



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

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

General Information

Legal Form of Entity	Municipality
Legislation Governing the Municipality's Operationst	Municipal Fiance Management Act (Act No.56 of 2003)
Executive Committee	
Mayor	Councillor JCN MaMkhwanazi
Deputy Mayor	Councillor MN Majola Mrs
Executive Committee -Engineering	Councillor NA Zwane
Executive Committee -Corporate Services	Councillor ME Zwane
Executive Committee -Planning & Economic Development	Councillor SB Hlatshwayo
Speaker	Councillor EM Sigasa
Grading of local authority	Grade 3 Low Capacity
Auditors	Auditor General
Bankers	ABSA Public Sector
Registered office	B9356 Section 1 Madadeni Newcastle 2951
Postal address	Private Bag X6615 Newcastle 2940
Members of Council	
Councillor FS Tsotetsi	Councillor TA Chonco
Councillor NA Msibi	Councillor VR Hlatshwayo
CouncillorTM Mhlongo	Councillor SB Harber
Councillor JME Damons	Councillor MP Sithole
Councillor SD Msibi	Councillor MA Gama
Councillor S Kubheka	Councillor SJ Zulu
Councillor MN Mbokazi	Councillor DRF Buthelezi
Councillor MA Buthelezi	
Audi Commitee Members	Mr Babadile Mbage - Chairperson Mr Simphiwe Ngwenya - Member Ms Thabisile Ndlela Mr Bheki Dlala - Member - Member
Chief Financial Officer (CFO)	Mr Henry Mthembu

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Appendix G(4): Budgeted Capital Expenditure by vote, standard classification and funding

Appendix G(5): Budgeted Cash Flows

Abbreviations

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

Amajuba District Municipality

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Accounting Officer's Responsibilities and Approval

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

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and 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 has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

Accounting Officer
Municipal Manager

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

	Note(s)	2015 R	2014 R
Assets			
Current Assets			
Receivables from exchange transactions		(1)	-
Receivables from non-exchange transactions	7	3,187,894	2,993,403
VAT receivable	8	5,187,803	3,506,106
Consumer debtors	9	9,057,499	5,506,154
Cash and cash equivalents	10	147,870	332,310
		17,581,065	12,337,973
Non-Current Assets			
Investment property	3	507,955	530,835
Property, plant and equipment	4	311,320,418	303,710,577
Intangible assets	5	7,241,290	3,140,376
Investments in associates	6	601,138,161	328,201,400
		920,207,824	635,583,188
Total Assets		937,788,889	647,921,161
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	44,974,471	26,577,225
Unspent conditional grants and receipts	13	3,054,149	22,617,656
Provisions	14	7,129,206	6,880,361
		55,157,826	56,075,242
Non-Current Liabilities			
Other financial liabilities	11	9,462,449	9,687,160
Finance lease obligation	12	138,657	106,904
		9,601,106	9,794,064
Total Liabilities		64,758,932	65,869,306
Net Assets		873,029,957	582,051,855
Net Assets			
Accumulated surplus		873,029,957	582,051,855

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Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

	Note(s)	2015 R	2014 R
Revenue	18	214,451,502	199,538,198
Other income		1,933,516	365,088,277
Operating expenses		(204,713,073)	(238,064,126)
Operating surplus	23	11,671,945	326,562,349
Investment revenue	26	1,017,113	716,878
Finance costs	28	(1,056,249)	(970,171)
Surplus for the year		11,632,809	326,309,056

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Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2011 (Restated)	688,779,549	688,779,549
Changes in net assets		
Share of Loss in Associate	(36,485,788)	(36,485,788)
Reversal of Investment in Associate	(338,455,863)	(338,455,863)
Net Income (Losses) Recognised directly in Net Assets	(58,095,099)	(58,095,099)
Net income (losses) recognised directly in net assets	(433,036,750)	(433,036,750)
Surplus for the year	326,309,056	326,309,056
Total recognised income and expenses for the year	(106,727,694)	(106,727,694)
Total changes	(106,727,694)	(106,727,694)
Balance at 01 July 2013	581,807,394	581,807,394
Changes in net assets		
Surplus for the year	11,632,809	11,632,809
Share in Surplus in Associate	272,936,761	272,936,761
Net Income (Losses) Recognised directly in Net Assets	6,652,993	6,652,993
Total changes	291,222,563	291,222,563
Balance at 30 June 2015	873,029,957	873,029,957

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Cash Flow Statement

	Note(s)	2015 R	2014 R
Cash flows from operating activities			
Receipts			
Taxation		8,563,432	7,069,004
Sale of goods and services		14,330,153	19,447,368
Grants		167,074,148	149,734,736
Interest income		1,017,113	716,878
		<u>190,984,846</u>	<u>176,967,986</u>
Payments			
Employee costs		(76,619,106)	(73,832,728)
Suppliers		(82,259,701)	(144,046,865)
Finance costs		(1,056,249)	(970,171)
		<u>(159,935,056)</u>	<u>(218,849,764)</u>
Net cash flows from operating activities	32	<u>31,049,790</u>	<u>(41,881,778)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(36,056,213)	(266,646,215)
Proceeds from sale of property, plant and equipment	4	2,892,145	-
Purchase of investment property	3	-	(68,095)
Purchase of other intangible assets	5	(4,388,964)	(1,193,564)
Proceeds from sale of other assets		-	3,803,013
		<u>(37,553,032)</u>	<u>(264,104,861)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(224,711)	9,687,160
Finance lease payments		31,753	106,904
Movement in Investments		6,511,760	294,230,420
		<u>6,318,802</u>	<u>304,024,484</u>
Net increase/(decrease) in cash and cash equivalents		(184,440)	(1,962,155)
Cash and cash equivalents at the beginning of the year		332,310	2,294,465
Cash and cash equivalents at the end of the year	10	<u>147,870</u>	<u>332,310</u>

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	14,892,150	(3,559,305)	11,332,845	17,863,039	6,530,194	
Rental of facilities and equipment	100,000	(50,000)	50,000	-	(50,000)	
Interest received (trading)	1,568,900	-	1,568,900	1,192,885	(376,015)	
Rental income	285,120	-	285,120	287,486	2,366	
Recoveries	12,000	8,000	20,000	11,455	(8,545)	
Sundry Revenue	70,000	-	70,000	208,330	138,330	
Interest received - investment	-	300,000	300,000	1,017,113	717,113	
Total revenue from exchange transactions	16,928,170	(3,301,305)	13,626,865	20,580,308	6,953,443	
Revenue from non-exchange transactions						
Taxation revenue						
Indirect taxes (VAT, customs duty)	8,694,246	-	8,694,246	8,563,432	(130,814)	
Government grants & subsidies	117,345,000	-	117,345,000	186,732,146	69,387,146	
Transfer revenue						
Public contributions and donations	-	-	-	100,000	100,000	
Total revenue from non-exchange transactions	126,039,246	-	126,039,246	195,395,578	69,356,332	
Total revenue	142,967,416	(3,301,305)	139,666,111	215,975,886	76,309,775	
Expenditure						
Personnel	(70,949,501)	4,616,735	(66,332,766)	(72,298,771)	(5,966,005)	
Remuneration of councillors	(5,395,498)	-	(5,395,498)	(4,320,335)	1,075,163	
Depreciation and amortisation	(5,161,563)	(293,437)	(5,455,000)	(27,021,461)	(21,566,461)	
Finance costs	(1,056,249)	-	(1,056,249)	(1,056,249)	-	
Debt impairment	-	-	-	(5,691,359)	(5,691,359)	
Repairs and maintenance	(3,770,000)	(2,482,500)	(6,252,500)	(3,991,280)	2,261,220	
Bulk purchases	(5,000,000)	(2,500,000)	(7,500,000)	(5,617,500)	1,882,500	
Contracted Services	(15,207,667)	-	(15,207,667)	(15,207,667)	-	
General Expenses	(43,957,539)	(5,038,161)	(48,995,700)	(70,397,986)	(21,402,286)	
Total expenditure	(150,498,017)	(5,697,363)	(156,195,380)	(205,602,608)	(49,407,228)	
Operating surplus	(7,530,601)	(8,998,668)	(16,529,269)	10,373,278	26,902,547	
Gain on disposal of assets and liabilities	(166,714)	-	(166,714)	1,259,531	1,426,245	
Surplus before taxation	(7,697,315)	(8,998,668)	(16,695,983)	11,632,809	28,328,792	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(7,697,315)	(8,998,668)	(16,695,983)	11,632,809	28,328,792	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

Reconciliation

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Appropriation Statement

	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
	R	R	R	R	R	R	R	R	R	R	R
2015											
Financial Performance											
Service charges	(18,451,455)	18,451,455	-	-	-	-	17,863,039	-	17,863,039	DIV/0 %	(97)%
Investment revenue	(300,000)	300,000	-	-	-	-	1,017,113	-	1,017,113	DIV/0 %	(339)%
Transfers recognised - operational	(117,345,000)	117,345,000	-	-	-	-	186,732,146	-	186,732,146	DIV/0 %	(159)%
Other own revenue	(10,638,266)	10,638,266	-	-	-	-	11,689,833	-	11,689,833	DIV/0 %	(110)%
Total revenue (excluding capital transfers and contributions)	(146,734,721)	146,734,721	-	-	-	-	217,302,131	-	217,302,131	DIV/0 %	(148)%
Employee costs	(72,155,334)	72,155,334	-	-	-	-	(72,298,771)	-	(72,298,771)	DIV/0 %	100 %
Remuneration of councillors	(4,320,335)	4,320,335	-	-	-	-	(4,320,335)	-	(4,320,335)	DIV/0 %	100 %
Debt impairment	-	-	-	-	-	-	(5,691,359)	-	(5,691,359)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(8,444,930)	8,444,930	-	-	-	-	(27,021,461)	-	(27,021,461)	DIV/0 %	320 %
Finance charges	(1,056,249)	1,056,249	-	-	-	-	(1,056,249)	-	(1,056,249)	DIV/0 %	100 %
Materials and bulk purchases	(5,617,500)	5,617,500	-	-	-	-	(5,617,500)	-	(5,617,500)	DIV/0 %	100 %
Other expenditure	(54,582,120)	54,582,120	-	-	-	-	(119,211,765)	-	(119,211,765)	DIV/0 %	218 %
Total expenditure	(146,176,468)	146,176,468	-	-	-	-	(235,217,440)	-	(235,217,440)	DIV/0 %	161 %
Surplus/(Deficit)	(292,911,189)	292,911,189	-	-	-	-	(17,915,309)	-	(17,915,309)	DIV/0 %	6 %

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Financial Statements for the year ended 30 June 2015

Appropriation Statement

	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
	R	R	R	R	R	R	R	R	R	R	R
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	100,000	-	100,000	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	(292,911,189)	292,911,189	-	-	-	-	(17,815,309)	-	(17,815,309)	DIV/0 %	6 %
Share of surplus (deficit) of associate	-	-	-	-	-	-	336,538,335	-	336,538,335	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	(292,911,189)	292,911,189	-	-	-	-	(354,353,644)	-	(354,353,644)	DIV/0 %	121 %
Capital expenditure and funds sources											
Total capital expenditure	92,115,449	(92,115,449)	-	-	-	-	-	-	-	DIV/0 %	- %

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Financial Statements for the year ended 30 June 2015

Appropriation Statement

	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
	R	R	R	R	R	R	R	R	R	R	R
Cash flows											
Net cash from (used) operating	-	-	-	-	-	-	31,049,790		31,049,790	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-	-	-	(37,553,032)		(37,553,032)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-	-	-	6,318,802		6,318,802	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	-	-	-	-	-	-	(184,440)		(184,440)	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	332,310		332,310	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	-	-	-	-	-	-	147,870		(147,870)	DIV/0 %	DIV/0 %

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

1.1 Presentation currency

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

1.2 Consolidation

Entity combinations

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

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

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

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Financial Statements for the year ended 30 June 2015

Accounting Policies

1.2 Consolidation (continued)

Investment in associates

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

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

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

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

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

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

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

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

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

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

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

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

Jointly controlled entities

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

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Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty

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

Provisions

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Property, plant and equipment (continued)

Community

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

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

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

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

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

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

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

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

1.5 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.

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the 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.

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, internally generated	3 years
Computer software, other	3 years

Intangible assets are derecognised:

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

1.6 Investments in controlled entities

1.7 Investments in associates

1.8 Financial instruments

1.9 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

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

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

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Operating leases - lessee

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

1.10 Impairment of cash-generating assets

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

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

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

Identification

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

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

Value in use

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

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- 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

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.

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of impairment loss

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

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

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

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

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

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

Redesignation

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

1.11 Impairment of non-cash-generating assets

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

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

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

Useful life is either:

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

Identification

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

Redesignation

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

1.12 Share capital / contributed capital

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

1.13 Employee benefits

1.14 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.

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.14 Provisions and contingencies (continued)

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

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

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised.

1.15 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.

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

1.16 Revenue from non-exchange transactions

1.17 Investment income

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

1.18 Borrowing costs

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 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.

1.22 Irregular expenditure

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

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

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.22 Irregular expenditure (continued)

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

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

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

1.23 Use of estimates

The preparation of 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 financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.24 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.25 Conditional grants and receipts

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

1.26 Segmental information

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

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

1.27 Budget information

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

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

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the financial statements.

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.28 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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

Notes to the Financial Statements

2015	2014
R	R

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied 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:

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
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3. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	507,955	-	507,955	530,835	-	530,835

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	530,835	(22,880)	507,955

Reconciliation of investment property - 2014

	Opening balance	Additions	Depreciation	Total
Investment property	481,094	68,095	(18,354)	530,835

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.

4. 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	569,591	-	569,591	569,591	-	569,591
Buildings	36,118,430	(6,341,324)	29,777,106	25,145,485	(5,247,744)	19,897,741
Plant and machinery	6,027,274	(4,107,056)	1,920,218	4,873,032	(3,689,339)	1,183,693
Furniture and fixtures	3,205,580	(2,304,017)	901,563	3,144,021	(2,026,913)	1,117,108
Motor vehicles	7,563,190	(5,152,530)	2,410,660	7,552,804	(4,590,804)	2,962,000
Office equipment	5,379,586	(3,752,626)	1,626,960	4,611,083	(3,290,627)	1,320,456
IT equipment	138,657	(34,153)	104,504	114,881	(2,516)	112,365
Park facilities	38,883,382	(12,717,194)	26,166,188	38,945,287	(10,091,930)	28,853,357
Wastewater network	66,960,403	(18,525,594)	48,434,809	67,790,314	(9,133,419)	58,656,895
Water network	225,841,224	(26,432,405)	199,408,819	202,140,923	(13,103,552)	189,037,371
Total	390,687,317	(79,366,899)	311,320,418	354,887,421	(51,176,844)	303,710,577

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015		2014		2013		2012	
	R		R		R		R	
4. Property, plant and equipment (continued)								
Reconciliation of property, plant and equipment - 2015								
	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	
Land	569,591	-	-	-	-	-	-	
Buildings	19,897,741	10,911,040	-	61,905	-	(1,093,580)	-	
Plant and machinery	1,183,693	32,680	-	-	1,121,562	(368,721)	(48,99)	
Furniture and fixtures	1,117,108	53,253	-	-	8,306	(274,888)	(2,21)	
Motor vehicles	2,962,000	-	-	-	10,387	(557,378)	(4,34)	
Office equipment	1,320,456	689,298	(8,539)	-	89,151	(461,091)	(2,31)	
IT equipment	112,365	29,194	(5,273)	-	-	(29,382)	(2,40)	
Park facilities	28,853,357	-	-	(61,905)	-	(1,621,284)	(1,003,98)	
Wastewater network	58,656,895	533,824	(1,345,727)	-	122,464	(8,885,147)	(647,50)	
Water network	189,037,371	23,806,924	(106,361)	-	74,376	(13,403,491)	-	
	303,710,577	36,056,213	(1,465,900)	-	1,426,246	(26,694,962)	(1,711,75)	

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Additions through entity combinations	Disposals	Revaluations	Depreciation	Impairment loss	
Land	569,591	-	-	-	-	-	-	
Buildings	19,814,663	1,083,600	-	-	21,191	(974,979)	(46,73)	
Plant and machinery	4,221,889	138,863	-	(3,127,523)	452,996	(500,165)	(2,36)	
Furniture and fixtures	1,604,350	14,263	-	(20,944)	45,699	(519,296)	(6,96)	
Motor vehicles	2,919,028	-	614,528	(29,949)	253,987	(957,432)	-	
Office equipment	1,620,265	414,537	-	(49,924)	127,530	(785,569)	(6,38)	
IT equipment	-	114,881	-	-	-	(2,516)	-	
Park facilities	29,622,393	447,305	-	-	-	(1,177,267)	(39,07)	
Wastewater network	-	-	62,534,086	-	5,256,228	(9,133,419)	-	
Water network	-	5,563,159	195,720,993	-	856,771	(13,103,552)	-	
	60,372,179	7,776,608	258,869,607	(3,228,340)	7,014,402	(27,154,195)	(101,52)	

Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	5,563,158	4,631,303	3,003,050	13,197,511
Additions/capital expenditure	23,281,941	10,758,427	1,772,807	35,813,175
Transferred to completed items	(5,563,158)	(1,677,365)	(68,095)	(7,308,618)
	23,281,941	13,712,365	4,707,762	41,702,068

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	-	3,672,119	1,781,815	5,453,934
Additions/capital expenditure	5,563,158	959,184	1,221,235	7,743,577
	5,563,158	4,631,303	3,003,050	13,197,511

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.

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
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5. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	8,685,429	(1,444,139)	7,241,290	4,296,466	(1,156,090)	3,140,376

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Impairment loss	Total
Computer software	3,140,376	4,388,964	(288,050)	7,241,290

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Impairment loss	Total
Computer software	2,119,284	1,193,564	(172,472)	3,140,376

6. Investments in associates

Name of entity	Listed / Unlisted	% holding 2015	% holding 2014	Carrying amount 2015	Carrying amount 2014
uThukela Water (Pty) Ltd		-	-	601,138,161	328,201,400
Group co ID 1		-	-	601,138,161	328,201,400
				601,138,161	328,201,400
				<u>1,202,276,322</u>	<u>656,402,800</u>

The carrying amounts of associates are shown net of impairment losses.

The annual financial statements of Uthukela Water (Pty)Ltd are prepared for the accounting period 01 July 2013 to 30 June 2014 , which is the same as the Amajuba District Municipality ,no adjustments were made to this effect.

No loans were made to or received from the associate. No shares were sold nor any acquired during the year..

With effect from 01 July 2013, the municipality has taken over a portion of the assets, liabilities and staff that relate to Amajuba District Municipality from uThukela Water. The municipality is therefore providing water and sanitation services as a water services provider and authority.

Movements in carrying value

Opening balance	328,201,400	703,143,051
Share of surplus/deficit	272,936,761	(36,485,821)
Disposal of investment in associate	-	(338,455,863)
Dividends	-	33
	<u>601,138,161</u>	<u>328,201,400</u>

Investment in associate at 30 June 2014 has been written down as Amajuba DM has taken over the assets and liabilities relating to the provision of water and sanitation. There was no cash consideration given therefore the transfer is a non-cash movement.

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
7. Receivables from non-exchange transactions		
Sundry Debtors	<u>3,187,894</u>	<u>2,993,403</u>
8. VAT receivable		
VAT	<u>5,187,803</u>	<u>3,506,106</u>
VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS.		
9. Consumer debtors		
Gross balances		
Water	<u>20,440,217</u>	<u>12,871,993</u>
Less: Allowance for impairment		
Water	<u>(11,382,718)</u>	<u>(7,365,839)</u>
Net balance		
Water	<u>9,057,499</u>	<u>5,506,154</u>
Water		
Current (0 -30 days)	3,917,305	1,531,851
31 - 60 days	2,300,876	1,597,270
61 - 90 days	660,727	790,780
91 - 120 days	542,685	582,562
121 - 365 days	571,549	701,518
> 365 days	1,064,357	302,173
	<u>9,057,499</u>	<u>5,506,154</u>

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
9. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	3,905,818	1,531,851
31 - 60 days	2,300,745	1,597,270
61 - 90 days	660,597	790,780
91 - 120 days	537,409	582,562
121 - 365 days	571,194	701,518
> 365 days	1,034,174	302,173
	9,009,937	5,506,154
Industrial/ commercial		
Current (0 -30 days)	11,135	-
31 - 60 days	53	-
61 - 90 days	53	-
91 - 120 days	5,199	-
121 - 365 days	279	-
> 365 days	455	-
	17,174	-
National and provincial government		
Current (0 -30 days)	353	-
31 - 60 days	78	-
61 - 90 days	78	-
91 - 120 days	77	-
121 - 365 days	76	-
> 365 days	29,726	-
	30,388	-
Total		
Current (0 -30 days)	3,917,305	1,531,851
31 - 60 days	2,300,876	1,597,270
61 - 90 days	660,727	790,780
91 - 120 days	542,685	582,562
121 - 365 days	571,549	701,518
> 365 days	1,064,357	302,173
	9,057,499	5,506,154
Less: Provision for debt impairment		
> 365 days	(11,382,718)	(7,365,839)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(7,365,839)	-
Contributions to allowance	(5,691,358)	(7,365,839)
Debt impairment written off against allowance	1,674,479	-
	(11,382,718)	(7,365,839)
Credit quality of consumer debtors		
The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
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9. Consumer debtors (continued)

Consumer debtors impaired

As of 30 June 2015, consumer debtors of R - (2014: R -) were impaired and provided for.

The amount of the provision was R - as of 30 June 2015 (2014: R -).

The ageing of these loans is as follows:

Reconciliation of allowance for impairment of consumer debtors

10. Cash and cash equivalents

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

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

No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities.

No restrictions exist with regard to the use of cash.

No portion is past due or impaired.

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

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.

Although credit quality can be assessed, the municipality did not apply any methods to evaluate the credit quality

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA BANK - Cheque Account - 405 347 2593	6,212	197,340	(61,036)	6,212	197,340	(368,191)
ABSA BANK - 32 Day Notice Account - 907 431 6117	-	-	1,363,772	-	-	1,363,772
Standard BANK - 32 Day Notice Account - 068 448 3090 02	138,658	131,597	120,016	138,658	131,597	120,016
First National BANK - Call Account - 743 545 87212	-	-	1,143,781	-	-	1,143,781
Total	144,870	328,937	2,566,533	144,870	328,937	2,259,378

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
11. Other financial liabilities		
Designated at fair value		
DBSA Loan - 61000383	-	521,896
DBSA Loan - 61000384	9,462,449	4,454,759
DBSA Loan - 61000385	-	377,314
DBSA Loan - 61003315	-	3,269,437
DBSA Loan - 61000916	-	328,474
DBSA Loan - 61000917	-	735,280
	9,462,449	9,687,160

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

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

Non-current liabilities

Designated at fair value	9,462,449	9,687,160
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12. Finance lease obligation

Laptops and Tablets	106,904	114,881
Sub-Total	106,904	114,881
Opening Balance	106,904	(7,977)
Additions	37,568	-
Amortisation	(5,815)	-
Total External Loans	138,657	106,904
Minimum lease payments due		
- within one year	77,580	53,278
- in second to fifth year inclusive	61,077	53,626
Present value of minimum lease payments	138,657	106,904

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

The average lease term is 2 years (24 months) and the average effective borrowing rate was -% (2014: 2%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
13. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
MIG Grant	30,944	6,605,896
Shared services grant	51,988	-
Governance Expert Grant	264,812	820,398
Department of Public Works grant	-	7,078
Massification grant	16,796	16,796
Municipal Systems Improvement Grant MSIG	240,804	187,043
Disaster Management Centre Grant	620,428	5,620,428
WC/WD Management Grant	1,453	1,453
Road Asset Management System Grant	-	59,922
Boreholes Maintenance Grant	699,837	699,837
Finance Management Grant	57,464	654,443
DWA ACIP grant - Utrecht Ponds	179,252	37,820
Councillors Training Grant	79,388	79,388
DOHS - Rural Household Infrastructure Grant	-	4,000,000
DWA - Municipal Infrastructure Grant MWIG	810,983	3,827,154
	<u>3,054,149</u>	<u>22,617,656</u>
Movement during the year		
Balance at the beginning of the year	22,617,656	42,376,393
Additions during the year	71,484,030	39,786,955
Income recognition during the year	(91,047,537)	(59,545,692)
	<u>3,054,149</u>	<u>22,617,656</u>

14. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Reversed during the year	Total
Staff leave	5,925,889	553,671	-	6,479,560
Performance bonuses	954,472	-	(304,826)	649,646
	<u>6,880,361</u>	<u>553,671</u>	<u>(304,826)</u>	<u>7,129,206</u>

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Staff leave	1,020,780	4,905,109	5,925,889
Performance bonuses	481,932	472,540	954,472
	<u>1,502,712</u>	<u>5,377,649</u>	<u>6,880,361</u>

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

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
15. Payables from exchange transactions		
Trade payables	36,661,388	20,973,739
Retentions	7,950,376	5,246,110
Other creditors	35,875	11,500
Deposits received	326,832	345,876
	<u>44,974,471</u>	<u>26,577,225</u>

16. Financial instruments disclosure

17. Financial liabilities by category

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

2015

	Financial liabilities at amortised cost	Total
Other financial liabilities	7,986,251	7,986,251
Trade and other payables	36,661,388	36,661,388
Bank overdraft	326,832	326,832
	<u>44,974,471</u>	<u>44,974,471</u>

2014

	Financial liabilities at amortised cost	Total
Other financial liabilities	5,257,610	5,257,610
Trade and other payables	20,973,735	20,973,735
Sundry Creditors	345,876	345,876
	<u>26,577,221</u>	<u>26,577,221</u>

18. Revenue

Service charges	17,863,039	17,424,490
Interest received (trading)	1,192,885	2,622,213
Rental income	287,486	288,082
Recoveries	11,455	52,355
Sundry Revenue	208,330	60,652
Interest received - investment	1,017,113	716,878
Indirect taxes (VAT, customs duty)	8,563,432	7,069,004
Government grants & subsidies	186,732,146	172,422,491
Public contributions and donations	100,000	-
	<u>215,975,886</u>	<u>200,656,165</u>

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

Service charges	17,863,039	17,424,490
Interest received (trading)	1,192,885	2,622,213
Rental income	287,486	288,082
Recoveries	11,455	52,355
Sundry Revenue	208,330	60,652
Interest received - investment	1,017,113	716,878
	<u>20,580,308</u>	<u>21,164,670</u>

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
18. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Indirect taxes (VAT, customs duty)	8,563,432	7,069,004
Transfer revenue		
Government grants & subsidies	186,732,146	172,422,491
Public contributions and donations	100,000	-
	195,395,578	179,491,495
19. Service charges		
Sale of water	15,111,300	15,004,370
Sewerage and sanitation charges	2,751,739	2,420,120
	17,863,039	17,424,490

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
20. Government grants and subsidies		
Equitable share	55,797,000	52,618,015
DWAF Water Operating Subsidy	-	1,500,000
Operating Projects Grant	70,551,395	61,610,261
Levies Replacement Grant	56,588,000	51,917,000
Municipal Systems Improvement Grant	693,196	616,629
Financial Management Grant	2,096,979	845,557
Skills Development Grant	202,797	32,688
Road Asset Management	247,193	1,153,140
Councillors Training Grant	-	120,612
ACIP Tweedildale Grant	-	1,078,106
IGR Grant -Government Expert	555,586	50,911
Disaster Management Grant;	-	879,572
	<u>186,732,146</u>	<u>172,422,491</u>
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	6,605,896	6,605,896
Current-year receipts	41,650,000	51,962,000
Conditions met - transferred to revenue	(48,224,952)	(51,962,000)
	<u>30,944</u>	<u>6,605,896</u>
Conditions still to be met - remain liabilities (see note 13).		
Emadlangeni Bulk Water Supply		
Conditions still to be met - remain liabilities (see note 13).		
Tourism Signage		
Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(948,012)	-
	<u>51,988</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
2010 Base Camp and Academy (Monte Vista)		
Balance unspent at beginning of year	-	7,338,250
Other	-	(7,338,250)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
Sports and Recreation Grant		
Balance unspent at beginning of year	-	1,357,058
Conditions met - transferred to revenue	-	(1,146,058)

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
20. Government grants and subsidies (continued)		
Other	-	(211,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
National Lottery		
Balance unspent at beginning of year	-	3,116,000
Other	-	(3,116,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 13).		
Inter-Governmental Relations Grant		
Conditions still to be met - remain liabilities (see note 13).		
Governance Expert Grant		
Balance unspent at beginning of year	820,398	871,308
Conditions met - transferred to revenue	(555,586)	(50,910)
	<u>264,812</u>	<u>820,398</u>
Conditions still to be met - remain liabilities (see note 13).		
Public Works (EPWP) Grant		
Balance unspent at beginning of year	7,078	1,672,301
Current-year receipts	1,276,000	1,000,000
Conditions met - transferred to revenue	(1,283,078)	(1,455,223)
Other	-	(1,210,000)
	<u>-</u>	<u>7,078</u>
Conditions still to be met - remain liabilities (see note 13).		
Massification Grant		
Balance unspent at beginning of year	16,796	1,584,150
Conditions met - transferred to revenue	-	(1,567,354)
	<u>16,796</u>	<u>16,796</u>
Conditions still to be met - remain liabilities (see note 13).		
Municipal Systems Improvement Grant		
Balance unspent at beginning of year	187,043	-
Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(880,239)	(702,957)
	<u>240,804</u>	<u>187,043</u>
Conditions still to be met - remain liabilities (see note 13).		
Disaster Management Centre Grant		

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
20. Government grants and subsidies (continued)		
Balance unspent at beginning of year	5,620,428	5,000,000
Current-year receipts	-	1,500,000
Conditions met - transferred to revenue	-	(879,572)
Other	(5,000,000)	-
	<u>620,428</u>	<u>5,620,428</u>
Conditions still to be met - remain liabilities (see note 13).		
WC/WD Management Grant		
Balance unspent at beginning of year	1,453	3,518,701
Conditions met - transferred to revenue	-	(3,517,248)
	<u>1,453</u>	<u>1,453</u>
Conditions still to be met - remain liabilities (see note 13).		
DWA ACIP Grant - Utrecht Ponds		
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
WSDP Grant		
Conditions still to be met - remain liabilities (see note 13).		
Road Asset Management System Grant		
Balance unspent at beginning of year	59,922	1,532,189
Current-year receipts	2,020,000	1,706,000
Conditions met - transferred to revenue	(2,079,922)	(1,620,323)
Other	-	(1,557,944)
	<u>-</u>	<u>59,922</u>
Conditions still to be met - remain liabilities (see note 13).		
Skills Development Grant		
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
Boreholes Refurbishment Grant		
Balance unspent at beginning of year	<u>699,837</u>	<u>699,837</u>
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
COGTA Maintenance Grant		
Balance unspent at beginning of year	-	3,026,568
Conditions met - transferred to revenue	-	(3,026,568)
	<u>-</u>	<u>-</u>

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
20. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
Finance Management Grant		
Balance unspent at beginning of year	654,443	993,355
Current-year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	(2,096,979)	(845,557)
Other	-	(993,355)
	57,464	654,443
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
DWA ACIP Grant - Utrecht Ponds		
Balance unspent at beginning of year	37,820	265,981
Current-year receipts	2,379,049	-
Conditions met - transferred to revenue	(2,237,617)	-
Other	-	(228,161)
	179,252	37,820
Conditions still to be met - remain liabilities (see note 13).		
Councillors Training Grant		
Balance unspent at beginning of year	79,388	200,000
Conditions met - transferred to revenue	-	(120,612)
	79,388	79,388
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
DOHS - Rural Household Infrastructure Grant		
Balance unspent at beginning of year	4,000,000	-
Current-year receipts	-	4,000,000
Other	(4,000,000)	-
	-	4,000,000
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
DWA - Municipal Water Infrastructure Grant MWIG		
Balance unspent at beginning of year	3,827,154	-
Current-year receipts	12,040,000	10,484,000
Conditions met - transferred to revenue	(15,056,171)	(6,656,846)
	810,983	3,827,154

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
20. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
21. Other revenue		
Rental income - third party	287,486	288,082
Recovery - Telephone	11,455	52,355
Sundry income	208,330	60,652
	507,271	401,089
22. General expenses		
Accounting fees	10,753	1,097,377
Advertising	141,348	192,133
Assessment rates & municipal charges	559,241	73,377
Auditors remuneration	2,075,812	1,484,403
Bank charges	68,358	177,291
Cleaning	303,859	580,758
Consulting and professional fees	1,575,670	233,082
Consumables	565,270	573,862
Debt collection	47,044	39,502
Entertainment	55,810	153,937
VIP Desludging	3,622,807	5,800,241
Insurance	686,355	431,523
Conferences and seminars	29,567	135,966
Audit Committee Costs	759,615	236,025
Audit Committee Costs	155,641	122,400
Lease rentals on operating lease	575,250	578,965
Fleet	2,563,411	1,903,392
Internal Audit Fees	18,490	1,806,203
Magazines, books and periodicals	-	1,726
Pest control	111,907	-
Postage and courier	415,230	6,082
Printing and stationery	73,075	142,215
Promotions	29,347	344,478
Protective clothing	112,650	116,865
License fees	183,102	261,003
Staff welfare	8,273	-
Telephone and fax	903,394	1,021,569
Training	252,591	232,339
Travel - local	1,609,060	2,389,036
Electricity	4,971,788	3,875,022
Tourism Development Programmes	22,387	109,395
General Expenditure	2,422,137	2,132,906
Grant Funded Expenditure	40,585,738	64,903,749
LED Projects Cost	2,680,310	4,385,194
Sports Development Programmes	1,137,321	2,919,473
Disaster Management Programmes	596,446	550,397
Social Development Programmes	468,929	1,942,485
	70,397,986	100,954,371
23. Operating surplus		

Operating surplus for the year is stated after accounting for the following:

Amajuba District Municipality

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Notes to the Financial Statements

	2015 R	2014 R
23. Operating surplus (continued)		
Operating lease charges		
Equipment		
• Contractual amounts	<u>575,250</u>	<u>578,965</u>
Gain (loss) on sale of property, plant and equipment	1,426,245	(3,228,340)
(Loss) gain on sale of businesses (or controlled entities, joint ventures and associates)	(166,714)	364,687,188
Depreciation on property, plant and equipment	27,021,461	27,533,579
Employee costs	<u>76,619,106</u>	<u>73,832,728</u>

Amajuba District Municipality

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Notes to the Financial Statements

	2015 R	2014 R
24. Employee related costs		
Basic	45,786,643	44,145,883
Bonus	4,030,928	3,893,130
Medical aid - company contributions	2,704,650	2,254,725
UIF	297,939	292,845
SDL	653,692	634,149
Other payroll levies	309,460	270,721
Leave pay provision charge	1,781,435	4,509,917
Short term benefit 1	3,132	-
Defined contribution plans	5,582,451	4,617,956
Travel, motor car, accommodation, subsistence and other allowances	5,526,358	4,889,959
Overtime payments	4,667,547	3,673,480
Housing benefits and allowances	205,048	189,503
Bargaining council contribution	13,281	12,535
Standby Allowance	676,462	223,722
Shift Allowance	59,745	19,674
	72,298,771	69,628,199
Remuneration of Municipal Manager		
Annual Remuneration	1,145,007	908,333
Car Allowance	183,000	148,000
Other	275,786	256,844
	1,603,793	1,313,177
Remuneration of Chief Financial Officer		
Annual Remuneration	367,524	1,006,858
Other	6,000	18,000
	373,524	1,024,858
<p>The Chief Financial Officer has been in the employ of the municipality for 5 months of the 2015 financial year and 12 months of the 2014 financial year.</p>		
Corporate services		
Annual Remuneration	176,785	786,943
Car Allowance	38,425	175,000
Other	4,500	18,000
	219,710	979,943
<p>The Director Corporate Services has been in the employ of the municipality for only 3 months in the 2015 financial year and 12 months of the 2014 financial year.</p>		
Director of Engineering services		
Annual Remuneration	667,731	616,937
Car Allowance	148,083	108,000
Other	238,964	241,015
	1,054,778	965,952
Director of development planning		
Annual Remuneration	748,264	682,120

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
24. Employee related costs (continued)		
Car Allowance	228,945	217,406
Other	83,730	72,917
	1,060,939	972,443
Director of Community Services		
Annual Remuneration	826,468	754,373
Car Allowance	143,987	138,000
Other	84,897	87,962
	1,055,352	980,335
25. Remuneration of councillors		
Mayor	685,377	685,377
Deputy Mayor	342,577	342,576
Executive Committee Members	581,089	556,877
Speaker	536,311	536,311
Councillors	2,174,981	2,083,388
	4,320,335	4,204,529
In-kind benefits		
The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle for official duties and has four full time driver/bodyguards.		
26. Investment revenue		
Interest revenue		
Bank	1,017,113	716,878
27. Depreciation and amortisation		
Property, plant and equipment	27,021,461	27,533,579
28. Finance costs		
Other interest payable	1,056,249	970,171
29. Auditors' remuneration		
Fees	2,075,812	1,484,403
30. Contracted services		
Information Technology Services	-	422,175
Security Services	3,322,525	1,510,382
Water Tanker Services	7,865,375	-
Hygiene Services	-	19,158
Other Contractors	-	9,193,781
	11,187,900	11,145,496

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
31. Bulk purchases		
Water	<u>5,617,500</u>	<u>7,000,000</u>
32. Cash generated from (used in) operations		
Surplus	11,632,809	326,309,056
Adjustments for:		
Depreciation and amortisation	27,021,461	27,533,579
Loss on sale of assets	(1,259,531)	(361,458,848)
Debt impairment	5,691,359	8,781,810
Movements in provisions	248,845	5,377,649
Changes in working capital:		
Consumer debtors	(9,242,704)	(14,287,964)
Other receivables from non-exchange transactions	(194,491)	(2,993,403)
Payables from exchange transactions	18,397,246	(15,890,650)
VAT	(1,681,697)	4,505,730
Unspent conditional grants and receipts	(19,563,507)	(19,758,737)
	<u>31,049,790</u>	<u>(41,881,778)</u>
33. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	<u>87,103,961</u>	<u>43,070,756</u>
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	<u>15,014,000</u>	<u>1,500,000</u>

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

34. Contingencies

Litigation is in the process against the municipality relating to a dispute with a service provider who alleges that the municipality has contravened a contract by terminating the contract prior to the termination and is seeking damages of R 3,900,000. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and therefore no provision has been made in the financial statements.

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

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
35. Related parties		
Relationships		
Shareholder with joint control	uThukela Water (Proprietary) Limited	
The entity, uThukela Water (Pty) Ltd, is jointly owned and controlled by Amajuba DM, Newcastle LM and uMzinyathi DM and supplies the municipality with bulk water services.		
Related party balances		
Amounts included in Trade receivable (Trade Payable) regarding related parties		
uThukela Water(Proprietary) Limited	(4,269,300)	(7,000,000)
Related party transactions		
Purchases from (sales to) related parties		
uThukela Water (Proprietary) Limited	5,617,500	7,000,000
36. Prior period errors		
During the June 2014 audit Property, Plant and Equipment transferred from uThukela Water were not properly accounted for as the asset register was not GRAP compliant resulting in wrong classifications and determination of take-on balances. The prior year PPE figures are therefore restated.		
The investment in associaite was erroneously written down and de-recognised before a formal shareholders resolution regarding the withdrawal of ADM from the entity.		
The correction of the error results in adjustments as follows:		
Statement of financial position		
Property, plant and equipment	-	12,640,073
Investment in Associate	-	364,687,188
Statement of Financial Performance		
Reversal of write-off	-	(364,687,188)
Depreciation Adjustment	-	1,386,636

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015	2014
	R	R

37. Risk management

Capital risk management

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes , , 12, 11, cash and cash equivalents disclosed in note 10, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

Total borrowings

Finance lease obligation	12	138,657	106,904
Other financial liabilities	11	9,462,449	9,687,160
		<u>9,601,106</u>	<u>9,794,064</u>
Less: Cash and cash equivalents	10	147,870	330,248
Net debt		9,453,236	9,463,816
Total equity		873,029,957	581,807,394
Total capital		<u>882,483,193</u>	<u>591,271,210</u>

Liquidity risk

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

Interest rate risk

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

Credit risk

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

38. Going concern

We draw attention to the fact that at 30 June 2015, while the municipality had total accumulated surpluses of R 873,029,957, the the current liabilities exceeded the current assets by R46 422 122 and that the available cash resources did not cover the commitments for unspent conditional grants with an amount of R29 356 412 uncovered .

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that both Provincial and National government have neither the intention nor the need to liquidate or curtail materially the scale of funding of the municipality.

39. Unauthorised expenditure

Unauthorised expenditure	2,906,278	22,287,408
Budget overspending	24,347,195	447,893,114
	<u>27,253,473</u>	<u>470,180,522</u>

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
39. Unauthorised expenditure (continued)		
The unauthorised expenditure relates to the spending of conditional grants on other matters not related to the grant conditions as well as overspending of the budget. Included in the amount for budget overspending is an amount for impairment of investment in associate.		
The matter is still under investigation and appropriate action will be taken when the matter is finalised		
There is currently no disciplinary action taken in respect to this unauthorised expenditure		
40. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure	<u>1,469,509</u>	<u>290,417</u>
Fruitless and wasteful expenditure relates to penalties and interest charged on late payments of VAT, PAYE and late submission of EMP201 returns to SARS. This has been corrected and all returns have been submitted.		
41. Irregular expenditure		
Opening balance	47,738,282	75,112,134
Add: Irregular Expenditure - current year	1,249,083	267,287
Less: Amounts condoned	(80,000)	(27,641,139)
	<u>48,907,365</u>	<u>47,738,282</u>
Analysis of expenditure awaiting condonation (under investigation)		
Current year	1,249,083	267,287
Prior years	47,738,282	47,470,995
	<u>48,987,365</u>	<u>47,738,282</u>
Details of irregular expenditure – current year		
	Disciplinary steps taken/criminal proceedings	
Non-compliance with SCM policy	None	1,169,083
Acting Allowance payments	None	80,000
		<u>1,249,083</u>
Details of irregular expenditure condoned		
	Condoned by (condoning authority)	
Acting Allowance payments	Council	<u>80,000</u>
Details of irregular expenditure recoverable (not condoned)		
	-	
42. Reconciliation between budget and statement of financial performance		
Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:		
Net surplus per the statement of financial performance	<u>11,632,809</u>	<u>326,309,056</u>
43. Reconciliation between budget and cash flow statement		
Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:		

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
43. Reconciliation between budget and cash flow statement (continued)		
Operating activities		
Basis differences	31,049,790	(41,819,455)
Investing activities		
Basis differences	(37,553,032)	(264,169,246)
Financing activities		
Basis differences	6,318,802	304,024,484
Net cash generated from operating, investing and financing activities	(184,440)	(1,964,217)
44. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	-	1,097,377
Amount paid - current year	-	1,097,377
	-	2,194,754
Audit fees		
Current year subscription / fee	2,075,812	1,484,403
Amount paid - current year	(2,075,812)	(1,484,403)
	-	-
PAYE and UIF		
Current year subscription / fee	8,760,232	12,875,771
Amount paid - current year	(8,760,232)	(12,875,771)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	8,287,101	6,872,681
Amount paid - current year	(8,287,101)	(6,872,681)
	-	-
VAT		
VAT receivable	5,187,803	3,506,106

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

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

	2015 R	2014 R
44. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Supply chain management regulations (SCM Deviations)		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.		
Incident		
SALGA Games Accommodation - direct purchase	865,800	-
Direct Purchase - Supply and deliver round-up ready maize seeds	199,300	-
TLB Hire services	127,572	-
SCM - Impractical to follow SCM procedure	888,460	-
Supply and Delivery of chemicals for water treatment plants	-	167,481
Direct Purchase - Supply and deliver round-up ready maize seeds	-	434,032
Direct Purchase - Supply and deliver PPE	-	133,225
Repair sewerage pump	-	31,760
Installation of pump and removal of sludge	-	66,117
TLB Hire for burst pipes	-	55,225
Technical support for loading water and waste water analysis data	-	12,339
Supply mobrey open channel ultrasonic flowmeter	-	20,385
Supply and deliver V250F submersible drainage pipe	-	1,636
Repair, service and calibrate water testing equipment	-	12,400
	2,081,132	934,600

45. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	9,462,449	9,687,160
Used to finance property, plant and equipment	(9,462,449)	(9,687,160)
	-	-

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

46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

The services and goods as detailed above were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The deviations were reported to Council and ratified by Council as per the municipality's Supply Chain Management Policy.

47. Assets subject to restrictions

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

48. Budget differences

Amajuba District Municipality

Financial Statements for the year ended 30 June 2015

Detailed Income statement

	Note(s)	2015 R	2014 R
Revenue			
Service charges	19	17,863,039	17,424,490
Interest received (trading)		1,192,885	2,622,213
Government Grants and Subsidies		193,871,194	178,373,528
Rental income		287,486	288,082
Recoveries		11,455	52,355
Sundry Revenue		208,330	60,652
Interest received - investment	26	1,017,113	716,878
Total Revenue		214,451,502	199,538,198
Expenditure			
Employee Related Costs	24	(72,298,771)	(69,628,199)
Remuneration of councillors	25	(4,320,335)	(4,204,529)
Depreciation and amortisation	27	(27,021,461)	(27,533,579)
Finance costs	28	(1,056,249)	(970,171)
Debt impairment		(5,691,359)	(8,781,810)
Repairs and maintenance		(3,991,280)	(5,123,223)
Bulk purchases	31	(5,617,500)	(7,000,000)
Contracted services	30	(15,207,667)	(11,610,075)
General Expenses	22	(25,525,688)	(26,803,470)
Grant Funded Expenditure		(40,585,738)	(64,903,749)
LED Project Costs		(2,680,310)	(4,385,194)
Sports Development Programmes		(1,137,321)	(2,919,473)
Social Development Programmes		(468,929)	(1,942,485)
Total expenditure		(205,602,608)	(235,805,957)
Gain on disposal of assets and liabilities		1,259,531	361,458,848
Surplus for the year		10,108,425	325,191,089