
Fire services	7,204	5,565
Sampling and Testing	1,007,013	1,240,144
Security Services	21,107,866	17,512,909

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>31. General expenses (continued)</b>		
Skills Development Levy	4,462,363	3,713,240
Software and Computer Expenditure	12,771,171	14,065,056
Solid Waste Site Costs	3,374,285	4,126,394
Special Programmes	28,980,162	12,461,503
Stipend Volunteers	1,396,633	1,191,200
Subsistence and Travel	20,708,917	14,574,594
Telephone Expenditure	3,773,339	4,802,788
Tools	323,473	261,404
Training and Workshops	7,590,346	9,623,913
Transport	35,527,318	25,397,677
Water Research Levy	1,254,336	813,308
Whippery	84,145	102,046
Bulk purchases:chemicals	-	2,648,153
Bulk purchases:repairs and maintainance	-	1,452,110
Bulk purchases:labour,supervision and travel	-	15,569,902
Bulk purchases:general expenses	-	4,527,919
Ethics and discipline	-	1,390
Performance management system	35,000	30,000
Offsite storage	43,445	42,031
Stores and materials	114,626	407,994
	<b>400,727,232</b>	<b>432,288,061</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>32. Employee related costs</b>		
Employee related costs - Salaries and Wages	324,641,636	267,264,035
Bonus	18,942,378	14,624,795
Medical aid - company contributions	26,593,666	23,268,915
UIF	2,757,907	2,358,028
WCA	3,114,022	2,925,923
Contributions: SAMWU	3,193,725	2,940,935
Leave pay provision charge	31,215,786	27,170,117
Contribution: Pension Fund	50,513,308	39,286,474
Contribution : Group Life	2,316,201	340,400
Bargaining Council	142,997	123,844
Employee Benefit Contribution	20,567,531	24,496,866
Travel, motor car, accommodation, subsistence and other allowances	24,892,885	15,710,498
Overtime payments	24,232,418	16,913,511
Car allowance	11,233,138	4,122,672
Housing benefits and allowances	4,444,890	3,066,814
Allowance: Cellphone	8,413,205	5,853,148
Allowance: Shift	2,014,636	1,729,583
Allowance :Standby,Night and Sunday	9,594,910	5,588,834
Allowance :Dirt	1,125,536	1,659,828
Long-term benefits - incentive scheme	-	2,954,657
Employee Study Scheme	-	1,758,425
	<b>569,950,775</b>	<b>464,158,302</b>
<b>Amount expended in respect of retirement benefit plans:</b>		
Defined contribution funds	66,950,043	56,973,844
Defined benefit funds	4,104,052	2,560,954
	<b>71,054,095</b>	<b>59,534,798</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	1,595,036	1,422,988
Performance Bonus	132,199	106,938
Leave Encashment	-	87,954
Cellphone Allowance	50,574	45,684
Travel Allowance	192,000	192,000
Back pay of remuneration	71,640	15,416
Contribution to UIF, Medical and Pension Fund	1,825	1,785
	<b>2,043,274</b>	<b>1,872,765</b>
<b>Remuneration of the Director:Engineering</b>		
Annual Remuneration	781,378	758,051
Performance Bonus	96,395	47,528
Housing Allowance	359,927	192,000
Cellphone Allowance	47,874	43,248
Travel Allowance	216,000	216,000
Back pay of Remuneration	22,768	21,311
Contributions to UIF, Medical and Pension Fund	176,455	169,958
Leave encashment	145,259	-
	<b>1,846,056</b>	<b>1,448,096</b>
<b>Remuneration of the Director:Corporate Services</b>		
Annual Remuneration	943,707	885,077



# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>32. Employee related costs (continued)</b>		
Performance Bonus	137,707	87,136
Leave Encashment	64,836	42,684
Cellphone Allowance	47,874	43,248
Travel Allowance	397,596	288,000
Back pay of remuneration	22,769	19,616
Contributions to UIF, Medical and Pension fund	191,463	164,629
	<b>1,805,952</b>	<b>1,530,390</b>
<b>Remuneration of Director: Land Settlements and Housing</b>		
Annual Remuneration	780,059	770,950
Performance Bonus	96,395	70,298
Leave Encashment	133,890	72,000
Housing Subsidy	354,745	49,897
Cellphone Allowance	46,650	40,800
Travel Allowance	252,000	252,000
Back payment of Remuneration	22,769	15,969
Contributions to UIF, Medical and Pension fund	200,875	184,434
	<b>1,887,383</b>	<b>1,456,348</b>
<b>Remuneration of the Director: Legislative and Executive Support</b>		
Annual Remuneration	1,182,414	923,105
Performance Bonus	123,937	62,451
Leave Encashment	-	37,264
Cellphone Allowance	44,208	35,916
Travel Allowance	263,604	264,000
Back pay of Remuneration	214,453	21,260
Contributions to UIF, Medical and Pension fund	19,705	1,784
	<b>1,848,321</b>	<b>1,345,780</b>
<b>Remuneration of the Chief Finance Officer</b>		
Annual Remuneration	870,597	803,819
Performance Bonus	96,395	6,931
Housing Allowance	184,357	84,000
Cellphone Allowance	47,874	43,248
Travel Allowance	252,000	252,118
Leave Encashment	58,942	83,318
Back pay of Remuneration	22,769	15,291
Contributions to UIF, Medical and Pension fund	230,646	197,165
	<b>1,763,580</b>	<b>1,485,890</b>
<b>Remuneration of the Director: Strategic Management</b>		
Annual Remuneration	809,195	665,567
Performance Bonus	96,396	87,136
Housing Allowances	299,127	276,000
Leave Encashment	-	156,734
Cellphone Allowance	47,874	43,248
Travel Allowance	264,000	264,000
Back pay of Remuneration	22,768	16,890
Contributions to UIF, Medical and Pension fund	164,058	134,862
Acting Allowance	19,804	-
	<b>1,723,222</b>	<b>1,644,437</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>32. Employee related costs (continued)</b>		
<b>Remuneration of the Director: Health &amp; Protection</b>		
Annual Remuneration	961,754	507,878
Performance Bonuses	72,296	90,829
Leave Encashment	-	291,356
Housing Allowance	-	56,000
Cell Phone Allowance	43,250	27,200
Travel,motor car,accomodation,subsistence and other allowances	255,772	168,000
Back pay remuneration	70,107	21,823
Contributions toUIF,Medical and Pension Funds	174,941	107,551
	<b>1,578,120</b>	<b>1,270,637</b>

Ms S. Taleni was appointed as the the Director : Health and Protection services from 11 July 2012 until 19 February 2014.  
Ms Y.Mniki was appointed as the Director:Community Health Services from 1 August 2014.

### 33. Remuneration of councillors

Executive Mayor	886,906	450,051
Speaker	724,923	363,730
Councillors 2015: (37) - 2014:(37)	11,050,338	11,330,768
Skills development levy	159,304	-
Councillors allowances	208,394	108,113
	<b>13,029,865</b>	<b>12,252,662</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>33. Remuneration of councillors (continued)</b>		
<b>In-kind benefits</b>		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has use of a Council owned vehicle for official duties.		
The Executive Mayor has full-time bodyguards .		
The salary allowances and benefits of the political office - bearers are within the upper limits of the framework prescribed by Sect 219 of Constitution.		
<b>Executive Mayor : NH Konza</b>		
Salary	314,312	264,080
Cell Allowance	22,126	36,582
Travel Allowance	129,771	90,584
Housing Allowance	383,034	462,052
3G Allowance	3,300	3,600
Back Pay	37,097	7,671
	<b>889,640</b>	<b>864,569</b>
<b>Speaker : S Janda</b>		
Salary	271,803	261,050
Cell Allowance	20,625	20,868
Travel Allowance	6,175	-
Housing Allowance	383,714	390,997
3G Allowance	3,300	3,600
Back Pay	29,678	7,464
	<b>715,295</b>	<b>683,979</b>
<b>Cllr : L Jacobs</b>		
Salary	470,673	450,837
Cell Allowance	20,868	20,868
Travel Allowance	156,891	154,573
3G Allowance	3,600	3,600
Back Pay	27,823	12,881
	<b>679,855</b>	<b>642,759</b>
<b>Cllr : T Xundu - Kubukeli</b>		
Salary	143,715	239,867
Cell Allowance	12,173	20,868
Travel Allowance	47,905	82,122
Housing Allowance	169,050	289,800
3G Allowance	2,100	3,600
Back Pay	21,640	6,500
	<b>396,583</b>	<b>642,757</b>
<b>Cllr : EB Madikane</b>		
Salary	470,673	450,837
Cell Allowance	20,868	20,868
Travel Allowance	156,891	154,572
3G Allowance	3,600	3,600
Back Pay	27,823	12,881
	<b>679,855</b>	<b>642,758</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014  
Restated

### 33. Remuneration of councillors (continued)

#### Cllr : SB Mtintsilana

Salary	470,673	450,837
Cell Allowance	20,868	20,868
Travel Allowance	156,891	154,572
3G Allowance	3,600	3,600
Back Pay	27,823	12,881
	<b>679,855</b>	<b>642,758</b>

#### Cllr : B Melitafa

Salary	249,079	235,267
Cell Allowance	20,868	20,868
Travel Allowance	81,411	80,547
Housing Allowance	297,075	296,100
3G Allowance	3,600	3,600
Back Pay	27,823	6,376
	<b>679,856</b>	<b>642,758</b>

#### Cllr : P Billie

Salary	270,502	450,837
Cell Allowance	12,173	20,868
Travel Allowance	90,167	154,572
3G Allowance	2,100	3,600
Back Pay	21,640	12,881
	<b>396,582</b>	<b>642,758</b>

#### Cllr : M Papu

Salary	273,654	267,469
Cell Allowance	20,868	20,868
Travel Allowance	90,141	91,572
Housing Allowance	231,000	252,000
3G Allowance	3,600	3,600
Back Pay	27,823	7,248
	<b>647,086</b>	<b>642,757</b>

#### Cllr : M Memani

Salary	470,673	450,837
Cell Allowance	20,868	20,868
Travel Allowance	156,891	154,572
3G Allowance	3,600	3,600
Back Pay	27,823	12,881
	<b>679,855</b>	<b>642,758</b>

#### Cllr : P Finca

Salary	470,673	450,837
Cell Allowance	20,868	20,868
Travel Allowance	156,891	154,572
3G Allowance	3,600	3,600
Back Pay	27,823	12,881
	<b>679,855</b>	<b>642,758</b>

#### Cllr : S Genu

Salary	297,059	285,870
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# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>33. Remuneration of councillors (continued)</b>		
Cell Allowance	20,868	20,868
Travel Allowance	100,404	97,872
Housing Allowance	230,100	226,800
3G Allowance	3,600	3,600
Back Pay	27,823	7,747
	<b>679,854</b>	<b>642,757</b>
<b>Cllr : M Bikitsha</b>		
Salary	195,097	184,663
Cell Allowance	20,868	20,868
Travel Allowance	65,417	63,222
Housing Allowance	367,050	365,400
3G Allowance	3,600	3,600
Back Pay	27,823	5,004
	<b>679,855</b>	<b>642,757</b>
<b>Cllr : N Mgidlana</b>		
Salary	146,126	-
Cell Allowance	21,440	-
Travel Allowance	33,384	-
Housing Allowance	108,773	-
3G allowance	3,699	-
Back Pay	24,595	-
	<b>338,017</b>	-
<b>Cllr : N Nyalambisa</b>		
Salary	212,846	-
Cell Allowance	21,440	-
Travel Allowance	75,438	-
3G Allowance	3,699	-
Back Pay	24,595	-
	<b>338,018</b>	-
<b>Cllr : SM Zuka</b>		
Salary	73,731	-
Cell Allowance	5,789	-
Travel Allowance	29,947	-
3G Allowance	1,047	-
Back Pay	16,110	-
	<b>126,624</b>	-

On the 27th of March 2015 the following Mayoral Committee Members were appointed :

Councillor N. Mgidlana, S. Zuka and N. Nyalambisa in replacement of M. Papu, T Kubukeli and P. Billie

Councillor M. Papu was appointed as a PR.

### 34. Debt impairment

Contributions to debt impairment provision	154,873,868	116,309,046
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Refer to Note 13 included in Receivables from exchange transaction

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>35. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	11,577,170	6,638,927
Financial assets	15,777,606	25,823,110
Interest received - SARS	27,072	-
	<b>27,381,848</b>	<b>32,462,037</b>
	-	-
	<b>27,381,848</b>	<b>32,462,037</b>
<b>36. Depreciation and amortisation</b>		
Property, plant and equipment	91,832,327	106,308,633
Property, plant and equipment	91,380,763	106,237,398
Intangible assets	380,731	402
Investment property	70,833	70,833
	<b>91,832,327</b>	<b>106,308,633</b>
<b>37. Finance costs</b>		
Total finance costs	31,001,620	14,476,675
Finance leases	55,984	141,483
Employee benefit obligations	17,437,189	13,900,021
VAT penalty	154,254	403,823
Interest overdue accounts	3,045	31,348
Interest expense -external borrowing	13,351,148	-
	<b>31,001,620</b>	<b>14,476,675</b>
<b>38. Contracted services</b>		
Contractual amounts - office equipment	244,226	559,816
Contractual amounts - accommodation	25,526,286	16,178,848
Contractual amounts - parking	2,201,975	1,837,251
Contractual amounts - motor vehicles	66,080	697,529
	<b>28,038,567</b>	<b>19,273,444</b>
<b>39. Bulk purchases</b>		
Water	57,572,563	62,048,818

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>40. Cash generated from operations</b>		
Surplus	538,322,961	176,164,079
<b>Adjustments for:</b>		
Depreciation and amortisation	91,832,327	106,308,633
Provisions paid	(500,426)	-
Gain /(loss) on assets and disposal	5,698,121	(1,362,103)
Finance costs - DBSA loan	13,351,148	-
Interest received	(1,385,117)	-
Debt impairment	154,873,868	116,309,046
Movements in operating lease assets and accruals	-	(22,883)
Movements in retirement benefit assets and liabilities	26,133,747	36,345,888
Movements in provisions	(2,432,596)	5,162,400
<b>Changes in working capital:</b>		
Inventories	(2,619,845)	(389,179)
Receivables from exchange transactions	(23,691,359)	(9,096,917)
Consumer debtors	(154,873,868)	(116,309,046)
Other receivables from non-exchange transactions	(12,377,586)	(3,394,043)
Payables from exchange transactions	160,696,378	38,274,235
VAT	(64,004,769)	6,138,273
Taxes and transfers payable (non exchange)	(5,651,074)	363,556
Unspent conditional grants and receipts	(5,790,706)	(37,473,434)
Increase in long term debtor for MIG grant	(286,320,150)	-
	<b>431,261,054</b>	<b>317,018,505</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

	2015	2014 Restated
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### 41. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Infrastructure	1,238,516,761	877,417,860
• Community	74,396,331	39,571,408
• Other - Land and buildings	5,993,349	6,987,230
	<b>1,318,906,441</b>	<b>923,976,498</b>

##### This expenditure will be financed from

Governments grants	1,261,373,275	877,607,831
Own resources	57,533,166	46,368,667
	<b>1,318,906,441</b>	<b>923,976,498</b>

#### Authorised operational commitments

The municipality has committed to security services for a period of three years.

##### Approved and contracted

Cleaning services	77,968	22,211
IT related services	12,089,378	12,710,846
Security services	37,035,182	57,290,557
Financial related services	2,733,090	5,020,414
	<b>51,935,618</b>	<b>75,044,028</b>

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	33,233,230	5,526,830
- in second to fifth year inclusive	43,740,593	4,430,659
	<b>76,973,823</b>	<b>9,957,489</b>

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	80,572	118,302
- in second to fifth year inclusive	276,315	289,959
- later than five years	10,257	56,928
	<b>367,144</b>	<b>465,189</b>

Operating Leases consists of the following:

Operating lease payments represent rentals receivable by the Municipality for certain of its properties situated in Stutterheim, Komga, Cathcart, Adelaide and Macleantown.

No contingent rent is payable.

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



# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
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### 42. Contingencies

#### Contingent liabilities

##### Legal claims

Five legal claims submitted to the legal department of the municipality are in the process of being resolved. The estimated liability of such claims, should the claimant be successful is disclosed.

The timing of the legal proceedings regulating the claims is uncertain.

Legal disputes relate to:

##### Claim for damages

	-	-
	19,094	19,094

The municipality has been sued in respect of a vehicle that was taken to the complainant to be repaired by Nkonkobe Local Municipality years ago and was never collected. There is uncertainty as to who actually owns the vehicle in question. The Municipality is being sued for storage fees. Default judgement was granted against the ADM and a Warrant of Execution was issued.

##### Compensation for work performed by a contractor

	-	3,310,894
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The municipality has been sued for the payment of outstanding amounts claimed in relation to the construction of RDP houses. The municipality has pleaded that it is not obliged to pay the amounts until receipt of funds from the Eastern Cape Department of Human Settlements. Department of Human Settlements has now been joined, and either their approach for settlement or defence are expected. Dispute remains between ADM and Department of Human Settlements. ADM settled during 2014/15 financial year.

	1,323,586	1,323,586
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The claim is in respect of services rendered in the amount of R1,323,586. The entity performed poorly but were nonetheless paid proportionately in terms of the agreement. Exceptions have been raised. The matter is not progressing.

##### Cession agreement

	27,225	27,225
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Legal action has been instituted against the municipality in respect of a cession agreement which the plaintiff claims that the municipality is indebted to it for. Matter postponed to allow settlement out of court.

#### Total contingent liabilities

	1,369,905	4,680,799
	<b>1,369,905</b>	<b>4,680,799</b>

#### Contingent assets

The following contingent assets have been disclosed and not recognised as the outcome is dependent on a legal ruling.

#### Non -performance on a contract

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>42. Contingencies (continued)</b>		
	500,595	500,595
The municipality has instituted legal action against a contractor and its surety. The municipality and its lawyers are of the opinion that the litigation is likely to be in the municipality's favour. The timing of the legal proceedings regulating the above is uncertain.		
<b>Compensation for work performed by contractor</b>	3,310,894	-
The municipality has been settled the payment of outstanding amounts claimed in relation to the construction of RDP houses. The municipality expects the recovery of the amounts from the Eastern Cape Department of Human Settlements.		
<b>Breach of contract</b>	1,198,370	1,198,370
The municipality instituted legal action against a contractor for damages related to breach of contract as a result of the contractors abandonment of the project. The municipality and its lawyers are of the opinion that the litigation is likely to be in the municipality's favour. The timing of the legal proceedings regulating the above is uncertain.		
<b>Claims for RSC levies and Water and Sanitation</b>		
	35,299	-
	59,865	59,865
	25,688	-
	80,646	-
	103,683	-
	<b>305,181</b>	<b>59,865</b>
<b>Total contingent assets</b>	2,004,146	1,758,830
	<b>2,004,146</b>	<b>1,758,830</b>

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>43. Related parties</b>		
Relationships		
Controlled entities	Refer to note 7	
<b>Related party transactions</b>		
<b>Administration fees paid to (received from) related parties</b>		
Amathole Economic Development Agency for the operations	18,810,000	15,000,000
<b>Neighbourhood Development Programme Grant</b>		
NDPG	12,832,980	-
<b>ADM to ASPIRE</b>		
Emthonjaneni Project	180,858	-
Funding for projects	5,700,000	-
<b>Cooperative Development Centre</b>		
Operational funds	-	200,000

The Amathole Economic Development Agency was established 1 September 2005

Place of Incorporation: South Africa

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

### 44. Change in estimate

#### Property, plant and equipment

Various classes of property, plant and equipment was found to be fully depreciated in the current year. The useful lives of this property, plant and equipment were revised on 30th June 2015 to depreciate with an additional three years. The effect of this revision has increased the depreciation charges for the current and future periods by R 283,675

Refer to Note 5.

There is no impact on the cash flow statement

### 45. Prior period errors

#### VAT

During the current financial year, SARS disallowed VAT claimed in the prior years on the suppliers that were not a VAT vendor. Refer to note 15. Error was corrected retrospectively by an amount of R837 761.

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014  
Restated

### 45. Prior period errors (continued)

#### Receivables from exchange transactions

On 1 July 2006 the municipality assumed responsibility for the provision of water and sanitation services as required by Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998).

The municipality is continually checking the accuracy of its debtors database.

During previous years, consumer accounts taken over from the local municipalities were incorrect. Hence revenue was incorrectly recognised. The error was corrected in the current financial year and was adjusted retrospectively by an amount of R4 645 950. Refer to note

13.

#### Investment Property

During the current financial year, an identification, verification and valuation exercise was performed by an independent valuer of all the municipality's properties. Additional land parcels were identified that were not recognised on the property register.

This error was corrected in the current year and adjusted retrospectively. The Investment Property increased by R12 512 299. Refer to note 4.

#### Property plant and Equipment

During the current financial year, an identification, verification and valuation of land and buildings was performed. Land parcels of R5 326 706 were added to the property register and buildings of R7 915 755 were removed from the property register.

A verification of all ADM water treatment works, waste water treatment works and pump stations was performed during the current financial year. It was identified that certain assets had been included in the Infrastructure asset register in previous years which were not owed by ADM. The infrastructure register decreased by R182 132 324 as these assets were removed from the register. Similarly community assets of R3 382 000 that did not belong to ADM were removed from register. The errors were corrected retrospectively in the current year.

It was identified during the verification of assets that there were assets on the ground that could not be located in the register.

An exercise to deem the asset cost was performed and therefore resulted in an increase of R5 461 130 to the asset register for other assets. Refer to note 5.

The finance lease register was corrected by R3 693 825 during the current financial year. This was adjusted retrospectively.

Through inspection of the register it was found that there was inventory disclosed as movable assets in the register. The identified items were removed from the movable assets and therefore resulted in the restatement of opening balances.

The accumulated depreciation was adjusted retrospectively for the changes in the assets.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Decrease in VAT	-	(837,761)
Decrease in Receivables from exchange transactions	-	(4,645,950)
Increase in Property, plant and equipment: Land	-	5,326,706
Increase in Investment Property	-	12,512,299
Decrease in Property, plant and equipment: Buildings	-	(7,915,055)
Decrease in Property, plant and equipment: Infrastructure	-	(182,132,324)
Decrease in Property, plant and equipment: Community	-	(3,382,000)
Increase in Property, plant and equipment: Other assets	-	5,461,130
Decrease in Property, plant and equipment: Finance lease assets	-	(3,693,825)
Decrease in Accumulated depreciation	-	67,656,816
Total	-	(111,649,964)

# Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014 Restated
<b>45. Prior period errors (continued)</b>		
<b>Statement of Financial Performance</b>		
Increase in General expenditure	-	624,678
Net decrease in the accumulated surplus	111,025,286	Total 111,025,286

### 46. Comparative figures

The comparative figure for unauthorised was restated due to the budget exceeded as per the Annexures of budget in the prior year. Unauthorised expenditure increased by R12 092 000. Refer to note 49

The comparative figure for water losses was restated due to errors identified by Engineers in the prior year calculation. The restatement only impacts disclosure and thus has no effect on the statement of Financial Position and Performance. The Water losses decreased by R50 652 813. Refer to note 48.

### 47. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Exposure to these risks arise in the normal course of the municipality's operations.

The Accounting Officer has the overall responsibility for the establishment and oversight of the Municipality's risk management framework. The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the municipality's activities. Policies are approved by the Council. The Council has established a Risk Management Committee, which is responsible for developing and monitoring the municipality's risk management policies.

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### 47. Risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

On average 42% (2014: 46%) of receivable (own billed) income is realised within 30 days after the due date and payables are settled within 30 days of receipt of the invoice. National and Provincial grant funding is received in terms of the Division of Revenue Act (DoRA).

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The impact of discounting is not significant.

<b>2015</b>	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and later than five years	Total
Trade and other payables	235,304,648	-	108,303,999	-	343,608,647
Other	-	-	2,432,596	-	2,432,596
Gross finance leases	17,935	53,806	143,483	101,400	316,624
	<b>235,322,583</b>	<b>53,806</b>	<b>110,880,078</b>	<b>101,400</b>	<b>346,357,867</b>
<b>2014</b>	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
Trade and other payables	101,761,726	-	82,749,618	-	184,511,344
Other	-	-	1,352,145	-	1,352,145
Gross finance leases	60,571	181,712	484,565	316,625	1,043,473
	<b>101,822,297</b>	<b>181,712</b>	<b>84,586,328</b>	<b>316,625</b>	<b>186,906,962</b>

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### 47. Risk management (continued)

#### Interest rate risk

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

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

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.

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

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

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

Investments at fixed interest rates.

Trade receivables in arrears are linked to the South African prime rate plus two percent.

Loans granted are linked to a fixed rate of interest.

Surplus funds are invested with banks for fixed terms on fixed interest rates not exceeding one year. For details refer to Note 9

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

Finance leases linked to the South African prime rate.

Management manages interest rate risk by negotiating beneficial rates.

#### Interest rate sensitivity analysis

##### Financial Assets

At 30 June 2015, if interest rates at that date had been 50 basis points higher, with all other variables constant, the effect on the statement of financial performance would have been R 265 725 (2014: R321 859) with the opposite effect if the interest rate had been 50 basis points lower.

##### Financial liabilities

At 30 June 2015, if interest rates at that date had been 50 basis points higher, with all other variables constant, the effect on the statement of financial performance would have been R 280 (2014: R495) with the opposite effect if the interest rate had been 50 basis points lower.

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### 47. Risk management (continued)

#### Credit risk

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

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

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

#### Investments and borrowing

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

#### Loans receivable

Loans are granted and managed in accordance with policies and regulations as set out in Note 8. The associated interest rates and repayments are clearly defined and where appropriate, the municipality obtains certain suitable forms of security when granting loans. Allowances for impairment are made in certain instances.

#### Cash and cash equivalents

The municipality limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating and within specific guidelines set in accordance with Council's approved investment policy.

Consequently the municipality does not consider there to be any significant exposure to credit risk.

#### Receivables

Receivables are amounts owing by consumers and presented net of impairment losses. The municipality has a credit control and debt collection policy in place, and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review.

The municipality's strategy for managing its risk includes encouraging residents to install water management devices that control water flow to households. In certain instances, a deposit is required for new service connections, serving as a guarantee. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographic area. The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables.

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

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

#### Maximum exposure to credit risk

The carrying amount of financial asset, represent the municipality's exposure to credit risk in relation to these assets.

The municipality's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

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

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

Financial instrument	2015	2014
Cash and cash equivalent	79,660,624	116,150,039
Current Investments	125,507,039	387,616,947
Trade and other receivables from exchange transactions	95,299,338	71,607,980



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<b>47. Risk management (continued)</b>		
Other current financial assets	20,140,735	7,763,149
Other Non current financial assets	1,541,338	1,314,062

### Foreign exchange risk

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

### 48. Water distribution losses

The amount recorded as distribution losses emanates from the provision of water to free basic services beneficiaries through communal standpipes and also network/distribution losses due to burst pipes and other leakages. Comparative figure was restated refer to note 46.

Water distribution losses	58,254,650	39,825,375
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### 49. Unauthorised expenditure

Unauthorised expenditure	12,092,000	58,694,827
Unauthorised expenditure current year	-	12,092,000
Unauthorised expenditure condoned	-	(58,694,827)
	<b>12,092,000</b>	<b>12,092,000</b>

The operational budget was exceeded at vote level by R382490 due to an increase in depreciation charges at year end, however the total budget at institutional level was not overspent. This expenditure type is of a non cash flow nature. The capital budget was exceeded at vote level by an amount of R58 312 337 this was as a result of MIG and RBIG roll-overs not being included in the budget ,yet these amounts were spent as well as by assets that were capitalised as finance leases in accordance with GRAP

The unauthorised expenditure was approved by the Council on the 31st of January 2014

The expenditure vote at departmental level for 2013/14 was exceeded by R12 092 000 hence the prior amount of the unauthorised expenditure has been adjusted. This expenditure was approved by Council on 24th July 2015. The comparative figure was restated .Refer to note 46.

### 50. Fruitless and wasteful expenditure

Opening balance	898,024	464,849
Fruitless and wasteful expenditure current year	324,442	436,128
Condoned or written off by council	-	(2,953)
	<b>1,222,466</b>	<b>898,024</b>

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### 50. Fruitless and wasteful expenditure (continued)

#### Incident

During the 2014/15 financial year, there was interest incurred for an amount R70 478 and penalties of R83 776 to SARS as a result of VAT audit. This is a recent matter that requires investigation by the Municipal Manager to determine if any official should be held responsible.

During the 2014/15 financial year, there was incorrect payment made to the service provider for an amount of R27 500. This is a recent transaction. The matter is being investigated to determine who the responsible official is in this regard.

During the 2014/15 financial year, there was a late payment of PAYE, SKILLS and UIF to SARS incurring interest of R25 082. A report has been submitted providing reasons why this interest was incurred. No official can be held responsible for this matter according to the report and a submission will be made to Council to write off the expense.

During the 2014/15 financial year, an ADM official utilised an ADM vehicle without a trip authority, towing services were procured amounting to R103 093. The expenditure is being recovered from the responsible official. There will be no need to request Council to write off the expenditure as it is in the process of being recovered.

During the 2013/14 financial year, interest and penalties of R403 823 were paid to SARS as a result of a VAT audit. Interest of R32 164 was incurred on late payments during 2013/14. Both instances are still under investigation.

During the 2013/14 financial year, there was interest incurred on late payment to Aloe Travel for an amount of R3 478. The official responsible for incurring this expenditure is no longer with the municipality and a request to write off the expenditure will be submitted to Council.

During the 2012/13 financial year, there was interest on late payment to First Auto of R11 035. The matter is currently under investigation to determine who is responsible for incurring this expenditure.

During the 2012/13 financial year, three instances of late payment incurring interest were incurred, being R7617, R302 and R9 603 respectively. The ADM is investigating all the matters of late payment and will recover any costs if necessary.

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

During 2011/12 financial year, interest of R43 963 was incurred on accounts due. This was as a result of a dispute logged regarding previously charged interest and fees. The dispute was never resolved, yet the interest kept on accumulating on the amount in dispute. This matter is currently under investigation.

During 2010/11, interest of R714 was incurred on late payment. The ADM has investigated the matter. Awaiting Council resolution for the condonation of this matter on 31 August 2012.

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

A payment of R34 830 was made to a contractor for interest incurred on construction. The interest was to be paid per the ruling of the Mediator. The ADM is to investigate the matter and recover any costs if necessary.

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<b>51. Irregular expenditure</b>		
Opening balance	546,238	2,147,229
Add: Irregular Expenditure - current year	288,537,590	362,990
Less: Amounts written off	(546,238)	(1,963,981)
	<b>288,537,590</b>	<b>546,238</b>

### Incident

During the 2014/15 financial year ,an amount of R286 320 150 was deemed by ADM as irregular.ADM contracted with a service provider utilising section 32 procurement process.It has been established after award that the tax clearance certificate submitted by the service provider was fraudulent.

During the 2014/15 financial year,procurement amounting to R205 568 (7 incidents) were deemed irregular by ADM as procurement processes were split to avoid the SCM processes.

During the 2013/14 financial year ,an amount of R130 290 was deemed by Auditor General to be irregular as a result of possible cover quoting.The expenditure was written off by Council on the 24th of July 2015

During the 2013/14 financial year,procurement amounting to R121 702 (7 incidents) were deemed irregular by Auditor General for requisitions not approved by the delegated official.The expenditure was written off by Council on the 24th of July 2015

During the 2013/14 financial year,procurement amounting R116 050 were deemed irregular by Auditor General for procurement divided to avoid SCM processes.It was deemed not irregular by the Council it was written off on the 24th of July 2015.

During 2012/13 financial year,an amount of R52 500 was deemed by Auditor General as irregular for non utilisation of the three quotes system.This was disclosed in the 2013/14 register, this expenditure is now reflected on the 2012/13.It was written off by the Council during 2015/16 financial year on the 24th July 2015.

During the 2012/13 financial year , an amount of R146 832 was deemed irregular as three quotes were not obtained.This was disclosed in the 2013/14 register ,this expenditure is now reflected on the 2012/13 register.It was deemed not irregular by the Coucil during 2015/16 financial year on the 24 of July 2015.

During 2011/12 financial year ,Operations and Maintanance of the Eastern Regional Solid Waste Landfull site , Ibika was not advertised for 30 days for an amount of R1 550 991.It was condoned during 2013/14 financial year and written off 2015/16 financial year on the 24th of July 2015 by the Council.

During 2011/12 financial year , There was non submission of tax clearance certificate for an amount of R50 000.It was condoned during 2013/14 financial year and written off 2015/16 financial year by the Council on the 24th of July 2015.

During 2011/12 financial year , an amount of R163 657 was deemed by Auditor General as irregular as no competitive bidding process was followed in relation to the financing of the maintanance portion of the photocopier contract.It was deemed not irregular by the Council 2015/16 financial year on the 24th July 2015 .

During the 2010/11 financial year, breaches on contracts to the value of R546 238 were found. These were investigated and written off by Council on 22 August 2014.

### 52. Additional disclosure in terms of Municipal Finance Management Act

#### Audit fees

Amount paid - current year	4,063,574	4,167,159
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### 52. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### PAYE and UIF

Opening balance	5,651,074	-
Current year subscription / fee	98,084,904	60,739,150
Amount paid - current year	(103,761,138)	(55,088,076)
	<u>(25,160)</u>	<u>5,651,074</u>

The balance represents PAYE and UIF deducted from the June 2015 payroll. The amount overpaid during July 2015 payroll. The amount due was paid during July 2015 and has been included in current liabilities

#### Pension and Medical Aid Deductions

Current year subscription / fee	105,025,827	100,608,335
Amount paid - current year	(105,025,827)	(100,608,335)
	<u>-</u>	<u>-</u>

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding more than 90 days R	Total R
Councillor N Nonjaca	456	456
Councillor T.P Dwanya	225	225
Councillor M.J Papu	6,291	6,291
	<b>6,972</b>	<b>6,972</b>

  

30 June 2014	Outstanding more than 90 days R	Total R
Councillor N Nonjaca	- 5,755	5,755
Councillor MJ Papu	- 5,396	5,396
Councillor TP Dwanya	- 8,956	8,956
	<b>- 20,107</b>	<b>20,107</b>

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

30 June 2015	Highest outstanding amount	Aging (in days)
Councillor MJ Papu	6,291	90
Councillor N Nonjaca	456	90
Councillor TP Dwanya	225	90
	<b>6,972</b>	<b>-</b>

  

30 June 2014	Highest outstanding amount	Aging (in days)
Councillor TP Dwanya	8,956	90
Councillor N Nonjaca	5,755	90
Councillor MJ Papu	5,396	90
	<b>20,107</b>	<b>-</b>

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

#### Supply chain management regulations

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 Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been condoned.

#### Incident

Deviations	180,674,384	268,990,708
Breaches	515,074	-
	<b>181,189,458</b>	<b>268,990,708</b>

#### Non-Compliance with the Municipal Finance Management Act

In terms of DoRA, the Water Operating Subsidy Grant monthly reports for the first six months were only submitted during January 2014.

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

In terms of the SCM regulations, any award above R2000 to family members of employees in the service of the State must be disclosed in the annual financial statements. The following is a list as recorded on the declaration of interest form.

#### Connected Person and Position Held

A. Mc Allister - Administration Officer	427,950	-
Z. Poto - Engineering Officer	-	4,703
L. Ngcobo - Senior Manager: Municipal Support Unit	166,290	42,946
T Mbali - Disaster Management Officer	-	6,100
S. Gqeba - Administration Officer: LESS	6,000	23,600
Z.Gladile - Senior clerk Leave Records	337,500	-
P Mtsatse - Senior clerk	60,107	-
N.Tami - Contracts officer: SCM	130,746	-
	<b>1,128,593</b>	<b>77,349</b>

### 53. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

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### 54. Grant performance narrations

#### National Government Grants

##### 1. Municipal Systems Improvement Grant (MSIG)

Projects have been completed during the year, an application has been submitted to the funder for roll-over.

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### 54. Grant performance narrations (continued)

#### 2. Road Asset Management System

An application for roll over has been submitted to the funder.

#### 3. Dutywa Water Supply-Feasibility

Savings

#### 4. Great Kei River Basin Water Supply Scheme

Savings

#### 5. Mnquma War on Leaks

Funds are committed and they will be fully spent.

#### 6. Victoria

This is a multiyear project . The project is progressing. The balance is expected to be utilised in the next financial year 2015/16  
An application for roll-over was made by the project Manager to the funder.

#### 7.Teko Springs/ Ndlovini

This is a multiyear project. The project is awaiting approval of the Layout Plan by PDoCOGTA .The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder

#### 8. Needs Camp

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

#### 9. Hogsback

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial year 2015/16.  
The application for roll-over was made by the project manager to the funder.

#### 10. Haga Haga

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial year 2015/16.  
The application for roll-over was made by the project manager to the funder.

#### 11. Willowvale

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

#### 12. Elliotdale

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

#### 13. Ndevana

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

#### 14. Msobomvu



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### 54. Grant performance narrations (continued)

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 15. Hertzog

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 16. Great Kei Planning Funds

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 17. Mquma Planning Funds

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 18. Ngqushwa Planning Funds

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 19. Nkonkobe Planning Funds

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 20. Mquma Survey

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 21. Survey Interest and Contribution

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 22. Ngqushwa Survey Funds

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 23. Nkonkobe Survey

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 24. Lewis Survey

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 25. Prudoe Engineering Design

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings.

### 26. Dongwe Engineering Design

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### 54. Grant performance narrations (continued)

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings.

#### 27. Kubusie Establishment Grant

Project completed, remaining balance is savings.

#### 28. Ndlovini Establishment Grant

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 29. Ducats Establishment Grant

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 30. Macleantown Establishment Grant

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 31. Prudoe Establishment Grant

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 32. Dongwe Establishment Grant

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 33. Teko Spring Establishment Grant

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 34. Needs Camp Establishment Grant

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 35. Teko Spring Top Structure

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 36 Prudoe Top Structure

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 37 Dogwe Top Structure

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 38. Needscamp Top Structure

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for

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### 54. Grant performance narrations (continued)

roll-over was submitted by the Project Manager to the funder .

#### 39. Ducats Top Structure Subsidy

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 40. Kubusi Top Structure

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 41. Lilyvale Kaysers Beach Establishment Grant

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 42. Kaysers Beach Housing Project

Project completed. Balance is for ADM Income. The application for roll-over was made by the Project Manager to the funder.

#### 43. Lillyvale Eng Designs

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the Project Manager to the funder.

#### 44. Planning Grant DLA

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial years 2015/16 -2017

#### 45. Restitutional Award (DLA)

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial years 2015/16 -2017

#### 46. Beneficiary Administration (Breaking new ground )

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial years 2015/16 -2017

#### 47. Environmental Impact Assessment

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial years 2015/16 -2017

#### 48. Geo Hydrology

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder.

#### 49. Bawa Falls Led

Project will be completed in the next financial year (Multiyear)

#### 50. Elliotdale Brick Making

Project will be completed in the next financial year (Multiyear)

# Amathole District Municipality

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### 54. Grant performance narrations (continued)

#### 51. EC Information Initiative Support

Project will be completed in the next financial year (Multiyear)

#### 52. ECDOT: Butterworth Interchange

The balance of R 17 000 to be spent on the completion of snags in the keiskamahoe public transport facility.

#### 53. Dutywa Extension 8 (VIP Toilets, RDS &W)

Project has been completed funds to be transferred back to the funder.

#### 54. Roof Top Rain Water Harvesting

Final stipend payments to be made.

#### 55. Household Leak Repairs

Savings

#### 56. Ngqusi Rain Water Harvesting

Funds will be fully utilised. Cheques being processed for stipends

#### 57. Adelaide Water Re-use Phase 1

Savings

#### 58. Communal Water Stations (DST/CSIR)

Vat savings. Will be used for stipends

#### 59. Free Basic Services Strategy Development

Savings

#### 60. Silwindlala Women's Project

Project will be completed in the next financial year ( Multiyear)

#### 61. Balfour Sawmills

Project will be completed in the next financial year ( Multiyear)

#### 62. Highlands Resorts

Project will be completed in the next financial year ( Multiyear)

#### 63. Peddie Bricks Making

Project will be completed in the next financial year ( Multiyear)

#### 64. Inkuthalo Hydroponics

Project will be completed in the next financial year ( Multiyear)

#### 65. Capacity Building for LM's

Project will be completed in the next financial year ( Multiyear)

# Amathole District Municipality

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### 54. Grant performance narrations (continued)

66. Led Capacity Building - Ngqushwa

Project will be completed in the next financial year ( Multiyear)

67. Upgrade Infrastructure Sanitation ( Consolidated of Accounts)

Recently consolidated funds. Will be utilised in 15/16

68. Shixini Water Supply

Will be utilised for stipends for rain water harvesting.

69. Chatha Development

This is a multiyear project. The project is progressing

1. Financial Management Grant (FMG)

1. Financial Management Grant (FMG)

1. Financial Management Grant (FMG)

### 55. Budget differences

#### Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 10% are explained below:

# Amathole District Municipality

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### 55. Budget differences (continued)

#### Statement of Financial Performance

##### Revenue

##### 1. Service charges -

Budget is based on realistically collectable revenue while the actual is based on accrued service charges hence the accrued service charges exceed the service charges budget .

##### 2. Rental of facilities and equipment

Rental earned was less than anticipated.

##### 3. Interest earned - outstanding receivables

Actual billing exceeded the budget as billing of interest on overdue accounts exceeded what was anticipated.

##### 4. Other income

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

##### 5. Government grants & subsidies

Actual government grants received exceeds the budgeted amount due to the conditions of the MIG grant being met and transferred to revenue on the accelerated sanitation programme. The NDPG grant was received and recognised in grant income but was not budgeted for. This grant was transferred to ASPIRE

##### 6. Own revenue - VAT on MIG

##### 7. Own revenue - VAT other grants

Circular 48 allows municipalities to recognise input VAT claimed on grants to be recognised as own revenue.

#### Expenditure

##### 9. Remuneration

##### 10. Remuneration of councillors

##### 11. Depreciation and amortisation

The depreciation expense is less than the budget as the amount anticipated for new schemes commissioned during the year was less and no schemes were completed during the year.

##### 12. Finance costs

Budgeted amount was based on the original DBSA loan amount of R632million only R286 million was actually received ,hence the actual finance costs were less.

##### 13. Debt Impairment

Provision is based on risk calculation and collection rates.

##### 14. Collection costs

Budget includes an amount pertaining to legal fees, this expenditure is adhoc as it depends on when then need for an attorney/debt collection is required.

##### 15. Repairs and maintenance

Repairs and maintenance votes, are used on an adhoc basis and only used if and when needed.

##### 16. Contracted Services

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

##### 17. General expenditure

Internally funded projects not fully spent.

Hiring costs - hiring cost have decreased due to the approval of the application for the car user scheme subsidy

Bulk purchases: labour, supervision and travel decreased as Amatola Water no longer used to provide these services.

# Amathole District Municipality

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### 55. Budget differences (continued)

#### 18. Gain/loss on sale of assets

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

### Statement of Financial Position

#### 1. Current investments

The investments have decreased as capital that matured during the year was not re-invested due to cash monitoring to ensure that sufficient cash is readily available when needed,.

#### 2. Receivables from exchange transactions

Budget is based on realistically collectable revenue while the actual is based on accrued. The provision for bad debts is for 80% of the outstanding debt.

#### 3. Receivables from non-exchange transactions

The increase is a result of sundry debtors increasing.

#### 4. VAT receivable

VAT receivable increased due to outstanding VAT Refunds for the month of December 2014 , March 2015 , April 2015 and May 2015.

#### 5. Current portion of receivables

This amount is the current portion of the pledged MIG grant for 15/16 allocation that is receivable to repay the DBSA loan.

#### 6. Cash and cash equivalents

The cash and cash equivalents have decreased as a result of increased spending especially on grants.

#### 7. Heritage Assets

These assets were identified and recognised during the current year in terms of GRAP.

#### 8. Investment Property

ADM properties were identified during the verification and valuation process by an independent valuer that were to be included in the fixed asset register that were not recognised previously.

#### 9. Property, plant and equipment

The property, plant and equipment increased during the current year as a result of expenditure on infrastructure assets.

#### 10. Intangible Assets

The increase is a result of software purchased during the year under review.

#### 11. Non-current receivable

The increase is a result of the accelerated sanitation project of which the MIG grant is pledged by National Treasury.

#### 12. Current portion of the interest bearing borrowings DBSA

This amount is the current portion of the DBSA loan that was entered into to finance the accelerated sanitation project.

#### 13. Payables from exchange transactions

Trade creditors increased as a result of accrued payments

#### 14. Unspent conditional grants

The significant decrease is as a result of increased spending of the grant allocations by the municipality. With almost all the DoRA gazetted grants being fully spent.

#### 15. Employee benefits

The employee benefit obligation has increased based upon the report obtained from the actuaries.

#### 16. Interest Bearing Borrowings DBSA

This amount is the non-current portion of loan to DBSA to fund the accelerated sanitation project.

#### 17. Revaluation Reserve

Increase in reserve as properties were increased in value.

# Amathole District Municipality

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### 55. Budget differences (continued)

#### Cash flow statement

#### 18. Operating activities

The net cash flow from operating activities reflects an outflow, due to the service charges being less than anticipated..

#### 19. Investing activities

The net cash flow from investing activities variances ia as a consequence of purchasing of property ,plant and equipment.

#### Financing activities

The net cash flow from investing activities variance is as a result of receiving DBSA loan .

- - - - -

### Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters as well as an adjustment to the budget.

### 56. Repairs and maintenance

Water and sanitation	14,490,408	37,894,454
Buildings	4,062,611	4,092,122
Vehicles	349,075	541,839
Tools and equipment	180,455	1,089,392
Office furniture and equipment	-	23,235
Computers	49,613	113,889
Others	34,896,583	4,731,021
	<b>54,028,745</b>	<b>48,485,952</b>

### 57. Interest earned - outstanding receivables

Receivables - service charges	35,223,068	31,908,310
Financial assets	36	387
	<b>35,223,104</b>	<b>31,908,697</b>

### 58. Gain/(Loss) on disposal of asset

	(5,698,121)	1,362,103
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Annual Financial Statements  
Appendix B - Analysis of Property, plant and equipment  
for the year end 30 June 2015

Classification	Cost/Revaluation							Accumulated Depreciation						Carrying Value	
	Opening Balance	Transfer In / (Out)	New Opening Balance	Additions	Revalue	Disposals	Closing Balance	Opening Balance	Transfer In / (Out)	New Opening Balance	Additions	Revalue	Disposals		Closing Balance
<b>INFRASTRUCTURE</b>	<b>4 002 280 252</b>	<b>(140 667 510)</b>	<b>3 861 612 744</b>	<b>997 348 601</b>	-	<b>(3 295 738)</b>	<b>4 855 665 605</b>	<b>(551 979 535)</b>	-	<b>(551 979 535)</b>	<b>(73 199 165)</b>	-	-	<b>(624 888 731)</b>	<b>4 230 776 874</b>
Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bridges, Subways & Culverts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Water</b>	<b>299 105 310</b>	<b>-</b>	<b>299 105 310</b>	<b>-</b>	<b>-</b>	<b>(1 998 579)</b>	<b>297 106 731</b>	<b>(52 635 526)</b>	<b>-</b>	<b>(52 635 526)</b>	<b>(10 657 070)</b>	<b>-</b>	<b>-</b>	<b>(63 292 596)</b>	<b>233 814 135</b>
Reservoirs & Tanks	2 238 196	(470 000)	1 768 196	-	-	-1 200 000	568 196	(474 713)	130 933	(343 780)	-	-	-	(0)	568 196
Supply / Reticulation	1 242 453 709	(71 889 170)	1 170 564 539	20 171 768	-	-	1 190 736 307	(225 110 861)	-	(9 657 070)	(10 657 070)	-	-	(234 767 930)	955 968 377
Water - Other	1 028 520 376	(46 889 170)	981 631 206	10 750 410	-	-	992 381 616	(181 625 000)	-	(181 625 000)	(11 657 070)	-	-	(193 282 070)	799 099 546
Water Mains	177 138 358	(21 889 170)	155 249 188	3 373 152	-	-	158 622 340	(33 246 820)	-	(33 246 820)	(14 256 748)	-	-	(47 503 568)	111 118 772
Meters	54 513 524	-	54 513 524	-	-	(1 098 579)	53 414 945	(20 917 907)	-	(20 917 907)	(5 657 070)	-	-	(26 574 976)	26 839 968
<b>Sanitation</b>	<b>157 940 019</b>	<b>-</b>	<b>157 940 019</b>	<b>-</b>	<b>-</b>	<b>(198 579)</b>	<b>157 741 440</b>	<b>(19 537 854)</b>	<b>-</b>	<b>(19 537 854)</b>	<b>(16 657 070)</b>	<b>-</b>	<b>-</b>	<b>(36 194 923)</b>	<b>121 546 517</b>
Purification works	74 107 761	-	74 107 761	-	-	-	74 107 761	(18 905 568)	-	(18 905 568)	(4 657 070)	-	-	(23 562 637)	50 545 124
Sewers	968 501 196	-	968 501 196	963 053 271	-	-	1 931 554 467	-	-	-	-	-	-	-	1 931 554 467
Infrastructure under Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>COMMUNITY</b>	<b>67 391 011</b>	<b>(1 067 840)</b>	<b>66 323 171</b>	<b>-</b>	<b>-</b>	<b>(3 562 000)</b>	<b>62 761 171</b>	<b>(3 949 141)</b>	<b>130 933</b>	<b>(3 818 208)</b>	<b>(2 218 954)</b>	<b>-</b>	<b>1 201 247</b>	<b>(4 835 915)</b>	<b>57 925 256</b>
Clinics & Hospitals	1 680 000	(597 840)	1 082 160	-	-	-	1 082 160	(448 000)	-	(448 000)	(16 000)	-	-	(464 000)	618 160
Fire Stations	262 000	-	262 000	-	-	-262 000	-	(17 467)	-	(17 467)	-	-	17 467	0	0
Security System	2 100 000	-	2 100 000	-	-	-2 100 000	-	(840 000)	-	(840 000)	-	-	840 000	-	-
Museum & Art Galleries	61 110 815	-	61 110 815	-	-	-	61 110 815	(2 168 961)	-	(2 168 961)	-2202954	-	-	(4 371 915)	56 738 900
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Under Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>INVESTMENT PROPERTIES</b>	<b>80 782 577</b>	<b>12 512 299</b>	<b>93 294 876</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93 294 876</b>	<b>(333 900)</b>	<b>-</b>	<b>(333 900)</b>	<b>(70 833)</b>	<b>-</b>	<b>-</b>	<b>(404 733)</b>	<b>92 890 143</b>
<b>OTHER ASSET</b>	<b>195 799 531</b>	<b>(2 588 349)</b>	<b>193 211 183</b>	<b>19 226 934</b>	<b>8 179 704</b>	<b>(8 669 678)</b>	<b>211 948 143</b>	<b>(62 250 041)</b>	<b>-</b>	<b>(62 250 041)</b>	<b>(16 098 496)</b>	<b>-</b>	<b>6 161 714</b>	<b>(72 186 822)</b>	<b>139 761 320</b>
<b>LAND AND BUILDINGS</b>	<b>37 824 047</b>	<b>(2 588 349)</b>	<b>35 235 699</b>	<b>136 088</b>	<b>8 179 704</b>	<b>-</b>	<b>43 551 490</b>	<b>(6 289 936)</b>	<b>-</b>	<b>(6 289 936)</b>	<b>(1 103 405)</b>	<b>-</b>	<b>-</b>	<b>(7 393 341)</b>	<b>36 158 149</b>
Land	4 721 892	5 326 706	10 048 598	-	2 908 300	-	12 956 898	-	-	-	-	-	-	-	12 956 898
Buildings	33 102 155	(7 915 055)	25 187 101	136 088	5 271 404	-	30 594 592	(6 289 936)	-	(6 289 936)	(1 103 405)	-	-	(7 393 341)	23 201 251
<b>Office Equipment</b>	<b>28 582 068</b>	<b>-</b>	<b>28 582 068</b>	<b>11 917 264</b>	<b>-</b>	<b>(2 100 255)</b>	<b>38 399 077</b>	<b>(11 440 330)</b>	<b>-</b>	<b>(11 440 330)</b>	<b>(2 822 281)</b>	<b>-</b>	<b>1 082 281</b>	<b>(13 180 330)</b>	<b>25 218 747</b>
Air Conditioners	1 952 485	-	1 952 485	141 479	-	(2 090 655)	3 308	(904 421)	-	(904 421)	(177 010)	-	1 079 231	(2 200)	1 108
Computer Hardware	21 128 382	-	21 128 382	6 640 406	-	(4 643)	27 764 145	(7 687 139)	-	(7 687 139)	(2 040 006)	-	1 985	(9 725 160)	18 038 984
Operating Software	3 174 560	-	3 174 560	5 000 000	-	-	8 174 560	(2 032 368)	-	(2 032 368)	(380 731)	-	-	(2 413 099)	5 761 461
Other Office Equipment	1 780 261	-	1 780 261	109 213	-	(4 957)	1 884 517	(624 856)	-	(624 856)	(171 331)	-	1 065	(795 121)	1 089 396
Office Machines	546 381	-	546 381	26 167	-	-	572 548	(191 546)	-	(191 546)	(53 203)	-	-	(244 750)	327 798
<b>Furniture and Fittings</b>	<b>18 889 292</b>	<b>-</b>	<b>18 889 292</b>	<b>3 829 278</b>	<b>-</b>	<b>(224 518)</b>	<b>22 494 052</b>	<b>(6 950 919)</b>	<b>-</b>	<b>(6 950 919)</b>	<b>(1 806 338)</b>	<b>-</b>	<b>60 704</b>	<b>(8 696 553)</b>	<b>13 797 498</b>
Tables and Desks	5 769 719	-	5 769 719	1 820 427	-	-	7 590 146	(2 172 436)	-	(2 172 436)	(576 853)	-	-	(2 749 289)	4 840 857
Chairs	7 967 916	-	7 967 916	1 763 926	-	(223 298)	9 508 545	(2 867 321)	-	(2 867 321)	(734 711)	-	60 704	(3 541 327)	5 967 217
Furniture and Fittings : Other	4 606 944	-	4 606 944	244 924	-	(1 220)	4 850 649	(1 639 113)	-	(1 639 113)	(418 486)	-	-	(2 057 600)	2 793 049
Bin & Containers	544 712	-	544 712	-	-	-	544 712	(272 049)	-	(272 049)	(76 288)	-	-	(348 337)	196 375
<b>Plant and Equipment</b>	<b>25 230 630</b>	<b>-</b>	<b>25 230 630</b>	<b>927 628</b>	<b>-</b>	<b>(352 000)</b>	<b>25 806 258</b>	<b>(10 934 978)</b>	<b>-</b>	<b>(10 934 978)</b>	<b>(2 631 752)</b>	<b>-</b>	<b>343 689</b>	<b>(13 223 042)</b>	<b>12 583 216</b>
Compressors	3 148 352	-	3 148 352	114 591	-	-	3 262 943	(984 493)	-	(984 493)	(397 450)	-	-	(1 381 953)	1 880 991
Medical Equipment	82 954	-	82 954	-	-	-	82 954	(33 126)	-	(33 126)	(9 356)	-	-	(42 482)	40 471
Fire Equipment	2 504 690	-	2 504 690	10 051	-	-	2 514 741	(791 531)	-	(791 531)	(444 234)	-	-	(1 235 765)	1 278 976
Fire Arms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Laboratory Equipment	2 797 099	-	2 797 099	523 878	-	-	3 320 977	(1 339 023)	-	(1 339 023)	(398 876)	-	-	(1 737 899)	1 583 077
Lawnmowers	433 424	-	433 424	174 317	-	-	607 740	(188 850)	-	(188 850)	(88 993)	-	-	(277 843)	329 898
Plant & Equipment : General	1 290 776	-	1 290 776	90 092	-	-	1 380 868	(295 420)	-	(295 420)	(202 987)	-	-	(498 407)	882 460
Tractors and Trailers	13 873 242	-	13 873 242	-	-	(352 000)	13 521 242	(6 879 193)	-	(6 879 193)	(986 931)	-	343 689	(7 522 435)	5 998 807
Radio Equipment	1 100 094	-	1 100 094	14 700	-	-	1 114 794	(423 342)	-	(423 342)	(102 916)	-	-	(526 258)	588 536
<b>Motor Vehicles</b>	<b>85 273 494</b>	<b>-</b>	<b>85 273 494</b>	<b>2 416 677</b>	<b>-</b>	<b>(5 992 906)</b>	<b>81 697 266</b>	<b>(26 633 877)</b>	<b>-</b>	<b>(26 633 877)</b>	<b>(7 734 719)</b>	<b>-</b>	<b>4 675 041</b>	<b>(29 693 556)</b>	<b>52 003 710</b>
Motor Vehicles	7 465 271	-	7 465 271	-	-	(452 840)	7 012 430	(2 041 496)	-	(2 041 496)	(788 048)	-	377 834	(2 451 710)	4 560 720
Fire Engines	8 789 219	-	8 789 219	2 416 677	-	-	11 205 896	(1 097 557)	-	(1 097 557)	(474 884)	-	-	(1 572 441)	9 633 456
Trucks & Bakkies	69 019 005	-	69 019 005	-	-	(5 540 065)	63 478 939	(23 494 824)	-	(23 494 824)	(6 471 787)	-	4 297 207	(25 669 405)	37 809 535
<b>TOTAL</b>	<b>4 346 253 371</b>	<b>(131 811 400)</b>	<b>4 214 441 973</b>	<b>1 016 575 535</b>	<b>8 179 704</b>	<b>(15 527 416)</b>	<b>5 223 666 794</b>	<b>(618 512 617)</b>	<b>130 933</b>	<b>(618 381 684)</b>	<b>(91 587 448)</b>	<b>-</b>	<b>7 362 961</b>	<b>(702 316 201)</b>	<b>4 523 145 665</b>

**Amathole District Municipality**

**Annual Financial Statements**

**Appendix C - Segmental Analysis of Property, plant and equipment per department**

for the year end 30 June 2015

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Council & General	3 180 214.00	336 998.00		(148 746.00)	<b>3 368 466</b>	(1 127 129.00)	(297 326.00)	81 648.00	<b>(1 342 807)</b>	<b>2 025 659</b>
Municipal Management	2 578 707.00	129 668.00		(121 692.00)	<b>2 586 683</b>	(1 000 912.00)	(246 270.00)	55 723.00	<b>(1 191 459)</b>	<b>1 395 224</b>
Budget & Treasury	10 145 585.00	1 694 187.00		(471 217.00)	<b>11 368 555</b>	(4 128 588.00)	(986 417.00)	341 844.00	<b>(4 773 161)</b>	<b>6 595 394</b>
Corporate Services	49 552 836.50	9 480 634.59		(2 383 093.00)	<b>56 650 378</b>	(11 334 288.33)	(2 485 158.00)	1 577 184.00	<b>(12 242 262)</b>	<b>44 408 116</b>
Community Services	89 758 718.77	2 683 382.00		(3 699 309.00)	<b>88 742 792</b>	(10 139 223.16)	(4 511 832.00)	1 271 840.00	<b>(13 379 215)</b>	<b>75 363 577</b>
Engineering Services	3 935 936 305.59	45 561 580.67	<b>963 053 271</b>	(7 563 469.00)	<b>4 936 987 688</b>	(576 030 765.49)	(80 422 834.00)	3 217 984.00	<b>(653 235 615)</b>	<b>4 283 752 073</b>
Strategic Management	16 147 214.00	1 623 040.00		(809 356.00)	<b>16 960 898</b>	(7 411 717.00)	(1 589 887.00)	583 514.00	<b>(8 418 090)</b>	<b>8 542 808</b>
Land & Housing	107 142 391.52	192 477.00		(330 534.00)	<b>107 004 335</b>	(7 209 060.00)	(1 047 724.00)	233 225.00	<b>(8 023 559)</b>	<b>98 980 776</b>
<b>Total</b>	<b>4 214 441 972</b>	<b>61 701 967</b>	<b>963 053 271</b>	<b>-15 527 416</b>	<b>5 223 669 795</b>	<b>(618 381 683)</b>	<b>(91 587 448)</b>	<b>7 362 962</b>	<b>(702 606 169)</b>	<b>4 523 145 665</b>

**Amathole District Municipality**  
**Annual Financial Statements**  
**Appendix D**  
for the year ended 30 June 2015

	2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus R
<b>RATES AND GENERAL SERVICES</b>							
0510,15,20,25	49 834 338	30 030 757	19 803 581	<b>Legislative &amp; Executive Support Services</b>	54 484 712	51 568 234	2 916 478
0500	220 645	13 498 929	(13 278 284)	Council General	83 270	12 314 210	(12 230 940)
0505	8 325	11 643 461	(11 635 136)	Mayoral Committee	-1 500	11 463 227	(11 464 727)
1535;1560;1510:1550;1555	64 321 032	26 436 962	37 884 069	<b>Strategic Manager</b>	49 750 436	40 665 917	9 084 519
1530	943 338	14 213 347	(13 270 009)	Municipal Support Unit	931 034	9 654 406	(8 723 371)
1545	5 749	24 029 942	(24 024 193)	Information Systems Unit	116 220	26 690 752	(26 574 531)
2005	83 619 018	57 431 710	26 187 308	<b>Corporate Services</b>	86 765 821	87 142 499	(376 678)
2035	2 151 155	38 543 423	(36 392 267)	Human Resources	15 280 893	64 152 675	(48 871 782)
2505	79 685 951	21 077 684	58 608 267	<b>Budget and Treasury</b>	81 376 107	17 926 490	63 449 617
2515	25 823 156	9 160 206	16 662 950	Accounting and Reporting	15 777 606	8 411 140	7 366 466
2520	2 244	4 789 594	(4 787 350)	Asset Management	-	7 895 649	(7 895 649)
2525	2 276	11 435 945	(11 433 669)	Supply Chain Management	-	13 111 342	(13 111 342)
2530	-	2 077 468	(2 077 468)	Budgeting	-	2 958 075	(2 958 075)
2535,6,7&8	101 131	52 567 813	(52 466 682)	Revenue	72 446	58 409 088	(58 336 642)
2540	1 519	4 995 915	(4 994 397)	Expenditure	-	5 580 641	(5 580 641)
3505	737 916 137	88 976 029	648 940 108	<b>Engineering Services</b>	1 139 375 514	54 360 014	1 085 015 500
3510,12	2 646	11 559 786	(11 557 140)	Building and Services Planning	3 600	8 279 452	(8 275 852)
3511	809 450	4 138 418	(3 328 969)	Solid Waste site	858 017	5 447 663	(4 589 646)
3513	-	-	-	Transport	-	1 093 115	(1 093 115)
3555	1 000 119	6 853 003	(5 852 884)	Water Services Authority	100	11 884 065	(11 883 965)
3565	2 160	984 099	(981 939)	Project Management Unit	-	-	-
4502-4504:4505:				Operations and Maintenance Water and			
4555:4560	237 535 575	502 104 202	(264 568 627)	Sanitation	285 052 054	569 447 042	(284 394 988)
4501	5 923	133 347 913	(133 341 991)	Management of Water Services Authority	75 681	90 774 441	(90 698 760)
5010	50 428 542	4 815 228	45 613 314	<b>Land Human Settlement &amp; Economic</b>	65 080 886	28 628 583	36 452 303
5000	570	38 503 472	(38 502 902)	<b>Development</b>	3 233	10 020 177	(10 016 944)
5005	24 221 152	59 158 841	(34 937 689)	Land Administration and Housing	3 045 000	37 461 140	(34 416 140)
5505&15	20 359 619	12 213 585	8 146 035	Economic Development	58 925 271	44 590 963	14 334 308
5510	17 894	2 425 634	(2 407 740)	<b>Municipal Manager</b>	-	3 569 592	(3 569 592)
5520	1 741	9 622 313	(9 620 572)	Legal Fees	6 470	10 593 739	(10 587 269)
5525	-	-	-	Internal Audit	-	2 141 090	(2 141 090)
4005	69 395 333	15 189 087	54 206 246	Shared services module	-	-	-
4010	-	7 714 532	(7 714 532)	<b>Community Services</b>	74 495 655	11 710 079	62 785 575
4020	-	1 256 103	(1 256 103)	Disaster Management	-	9 812 210	(9 812 210)
4030	7 128	18 223 760	(18 216 633)	Community Safety Services	-	1 907 932	(1 907 932)
4035	3 687 402	34 774 283	(31 086 881)	Municipal Health Services ADM	-	18 891 733	(18 891 733)
4055,6570&75	-	2 891 174	(2 891 174)	Fire Services	4 229 727	36 041 688	(31 811 962)
				Municipal Health services LM's	-	3 543 713	(3 543 713)
	<b>1 452 111 269</b>	<b>1 276 684 620</b>	<b>175 426 649</b>		<b>1 935 788 254</b>	<b>1 378 142 778</b>	<b>557 645 476</b>
		-	1 362 103	Gain/(loss) on sale of assets			(4 693 728)
	<b>1 452 111 269</b>	<b>1 276 684 620</b>	<b>176 788 752</b>		<b>1 935 788 254</b>	<b>1 378 142 778</b>	<b>552 951 748</b>

**Amathole District Municipality**  
**Annual Financial Statements**  
**Appendix E- Actual versus budget (acquisition of property plant and equipment)**  
for the year end 30 June 2015

**ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY PLANT AND EQUIPMENT)**

	<b>2015 Actual R</b>	<b>2015 Budget R</b>	<b>2015 Variance R</b>	<b>2015 Variance %</b>	<b>Explanation for Significant Variances greater than 10% vs Budget</b>
<b>LAND AND BUILDINGS</b>					
Administration	143 000	9 625 000	(9 482 000)	100%	
	<b>143 000</b>	<b>9 625 000</b>	<b>(9 482 000)</b>		
<b>INFRASTRUCTURE</b>					
Water - Other	1 003 172 727	-	1 003 172 727	100%	
Other	-	-	-	100%	
Plant and equipment - General	-	-	-	100%	
Laboratory equipment	-	-	-	100%	
Sewers	-	-	-	100%	
	<b>1 003 172 727</b>	<b>-</b>	<b>1 003 172 727</b>		
<b>COMMUNITY</b>					
Clinics & Hospitals	-	-	-	100%	
Fire Stations	-	-	-	100%	
Museum & Art Galleries	-	-	-	100%	
Ablution facilities	-	-	-	100%	
Security System	-	-	-	100%	
<b>INVESTMENT PROPERTIES</b>					
	-	-	-	100%	
<b>OTHER</b>					
Air Conditioners	141 479	-	141 479	100%	
Bins and Containers	-	-	-	100%	
Computer Hardware	2 956 664	3 829 738	(873 074)	100%	
Computer Software	-	-	-	100%	
Office Machines	26 167	5 233 351	(5 207 184)	100%	
Cabinets & Cupboards	-	-	-	100%	
Chairs	244 924	-	244 924	100%	
Furniture and Fittings : Other	1 763 926	3 262 511	(1 498 585)	100%	
Tables & Desks	1 820 427	-	1 820 427	100%	
Lawnmowers	174 317	-	174 317	100%	
Motor Vehicles	-	1 452 228	(1 452 228)	100%	
Fire Engines	2 416 677	2 500 000	(83 323)	100%	
Tractors	-	-	-	100%	
Trucks & Bakkies	-	-	-	100%	
Compressors	114 591	-	114 591		
Fire Equipment	10 051	-	10 051		
Laboratory Equipment	523 878	-	523 878		
Other Office Equipment	109 213	-	109 213		
Plant and Equipment: General	90 092	-	90 092		
Radio Equipment	14 700	-	14 700		
	<b>10 407 105</b>	<b>16 277 828</b>	<b>(5 870 723)</b>		
<b>TOTAL</b>	<b>1 013 722 832</b>	<b>25 902 828</b>	<b>987 820 004</b>		





**THE ANNUAL FINANCIAL STATEMENTS  
AMATHOLE DISTRICT MUNICIPALITY  
AS AT 30 JUNE 2015**

CONDITIONAL GRANTS AND RECEIPTS	Funder/ Transferring Department	Expenditure Account Number	Balance at 01/07/2014	Contributions received during the year	Expenditure during the year	Balance at 30/06/2015	Comments and Explanations of Variances
			R	R	R	R	
<b>NATIONAL GOVERNMENT GRANTS</b>							
LOCAL GOVERNMENT: FINANCIAL MANAGEMENT GRANT: (FMG) BUDGET REFORM	NT/COGTA	98-06-8-06-307-69	-	-1 250 000	1 250 000	-	5 interns appointed. Minimum competency training underway for interns as well as various IMFO training initiatives undertaken. Funds fully spent by year end.
EXPANDED PUBLIC WORKS PROGRAMME INCENTIVE GRANT (EPWP)	NT/DPW	98-07-8-07-600-69	-	-3 045 000	3 045 000	-	80 EPWP interns were appointed. Some of the funds were spent on training and operating expenses, with the bulk on salaries. Project co funded from the internal resources.
<b>MUNICIPAL SYSTEMS IMPROVEMENT GRANT (MSIG)</b>							
MSIG: PROMULGATION OF BY-LAWS	NT	98-06-8-06-049-69	-149 534	-	127 379	-22 155	Project completed. Need to apply to funder for roll over
MSIG: DATA FIN ANALYSIS & RECON NGQUSHWA	NT	98-06-8-06-053-69	-	-134 000	112 586	-21 414	Project completed. Need to apply to funder for roll over
MSIG: DATA CLEANSING PROJECT NKONKBE PH2	NT	98-06-8-06-054-69	-	-800 000	663 956	-136 044	Project completed. Need to apply to funder for roll over
<b>MUNICIPAL INFRASTRUCTURE GRANT (MIG)</b>							
<b>MUNICIPAL WATER INFRASTRUCTURE GRANT (MWIG)</b>							
NGOAMAKWE RAIN WATER HARVESTING	DWS	98-16-8-16-007-69	-	-1 047 278	1 047 278	-	Project Funds Fully Spent
DISTRICT WIDE REFURBISH PLAN PHASE 1	DWS	98-16-8-16-009-69	-	-5 806 947	5 806 947	-	Project Funds Fully Spent
DISTRICT WIDE WATER PIPELINE EXT PHASE1	DWS	98-16-8-16-010-69	-	-2 246 518	2 246 518	0	Project Funds Fully Spent
DUTYWA EAST INTERIM WS	DWS	98-16-8-16-011-69	-	-2 743 507	2 743 507	-	Funds completed. Rollover already applied for to the Department since April, waiting for approval
SEYMOUR EXT 6 & SURROUND INTERIM WS	DWS	98-16-8-16-012-69	-	-358 388	358 388	-	Funds completed. Rollover already applied for to the Department since April, waiting for approval
TOLENI INTERIM WATER SUPPLY	DWS	98-16-8-16-013-69	-	-1 929 456	1 929 456	-	Fully spent. More work still to be done
RURAL HOUSEHOLD INFRASTRUCTURE GRANT (RHG) PROJECTS	NT/Housing	98-17-8-17-000-69	-95 274.00	-9 000 000.00	9 095 274.00	-	Project complete fully spent. Co funded internally
ROAD ASSET MANAGEMENT SYSTEM	NT/Road and Transport	98-07-8-07-126-69	-244	-2 708 000	2 648 089	-60 155	Apply for roll over of remaining balance. Extending contract with the supplier.
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT (NDPG)	NT	-	-	-11 257 000	11 257 000	-	Funds transferred to ASPIRE
<b>TOTAL NATIONAL GOVERNMENT GRANTS</b>			<b>-245 052</b>	<b>-468 090 094</b>	<b>468 095 378</b>	<b>-239 768</b>	
<b>PROVINCIAL GOVERNMENT GRANTS</b>							
<b>REGIONAL BULK INFRASTRUCTURE (RBIG)</b>							
XORA EAST WATER SUPPLY - IMPLEMENTATION	DWS	98-11-8-11-251-69	-	-61 390 675	61 207 941	-182 734	This funding is transferred as per the National Financial year as such we are already on the first quarter of the FY
MNCWASA WATER SUPPLY - IMPLEMENTATION	DWS	98-11-8-11-252-69	-2 130 399	-24 516 339	25 652 784	-993 954	This funding is transferred as per the National Financial year as such we are already on the first quarter of the FY
IBEKA WATER SUPPLY - FEASIBILITY	DWS	98-11-8-11-259-69	-18 562	-233 575	-	-252 137	This funding is transferred as per the National Financial year as such we are already on the first quarter of the FY
NGOAMAKWE WATER SUPPLY - FEASIBILITY	DWS	98-11-8-11-254-69	-	-1 751 502	217 856	-1 533 646	Last payment of R1 million still needs to be allocated. MAYA
<b>DEPARTMENT OF WATER &amp; SANITATION (DWS) BULK WATER SUPPLY SCHEMES</b>							
DUTYWA WATER SUPPLY - FEASIBILITY	DWS	98-11-8-11-258-69	-376 448	-	-	-376 448	Savings
GREAT KEI RIVER BASIN WATER SUPPLY SCHEME	DWS	98-11-8-11-260-69	-492 750	-	-	-492 750	Savings
CAPACITY BUILDING PROGRAMME	DWS	98-07-8-07-134-69	-	-529 485	529 484	-1	Funds Fully Spent. Training underway and will continue
MNQUMA WAR ON LEAKS	DWS	98-19-8-19-000-69	-	-2 556 320	2 230 052	-326 268	Funds committed will be fully spent
<b>DEVELOPMENT PLANNING FUNDS</b>							
VICTORIA POST	DHLG&TA	98-07-8-07-002-69	-163 500	-	11 250	-152 250	This is a multi-year project. The project is progressing. The balance is expected to be utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
TEKO SPRINGS/NDLOVINI	DHLG&TA	98-07-8-07-005-69	-68 161	-	-	-68 161	This is a multi-year project. The project is awaiting approval of the LayoutPlan by PDoCOGTA. The balance is expected to be utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
NEEDS CAMP	DHLG&TA	98-07-8-07-006-69	-33 714	-	-	-33 714	This is a multi-year project. The project is awaiting approval of the LayoutPlan by PDoCOGTA. The balance is expected to be utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
HOGSBACK	DHLG&TA	98-07-8-07-009-69	-130 884	-	-	-130 884	This is a multi-year project. The project is progressing. The balance is expected to be utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
HAGA HAGA	DHLG&TA	98-07-8-07-010-69	-153 431	-	111 508	-41 923	This is a multi-year project. The project is progressing. The balance is expected to be utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
WILLOWVALE	DHLG&TA	98-07-8-07-011-69	-171 954	-	-	-171 954	This is a multi-year project. The project is awaiting approval of the LayoutPlan by PDoCOGTA. The balance is expected to be utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
ELLIOTDALE	DHLG&TA	98-07-8-07-012-69	-9 274	-	-	-9 274	This is a multi-year project. The project is awaiting approval of the LayoutPlan by PDoCOGTA. The balance is expected to be utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
NDEVANA	DHLG&TA	98-07-8-07-015-69	-34 766	-	-	-34 766	This is a multi-year project. The project is awaiting approval of the LayoutPlan by PDoCOGTA. The balance is expected to be utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
MSOBOMVU	DHLG&TA	98-07-8-07-020-69	-57 530	-	-	-57 530	This is a multi-year project. The project is awaiting approval of the LayoutPlan by PDoCOGTA. The balance is expected to be utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.

CONDITIONAL GRANTS AND RECEIPTS	Funder/ Transferring Department	Expenditure Account Number	Balance at 01/07/2014	Contributions received during the year	Expenditure during the year	Balance at 30/06/2015	Comments and Explanations of Variances
			R	R	R	R	
HERTZOG	DHLG&TA	98-07-8-07-022-69	-84 070	-	-	-84 070	utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
GREAT KEI PLANNING FUNDS	DHLG&TA	98-07-8-07-023-69	-4 029	-	-	-4 029	utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
MNQUMA PLANNING FUNDS	DHLG&TA	98-07-8-07-024-69	-110 000	-	-	-110 000	utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
NGQUSHWA PLANNING FUNDS	DHLG&TA	98-07-8-07-025-69	-46 667	-	-	-46 667	utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
NKONKOBÉ PLANNING FUNDS	DHLG&TA	98-07-8-07-026-69	-53 063	-	-	-53 063	utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
MNQUMA SURVEY	DHLG&TA	98-07-8-07-028-69	-25 000	-	-	-25 000	utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
SURVEY INTEREST & CONTRIBUTION	DHLG&TA	98-07-8-07-452-69	-61 680	-	-	-61 680	utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
NGQUSHWA SURVEY FUNDS	DHLG&TA	98-07-8-07-035-69	-177 510	-	-	-177 510	This is a multi-year project. The project is awaiting approval of the LayoutPlan by PDoCOGTA. The balance is expected to be utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
NKONKOBÉ SURVEY	DHLG&TA	98-07-8-07-036-69	-116 200	-	-	-116 200	utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
LEWIS SURVEY	DHLG&TA	98-07-8-07-037-69	-141 125	-	-	-141 125	utilised in the next financial year. 2015/16The application for roll-over was made by the project manager to the funder.
<b>PHP FUNDS</b>							
PRUDOE ENGINEERING DESIGN	DHLG&TA	98-07-8-07-045-69	-1 348	-	-	-1 348	Awaiting the close out Report and the balance to be transferred back to the funder as possible savings
DONGWE ENGINEERING DESIGN	DHLG&TA	98-07-8-07-046-69	-9 499	-	-	-9 499	Awaiting the close out Report and the balance to be transferred back to the funder as possible savings
KUBUSIE ESTABLISHMENT GRANT	DHLG&TA	98-07-8-07-076-69	-2 786	-	2 088	-698	Project complete remaining balance is savings.
NDLOVINI ESTABLISHMENT GRANT	DHLG&TA	98-07-8-07-077-69	-10 291	-	1 305	-8 986	was made by the project manager to the funder.
DUCATS ESTABLISHMENT GRANT	DHLG&TA	98-07-8-07-078-69	-70 542	-	-	-70 542	was made by the project manager to the funder.
MACLEANTOWN ESTABLISHMENT GRANT	DHLG&TA	98-07-8-07-079-69	-16 849	-	-	-16 849	was made by the project manager to the funder.
PRUDOE ESTABLISHMENT GRANT	DHLG&TA	98-07-8-07-080-69	-51 233	-	-	-51 233	was made by the project manager to the funder.
DONGWE ESTABLISHMENT GRANT	DHLG&TA	98-07-8-07-081-69	-76 675	-	-	-76 675	was made by the project manager to the funder.
TEKO SPRING ESTAB GRANT	DHLG&TA	98-07-8-07-082-69	-35 082	-	-	-35 082	was made by the project manager to the funder.
NEEDS CAMP ESTABLISHMENT GRANT	DHLG&TA	98-07-8-07-083-69	-66 222	-	-	-66 222	was made by the project manager to the funder.
TEKO SPRING TOP STRUCTURE	DHLG&TA	98-07-8-07-084-69	-106 438	-	-	-106 438	Awaiting the close out Report and the balance to be transferred back to the Funder as possible savingsThe application for roll-over was made by the project manager to the funder.
PRUDOE TOP STRUCTURE	DHLG&TA	98-07-8-07-085-69	-447 353	-	-	-447 353	over was made by the project manager to the funder.
DONGWE TOP STRUCTURE	DHLG&TA	98-07-8-07-086-69	-1 347 309	-	-	-1 347 309	over was made by the project manager to the funder.
NEEDSCAMP TOP STRUCTURE	DHLG&TA	98-07-8-07-087-69	-3 838	-	-	-3 838	over was made by the project manager to the funder.
DUCATS TOP STRUCTURE SUBSIDY	DHLG&TA	98-07-8-07-088-69	-23 234	-	-	-23 234	over was made by the project manager to the funder.
KUBUSI TOP STRUCTURE	DHLG&TA	98-07-8-07-089-69	-3 816	-	-	-3 816	over was made by the project manager to the funder.
LILYVALE KAYSERS BEACH ESTABLISHMENT GRANT	DHLG&TA	98-07-8-07-092-69	-2 643	-	-	-2 643	over was made by the project manager to the funder.
KAYSERS BEACH HOUSING PROJECT	DHLG&TA	98-07-8-07-093-69	-18 881	-	-	-18 881	Project Complete. Balance is for the ADM Income the application for roll-over was made by the project manager to the funder.
LILYVALE ENG DESIGNS	DHLG&TA	98-07-8-07-095-69	-5 940	-	-	-5 940	over was made by the project manager to the funder.
<b>KEISKAMAHOEK BETTERMENT (DLA)</b>							
PLANNING GRANT DLA	DHLG&TA	98-07-8-07-158-69	-1 780 401	-	60 674	-1 719 727	2017The application for roll-over was made by the project manager to the funder.
RESTITUTION AWARD (DLA)	DHLG&TA	98-07-8-07-159-69	-27 176 713	-	4 778 680	-22 398 033	2017The application for roll-over was made by the project manager to the funder.
<b>ELLIOTDALE BREAKING NEW GROUNDS PILOT FUNDS</b>							
BENEFICIARY ADMINISTRATION (BREAKING NEW GROUND)	DHLG&TA	98-07-8-07-173-69	-3 215	-	-	-3 215	2017The application for roll-over was made by the project manager to the funder.
ENVIRONMENTAL IMPACT ASSESSMENT	DHLG&TA	98-07-8-07-175-69	-826 755	-	75 280	-751 475	2017The application for roll-over was made by the project manager to the funder.
GEO HYDROLOGY	DHLG&TA	98-07-8-07-176-69	-1 394 200	-	-	-1 394 200	over was made by the project manager to the funder.



CONDITIONAL GRANTS AND RECEIPTS	Funder/ Transferring Department	Expenditure Account Number	Balance at 01/07/2014	Contributions received during the year	Expenditure during the year	Balance at 30/06/2015	Comments and Explanations of Variances
			R	R	R	R	
<b>DEDEA'S SUPPORT TO ADM</b>							
BAWA FALLS LED	DEDEA	98-06-8-06-912-69	-248 218	-	145 282	-102 936	Project will be completed in the next financial year (Multi-year)
ELLIOTDALE BRICK MAKING	DEDEA	98-06-8-06-935-69	-232 803	-	-	-232 803	Project will be completed in the next financial year (Multi-year)
EC INFORMATION INITIATIVE SUPPORT	DEDEA	98-06-8-06-945-69	-5 755	-	-	-5 755	Project will be completed in the next financial year (Multi-year)
<b>PUBLIC TRANSPORT FACILITY GRANT</b>							
ECDOT: BUTTERWORTH INTERCHANGE	ECDOT	98-07-8-07-281-69	-479 985	-	462 576	-17 408	The balance of R 17 000 to be spent on the completion of snags in the keiskamahoek public transport facility.
<b>MBHASHE LM: EXTENSION OF EXT 8</b>							
DUTYWA EXTENSION 8 (VIP TOILETS,RDS&W)	EC Housing/DWS	98-07-8-07-178-69	-228 385	-	-	-228 385	Project has been completed funds to be transferred back to the funder.
<b>EMERGENCY WATER SUPPLY</b>							
ROOF TOP RAIN WATER HARVESTING		98-07-8-07-118-69	-432 883	-	425 306	-7 577	Final stipend payments to be made
<b>DONOR BUDGET ALLOCATION: WSP'S &amp; WATER DEMAND MANAGEMENT/MASIBAMBANE PROJECTS</b>							
HOUSEHOLD LEAK REPAIRS	DWS	98-07-8-07-124-69	-5 030	-	-	-5 030	Savings
NGQUSI RAIN WATER HARVESTING	DWS	98-07-8-07-125-69	-221 763	-	176 700	-45 063	Funds will be fully utilised. Cheques being processed for stipends
ADELAIDE WATER RE-USE PHASE 1	DWS	98-07-8-07-127-69	-233 426	-	102 157	-131 269	Savings
COMMUNAL WATER STATIONS (DST/ CSIR)	DWS	98-07-8-07-166-69	-355 645	-	-	-355 645	VAT savings. Will be used for stipends
FREE BASIC SERVICES STRATEGY DEVELOPMENT	DWS	98-06-8-06-338-69	-330 000	-	-	-330 000	Savings
<b>SUPPORT ON LED PROJECTS</b>							
SILWINDLALA WOMEN'S PROJECT	DEDEA	98-06-8-06-927-69	-6 025	-	3 722	-2 303	Project will be completed in the next financial year (Multi-year)
BALFOUR SAWMILLS	DEDEA	98-06-8-06-931-69	-8 019	-	-	-8 019	Project will be completed in the next financial year (Multi-year)
HIGHLANDS RESORTS	DEDEA	98-06-8-06-932-69	-75 836	-	-	-75 836	Project will be completed in the next financial year (Multi-year)
PEDDIE BRICKS MAKING	DEDEA	98-06-8-06-933-69	-19 515	-	18 020	-1 495	Project will be completed in the next financial year (Multi-year)
INKUTHALO HYDROPONICS	DEDEA	98-06-8-06-936-69	-79 247	-	77 723	-1 524	Project will be completed in the next financial year (Multi-year)
<b>CAPACITY BUILDING FOR LM's/APPOINTMENT OF LED EXPERT</b>							
CAPACITY BUILDING FOR LMs	DHLG&TA	98-06-8-06-812-69	-5 128	-	-	-5 128	Project will be completed in the next financial year (Multi-year)
LED CAPACITY BUILDING - NGQUSHWA	DHLG&TA	98-06-8-06-950-69	-350 000	-	-	-350 000	Project will be completed in the next financial year (Multi-year)
<b>DWS FUNDS</b>							
UPGRADE INFRASTRUCTURE SANITATION (CONSOLIDATION OF ACCOUNTS)	DWS	98-11-8-11-288-69	-697 703	-	350 000	-347 703	Recently consolidated fund. Will be utilised in 1516
WATER SERVICES OPERATING GRANT- DWS REFURBISHMENT	DWS	98-07-8-07-112-69	-0	-10 000 000	10 000 000	-0	Fully spent. New allocation received for new year for continuation
SHIXINI WATER SUPPLY	DWS	98-07-8-07-132-69	-22 387	-	-	-22 387	Will be utilised for stipends for rain water harvesting
FLOOD RELIEF PROJECTS	DWS	98-07-8-07-133-69	-190 588	-	190 588	-	Fully spent
<b>ADMINISTRATION-SETTLEMENT OF CHATHA COMMUNITY RESTITUTION CLAIM</b>							
CHATHA DEVELOPMENT	DHLG&TA	98-07-8-07-152-69	-2 413 456	-	-	-2 413 456	This is a three year project. The project is progressing. The balance is expected to be utilised in the next financial year. Expenditure 2017
<b>FINGOLAND REGIONAL AUTHORITY</b>							
FINGOLAND REGIONAL AUTHORITY	DPLG	98-07-8-07-102-69	-101 278	-	-	-101 278	This is a three year project. The project is progressing. The balance is expected to be utilised in the next financial year. Expenditure 2017
<b>ADMINISTRATION-SETTLEMENT OF DWESA / CWEBE COMMUNITY RESTITUTION CLAIM</b>							
DWESA - CWEBE RESTITUTIONAL	DHLG&TA	98-07-8-07-153-69	-5 329 653	-	-	-5 329 653	This is a three year project. The project is progressing. The balance is expected to be utilised in the next financial year. Expenditure 2017
<b>TOURISM PROJECTS</b>							
DEVELOPMENT CRAFT CENTRE	DEDEA	98-06-8-06-811-69	-1	-	-	-1	Project Complete.
CO-OPERATIVES SPECIALIST	DEDEA	98-06-8-06-939-69	-105 000	-	82 720	-22 280	Project will be completed in the next financial year (Multi-year)
TOURISM SURVEY	DEDEA	98-06-8-06-940-69	-12 130	-	-	-12 130	Project will be completed in the next financial year (Multi-year)
NXUBA DAM CHALETS DEVELOPMENT	DHLG&TA	98-06-8-06-947-69	-6 264	-	-	-6 264	Project will be completed in the next financial year (Multi-year)
<b>TOTAL PROVINCIAL GOVERNMENT GRANTS</b>			<b>-50 338 104</b>	<b>-100 977 896</b>	<b>106 913 698</b>	<b>-44 402 302</b>	
<b>OTHER GRANT PROVIDERS</b>							
<b>SETA</b>							
SETA: IMPLEMENTATION	LG SETA	98-06-8-06-309-69	-18 860	-623 253	290 384	-351 729	The roll-over was granted by LGSETA on the 29 July 2015
LG SETA MSU	LG SETA	98-06-8-06-360-69	-328 483	-231 540	521 387	-38 636	The roll-over was granted by LGSETA on the 29 July 2015
<b>CONTRIBUTIONS BY THE COMMUNITY TOWARDS TRACTOR MANAGEMENT</b>							
PLOUGHING CONTACTORS-WARD 10	COMMUNITY	98-06-8-06-943-69	-1 155	-	-	-1 155	Project will be completed in the next financial year (Multi-year)
PLOUGHING CONTRACTOR-NGXAKAXA	COMMUNITY	98-06-8-06-946-69	-1 642	-	-	-1 642	Project will be completed in the next financial year (Multi-year)
PLOUGHING CONTRACTOR - Ward 15	COMMUNITY	98-06-8-06-949-69	-1 513	-	-	-1 513	Project will be completed in the next financial year (Multi-year)
<b>TOTAL OTHER GRANT PROVIDERS</b>			<b>-351 653</b>	<b>-854 793</b>	<b>811 771</b>	<b>-394 675</b>	
<b>DBSA FUNDED PROJECTS</b>							
AMAHLATHI REGION 1A AND 1B VIPS	DBSA	98-18-8-18-001-69	-	-36 760 135	36 760 135	-	All funds received fully utilised
GREAT KEI WARDS 1 2 3 4 6 VIPS	DBSA	98-18-8-18-002-69	-	-33 881 828	33 881 828	-	All funds received fully utilised
MBHASHE REGION 2A VIPS	DBSA	98-18-8-18-003-69	-	-29 031 200	29 031 200	-	All funds received fully utilised
MNQUMA REGION 1B VIPS	DBSA	98-18-8-18-004-69	-	-38 007 779	38 007 779	-	All funds received fully utilised
MNQUMA REGION 2 VIPS	DBSA	98-18-8-18-005-69	-	-46 320 772	46 320 772	-	All funds received fully utilised
MNQUMA REGION 2B VIPS	DBSA	98-18-8-18-006-69	-	-20 045 816	20 045 816	-	All funds received fully utilised
NGQUSHWA REGION 2 VIPS	DBSA	98-18-8-18-007-69	-	-45 686 041	45 686 041	-	All funds received fully utilised
NKONKOBÉ REGION 2A VIPS	DBSA	98-18-8-18-008-69	-	-36 586 579	36 586 579	-	All funds received fully utilised
<b>TOTAL DBSA FUNDED PROJECTS</b>			<b>-</b>	<b>-286 320 150</b>	<b>286 320 150</b>	<b>-</b>	
<b>OTHER PROJECTS</b>							
IDP-LOCAL MUNICIPALITIES		98-06-8-06-228-69	-1 827	-	-	-1 827	The balance will be spent on a 2 day session with the LMs on district-wide analysis session to be held in November 2015

CONDITIONAL GRANTS AND RECEIPTS	Funder/ Transferring Department	Expenditure Account Number	Balance at 01/07/2014	Contributions received during the year	Expenditure during the year	Balance at 30/06/2015	Comments and Explanations of Variances
			R	R	R	R	
VUNA AWARDS		98-06-8-06-336-69	-66 919	-	27 114	-39 806	The balance is to be spent on a public awareness campaign. The balance will be spent on standard operations necessary session which scheduled for end of 31 August 2015
PUBLIC AWARENESS		98-06-8-06-358-69	-8 352	-	-	-8 352	Savings
TECHNICAL ASSISTANCE TO DEVELOP DISTRICT DEV PROFILE		98-06-8-06-348-69	-18 338	-	-	-18 338	The balance will be spent on a 2 day session with the LMs on district-wide analysis session to be held in November 2015
<b>TOTAL OTHER GRANT PROVIDERS</b>			<b>-95 437</b>	<b>-</b>	<b>27 114</b>	<b>-68 324</b>	
<b>TOTAL</b>			<b>-51 030 247</b>	<b>-856 242 933</b>	<b>862 168 111</b>	<b>-45 105 069</b>	

Prepared By \_\_\_\_\_  
Signature Date

Reviewed By \_\_\_\_\_  
Signature Date

Amathole District Municipality  
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Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2014/2015											2012/2013			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Revenue - Standard</b>															
<b>Governance and administration</b>	<b>1 387 523</b>	–	<b>1 387 523</b>	–	–	<b>1 387 523</b>	<b>446 568</b>	–	<b>940 955</b>	<b>0</b>	<b>0</b>	–	–	–	<b>1 165 584</b>
Executive and council	1 153 397	–	1 153 397	–	–	1 153 397	328 510	–	824 887	28%	28%	–	–	–	973 483
Budget and treasury office	106 838	–	106 838	–	–	106 838	60 446	–	46 393	57%	57%	–	–	–	99 139
Corporate services	127 287	–	127 287	–	–	127 287	57 612	–	69 676	45%	45%	–	–	–	92 962
<b>Community and public safety</b>	<b>89 820</b>	–	<b>89 820</b>	–	–	<b>89 820</b>	<b>51 965</b>	–	<b>37 855</b>	<b>0</b>	<b>0</b>	–	–	–	<b>80 585</b>
Public safety	3 467	–	3 467	–	–	3 467	2 011	–	1 456	58%	58%	–	–	–	4 449
Housing	2 381	–	2 381	–	–	2 381	0	–	2 381	0%	0%	–	–	–	9 841
Health	83 971	–	83 971	–	–	83 971	49 954	–	34 018	59%	59%	–	–	–	66 294
<b>Economic and environmental services</b>	<b>4 742</b>	–	<b>4 742</b>	–	–	<b>4 742</b>	<b>2</b>	–	<b>4 740</b>	<b>0</b>	<b>0</b>	–	–	–	<b>42 925</b>
Planning and development	4 742	–	4 742	–	–	4 742	2	–	4 740	0%	0%	–	–	–	42 925
<b>Trading services</b>	<b>388 642</b>	–	<b>388 642</b>	–	–	<b>388 642</b>	<b>139 841</b>	–	<b>248 802</b>	<b>0</b>	<b>0</b>	–	–	–	<b>263 703</b>
Water	291 068	–	291 068	–	–	291 068	97 956	–	193 111	34%	34%	–	–	–	179 568
Waste water management	96 801	–	96 801	–	–	96 801	41 455	–	55 346	43%	43%	–	–	–	83 371
Waste management	774	–	774	–	–	774	429	–	345	55%	55%	–	–	–	764
<b>Total Revenue - Standard</b>	<b>1 870 727</b>	–	<b>1 870 727</b>	–	–	<b>1 870 727</b>	<b>638 374</b>	–	<b>2 464 705</b>	<b>0</b>	<b>0</b>	–	–	–	<b>1 552 797</b>
<b>Expenditure - Standard</b>															
<b>Governance and administration</b>	<b>529 028</b>	–	<b>529 028</b>	–	–	<b>529 028</b>	<b>247 098</b>	<b>281 930</b>	<b>281 930</b>	<b>0</b>	<b>0</b>	<b>(10 037)</b>	<b>(10 037)</b>	–	<b>343 609</b>
Executive and council	247 368	–	247 368	–	–	247 368	116 900	130 469	130 469	47%	47%	–	–	–	152 690
Budget and treasury office	120 786	–	120 786	–	–	120 786	56 133	64 653	64 653	46%	46%	–	–	–	80 145
Corporate services	160 874	–	160 874	–	–	160 874	74 066	86 808	86 808	46%	46%	(10 037)	(10 037)	–	110 774
<b>Community and public safety</b>	<b>96 646</b>	–	<b>96 646</b>	–	–	<b>96 646</b>	<b>44 813</b>	<b>51 833</b>	<b>51 833</b>	<b>0</b>	<b>0</b>	<b>(35 738)</b>	<b>(35 738)</b>	–	<b>111 094</b>
Public safety	44 739	–	44 739	–	–	44 739	21 699	23 040	23 040	49%	49%	–	–	–	34 030
Housing	12 466	–	12 466	–	–	12 466	5 044	7 423	7 423	40%	40%	(30 942)	(30 942)	–	46 299
Health	39 440	–	39 440	–	–	39 440	18 070	21 370	21 370	46%	46%	(4 796)	(4 796)	–	30 765
<b>Economic and environmental services</b>	<b>46 929</b>	–	<b>46 929</b>	–	–	<b>46 929</b>	<b>29 762</b>	<b>17 167</b>	<b>15 886</b>	<b>0</b>	<b>0</b>	<b>(1 944)</b>	<b>(1 944)</b>	–	<b>89 776</b>
Planning and development	44 951	–	44 951	–	–	44 951	29 065	15 886	15 886	65%	65%	(1 944)	(1 944)	–	89 776
Road Transport	1 978	–	1 978	–	–	1 978	696	1 281	1 281	35%	35%	–	–	–	–
<b>Trading services</b>	<b>685 084</b>	–	<b>685 084</b>	–	–	<b>685 084</b>	<b>290 479</b>	<b>394 605</b>	<b>394 605</b>	<b>0</b>	<b>0</b>	<b>(36 224)</b>	<b>(36 224)</b>	–	<b>562 786</b>
Water	558 295	–	558 295	–	–	558 295	222 206	336 088	336 088	40%	40%	(18 082)	(18 082)	–	455 382
Waste water management	120 868	–	120 868	–	–	120 868	66 128	54 740	54 740	55%	55%	(18 142)	(18 142)	–	103 954
Waste management	5 921	–	5 921	–	–	5 921	2 144	3 777	3 777	36%	36%	–	–	–	3 451
<b>Total Expenditure - Standard</b>	<b>1 357 687</b>	–	<b>1 357 687</b>	–	–	<b>1 357 687</b>	<b>612 152</b>	<b>745 535</b>	<b>1 489 789</b>	<b>0</b>	<b>0</b>	<b>(167 884)</b>	<b>(167 884)</b>	–	<b>1 107 266</b>
<b>Surplus/(Deficit) for the year</b>	<b>513 040</b>	–	<b>513 040</b>	–	–	<b>513 040</b>	<b>26 223</b>	<b>(745 535)</b>	<b>974 916</b>	<b>0</b>	<b>0</b>	<b>167 884</b>	<b>167 884</b>	–	<b>445 531</b>

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Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2014/2015											2012/2013			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>R thousand</b>															
<b>Revenue by Vote</b>															
Vote 01 - Legislative & Executive Support Services	67 757	-	67 757			67 757	36 607	-	31 150	54%	54%	-	-	-	30 896
Vote 02 - Strategic Management	64 621	-	64 621			64 621	33 378	-	31 242	52%	52%	-	-	-	85 938
Vote 03 - Internally Funded Projects	-	-	-			-	-	-	-	#DIV/0!	100%	-	-	-	-
Vote 04 - Corporate Services	125 315	-	125 315			125 315	57 611	-	67 704	46%	46%	-	-	-	71 473
Vote 05 - Budget & Treasury	106 838	-	106 838			106 838	60 446	-	46 393	57%	57%	-	-	-	99 139
Vote 06 - Engineering Department	835 303	-	835 303			835 303	208 307	-	626 996	25%	25%	-	-	-	787 245
Vote 07 - Health & Protection Department	87 439	-	87 439			87 439	51 965	-	35 474	59%	59%	-	-	-	70 744
Vote 08 - Water & Sanitation Management	137 705	-	137 705			137 705	26	-	137 680	0%	0%	-	-	-	27
Vote 09 - Water Services	153 303	-	153 303			153 303	97 931	-	55 372	64%	64%	-	-	-	186 041
Vote 10 - Sanitation Services	96 801	-	96 801			96 801	41 455	-	55 346	43%	43%	-	-	-	83 371
Vote 11 - Land Human Settlement & Economic Development	89 558	-	89 558			89 558	40 041	-	49 517	45%	45%	-	-	-	104 429
Vote 12 - Municipal Management	106 087	-	106 087			106 087	10 607	-	95 479	10%	10%	-	-	-	33 495
<b>Total Revenue by Vote</b>	<b>1 870 727</b>	<b>-</b>	<b>1 870 727</b>	<b>-</b>	<b>-</b>	<b>1 870 727</b>	<b>638 374</b>	<b>-</b>	<b>1 232 352</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>1 552 797</b>
<b>Expenditure by Vote to be appropriated</b>															
Vote 01 - Legislative & Executive Support Services	51 072	-	51 072			51 072	39 459	11 614	11 614	77%	77%	-	-	-	69 181
Vote 02 - Strategic Management	50 469	-	50 469			50 469	31 464	19 006	19 006	62%	62%	-	-	-	45 775
Vote 03 - Internally Funded Projects	-	-	-			-	-	-	-	#DIV/0!	100%	-	-	-	-
Vote 04 - Corporate Services	90 599	-	90 599			90 599	63 542	27 057	27 057	70%	70%	-	-	-	75 199
Vote 05 - Budget & Treasury	98 165	-	98 165			98 165	56 133	42 032	42 032	57%	57%	-	-	-	80 145
Vote 06 - Engineering Department	76 453	-	76 453			76 453	39 841	36 611	36 611	52%	52%	-	-	-	78 653
Vote 07 - Health & Protection Department	74 496	-	74 496			74 496	39 769	34 727	34 727	53%	53%	(382)	(382)	-	64 795
Vote 08 - Water & Sanitation Management	131 092	-	131 092			131 092	53 429	77 663	77 663	41%	41%	-	-	-	79 146
Vote 09 - Water Services	366 433	-	366 433			366 433	162 750	203 683	203 683	44%	44%	(16 950)	(16 950)	-	370 958
Vote 10 - Sanitation Services	118 848	-	118 848			118 848	66 128	52 719	52 719	56%	56%	(19 710)	(19 710)	-	103 954
Vote 11 - Land Human Settlement & Economic Development	73 110	-	73 110			73 110	42 340	30 770	30 770	58%	58%	-	-	-	90 969
Vote 12 - Municipal Management	22 002	-	22 002			22 002	17 297	4 705	4 705	79%	79%	-	-	-	15 551
Vote 15 - Other	-	-	-			-	-	-	-	#DIV/0!		-	-	-	-
<b>Total Expenditure by Vote</b>	<b>1 152 738</b>	<b>-</b>	<b>1 152 738</b>	<b>-</b>	<b>-</b>	<b>1 152 738</b>	<b>612 152</b>	<b>540 586</b>	<b>540 586</b>			<b>(37 043)</b>	<b>(37 043)</b>	<b>-</b>	<b>1 074 326</b>
<b>Surplus/(Deficit) for the year</b>	<b>717 989</b>	<b>-</b>	<b>717 989</b>	<b>-</b>	<b>-</b>	<b>717 989</b>	<b>26 223</b>	<b>(540 586)</b>	<b>691 766</b>			<b>37 043</b>	<b>37 043</b>	<b>-</b>	<b>478 471</b>

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Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2014/2015										2012/2013				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
<b>R thousand</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>
<b>Revenue By Source</b>															
Service charges - water revenue	99 362	-	99 362	-	-	99 362	80 300	-	19 062	81%	81%	-	-	-	150 891
Service charges - sanitation revenue	54 520	-	54 520	-	-	54 520	40 906	-	13 614	75%	75%	-	-	-	82 154
Service charges - other	2 316	-	2 316	-	-	2 316	2 011	-	305	87%	87%	-	-	-	3 268
Rental of facilities and equipment	738	-	738	-	-	738	148	-	590	20%	20%	-	-	-	326
Interest earned - external investments	13 450	-	13 450	-	-	13 450	6 654	-	6 796	49%	49%	-	-	-	36 605
Interest earned - outstanding debtors	30 783	-	30 783	-	-	30 783	17 368	-	13 416	100%	100%	-	-	-	23 271
Fines	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Transfers recognised - operational	681 520	-	681 520	-	-	681 520	483 839	-	197 681	100%	71%	-	-	-	1 171 549
Grants and subsidies	-	-	-	-	-	-	-	-	-	0%	0%	-	-	-	-
Other revenue	517 311	-	517 311	-	-	517 311	7 148	-	510 162	1%	1%	-	-	-	84 734
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-	100%	100%	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1 400 000</b>	<b>-</b>	<b>1 400 000</b>	<b>-</b>	<b>-</b>	<b>1 400 000</b>	<b>638 374</b>	<b>-</b>	<b>761 625</b>	<b>46%</b>	<b>46%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 552 797</b>
<b>Expenditure By Type</b>															
Employee related costs	521 705	-	521 705	-	-	521 705	280 713	240 992	240 992	54%	54%	84 255	-	-	372 611
Remuneration of councillors	15 659	-	15 659	-	-	15 659	6 350	9 309	9 309	41%	41%	89 400	-	-	11 563
Debt impairment	119 187	-	119 187	-	-	119 187	58 161	61 026	61 026	49%	49%	(74 803)	(74 803)	-	139 027
Depreciation & asset impairment	153 349	-	153 349	-	-	153 349	27 112	126 237	126 237	18%	18%	(6 800)	(6 800)	-	97 386
Finance charges	15 790	-	15 790	-	-	15 790	6 392	9 398	9 398	40%	40%	(10 779)	(10 779)	-	10 945
Bulk purchases	69 918	-	69 918	-	-	69 918	22 912	47 005	47 005	33%	33%	-	-	-	51 559
Contracted services	25 687	-	25 687	-	-	25 687	7 115	18 572	18 572	28%	28%	-	-	-	29 016
Transfers and grants	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Other expenditure	436 392	-	436 392	-	-	436 392	203 395	232 996	232 996	47%	47%	-	-	-	395 160
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	0%	0%	-	-	-	1 380
<b>Total Expenditure</b>	<b>1 357 687</b>	<b>-</b>	<b>1 357 687</b>	<b>-</b>	<b>-</b>	<b>1 357 687</b>	<b>612 152</b>	<b>745 535</b>	<b>745 535</b>	<b>45%</b>	<b>45%</b>	<b>(92 382)</b>	<b>(92 382)</b>	<b>-</b>	<b>1 108 646</b>
<b>Surplus/(Deficit)</b>	<b>42 313</b>	<b>-</b>	<b>42 313</b>	<b>-</b>	<b>-</b>	<b>42 313</b>	<b>26 223</b>	<b>(745 535)</b>	<b>16 090</b>	<b>0</b>	<b>0</b>	<b>92 382</b>	<b>92 382</b>	<b>-</b>	<b>444 152</b>
Transfers recognised - capital	470 727	-	470 727	-	-	470 727	255 658	-	215 069	54%	54%	-	-	-	501 612
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	32 166
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>513 040</b>	<b>-</b>	<b>513 040</b>	<b>-</b>	<b>-</b>	<b>513 040</b>	<b>281 881</b>	<b>-</b>	<b>231 159</b>	<b>55%</b>	<b>55%</b>	<b>92 382</b>	<b>92 382</b>	<b>-</b>	<b>533 778</b>
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>	<b>513 040</b>	<b>-</b>	<b>513 040</b>	<b>-</b>	<b>-</b>	<b>513 040</b>	<b>281 881</b>	<b>-</b>	<b>231 159</b>	<b>0</b>	<b>0</b>	<b>92 382</b>	<b>92 382</b>	<b>-</b>	<b>533 778</b>
Attributable to minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>513 040</b>	<b>-</b>	<b>513 040</b>	<b>-</b>	<b>-</b>	<b>513 040</b>	<b>281 881</b>	<b>-</b>	<b>231 159</b>	<b>0</b>	<b>0</b>	<b>92 382</b>	<b>92 382</b>	<b>-</b>	<b>533 778</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>513 040</b>	<b>-</b>	<b>513 040</b>	<b>-</b>	<b>-</b>	<b>513 040</b>	<b>281 881</b>	<b>-</b>	<b>231 159</b>	<b>0</b>	<b>0</b>	<b>92 382</b>	<b>92 382</b>	<b>-</b>	<b>533 778</b>

Amathole District Municipality  
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for the year ended 30 June 2015

Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	2014/2015											2012/2013			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Capital expenditure - Vote</b>															
<b>Multi-year expenditure</b>															
Vote 01 - Legislative & Executive Support Services	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 02 - Strategic Management	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 03 - Internally Funded Projects	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 04 - Corporate Services	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 05 - Budget & Treasury	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 06 - Engineering Department	470 727	-	470 727	-	-	470 727	245 965	224 762	224 762	52%	52%	(58 121)	(58 121)	-	501 612
Vote 11 - Land Human Settlement & Economic Development	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	32 940
<b>Capital multi-year expenditure sub-total</b>	<b>470 727</b>	<b>-</b>	<b>470 727</b>	<b>-</b>	<b>-</b>	<b>470 727</b>	<b>245 965</b>	<b>224 762</b>	<b>224 762</b>			<b>(58 121)</b>	<b>(58 121)</b>	<b>-</b>	<b>534 552</b>
<b>Single-year expenditure</b>															
Vote 01 - Legislative & Executive Support Services	487	-	487	-	-	487	28	460	460	6%	6%	-	-	-	1 136
Vote 02 - Strategic Management	8 409	-	8 409	-	-	8 409	109	8 300	8 300	1%	1%	-	-	-	545
Vote 03 - Internally Funded Projects	-	-	-	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 04 - Corporate Services	7 407	-	7 407	-	-	7 407	275	7 132	7 132	4%	4%	(191)	(191)	-	1 706
Vote 05 - Budget & Treasury	1 297	-	1 297	-	-	1 297	90	1 207	1 207	7%	7%	-	-	-	1 003
Vote 06 - Engineering Department	337	-	337	-	-	337	12	325	325	3%	3%	-	-	-	339
Vote 07 - Health & Protection Department	4 836	-	4 836	-	-	4 836	1 241	3 595	3 595	26%	26%	-	-	-	7 503
Vote 08 - Water & Sanitation Management	3 010	-	3 010	-	-	3 010	605	2 405	2 405	20%	20%	-	-	-	5 975
Vote 09 - Water Services	11 668	-	11 668	-	-	11 668	7 776	3 892	3 892	67%	67%	-	-	-	19 530
Vote 10 - Sanitation Services	4 366	-	4 366	-	-	4 366	6 199	(1 833)	(1 833)	142%	142%	-	-	-	2 821
Vote 11 - Land Human Settlement & Economic Development	266	-	266	-	-	266	12	254	254	4%	4%	-	-	-	561
Vote 12 - Municipal Management	230	-	230	-	-	230	28	201	201	12%	12%	-	-	-	328
<b>Capital single-year expenditure sub-total</b>	<b>42 313</b>	<b>-</b>	<b>42 313</b>	<b>-</b>	<b>-</b>	<b>42 313</b>	<b>16 376</b>	<b>25 937</b>	<b>25 937</b>	<b>0</b>	<b>0</b>	<b>(191)</b>	<b>(191)</b>	<b>-</b>	<b>41 446</b>
<b>Total Capital Expenditure - Vote</b>	<b>513 040</b>	<b>-</b>	<b>513 040</b>	<b>-</b>	<b>-</b>	<b>513 040</b>	<b>262 341</b>	<b>250 699</b>	<b>250 699</b>	<b>0</b>	<b>0</b>	<b>(58 312)</b>	<b>(58 312)</b>	<b>-</b>	<b>575 998</b>
<b>Capital Expenditure - Standard</b>															
<b>Governance and administration</b>	<b>488 581</b>	<b>-</b>	<b>488 581</b>	<b>-</b>	<b>-</b>	<b>488 581</b>	<b>246 496</b>	<b>242 085</b>	<b>242 085</b>	<b>0</b>	<b>0</b>	<b>(105 445)</b>	<b>(105 445)</b>	<b>-</b>	<b>506 505</b>
Executive and council	471 784	-	471 784	-	-	471 784	246 102	225 683	225 683	52%	52%	(105 445)	(105 445)	-	503 375
Budget and treasury office	1 297	-	1 297	-	-	1 297	90	1 207	1 207	7%	7%	-	-	-	1 003
Corporate services	15 500	-	15 500	-	-	15 500	304	15 196	15 196	2%	2%	-	-	-	2 127
<b>Community and public safety</b>	<b>4 996</b>	<b>-</b>	<b>4 996</b>	<b>-</b>	<b>-</b>	<b>4 996</b>	<b>1 253</b>	<b>3 743</b>	<b>3 743</b>						<b>7 909</b>
Public safety	4 621	-	4 621	-	-	4 621	1 210	3 411	3 411	26%	26%	-	-	-	6 945
Housing	159	-	159	-	-	159	12	148	148	7%	7%	-	-	-	406
Health	215	-	215	-	-	215	31	184	184	15%	15%	-	-	-	557
<b>Economic and environmental services</b>	<b>259</b>	<b>-</b>	<b>259</b>	<b>-</b>	<b>-</b>	<b>259</b>	<b>-</b>	<b>259</b>	<b>259</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>285</b>
Planning and development	259	-	259	-	-	259	-	259	259	0%	0%	-	-	-	285
Road Transport	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
<b>Trading services</b>	<b>19 204</b>	<b>-</b>	<b>19 204</b>	<b>-</b>	<b>-</b>	<b>19 204</b>	<b>14 592</b>	<b>4 612</b>	<b>4 612</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32 359</b>
Water	14 838	-	14 838	-	-	14 838	8 393	6 446	6 446	57%	57%	-	-	-	29 539
Waste water management	4 366	-	4 366	-	-	4 366	6 199	(1 833)	(1 833)	142%	142%	-	-	-	2 821
Waste management	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	<b>513 040</b>	<b>-</b>	<b>513 040</b>	<b>-</b>	<b>-</b>	<b>513 040</b>	<b>262 341</b>	<b>250 699</b>	<b>250 699</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>(105 445)</b>	<b>(105 445)</b>	<b>-</b>	<b>547 058</b>
<b>Funded by:</b>															
National Government	-	-	-	-	-	-	245 965	(245 965)	(245 965)	#DIV/0!	#DIV/0!	(42 051)	(42 051)	-	501 612
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>245 965</b>	<b>(245 965)</b>	<b>(245 965)</b>						
<b>Public contributions &amp; donations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>						
<b>Borrowing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>						
<b>Internally generated funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16 376</b>	<b>(16 376)</b>	<b>(16 376)</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45 446</b>
<b>Total Capital Funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>262 341</b>	<b>(262 341)</b>	<b>(262 341)</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>(42 051)</b>	<b>(42 051)</b>	<b>-</b>	<b>547 058</b>

**Amathole District Municipality**  
**Annual Financial Statements**  
**Annexure 2**  
for the year ended 30 June 2015

**Reconciliation of Table A7 Budgeted Cash Flows**

Description	2014/2015								2012/2013
	Original Budget	Budget Adjustments (i.t.o.s28)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
R thousand	1	2	3	6	7	9	10	11	12
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>	<b>1 870 727</b>	<b>-</b>	<b>1 870 727</b>	<b>1 870 726 800</b>	<b>647 615</b>	<b>1 223 112</b>	<b>0</b>	<b>0</b>	<b>1 294 447</b>
Ratepayers and other	661 246		661 246	661 246	247 126	414 121	37%	37%	144 027
Government - operating	681 520		681 520	681 520	373 247	308 273	55%	55%	1 090 218
Government - capital	470 727		470 727	470 727		470 727	0%	0%	-
Interest	57 234		57 234	57 234	27 242	29 992	100%	100%	60 202
<b>Payments</b>	<b>(1 357 687)</b>	<b>-</b>	<b>(1 357 687)</b>	<b>(1 357 687)</b>	<b>(455 050)</b>	<b>(902 637)</b>	<b>0</b>	<b>0</b>	<b>(899 354)</b>
Suppliers and employees	(1 341 897)		(1 341 897)	(1 341 897)	(448 658)	(893 238)	33%	33%	(888 409)
Finance charges	(15 790)		(15 790)	(15 790)	(6 392)	(9 398)	100%	100%	(10 945)
Other	-		-	-	-	-	100%	100%	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>513 040</b>	<b>-</b>	<b>513 040</b>	<b>513 040</b>	<b>192 564</b>	<b>320 476</b>	<b>0</b>	<b>0</b>	<b>395 093</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>151 632</b>	<b>(151 632)</b>	<b>0</b>	<b>0</b>	<b>(596)</b>
Proceeds on disposal of PPE	-	-	-	-	217	(217)	100%	100%	680
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	100%	100%	-
Decrease (increase) other non-current receivables	-	-	-	-	(203)	203	100%	100%	(300)
Decrease (increase) in financial assets	-	-	-	-	151 617	(151 617)	100%	100%	(976)
<b>Payments</b>	<b>(513 040)</b>	<b>-</b>	<b>(513 040)</b>	<b>(513 040)</b>	<b>(16 376)</b>	<b>(496 664)</b>	<b>0</b>	<b>0</b>	<b>(549 734)</b>
Capital assets	(513 040)		(513 040)	(513 040)	(16 376)	(496 664)	3%	3%	(549 734)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(513 040)</b>	<b>-</b>	<b>(513 040)</b>	<b>(513 040)</b>	<b>135 256</b>	<b>(648 296)</b>	<b>0</b>	<b>0</b>	<b>(550 330)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>227</b>	<b>(227)</b>			<b>171</b>
Borrowing long term/refinancing	-	-	-	-	-	-	100%	100%	-
Increase (decrease) in consumer deposits	-	-	-	-	227	(227)	100%	100%	171
<b>Payments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>(164)</b>
Repayment of borrowing	-	-	-	-	(4)	4	100%	100%	(164)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>223</b>	<b>(223)</b>			<b>7</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(0)</b>	<b>-</b>	<b>(0)</b>	<b>-11</b>	<b>328 043</b>	<b>(328 043)</b>	<b>0</b>	<b>0</b>	<b>(155 230)</b>
Cash/cash equivalents at the year begin:	374 136		(760 505)	(760 505)	116 150	(876 655)	-15%	31%	346 293
Cash/cash equivalents at the year end:	374 136		(760 505)	(760 505)	444 193	(1 204 698)	-58%	119%	191 063