Amathole District Municipality

Annual Financial Statements
for the year ended June 30, 2016

General Information

Mayoral committee

Executive Mayor	Konza, N
Councillors	Janda,S (Speaker)
	Mtintsilana,S (Chief Whip)
	Madikane,E (Corporate Services Human Resources & Admin)
	Mgidlana,N (Community Safety)
	Memani,N (Land and Housing)
	Finca,P (Local Economic Development)
	Bikitsha,M (Strategic Planning)
	Jacobs,L.E.V (Budget and Treasury)
	Genu ,S (Water and Sanitation)
	Melitafa,B (Engineering and Infrastructure)
	Zuka,S (Community Services)
	Nyalambisa,N (Community Liason and Participation)
Grading and jurisdiction of the District Municipality	Grade 7

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

General Information

- The receipt and allocation of grants

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

  Provincial Administration areas
  The Amathole District Municipality's demarcated area is made up of seven (7) local municipalities namely:
  Amahlathi Municipality;
  Great Kei Municipality
  Mbhashe Municipality
  Mnquma Municipality
  Ngqushwa Municipality
  Nkonkobe Municipality
  Nxuba Municipality

LEGISLATION

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

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

General Information

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

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

Abbreviations

NT	National Treasury
PT	Eastern Cape Provincial Treasury
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
DWA	Department Of Water Affairs and Sanitation
PR	Proportional Representative
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
ADM	Amathole District Municipality
AEDA	Amathole Economic Development Agency (Propietary) Limited t/a ASPIRE
EPWP	Expanded Public Works Programme

Responsibilities and Approval

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

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

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

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 6 to 125, which have been prepared on the going concern basis, were approved on the 31st of August 2016 and signed on behalf by:

C Magwangqana	**S Kieck**
Municipal Manager	**Acting Chief Financial Officer**

Statement of Financial Position as at June 30, 2016

Figures in Rand	Note(s)	2016	2015 Restated*	
Assets				
Current Assets				
Inventories	12	8,537,205	6,991,453	GRAP1.80
Receivables from exchange transactions	13	74,935,788	92,212,711	GRAP1.80
Receivables from non-exchange transactions	14	9,273,992	20,140,735	GRAP1.79
VAT receivable	15	44,054,118	105,889,959	GRAP1
Current portion of receivables transferred from non current assets	9	125,597,660	159,001,792	GRAP1.87
Cash and cash equivalents	16	131,364,632	205,045,741	GRAP1.80
		393,763,395	**589,282,391**	
Non-Current Assets				
Heritage assets	4	400,000	400,000	GRAP1.80
Investment property	5	154,970,432	147,724,715	GRAP1.80
Property, plant and equipment	6	4,529,951,490	4,128,735,335	GRAP1.80
Intangible assets	7	20,496,758	5,761,461	GRAP1.80
Investments in controlled entities	8	1,000	1,000	GRAP1.80
Non- current receivables	9	1,712,595	128,859,696	Co sh4.25
		4,707,532,275	**4,411,482,207**	
Total Assets		**5,101,295,670**	**5,000,764,598**	
Liabilities				
Current Liabilities				
Current portion of the Interest bearing borrowings DBSA	20	132,684,268	172,351,148	GRAP1.80
Finance lease obligation	17	2,738,674	199,693	GRAP1.87
Payables from exchange transactions	21	269,077,382	343,744,290	GRAP1.80
Taxes and transfers payable (non-exchange)	22	7,392,370	-	GRAP1.80
Consumer deposits	24	2,757,829	2,457,622	Budget fo
Unspent conditional grants and receipts	18	41,914,426	45,239,540	GRAP1.87
Provisions	19	7,535,787	6,154,999	GRAP1.80
		464,100,736	**570,147,292**	
Non-Current Liabilities				
Finance lease obligation	17	465,035	97,340	GRAP1.87
Operating lease liability	10	2,844,286	1,788,161	GRAP1.87
Employee benefit obligation	11	239,187,601	213,629,904	GRAP1.87
Interest bearing borrowings DBSA	20	-	127,320,150	GRAP1.87
		242,496,922	**342,835,555**	
Total Liabilities		**706,597,658**	**912,982,847**	
Net Assets		**4,394,698,012**	**4,087,781,751**	
Accumulated surplus		4,394,698,012	4,087,781,751	

Amathole District Municipality

Annual Financial Statements for the year ended June 30, 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	27	217,240,419	242,418,883
Rental of facilities and equipment	26	984,350	315,510
Interest earned - outstanding receivables	56	37,408,693	35,223,104
Other income	29	5,360,950	4,736,144
Interest received	34	20,393,216	27,381,848
Total revenue from exchange transactions		**281,387,628**	**310,075,489**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	28	1,363,418,860	1,525,719,110
Own revenue - VAT on MIG	25	31,590,621	47,466,413
Other revenue - VAT other grants	25	22,290,260	48,503,349
Total revenue from non-exchange transactions		**1,417,299,741**	**1,621,688,872**
Total revenue	25	**1,698,687,369**	**1,931,764,361**
Expenditure			
Employee related costs	31	(622,528,264)	(569,975,244)
Remuneration of councillors	32	(14,130,150)	(13,029,865)
Depreciation and amortisation	35	(100,034,420)	(90,856,216)
Finance costs	36	(42,186,776)	(31,001,620)
Debt Impairment	33	(162,127,101)	(154,873,868)
Collection costs		(3,456,506)	(1,968,610)
Repairs and maintenance	55	(41,662,012)	(54,079,293)
Bulk purchases	38	(89,173,581)	(57,572,563)
Contracted services	37	(33,176,138)	(28,038,567)
General Expenses	30	(289,983,313)	(691,833,815)
Total expenditure		**(1,398,458,261)**	**(1,693,229,661)**
Operating surplus		**300,229,108**	**238,534,700**
Actuarial gains/losses	11	15,902,259	15,280,893
Gain/(Loss) on disposal of assets	57	(9,215,107)	(5,698,121)
		6,687,152	**9,582,772**
Surplus for the year		**306,916,260**	**248,117,472**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	3,753,781,312	3,753,781,312
Adjustments		
Change in accounting policy (Note 2)	29,226,831	29,226,831
Prior year adjustments (Note 44)	56,656,136	56,656,136
Balance at July 01, 2014 as restated*	**3,839,664,279**	**3,839,664,279**
Changes in net assets		
Surplus for the 30 June 2015	248,117,472	248,117,472
Total changes	248,117,472	248,117,472
Balance at July 01, 2015	**4,087,781,752**	**4,087,781,752**
Changes in net assets		
Surplus for the year	306,916,260	306,916,260
Total changes	306,916,260	306,916,260
Balance at June 30, 2016	**4,394,698,012**	**4,394,698,012**

Note(s)

Amathole District Municipality

Annual Financial Statements for the year ended June 30, 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Service charges		89,689,992	97,258,021
Grants		1,360,093,746	1,222,351,254
Interest income		58,786,259	29,507,012
Other receipts		70,125,367	103,744,858
		1,578,695,364	1,452,861,145
Payments			
Employee costs		(631,873,773)	(558,995,811)
Suppliers		(462,365,307)	(736,135,406)
Finance costs		(35,100,169)	(17,650,473)
		(1,129,339,249)	(1,312,781,690)
Net cash flows from operating activities	39	**449,356,115**	**140,079,455**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(494,342,662)	(721,134,355)
Proceeds from sale of property, plant and equipment	6	1,662,359	1,566,995
Purchase of other intangible assets	7	(20,041,400)	(5,000,000)
Decrease in current investments		-	387,616,947
Movement in current portion of non-current receivables		33,404,132	-
Increase in non - current receivables		127,147,101	(227,276)
Net cash flows from investing activities		**(352,170,470)**	**(337,177,689)**
Cash flows from financing activities			
Movement in interest bearing borrowings DBSA		(174,073,638)	286,320,150
Proceeds from consumer deposits		300,207	343,614
Finance lease payments		2,906,676	(669,829)
Net cash flows from financing activities		**(170,866,755)**	**285,993,935**
Net decrease in cash and cash equivalents		**(73,681,110)**	**88,895,701**
Cash and cash equivalents at the beginning of the year		205,045,741	116,150,039
Cash and cash equivalents at the end of the year	16	**131,364,631**	**205,045,740**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	242,728,289	(46,000,000)	**196,728,289**	217,240,419	**20,512,130**	1
Rental of facilities and equipment	2,205,997	(1,984,721)	**221,276**	984,350	**763,074**	2
Interest earned - outstanding receivables	6,601,295	-	**6,601,295**	37,408,693	**30,807,398**	3
Other income	538,171,885	35,076,901	**573,248,786**	5,360,950	**(567,887,836)**	4
Interest received - investment	10,874,880	-	**10,874,880**	20,393,216	**9,518,336**	5
Total revenue from exchange transactions	**800,582,346**	**(12,907,820)**	**787,674,526**	**281,387,628**	**(506,286,898)**	
Revenue from non-exchange transactions						
Transfer revenue						
Fines	-	500	**500**	-	**(500)**	
Transfer revenue						
Government grants & subsidies	1,153,733,987	(66,133,140)	**1,087,600,847**	1,363,418,860	**275,818,013**	6
Own revenue - VAT on MIG	-	-	**-**	31,590,621	**31,590,621**	7
Own revenue - VAT other grants	-	-	**-**	22,290,260	**22,290,260**	8
Total revenue from non-exchange transactions	**1,153,733,987**	**(66,132,640)**	**1,087,601,347**	**1,417,299,741**	**329,698,394**	
Total revenue	**1,954,316,333**	**(79,040,460)**	**1,875,275,873**	**1,698,687,369**	**(176,588,504)**	
Expenditure						
Employee related costs	(621,668,275)	(1,883,397)	**(623,551,672)**	(622,528,264)	**1,023,408**	9
Remuneration of councillors	(14,874,167)	1,037,514	**(13,836,653)**	(14,130,150)	**(293,497)**	10
Depreciation and amortisation	(176,382,616)	-	**(176,382,616)**	(100,034,420)	**76,348,196**	11
Finance costs	(53,864,739)	12,408,760	**(41,455,979)**	(42,186,776)	**(730,797)**	12
Bad debts written off	(162,127,101)	(585,000)	**(162,712,101)**	(162,127,101)	**585,000**	13
Collection costs	-	-	**-**	(3,456,506)	**(3,456,506)**	14
Repairs and maintenance	(29,611,668)	(5,313,838)	**(34,925,506)**	(41,662,012)	**(6,736,506)**	15
Bulk purchases	(75,000,000)	(6,999,990)	**(81,999,990)**	(89,173,581)	**(7,173,591)**	16
Contracted Services	(34,431,968)	761,036	**(33,670,932)**	(33,176,138)	**494,794**	17
General Expenses	(345,716,062)	12,168,514	**(333,547,548)**	(289,983,313)	**43,564,235**	18
Total expenditure	**(1,513,676,596)**	**11,593,599**	**(1,502,082,997)**	**(1,398,458,261)**	**103,624,736**	
Operating surplus	**440,639,737**	**(67,446,861)**	**373,192,876**	**300,229,108**	**(72,963,768)**	
Actuarial gains/losses	-	1,407	**1,407**	15,902,259	**15,900,852**	
Gain on disposal of assets	-	-	**-**	(9,215,107)	**(9,215,107)**	19
	-	**1,407**	**1,407**	**6,687,152**	**6,685,745**	
Surplus before taxation	**440,639,737**	**(67,445,454)**	**373,194,283**	**306,916,260**	**(66,278,023)**	
Actual Amount on Comparable	**440,639,737**	**(67,445,454)**	**373,194,283**	**306,916,260**	**(66,278,023)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	4,633,904	-	**4,633,904**	8,537,205	**3,903,301**	
Receivables from exchange transactions	(59,625,066)	-	**(59,625,066)**	74,935,787	**134,560,853**	
Receivables from non-exchange transactions	53,515,266	-	**53,515,266**	9,273,992	**(44,241,274)**	
VAT receivable	-	-	**-**	44,054,118	**44,054,118**	
Current portion of receivables transferred from non current assets	-	-	**-**	125,597,660	**125,597,660**	
Cash and cash equivalents	399,000,119	-	**399,000,119**	131,364,632	**(267,635,487)**	
	397,524,223	**-**	**397,524,223**	**393,763,394**	**(3,760,829)**	
Non-Current Assets						
Heritage assets	-	-	**-**	400,000	**400,000**	
Investment property	80,448,677	-	**80,448,677**	154,970,432	**74,521,755**	
Property, plant and equipment	4,487,156,068	-	**4,487,156,068**	4,529,951,489	**42,795,421**	
Intangible assets	-	-	**-**	20,496,758	**20,496,758**	
Investments in controlled entities	1,000	-	**1,000**	1,000	**-**	
Non - current receivables	1,572,063	-	**1,572,063**	1,712,595	**140,532**	
	4,569,177,808	**-**	**4,569,177,808**	**4,707,532,274**	**138,354,466**	
Total Assets	**4,966,702,031**	**-**	**4,966,702,031**	**5,101,295,668**	**134,593,637**	
Liabilities						
Current Liabilities						
Current portion of the Interest bearing borrowings DBSA	750,208	-	**750,208**	132,684,268	**131,934,060**	
Finance lease obligation	-	-	**-**	2,738,674	**2,738,674**	
Payables from exchange transactions	347,102,871	-	**347,102,871**	269,077,382	**(78,025,489)**	
Taxes and transfers payable (non-exchange)	-	-	**-**	7,392,370	**7,392,370**	
Consumer deposits	2,477,626	-	**2,477,626**	2,757,829	**280,203**	
Unspent conditional grants and receipts	-	-	**-**	41,914,426	**41,914,426**	
Provisions	10,767,112	-	**10,767,112**	7,535,787	**(3,231,325)**	
	361,097,817	**-**	**361,097,817**	**464,100,736**	**103,002,919**	
Non-Current Liabilities						
Finance lease obligation	332,677	-	**332,677**	465,035	**132,358**	
Operating lease liability	-	-	**-**	2,844,286	**2,844,286**	
Employee benefit obligation	261,964,352	-	**261,964,352**	239,187,601	**(22,776,751)**	
	262,297,029	**-**	**262,297,029**	**242,496,922**	**(19,800,107)**	
Total Liabilities	**623,394,846**	**-**	**623,394,846**	**706,597,658**	**83,202,812**	
Net Assets	**4,343,307,185**	**-**	**4,343,307,185**	**4,394,698,010**	**51,390,825**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	30,146,045	-	**30,146,045**	-	**(30,146,045)**	
Accumulated surplus	4,313,161,140	-	**4,313,161,140**	4,394,698,010	**81,536,870**	
Total Net Assets	**4,343,307,185**	**-**	**4,343,307,185**	**4,394,698,010**	**51,390,825**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Service charges	444,596,455	(13,492,320)	**431,104,135**	89,689,992	**(341,414,143)**	
Grants	1,153,733,987	(66,133,140)	**1,087,600,847**	1,360,093,746	**272,492,899**	
Interest income	17,476,175	-	**17,476,175**	58,786,259	**41,310,084**	
Other receipts	-	-	**-**	70,125,367	**70,125,367**	
	1,615,806,617	**(79,625,460)**	**1,536,181,157**	**1,578,695,364**	**42,514,207**	
Payments						
Employee costs	(1,101,302,140)	(230,161)	**(1,101,532,301)**	(631,873,773)	**469,658,528**	
Suppliers	-	-	**-**	(462,365,307)	**(462,365,307)**	
Finance costs	(53,864,739)	12,408,760	**(41,455,979)**	(35,100,169)	**6,355,810**	
Other payments	(20,000,000)	-	**(20,000,000)**	-	**20,000,000**	1
	(1,175,166,879)	**12,178,599**	**(1,162,988,280)**	**(1,129,339,249)**	**33,649,031**	
Net cash flows from operating activities	**440,639,738**	**(67,446,861)**	**373,192,877**	**449,356,115**	**76,163,238**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(440,639,737)	-	**(440,639,737)**	(494,342,662)	**(53,702,925)**	
Proceeds from sale of property, plant and equipment	-	-	**-**	1,662,359	**1,662,359**	
Purchase of other intangible assets	-	-	**-**	(20,041,400)	**(20,041,400)**	
Movement in current portion of non current receivables	-	-	**-**	33,404,132	**33,404,132**	
Increase in current receivables	-	-	**-**	127,147,101	**127,147,101**	
Net cash flows from investing activities	**(440,639,737)**	**-**	**(440,639,737)**	**(352,170,470)**	**88,469,267**	
Cash flows from financing activities						
Movement in interest bearing borrowings DBSA	-	-	**-**	(174,073,638)	**(174,073,638)**	
Proceeds from consumer deposits	-	-	**-**	300,207	**300,207**	
Finance lease payments	-	-	**-**	2,906,676	**2,906,676**	
Net cash flows from financing activities	**-**	**-**	**-**	**(170,866,755)**	**(170,866,755)**	
Net increase/(decrease) in cash and cash equivalents	1	(67,446,861)	**(67,446,860)**	(73,681,110)	**(6,234,250)**	
Cash and cash equivalents at the beginning of the year	211,000,119	-	**211,000,119**	205,045,741	**(5,954,378)**	
Cash and cash equivalents at the end of the year	**211,000,120**	**(67,446,861)**	**143,553,259**	**131,364,631**	**(12,188,628)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Service charges	242,728,289	(46,000,000)	196,728,289	-		196,728,289	217,240,419		20,512,130	110 %	89 %
Investment revenue	10,874,880	-	10,874,880	-		10,874,880	20,393,216		9,518,336	188 %	188 %
Transfers recognised - operational	736,127,578	6,410,000	742,537,578	-		742,537,578	733,618,890		(8,918,688)	99 %	100 %
Other own revenue	546,979,177	33,092,680	580,071,857	-		580,071,857	113,537,133		(466,534,724)	20 %	21 %
Total revenue (excluding capital transfers and contributions)	**1,536,709,924**	**(6,497,320)**	**1,530,212,604**	**-**		**1,530,212,604**	**1,084,789,658**		**(445,422,946)**	**71 %**	**71 %**
Employee costs	(621,668,275)	(1,883,397)	(623,551,672)	-	-	(623,551,672)	(622,528,264)	-	1,023,408	100 %	100 %
Remuneration of councillors	(14,874,167)	1,037,514	(13,836,653)	-	-	(13,836,653)	(14,130,150)	-	(293,497)	102 %	95 %
Debt impairment	(162,127,101)	(585,000)	(162,712,101)			(162,712,101)	(162,127,101)	-	585,000	100 %	100 %
Depreciation and asset impairment	(176,382,616)	-	(176,382,616)			(176,382,616)	(100,034,420)	-	76,348,196	57 %	57 %
Finance charges	(53,864,739)	12,408,760	(41,455,979)	-	-	(41,455,979)	(42,186,776)	-	(730,797)	102 %	78 %
Materials and bulk purchases	(75,000,000)	(6,999,990)	(81,999,990)	-	-	(81,999,990)	(89,173,581)	-	(7,173,591)	109 %	119 %
Transfers and grants	(20,000,000)	-	(20,000,000)	-	-	(20,000,000)	-	-	20,000,000	- %	- %
Other expenditure	(389,759,698)	7,615,712	(382,143,986)	-	-	(382,143,986)	(377,493,076)	-	4,650,910	99 %	97 %
Total expenditure	**(1,513,676,596)**	**11,593,599**	**(1,502,082,997)**	**-**	**-**	**(1,502,082,997)**	**(1,407,673,368)**	**-**	**94,409,629**	**94 %**	**93 %**
Surplus/(Deficit)	**23,033,328**	**5,096,279**	**28,129,607**	**-**		**28,129,607**	**(322,883,710)**		**(351,013,317)**	**(1,148)%**	**(1,402)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	417,606,409	(72,543,140)	345,063,269	-		345,063,269	629,799,970		284,736,701	183 %	151 %
Surplus (Deficit) after capital transfers and contributions	**440,639,737**	**(67,446,861)**	**373,192,876**	**-**		**373,192,876**	**306,916,260**		**(66,276,616)**	**82 %**	**70 %**
Surplus/(Deficit) for the year	**440,639,737**	**(67,446,861)**	**373,192,876**	**-**		**373,192,876**	**306,916,260**		**(66,276,616)**	**82 %**	**70 %**
Capital expenditure and funds sources											
Total capital expenditure	417,606,409	(72,543,140)	345,063,269	-		345,063,269	530,554,060		185,490,791	154 %	127 %
Sources of capital funds											
Transfers recognised - capital	417,606,409	-	417,606,409	-		417,606,409	278,458,397		(139,148,012)	67 %	67 %
Internally generated funds	23,033,333	5,096,276	28,129,609	-		28,129,609	25,559,872		(2,569,737)	91 %	111 %
Total sources of capital funds	**440,639,742**	**5,096,276**	**445,736,018**	**-**		**445,736,018**	**304,018,269**		**(141,717,749)**	**68 %**	**69 %**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	440,639,738	(67,446,861)	373,192,877	-		373,192,877	449,356,115		76,163,238	120 %	102 %
Net cash from (used) investing	(440,639,737)	67,446,864	(373,192,873)	-		(373,192,873)	(352,170,470)		21,022,403	94 %	80 %
Net cash from (used) financing	-	-	-	-		-	(170,866,755)		(170,866,755)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**1**	**3**	**4**	**-**		**4**	**(73,681,110)**		**(73,681,114)**	**027,750)%**	**111,000)%**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	205,045,741		205,045,741	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**1**	**3**	**4**	**-**		**4**	**131,364,631**		**(131,364,627)**	**115,775 %**	**463,100 %**

Accounting Policies

1. Basis of presentation

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

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.
These accounting policies are consistent with the previous period ,unless specified otherwise.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

Pension and other post - employment benefits

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

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

Operating lease commitments - Municipality as lesser

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

Depreciation and amortisation

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Infrastructure assets

The determination of the fair value of the water infrastructure assets is based upon assumptions and professional judgement applied by consulting engineers using best engineering practice and industry norms and standards.
The following assumptions have been made in the compilation of the low data confidence infrastructure asset register:
- The construction year is estimated using sources in the following order of precedence: available technical records, interviewing of operations staff, comparison with adjacent infrastructure. When the date of acquisition is not known and the construction year is estimated, the acquisition date is assumed to be on the 1st day of January in the year of construction
- The consumption of the benefits of infrastructure assets are predominantly uniform over the life of the assets.
-The depreciation is therefore assumed to be straight line for all infrastructure assets.
- The residual value of all civil infrastructure assets is negligible as there is no open market for the materials used in civil infrastructure and the realizable value is very small. The scrap value of mechanical and electrical plant is also negligible.
- The Remaining Useful Life was estimated using a combination of visual inspection and information on asset performance provided by operations staff. For underground assets, such as pipes, the assessment is based on the age of the pipes and information on performance from the operations staff.

Allowance for doubtful debts

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

Inventory - Water Stock

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

Impairments of non-financial assets

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

Provisions and contingent liabilities

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

Useful lives of waste and water network and other assets

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

1.4 Investment property

Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.
Investment property is initially recognised when future benefits are probable and the cost or fair value can be determined reliably.
At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

Cost model

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

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

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

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

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

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

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

Impairments

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.
An impairment is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

1.5 Property, plant and equipment

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

1.5 Property, plant and equipment (continued)

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item	Average useful life
Land	Indefinite Life
Buildings	30 years
Furniture and fittings	7 to 10 years
Motor vehicles	5 years
• Vehicles	3 to 20 years
• Specialised vehicles	
Office equipment	3 to 7 years
IT equipment	3 to 5 years

1.5 Property, plant and equipment (continued)

Infrastructure	
• Roads and Paving	10 to 30 years
• Sewerage Mains and Purification Works	15 to 20 years
• Water Supply and Reticulation	5 to 30 years
Community	
• Libraries	30 years
• Buildings	30 years
• Community Centres	20 years
• Recreational Facilities	30 years
Other property, plant and equipment	
• Specialised Plant and Equipment	5 to 15 years
• Emergency and Medical Equipment	5 to 15 years
Ancillary fleet equipment and security	
• Security Equipment	3 to 5 years
Bins and containers	5 to 10 years
Other items	2 to 5 years
Leased Assets	3 to 5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.
The municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing the assets for any economic gain, and thus no residual values are determined other than for motor vehicles.

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

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Depreciation of an asset commences when the asset is ready for its use as intended by management.
Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where appropriate, the term of the relevant lease, and are recognised in the statement of financial performance.

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

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

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

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

1.6 Intangible assets

An asset is identifiable if it either:

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

1.6 Intangible assets (continued)

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

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

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

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

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

Item	Useful life
Computer software	3 years

1.6 Intangible assets (continued)

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

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

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

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

1.7 Heritage assets

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

Impairment

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

1.7 Heritage assets (continued)

Derecognition

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

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

1.8 Investments in controlled entities

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

1.9 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment
A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:
- cash;
- a residual interest of another entity; or

1.9 Financial instruments (continued)

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

1.9 Financial instruments (continued)

Classification

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

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

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

Offsetting

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

Gains and losses

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

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

Impairment of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.9 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

Receivables

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

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

Financial liabilities

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

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

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

1.9 Financial instruments (continued)

Presentation

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

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

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

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

Policies relating to specific financial instruments

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

Cash and cash equivalents
Cash and cash equivalents are measured at amortised cost.
Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

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

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

Borrowings and other financial liabilities
Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction cost) and the redemption value is recognized in the statement of finanial performance over the period of the borrowing using the effective interest method. Long term borrowings are non-derivative financial loans and the municipality does not hold financial loans for trading purposes. Long term borrowings are utilised solely for funding capital projects

Loans and Receivables.
Loans and Receivables are measured initially and subsequently at amortised cost, any difference between the proceeds (net of transaction cost) and redemption value is recognised in the statement of financial perfomance. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

1.10 VAT

VAT

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

Accounting Policies

1.11 Leases

Finance leases -municipality as a lessee

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

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

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

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

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

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

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

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

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

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

1.11 Leases (continued)

Operating leases - municipality as a lessor

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

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

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

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

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

Operating leases - municipality as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. The liability or asset is not discounted. Any contingent rents are expensed in the period they are incurred.

1.12 Inventories

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

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

1.12 Inventories (continued)

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

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

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

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

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

1.13 Impairment of cash-generating assets (continued)

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

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

1.13 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 Employee benefits

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

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

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

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

1.15 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

Multi-employer plans

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

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.15 Employee benefits (continued)

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.15 Employee benefits (continued)

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

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

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

1.16 Provisions and contingencies

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

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

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

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

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

Accounting Policies

1.16 Provisions and contingencies (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur.
Gains from the expected disposal of assets are not taken into account in measuring a provision.

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

Provisions are not recognised for future operating deficits.

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

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Rendering of services

Service income is recognised on an invoice basis. Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. The adjustments are recognised as revenue in the invoicing period.
Revenue arising from consumption of water and sanitation in the month of June is fully accounted for whether invoiced or not. Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered. Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from the council and are levied monthly.
Revenue arising from fire services is based on set basic tariffs

Interest, rentals and agency services

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

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Grants, transfers and donations

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

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

Gifts and donations, including goods in-kind

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

Accounting Policies

1.19 Turnover

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

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 Translation of foreign currencies

Foreign currency transactions

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

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

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

1.23 Surplus/deficit

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

1.24 Comparative figures

Current year comparatives (budget)
Budget information in accordance with GRAP 1 and 24, has been provided as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanations and comments to material differences are provided in the notes to the annual financial statements.
In addition a note has been added to the annual financial statements, for the current financial year only. The annual budget figures included in the annual financial statements are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan (IDP). The approved budget covers the fiscal period form 01/07/2015 to 30/06/2016. The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of budget and actual amounts. Comparative information is not required.

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

Accounting Policies

1.25 Unauthorised expenditure

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

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

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

1.28 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.29 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.

1.30 Conditional grants and receipts

Government grants and other grants are recognised as revenue when:
(a) it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
(b) the amount of the revenue can be measured reliably, and
(c) to the extent that there has been compliance with any restrictions associated with the grant
Income received from conditional grants, donations and subsidies are recognised to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised and funds invested until it is utilised.
Interest earned on the investment is treated in accordance with the grant conditions. If it is payable to the funder it is recorded as part of the creditor.
Income is transferred to the Statement of Financial Performance as revenue to the extent that the criteria, conditions or obligations have been met.

Accounting Policies

1.31 Related parties

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

Where transactions occurred between the municipality any one or more related parties, and those transactions were not within:
- normal supplier and/ or client/ recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual municipality or persons in the same circumstances and:
- terms and conditions within the normal operating parameters established by the reporting municipality's legal mandate;

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

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

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

1.32 Commitments

A commitment is the municipality's intention to commit to an outflow of its resources embodying economic benefits.
The municipality is committed under obligations for goods and services, which have been contracted for on or before the reporting date, but not yet received or completed at year end.
Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.
Approved and contracted commitments represent expenditure that has been approved and the contract has been awarded at the reporting date.

1.33 Post balance sheet events

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following standards.

2. Changes in accounting policy (continued)

- GRAP 17 - Property ,plant and equipment - Land and Buildings
  The municipality initially adopted the revaluation model for land and buildings within Property ,plant and equipment.This model requires that revaluations are to be made with sufficient regularity to ensure that the carrying amount does not differ materialy from that which would be determined using fair value at the reporting date.The fair value of land and buildings is determined from market -based evidence by an appraisal.An appraisal of the value of land and buildings is undertaken by a member of the valuation profession,who holds a recognised and relevant professional qualification.In order to reduce costs and simplify the accounting for land and buildings ,the municipality is applying Directive 11 to change its accounting policy to the cost model

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended June 30, 2015 is as follows:

Statement of financial position

Property, plant and equipment		
Decrease in Property, plant and equipment: Land	-	(12,691,557)
Increase in Property, plant and equipment: Buildings	-	2,000,373
	-	**(10,691,184)**
Accumulated depreciation		
Decrease in Accumulated depreciation: Buildings	-	2,101,503
Revaluation Reserve		
Decrease in Revaluation reserve	-	37,816,513
Accumulated surplus		
Increase in Accumulated surplus	-	(29,226,831)

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after July 01, 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	April 01, 2016	No effective date has been determined by the Minister of Finance .The Standard requires the aggregation of the operating segments of the municipality into reportable segments.For each of the reportable segments identified details of the financial performance will be disclosed.The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

• GRAP 20: Related parties	April 01, 2016	The municipality has based its accounting policy on this standard ,hence it is unlikely that the standard will have a material impact on the annual financial statements
• GRAP32: Service Concession Arrangements: Grantor	April 01, 2016	No effective date has been determined by the Minister of Finance
• GRAP108: Statutory Receivables	April 01, 2016	No effective date has been determined by the Minister of Finance
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	April 01, 2016	No effective date has been determined by the Minister of Finance

4. Heritage assets

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Collection of historical implements	400,000	-	400,000	400,000	-	400,000

Reconciliation of heritage assets - 2016

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

Reconciliation of heritage assets - 2015

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

Pledged as security

Carrying value of heritage assets is not pledged as security.

Methods and assumptions used

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

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

5. Investment property

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	155,548,048	(577,616)	154,970,432	147,938,048	(213,333)	147,724,715

Notes to the Annual Financial Statements

Figures in Rand

5. Investment property (continued)

Reconciliation of investment property - 2016

	Opening balance	Transfers received	Depreciation	Total
Investment property	147,724,715	7,610,000	(364,283)	154,970,432

Notes to the Annual Financial Statements

Figures in Rand

5. Investment property (continued)

Reconciliation of investment property - 2015

	Opening balance	Transfers received	Depreciation	Total
Investment property	143,651,976	4,143,572	(70,833)	147,724,715

The investment property comparative figure has been restated. Refer to note 44.

Pledged as security

There were no properties pledged as security

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

Figures in Rand	2016	2015 Restated

5. Investment property (continued)

Details of valuation

Investment property carried at cost:
The municipality applies the cost model to recognize its investment properties

Market valuations were performed by an independent valuer, Mrs. Penelope Jean Lindstrom, Board Member of South African Institute of Valuers and currently the chairperson. Messrs Penny Lindstrom Valuations CC are not connected to the Municipality and have recent experience in location and category of the investment property being valued.
Effective date of valuation June 2015
The fair value of the investment property was determined based on current prices in an active market for similar property in the same location and condition. Although these are investment properties, not all properties have leases attached to these properties, ownership of these properties was confirmed in the current financial year.

	2016	2015
The carrying amount of the investment property if carried under the fair value model:	92,955,487	92,860,000

	2016	2015
Rental income from investment property	253,923	171,936

Refer to Note 40 lease commitments

6. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	5,325,092	-	5,325,092	5,950,092	-	5,950,092
Buildings	18,743,338	(5,781,686)	12,961,652	27,027,698	(5,781,686)	21,246,012
Infrastructure	4,940,176,648	(590,416,674)	4,349,759,974	4,531,803,019	(584,236,003)	3,947,567,016
Community	59,830,904	(4,579,181)	55,251,723	61,968,711	(4,579,181)	57,389,530
Finance leased Assets	4,316,464	(1,026,445)	3,290,019	1,583,794	(1,026,445)	557,349
Other assets	179,356,674	(75,993,644)	103,363,030	158,621,925	(62,596,589)	96,025,336
Total	**5,207,749,120**	**(677,797,630)**	**4,529,951,490**	**4,786,955,239**	**(658,219,904)**	**4,128,735,335**

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	WIP - Underconstruction	Depreciation	Total
Land	5,950,092	-	-	(625,000)	-	-	5,325,092
Buildings	21,246,012	-	-	(6,985,000)	-	(722,050)	13,538,962
Infrastructure	3,947,567,011	146,771	(40,844,513)	(687,493)	517,570,286	(78,156,854)	4,345,595,208
Community	57,389,535	-	-	-	-	(2,137,807)	55,251,728
Finance leased Assets	557,349	5,124,372	-	-	-	(2,391,702)	3,290,019
Other assets	96,025,336	33,293,396	(6,487,258)	-	-	(15,880,993)	106,950,481
	4,128,735,335	**38,564,539**	**(47,331,771)**	**(8,297,493)**	**517,570,286**	**(99,289,406)**	**4,529,951,490**

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Under construction Work In Progress	Depreciation	Total
Land	8,018,492	-	-	(2,068,400)	-	-	5,950,092
Buildings	26,928,659	-	-	(4,554,392)	-	(1,128,255)	21,246,012
Infrastructure	3,314,546,978	11,442,572	(3,295,738)	(293,370,483)	991,062,117	(72,818,435)	3,947,567,011
Community	58,973,859	857,896	-	(336,000)	-	(2,106,220)	57,389,535
Finance leased Assets	1,164,381	-	-	-	-	(607,032)	557,349
Other assets	100,878,765	12,485,099	(2,705,591)	-	-	(14,632,937)	96,025,336
	3,510,511,134	**24,785,567**	**(6,001,329)**	**(300,329,275)**	**991,062,117**	**(91,292,879)**	**4,128,735,335**

Pledged as security

The comparative figure for Property, plant and equipment was restated. Refer Note 44.

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

During the asset verification, a group of assets withn the asset register could not be physically verified. The carrying amount of these assets amounts to R5 474 966. The municipality has embarked on an investigation process before the assets are written off. Thus the asset register has not been adjusted by the possible asset loss until the investigation has been finalised.

Capitalised expenditure(excluding borrowing costs)

Land and buildings	-	575,933
Infrastructure	517,717,057	991,062,117
Finance lease assets	5,124,372	-
Other	33,293,396	12,485,099
	556,134,825	**1,004,123,149**

Figures in Rand	2016	2015 Restated

6. Property, plant and equipment (continued)

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

	2016	2015
Motor vehicles	1,000,814	707,618
IT equipment	79,117	105,877
Other property, plant and equipment	31,164	-
	1,111,095	**813,495**

Assets subject to finance lease (Net carrying amount)

Other information

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

	2016	2015
Infrastructure	105,155,924	1,124,114
Other assets	-	33,269,559
	105,155,924	**34,393,673**

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Total
Opening balance	1,770,911,679	1,770,911,679
Additions/capital expenditure	517,585,188	517,585,188
Transfer out	(114,754,427)	(114,754,427)
Transferred to completed items	(687,492)	(687,492)
	2,173,054,948	**2,173,054,948**

Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Total
Opening balance	1,073,220,045	1,073,220,045
Additions/capital expenditure	991,062,117	991,062,117
Transferred to completed items	(293,370,483)	(293,370,483)
	1,770,911,679	**1,770,911,679**

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.

7. Intangible assets

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software,licences	23,349,588	(2,852,830)	20,496,758	8,233,560	(2,472,099)	5,761,461

Figures in Rand	2016	2015 Restated

7. Intangible assets (continued)

Reconciliation of intangible assets - 2016

	Opening balance	Additions -WIP	Amortisation	Total
Computer software, licences	5,761,461	15,116,028	(380,731)	20,496,758

Reconciliation of intangible assets - 2015

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

Restricted title

Carrying value of intangible assets whole title is not restricted

Other information

	2016	2015
Fully amortised intangible assets still in use	2,091,972	2,091,972

8. Investments in controlled entities

Name of company	Held by ADM	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015
Amathole Economic Development Agency SOC t/a ASPIRE		100.00 %	100.00 %	1,000	1,000

Investments in Municipal Entity

Amathole Economic Development Agency SOC t/a ASPIRE
Issued Share Capital (1000 ordinary shares of R1,00 each)
100 Percentage owned by ADM Council

The Amathole Economic Development Agency was established 1 September 2005
Place of incorporation: South Africa
Principal activity: To promote local economic development in the Amathole Municipal District Area

The municipality transfers funds to the entity for operating purposes.Refer note 42 for related party transactions.

The ADM continues to provide support ASPIRE in terms of operational funding as well as having seconded senior personnel to the agency on a temporary basis .In respect of the poor financial position that the entity finds itself in, certain initiatives were undertaken to ,among other things,identify the root causes of this situation .It is envisaged that the investigation shall be completed early in the next financial year.In addition a financial recovery plan was developed for the Board's consideration and implementation in the next financial year.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

9. Non-current receivables

Long term debtor -National Treasury (MIG)	-	127,320,150
National Treasury approved the pledging of the Municipal Infrastructure Grant (MIG) for the two outer years in order to fast track Sanitation backlogs.It will be received over the next financial year.		
Long term receivable	1,712,595	1,539,546
Non-current receivables are financial assets which are categorised at amortised cost The fair values of the loans are estimated to approximate their carrying amounts		

Deposits
The deposits relates to the amounts paid when the municipality enters into the leases for buildings and utilities.

	1,712,595	**128,859,696**

Non current receivables		
Deposits and sport club	1,712,595	1,539,546
Loans to sport clubs in the District	-	1,792
Long term debtor - National Treasury (MIG)	-	286,320,150
Subtotal	1,712,595	287,861,488
Less: Current portion transfered to current receivables	-	(159,001,792)
	1,712,595	**128,859,696**

Long term debtor - NT(MIG)		
Current asset	125,597,660	159,000,000
Non - current asset	-	127,320,150
	125,597,660	**286,320,150**

10. Operating lease asset (accrual)

Non-current liabilities	(2,844,286)	(1,788,161)
	(2,844,286)	**(1,788,161)**

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

Figures in Rand	2016	2015 Restated

11. Employee benefit obligation

Defined contribution plan

Provision for post employment health care benefits	218,036,332	195,444,834
Provision for ex-gratia benefits	106,860	113,772
Provision for long service benefits	21,044,409	18,071,299
	239,187,601	**213,629,905**

Statement of Financial Performance		
Current service cost	24,190,314	21,899,487
Interest cost	19,473,144	17,437,189
Actuarial gain recognised	15,895,458	15,274,468
Actuarial loss recognised	(9,992)	(1,691,881)
	59,548,924	**52,919,263**

Post retirement medical aid plan

The Post Employment Health Care Benefit plan, of which the members are made up as follows:

- In-service (employee) members	1,399	1,354
- Continuation (retiree, widow / er and orphan) members	332	395
- In-service (employee) non-members	78	82
	1,809	**1,831**

The unfunded liability in respect of past service has been estimated to be as follows :

- In-service (employee) members	162,536,000	142,123,000
- In-service (employee) non-members	25,954,000	25,872,000
- Continuation (retiree and widow) members	29,546,000	27,450,000
	218,036,000	**195,445,000**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes :
- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed
- Gems

On retirement of an employee Council has post retirement obligation to contribute 70% to the medical cost of the employee.

Reconciliation of assets and liabilities recognised in the balance sheet		
Present value of fund obligations	-	-
Fair value on plan assets	-	-
Present value of unfunded obligations	**218,036,331**	**195,444,834**

Present Value of Obligations in excess of Plan Assets	218,036,331	195,444,834
Unrecognised past service cost	-	-

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

11. Employee benefit obligation (continued)

Unrecognised actuarial (gains) / losses	-	-
Unrecognised transitional liability	-	-
Net liability in Balance Sheet	**218,036,331**	**195,444,834**

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

Reconciliation of present value of fund obligation :

Present value of fund obligation at the beginning of the year	195,444,834	177,172,143
Current service costs	20,336,679	18,758,177
Expected benefits paid	(1,450,184)	(1,608,191)
Interest cost	17,905,931	16,375,268
Past service costs	-	-
Actuarial gains / (losses)	(14,200,928)	(15,252,564)
Contributions	-	-
Present value of fund obligation at the end of the year	**218,036,332**	**195,444,833**

Total unfunded liability	R millions	R millions
In-service members	162,536	142,123
In-service non-members	25,954	25,872
Continuation members	29,546	27,450
All eligible individuals	**218,036**	**195,445**

Average liability per individual

In-service members	116,180	104,965
In-service non-member	78,174	65,498
Continuation members	378,796	334,759
All Eligible Individuals	**120,529**	**106,742**

The total liability has increased by 12% (or R22.591 million) since the last valuation. A numerical analysis of the unexpected movement (actuarial gain /loss) is provided in the next section . The main reasons for the actual movement in the liability are disclosed on the next page.

Figures in Rand	2016	2015 Restated

11. Employee benefit obligation (continued)

Eligible employees

The average in-service member liability has increased by 11% since the last valuation due to the following factors :
- an increase in the average which means members are closer to retirement
- an increase in the average past service and
- an increase in the average future eployer contribution

These impacts have been offset by :

- an increase in the net discount rate

The total in-service member liability has increased by 14% due to the above, combined with the increase in the number of members.

The average in-service non-member liability has increased by 19% since the last valuation for similar reasons to those described above for in-service members.

The total in-service non-members liability has increased just marginally due to the above, offset by decrease in the number of non-members.

Continuation members

The average continuation member liability has increased by less than 13% due to following factor an increase in the average employer contribution ; a decrease in the average age and an increase in the proportion of members with spouses receiving the subsidy.

The total continuation member liability has increased by 8% due to the above, partially offset by a decrease in the number of members

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

Actuarial Gains and Losses

	2016	2015 Restated
Actuarial (Gain)/Loss for the period	(14,200,928)	(15,252,564)
Contribution to Actuarial Loss:	-	-
Basis Changes : in net discount rate	(3,414,942)	(1,624,701)
Subsidy increases lower than assumed/Contribution increases higher than assumed	(5,427,191)	898,946
Changes to membership profile different from assumed	(4,247,279)	(13,652,164)
Actual benefits vesting, lower than expected	(1,111,516)	(874,645)
	-	-

	2016	2015 Restated
Net liability in the balance sheet		
Opening balance	195,444,834	177,172,143
Current service cost	20,336,679	18,758,177
Interest cost	17,905,931	16,375,268
Expected return on plan assets	-	-
Transitional liability recognised	-	-
Actuarial (gain) / losses	(14,200,928)	(15,252,564)
Past service costs	-	-
Net periodic cost recognised in surplus and deficit	24,041,682	19,880,881
Expected employee benefit payments	(1,450,184)	(1,608,191)
Transitional liability recognised outside surplus and deficit	-	-

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

11. Employee benefit obligation (continued)

Closing balance	**218,036,332**	**195,444,833**

Current portion of Liability (due in next 12 months)	2,623,692	2,561,700
Non-current portion of Liability	215,412,639	192,883,134
	218,036,332	**195,444,834**

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

Trend information	2016	2015	2014	2013
Present Value of Obligation	218,036,332	195,444,834	177,172,143	139,627,863
Fair value of Plan Assets	-	-	-	-
	218,036,332	**195,444,834**	**177,172,143**	**139,627,863**

Experience adjustments		
Actuarial Gain (Loss) before changes in Assumptions	-	-
In respect of Present Value of Obligations	10,786,000	15,252,564
In respect of Fair Value of Plan Assets	-	-
	10,786,000	**15,252,564**

Sensitivity results

The liability at the Valuation Date was recalculated to show the effect of :
i) A 1% increase and decrease in the assumed rate of health care cost inflation ;
ii) A 1% increase and decrease in the discount rate;
iii) A one-year age reduction in the assumed rates of post-retirement mortality;
iv) A one-year decrease in the assumed average retirement age; and
v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service	Continuation	Total	Percentage change
Central assumption	-	188,490	29,546	218,036	-
Health care inflation	1 %	204,962	30,804	235,766	8 %
	(1)%	166,596	28,047	194,643	(11)%
Discount Rate	1 %	157,367	27,302	184,669	(15)%
	-1 %	228,897	32,149	261,045	20 %
Post-retirement mortality	-1 yr	193,470	30,760	224,230	3 %
Average retirement age	-1 yr	206,453	29,546	235,999	8 %
Continuation of membership at retirement	(10)%	166,485	29,546	196,031	(10)%
	- %	**-**	**-**	**-**	**- %**

Figures in Rand	2016	2015 Restated

11. Employee benefit obligation (continued)

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

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 8% higher than that shown.

Sensitivity Analysis on the Current-service and Interest Cost

Assumption	Change	Current Service	Interest Cost	Total	% Change
Average retirement age (59 for males, 56 for females)	-	-	-	-	-
Central assumption	-	20,336,700	17,905,900	38,242,600	-
Health care inflation	1 %	22,552,700	19,677,700	42,230,400	10 %
	(1)%	17,312,600	15,737,700	33,050,300	(14)%
Discount rate	1 %	16,451,800	16,795,600	33,247,400	(13)%
	(1)%	25,504,300	19,133,900	44,638,200	17 %
Post-retirement mortality	-1 yr	20,870,500	18,449,200	39,319,700	3 %
Average retirement age	-1 yr	21,886,300	19,297,900	41,184,200	8 %
Continuation of membership at retirement	(10)%	17,925,600	16,077,000	34,002,600	(11)%

Key actuarial assumptions used

Assumption	Value p.a	Value p.a
Health Care Cost Inflation rate	9.61 %	9.22 %
Discount Rate	8.61 %	8.22 %
Net effective discount rate	0.92 %	0.87 %
	- %	**- %**

Assumption	Value	Value
Average retirement age	-	-
Continuation of membership at retirement	95 %	95 %
Proportional assumed married at retirement	95 %	95 %
Proportional eligible non-members joining the scheme by retirement	50 %	50 %
Pre-retirement mortality	SA 85-90	SA 85-90
Post-retirement mortality	PA 90-2	PA 90-2
Withdrawal from service	-	-
	- %	**- %**

Withdrawal from service	Age	2016 Females	2016 Male	2015	2015
	20	10 %	15 %	10 %	15 %
	30	10 %	7 %	10 %	7 %
	40	7 %	4 %	7 %	4 %
	50	3 %	1 %	3 %	1 %
	> 55	- %	- %	1 %	- %
	-	**- %**	**- %**	**- %**	**- %**

Provision for retirement gratuity benefits

11. Employee benefit obligation (continued)

Employees of the Amathole District Municipality participate in the following benefit funds:
Cape Joint Pension Fund (defined contribution)
Eastern Cape Gratuity Fund (defined contribution)
Eastern Cape Municipal Pension Fund (defined contribution)
Cape Joint Retirement Fund (defined contribution)
National Fund for Municipal Workers (defined contribution)
South African Municipal Workers National Provident Fund (defined contribution)
Government Employees Pension Fund (defined benefit)
South African Local Authorities Pension Fund (defined benefit)

Multi-employer funds

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

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

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

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

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

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

Defined contribution (DC) Multi-employer plans

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

Full Name of Multi-Employer Plan	Number of the Municipality's employees belongings to the plan	Amount of contributions paid by the Municipality for the year ending 30 June 2016
Cape Retirement Fund (CRF)	1,496	55,213,992
SAMWU National Provident Fund (SNPF)	137	4,018,548
National Fund for Municipal Workers	9	231,804
Cape Joint Pension Fund	10	124,740
Easter Cape Gratuity Fund	2	24,197
Eastern Cape Municipal Pension Fund	2	62,913
	-	-

Figures in Rand	2016	2015 Restated

11. Employee benefit obligation (continued)

Defined benefits (DB) Multi-employer plans

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

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

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

Multi-Employer Plan	Number of the Municipality's employees belonging to the plan	Total number of active members per the Plan's most recent valuation report	Amount of contributions paid by the Municipality for the year ending 30 June 2016	Date of most recently available actuarial valuation report	Funding level
GEPF	66	1,298,394	1,407,180	Monday, March 31, 2014	100.0 %
SALA PF	3	16,997	81,180	Wednesday, July 01, 2015	100.0 %
	-	**-**	**-**		**- %**

Key Assumptions Multi-Employer Plan	Net pre-ret discount rate	Salary inflation	Net post-ret discount rate
GEPF	3.24 %	7.90 %	5.59 %
SALA PF	1.84 %	8.75 %	5.25 %
	- %	**- %**	**- %**

Further information for each plan follows below :

GEPF (Government Employees Pension Fund)

The funding level of the GEPF remained at 100% as at the 31 March 2014 valuation date compared with the 100% funding level as at the 31 March 2012. The plan is holding reserves at 46.6% of what would be in line with the long-term funding level per the Board of Trustees adopted GEPF Funding Policy, compared with 5.9% as at 31 March 2012.

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

Figures in Rand	2016	2015 Restated

11. Employee benefit obligation (continued)

Defined contribution plan

SALA PF(South African Local Authorities Pension Fund)

There is a defined contribution section in this Plan (27% of the active membership). The valuation actuary recommended that the prevailing employer contribution rate at 1 July 2015 be maintained at 19.18%. This includes a margin of 1.65% compared with the contribution rate required to fund the Projected Unit Method future service benefits and associated costs. The valuation actuary suggested that the contribution reserve of R317.8 m set up at valuation date should remain if the valuation assumptions are borne out in practice, be sufficient to subsidise the shortfall.

Provision for Ex-Gratia Benefits

Eligible employees

	Male	Total
Number of Pensioners	5	5
	6,701	6,701
Pension - weighted Average Age	90.3	90.3
	-	-

Reconciliation of assets and liabilities recognised in the balance sheet

Total value of liabilities	106,861	113,772
Value of assets	-	-
Unfunded Accrued Liability	**106,861**	**113,772**

Unfunded accrued liability	106,861	113,772
Unrecognised actuarial gain	-	-
Unrecognised past service cost	-	-
Net libility in balance sheet	**106,861**	**113,772**

Total unfunded liability	106,861	113,772
Average liability per retiree	21,372	22,754
	-	-

The average liability has increased by 6% due to an increase in the average age and a increase in the discount rate.

The total liability has decreased by 6% (or R6,911) since the last valuation due to the above and because the number of pensioners has remained the same.

Analysis of the unexpected movement in the liability

Actuarial Loss/(Gain) for the period	9,992	(21,904)
Contribution to Actuarial Loss:	-	-
Basis Changes	(1,432)	893
Changes to membership profile different from assumed	21,122	(16,355)
Actual benefits vesting lower than expected	(9,697)	(6,442)
	-	-

Notes to the Annual Financial Statements

Figures in Rand		2016	2015 Restated

11. Employee benefit obligation (continued)

Trend Information

Present Value of Obligations	-	113,772	158,901
Fair Value of Plan Assets	-	-	-
	-	**113,772**	**158,901**

Experience adjustments

Actuarial Gain / (Loss) before in Assumptions			
In respect of Present Value of Obligations	9,992	(22,797)	15,264
In respect of Fair Value of Plan Assets	-	-	-
	9,992	**(22,797)**	**15,264**

Experience Adjustments

Present value of fund obligation at the beginning of the year	113,772	158,900
Current service costs	-	-
Interest cost	6,905	10,279
Past service cost	-	-
Actuarial (losses)/gain	9,992	(21,904)
Expected Benefit payments	(23,809)	(33,504)
	106,860	**113,771**

Reconciliation of fair value of plan assets :

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

Current service costs and interest costs

Total cost	6,905	10,279

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

Net liability in the balance sheet

Opening balance	113,772	158,900

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

11. Employee benefit obligation (continued)

	2016	2015
Current-service cost	-	-
Interest Cost	6,905	10,279
Expected Return on Plan Assets	-	-
Transitional Liability Recognised	-	-
Actuarial (Gain) / Loss	9,992	(21,904)
Net Periodic Cost Recognised in surplus and deficit	16,898	(11,625)
Expected Employer Benefit Payments	(23,809)	(33,504)
Transitional Liability Recognised outside surplus and deficit	-	-
Closing balance	**106,860**	**113,771**

	2016	2015
Current portion	33,506	33,506
Non-current portion	73,355	80,266
	-	**-**

Sensitivity analysis on the unfunded accrued liability

Assumption	Change	Liability	% Change
Central assumptions	- %	106,861	- %
Discount rate	1 %	104,142	(3)%
	(1)%	109,750	3 %
Post-retirement mortality	(1)%	112,197	5 %
	- %	**-**	**- %**

A 1% increase and decrease in the discount rate; and a one year age reduction in the assumed rates of post-retirement mortality.

Sensitivity analysis on the interest cost for year

Assumption	Change	Liability	% Change
Central assumptions	- %	6,905	- %
Discount rate	1 %	7,632	9 %
	(1)%	6,130	(10)%
Post-retirement mortality	(1)%	7,308	5 %
	- %	**-**	**- %**

Key actuarial assumptions used	Value p.a	Value p.a
Assumption		
Discount Rate	7.60 %	7.10 %
Mortality in retirement	PA(90)-1	PA(90)-1
	- %	**- %**

Provision for Long Service Benefits

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

Summary of eligible employees		Female	Male	Total
Number of eligible employees	-	694	1,037	1,731
Average annual salary	-	227,548	194,416	207,699
Salary-weighted average age	-	39.0	43.3	41.4

11. Employee benefit obligation (continued)

Salary-weighted average past service	-	7.1	8.3	7.8
	-	-	-	-

Long Service Awards for levels of past service

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

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

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

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

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

R 1,730 for employees with under twelve years of total service at retirement
R3,240 for employees with twelve or more years of total service at retirement

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

Employee related costs		
Current service cost	3,853,635	3,141,310
Interest cost	1,560,308	1,051,642
	-	-

i) The Current-service Cost reflects the additional liability that is expected to accrue in respect of in-service members service over the corresponding year.
ii) The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefit vestings, over the corresponding year. This arises because all future LSA benefits are one year closer to payment.

Provision for long service award liability		
Opening accrued liability	21,793,700	17,291,009
Current service cost	3,853,635	3,141,310
Interest cost	1,560,308	1,051,642
Benefit Vestings	(562,478)	(1,382,142)
Total annual expense	4,851,465	2,810,810
Actuarial Loss	(1,694,530)	1,691,881
	24,950,635	**21,793,700**

Reconciliation of assets and liabilities recognised in the balance sheet

Present value of accrued liability	24,950,635	21,793,700
Fair value of plan assets	-	-

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

11. Employee benefit obligation (continued)

	24,950,635	**21,793,700**
Unrecognised transitional liability	-	-
Unrecognised actuarial gains/(losses)	-	-
Unrecognised past service cost	-	-
Net liability in Balance sheet	**24,950,635**	**21,793,700**

The average liability has increased by 16% due to an increase in the average salary and an increase in average past service, partially offset by an increase in the net discount rate.

The total liability has increased by 14%(or R3,156,935) due to the above partially offset by the fact that there are 17 fewer eligible employees than at the last valuation.

Net liability to reflect in balance sheet

Opening balance	21,793,700	17,291,009
Current service costs	3,853,635	3,141,310
Interest cost	1,560,308	1,051,642
Expected return on plan assets	-	-
Transitional liability recognised	-	-
Actuarial gains recognised in surplus and deficit	(1,694,530)	1,691,881
Past service cost	-	-
Net periodic cost recognised in surplus and deficit	3,719,413	5,884,833
Expected employer benefit vestings	(562,478)	(1,382,142)
	24,950,635	**21,793,700**

Current portion of liability (due in the next 12 months) refer note 19	3,906,226	3,722,401
Non current portion of liability	21,044,409	18,071,299
	-	-
	-	**-**

Reconciliation of present value of accrued liability

Present value of accrued liability at the beginning of the year	21,793,700	17,291,009
Current service costs	3,853,635	3,141,310
Expected return on plan assets	-	-
Interest cost	1,560,308	1,051,642
Past service cost	-	-
Actuarial gains	(1,694,530)	1,691,881
Expected employer benefit vestings	(562,478)	(1,382,142)
Closing Balance	**24,950,635**	**21,793,700**

Total unfunded liability	24,950,635	21,793,700
Average liability per member	14,414	12,468
	-	**-**

Reconciliation of fair value of plan asset

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

Figures in Rand	2016	2015 Restated

11. Employee benefit obligation (continued)

Benefits paid	-	-
Fair value of plan assets at the end of the year	**-**	**-**

Key actuarial assumptions used

Financial assumptions		
Discount rate	8.38 %	7.81 %
General Salary Inflation (long-term)	7.05 %	6.97 %
Net effective discount rate	1.24 %	0.79 %
	- %	**- %**

The assumptions which tend to have the greatest impact on the result are:
The general salary inflation rate assumption
The discount rate assumption
The average retirement age of employees and
Assumed rates of withdrawal of employees from service.

Demographic assumption	
Average retirement age	59 male and 56 females
Mortality during employment	SA 85-90

Withdrawal from service	Age	Rate - Female	Males
	20	24 %	16 %
	30	18 %	10 %
	40	10 %	8 %
	50	4 %	4 %
	55	2 %	2 %
	-	**- %**	**- %**

Sensitivity analysis assumption Accrued liability	Change	Liability R Millions	% change
Central assumptions	- %	24,951	- %
General salary inflation	1 %	26,280	5 %
	(1)%	23,731	(5)%
Discount Rate	1 %	23,631	(5)%
	(1)%	26,418	6 %
Average retirement age	-2 yrs	22,719	(9)%
	2 yrs	27,215	9 %
Withdrawal rates	(50)%	30,504	22 %
	- %	**-**	**- %**

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 5% higher.

Current service and interest costs

Assumptions	Change	Current service cost	Interest cost	Total	% change
Central assumptions	- %	3,853,600	1,560,300	5,413,900	- %
General salary inflation	1 %	4,107,600	1,654,700	5,762,300	6 %
	(1)%	3,623,000	1,474,000	5,097,000	(6)%
Discount Rate	1 %	3,642,200	1,655,900	5,298,100	(2)%
	(1)%	4,090,400	1,450,300	5,540,700	2 %

Figures in Rand	2016	2015 Restated

11. Employee benefit obligation (continued)

Average retirement age		-2 yrs	3,551,200	1,407,100	4,958,300	(8)%
	2 yrs		4,147,200	1,725,800	5,873,000	8 %
Withdrawal rates		50 %	5,117,700	1,955,600	7,073,300	31 %
		- %	**-**	**-**	**-**	**- %**

12. Inventories

	2016	2015
Housing projects	1,051,057	1,068,427
Consumable stores	427,948	490,330
Water	7,058,200	5,432,696
	8,537,205	**6,991,453**

Housing Projects

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

Water Inventory

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

Write down of inventory
Raw materials of Rnil (2015: Rnil) on site for the housing projects were found to be damaged and were not suitable for construction.

No inventory pledged as security.

13. Receivables from exchange transactions

	2016	2015
Trade receivables	74,935,788	92,212,711

Trade receivables

Balance as at 30 June 2016	Gross balances	Allowance for impairment	Net balance
Water	295,065,894	(269,206,469)	25,859,425
Sanitation	185,852,574	(146,434,628)	39,417,946
Interest on arrears component	109,796,919	(100,138,502)	9,658,417
	590,715,387	**(515,779,599)**	**74,935,788**

Figures in Rand	2016	2015 Restated

13. Receivables from exchange transactions (continued)

Balance as at 30 June 2015	Gross balances	Allowance for impairment	Net balance
Water	286,405,101	(236,427,964)	49,977,137
Sanitation	200,377,317	(173,407,849)	26,969,468
Interest on arrears component	109,092,143	(93,826,037)	15,266,106
	595,874,561	**(503,661,850)**	**92,212,711**

Debtors ageing Water and sanitation	2016	2015
Current (0-30 days)	53,071,210	48,149,534
30-60 days	20,523,310	18,549,634
60-90days	17,679,100	17,351,782
90-120days	17,338,111	23,256,378
120-330days	114,502,607	109,033,013
+330days	367,601,049	379,534,220
	590,715,387	**595,874,561**

Summary of Debtors by Customer Classification 30 June 2016	Domestic	Industrial / Commercial	National and Provincial Government	Total
Current (0-30days)	34,538,363	4,667,276	13,865,571	53,071,210
30-60days	14,020,710	1,432,385	5,070,215	20,523,310
60-90days	13,323,020	1,047,417	3,308,663	17,679,100
90-120days	13,375,103	655,424	3,307,585	17,338,112
120-330days	87,825,300	4,472,475	22,204,833	114,502,608
+330days	285,838,122	6,268,841	75,494,087	367,601,050
Subtotal	448,920,618	18,543,818	123,250,954	590,715,390
Less : Allowance for impairment	(402,308,090)	(15,473,388)	(97,998,124)	(515,779,602)
	46,612,528	**3,070,430**	**25,252,830**	**74,935,788**

Summary of Debtors by Customer Classification 30 June 2015	Domestic	Industrial / Commercial	National and Provincial Government	Total
Current (0-30 days)	31,959,779	3,972,303	12,217,452	48,149,534
30-60days	13,800,414	1,121,890	3,627,330	18,549,634
60-90days	12,881,417	1,220,373	3,249,992	17,351,782
90-120days	19,215,189	912,736	3,128,452	23,256,377
120-330days	81,734,098	5,754,661	21,544,254	109,033,013
+330days	299,960,190	12,691,777	66,885,083	379,537,050
Subtotal	459,551,087	25,673,740	110,652,563	595,877,390
Less : Allowance for impairment	(389,605,692)	(21,479,700)	(92,576,459)	(503,661,851)
	69,945,395	**4,194,040**	**18,076,104**	**92,215,539**

The comparative figure was restated refer to note 43.

Figures in Rand	2016	2015 Restated

13. Receivables from exchange transactions (continued)

Credit quality of trade and other receivables

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

Trade receivables

Counterparties without external credit rating		
A - Government	19	19
B - Businesses	3	5
C - Domestic and other	78	76
	100	**100**

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

B – The debtors are usual good payers,but there is a possibility that the debtor may not be able to pay on time.

C – These debtors usually pay,but have previously paid late and therefore there is a possibility that these debtors will not be recoverable.

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

Trade and other receivables past due but not impaired

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

1 month past due	31,842,726	28,889,720
2 months past due	4,104,662	3,709,927
3 months past due	3,535,820	3,470,356
4 months past due	3,467,622	4,651,275
greater than 4 months	31,984,958	51,584,261

Trade and other receivables impaired

The amount of the provision was R (515,779,602) as of June 30, 2016 (2015: R 503,661,852).

The ageing of these loans is as follows:

1 to 3 months	21,228,484	19,259,814
3 to 6 months	16,418,648	14,839,707
6 to 9 months	14,143,280	13,881,426
more than 9 months past due	463,989,190	455,680,904

Reconciliation of provision for impairment of trade and other receivables including other receivables

Opening balance	517,761,646	400,891,915
Provision for impairment	162,127,101	154,873,868
Amounts written off as uncollectible	(150,206,037)	(38,004,137)
	529,682,710	**517,761,646**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

13. Receivables from exchange transactions (continued)

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments (more than 30 days overdue) are considered indicators that the consumer debtor is impaired. Total bad debts of R150 206 037 were written off during the year.

14. Receivables from non-exchange transactions

Total other debtors	9,273,992	20,140,735

Receivables from non-exchange transactions

Sundry receivables	23,177,101	34,240,531
Subtotal	23,177,101	34,240,531
Allowance for doubtful debts	(13,903,109)	(14,099,796)
	9,273,992	**20,140,735**

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

The fair value of other receivables approximates their carrying amounts.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At June 30, 2016, R9 273 992 (2015: R20 140 735) were past due but not impaired.

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

3 months past due	9,273,992	20,140,735

Receivables from non-exchange transactions impaired

The amount of the provision was R (13,903,109) as of June 30, 2016 (2015: R 14,099,796).

The ageing of these loans is as follows:

Over 6 months	13,903,109	14,099,796

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	14,099,796	9,901,494
Provision for impairment	-	4,198,302
Amounts written off as uncollectible	(196,687)	-
	13,903,109	**14,099,796**

15. VAT receivable

VAT	44,054,118	105,889,959

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

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	9,000	9,000
Bank balances	79,031,373	78,651,624
Short-term deposits	52,324,259	126,385,117
	131,364,632	**205,045,741**

An amount of R41,914,426 (2015: R 45,239,540) of the unspent conditional grants is included in cash and cash equivalents.Investments of R41 million have been included as short term deposits as this invetment has been invested for less than three months.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2016	June 30, 2015	June 30, 2014
ABSA BANK - Account No - 406-309-3498	16,497,554	43,930,738	16,448,843	16,497,554	43,930,738	16,448,843
STANDARD BANK - Account No -081-039-454 (Primary Account)	62,693,400	35,546,978	100,284,746	62,279,481	34,267,739	100,284,746
STANDARD BANK - Call Account No - 08 864 3816 -001	1,000,000	1,000,000	1,000,000	4,447,210	1,000,000	1,000,000
Rand Merchant Bank	-	10,112,247	-	-	10,112,247	-
Standard Bank	20,000,000	27,322,355	-	20,000,000	27,322,355	-
Nedbank	-	10,131,425	-	-	10,131,425	-
Investec	17,000,000	17,219,792	-	17,000,000	17,219,792	-
ABSA	10,000,000	60,599,299	-	10,000,000	60,599,299	-
Total	**127,190,954**	**205,862,834**	**117,733,589**	**130,224,245**	**204,583,595**	**117,733,589**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

17. Finance lease obligation

Minimum lease payments due		
- within one year	2,924,796	215,225
- in second to fifth year inclusive	470,565	101,400
	3,395,361	316,625
less: future finance charges	(191,652)	(19,592)
Present value of minimum lease payments	**3,203,709**	**297,033**

Present value of minimum lease payments due		
- within one year	2,738,674	199,693
- in second to fifth year inclusive	465,035	97,340
	3,203,709	**297,033**

Non-current liabilities	465,035	97,340
Current liabilities	2,738,674	199,693
	3,203,709	**297,033**

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

The average lease term was 3 years and the average effective borrowing rate was 9.2% (2015: 8.5%). All leases have fixed repayment terms with no annual escalation rate, but varies with the changes in the prime interest rate
No arrangements have been entered into for contingent rent.

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

Defaults and breaches

During the financial year, 1960 payments were paid after 30 days of receipt of the invoice as per the requirement stipulated in Section 65(2)(e) of the Municipal Finance Management Act No.56 of 2003. The municipality has implemented controls in the form of registers to improve.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Total unspent conditional grants and receipts	41,914,426	45,239,540

National Government Grants	1,080,163	239,768
Provincial Government Grants	40,256,222	44,402,302
Other Grants Providers	578,041	597,470
	41,914,426	**45,239,540**

Movement during the year

Balance at the beginning of the year	45,239,540	51,030,246
Additions during the year	656,271,859	844,985,933
Income recognition during the year	(659,596,973)	(850,776,639)
	41,914,426	**45,239,540**

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

19. Provisions

Reconciliation of provisions - 30 June 2016

	Opening Balance	Additions	Reversed during the year	Total
Provision:Post employment benefit	3,722,401	183,825	-	3,906,226
Performance bonus	2,432,598	1,926,123	(729,160)	3,629,561
	6,154,999	**2,109,948**	**(729,160)**	**7,535,787**

Reconciliation of provisions - 2015

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

Performance bonuses
The uncertainties noted for the provision for Performance Bonus are as follows:
Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date.
The provision is calculated at 14% of the current total salary package of Section 57 employees for the 2015/16 financial year, however this is subject to change once the assessments have been finalised.

Employee benefit cost provision

The uncertainties noted for the current portion of the long service awards are as follows:
The current portion of the long service award was calculated by independent actuaries that have performed a valuation for the long service award provision. Refer to Note 11 for the assumptions used.

20. Interest bearing borrowings DBSA

The loan was obtained from DBSA to fund sanitation projects.Interest is charged at 8.5% and is repayable in 6 instalments over 2 years.Three instalments that ADM is liable for , and the last instalment is payable by end of March 2017.The capital portion of the loan is secured by the MIG grant.

	2016	2015
Non current liabilities	-	127,320,150
Current liabilities	132,684,268	172,351,148
	132,684,268	**299,671,298**

21. Payables from exchange transactions

	2016	2015
Trade payables	76,840,437	37,614,700
Amounts received in advance :Water and sanitation	14,687	14,342
Other payables	33,587,810	8,894,280
Accruals	37,419,080	190,745,881
Accrued service bonus	13,911,209	12,834,608
Retentions	43,695,226	44,721,547
Consumer debtors with credit balances	9,664,247	6,944,067
Accrued Leave pay	53,944,686	41,974,865
	269,077,382	**343,744,290**

Figures in Rand	2016	2015 Restated

21. Payables from exchange transactions (continued)

Fair value of trade and other payables

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

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

The movement on the staff leave accrual balances as above for the 2016 financial year was as follows:

Accrued Leave Pay		
Opening balance	41,974,866	32,890,401
Plus: Contributions during the year	16,483,658	22,476,962
Leave sold during the year	(4,513,838)	(13,392,497)
	53,944,686	**41,974,866**

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

The movement on the service bonus accrual balances as above for the 2016 financial year was as follows:

Accrued Service Bonus		
Opening balance	12,834,608	12,428,377
Additional provision	1,076,601	39,472,288
Unused amounts reversed	-	(39,066,057)
	13,911,209	**12,834,608**

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

22. Taxes and transfers payable (non-exchange)

Other payables from non-exchange	7,392,370	-

This amount represents PAYE for the month of June 2016 that was paid in July 2016

23. Financial instruments disclosure

Categories of financial instruments

30 June 2016

Financial assets

	At amortised cost	Total
Cash and cash equivalents	131,364,632	131,364,632
Non - current receivables	1,712,595	1,712,595

Figures in Rand	2016	2015 Restated

. **Financial instruments disclosure (continued)**

Trade and other receivables from exchange transactions	74,935,788	74,935,788
Other receivables from non-exchange transactions	9,273,992	9,273,992
	217,287,007	**217,287,007**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	269,077,382	269,077,382
Interest Bearing Borrowings:DBSA	132,684,268	132,684,268
	401,761,650	**401,761,650**

2015

Financial assets

	At amortised cost	Total
Cash and Cash Equivalents	205,045,741	205,045,741
Non - current receivables	1,539,546	1,539,546
Trade and other receivables from exchange transactions	92,212,711	92,212,711
Other receivables from non-exchange transactions	20,140,735	20,140,735
	318,938,733	**318,938,733**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	343,608,647	343,608,647
Interest Bearing Borrowing : DBSA	299,671,298	299,671,298
	643,279,945	**643,279,945**

please

24. Consumer deposits

Water and sanitation	2,757,829	2,457,622

The consumer deposits relate to the water and sanitation function.
The municipality does not have an unconditional right to defer the payment of the consumer deposits. Deposits are released when the owner of a property terminates the contract with the municipality to supply water to the property.

25. Revenue

Service charges	217,240,419	242,418,883
Rental of facilities and equipment	984,350	315,510
Interest earned - outstanding receivables	37,408,693	35,223,104
Other income	5,360,950	4,736,144
Interest received - investment	20,393,216	27,381,848
Government grants & subsidies	1,363,418,860	1,525,719,110
Own revenue - VAT on MIG	31,590,621	47,466,413
Own revenue - VAT other grants	22,290,260	48,503,349
	1,698,687,369	**1,931,764,361**

Figures in Rand	2016	2015 Restated

25. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	217,240,419	242,418,883
Rental of facilities and equipment	984,350	315,510
Interest earned - outstanding receivables	37,408,693	35,223,104
Other income	5,360,950	4,736,144
Interest received - investment	20,393,216	27,381,848
	281,387,628	**310,075,489**

The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants & subsidies	1,363,418,860	1,525,719,110
Own revenue -VAT MIG	31,590,621	47,466,413
Own revenue -VAT other grants	22,290,260	48,503,349
	1,417,299,741	**1,621,688,872**

26. Rental and other facilities

Other and Facilities

Rental of facilities

Straight lined operating lease receipts	253,923	173,771
Other rentals	730,427	141,739
	984,350	**315,510**

27. Service charges

Sale of water	144,849,226	145,957,183
Sewerage and sanitation charges	67,860,559	92,232,036
Fire service charges	4,530,634	4,229,664
	217,240,419	**242,418,883**

Service charges are reflected at an amount net of subsidy to indigents amounting to R17 299 750 (2015:R22,335,778) for both water and sanitation.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

28. Government grants and subsidies

Operating grants		
Conditional grants: conditions met - transferred to revenue	6,309,075	6,943,089
Other government grants and subsidies	27,886,921	32,834,922
Levy replacement grant	293,829,900	270,433,000
Equitable share	405,592,994	393,118,000
	733,618,890	703,329,011
Capital grants		
DBSA income recognition	-	286,320,150
Neighbourhood Development Grant	11,312,000	-
MWIG capital	81,527,144	14,132,094
RHIG	-	9,095,274
RBIG	98,231,095	87,078,581
MIG grant	438,729,731	425,764,000
	629,799,970	822,390,099
	1,363,418,860	**1,525,719,110**

Conditional and Unconditional

Unconditional

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of which is funded from the grant.

Equitable Share

Current-year receipts	405,592,994	393,118,000
Conditions met - transferred to revenue	(405,592,994)	(393,118,000)
	-	-

Levy Grant Replacement

Current-year receipts	293,829,900	270,433,000
Conditions met - transferred to revenue	(293,829,900)	(270,433,000)
	-	-

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

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

Conditional

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	134,465	-
Current-year receipts	438,589,000	425,898,465
Conditions met - transferred to revenue	(438,916,080)	(425,764,000)
	(192,615)	**134,465**

Figures in Rand	2016	2015 Restated

28. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 18).

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	1,428,825	2,148,961
Current-year receipts	98,077,791	86,140,589
Conditions met - transferred to revenue	(98,231,095)	(86,860,725)
	1,275,521	**1,428,825**

Conditions still to be met - remain liabilities (see note 18).

Municipal System Improvement Grant (MSIG)

Balance unspent at beginning of year	179,613	149,534
Current-year receipts	940,000	934,000
Conditions met - transferred to revenue	(1,115,587)	(903,921)
	4,026	**179,613**

Conditions still to be met - remain liabilities (see note 18).

Expanded Public Works Programme Grant (EPWP)

Current-year receipts	2,667,000	3,045,000
Conditions met - transferred to revenue	(2,334,597)	(3,045,000)
	332,403	**-**

Conditions still to be met - remain liabilities (see note 18).

Department of Water Affairs :Flood Relief Grant

Current-year receipts	-	190,589
Conditions met - transferred to revenue	-	(190,589)
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

Financial Management Grant (FMG)

Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,240,771)	(1,250,000)
	9,229	**-**

Conditions still to be met - remain liabilities (see note 18).

Rural Roads Asset Management Grant (RAMS)

Balance unspent at beginning of year	60,155	244
Current-year receipts	2,734,000	2,708,000
Conditions met - transferred to revenue	(2,733,707)	(2,648,089)
	60,448	**60,155**

Conditions still to be met - remain liabilities (see note 18).

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

28. Government grants and subsidies (continued)

DWA Refurbishment Grant

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

Conditions still to be met - remain liabilities (see note 18).

Municipal Water Infrastructure Grant (MWIG)

Current-year receipts	80,850,000	14,132,094
Conditions met - transferred to revenue	(81,527,144)	(14,132,094)
	(677,144)	**-**

Conditions still to be met - remain liabilities (see note 18).

Rural Housing Infrastructure Grant (RHIG)

Balance unspent at beginning of year	-	95,274
Current-year receipts	-	9,000,000
Conditions met - transferred to revenue	-	(9,095,274)
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

Neighbourhood Development Partnership Grant (NDPG)

Current-year receipts	11,312,000	11,257,000
Conditions met - transferred to revenue	(11,312,000)	(11,257,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 18).

29. Other income

Commission	721,331	620,147
Connection fees	829,635	1,057,284
Conservancy fees	1,154,115	1,420,256
Legal fees recovered	5,448	-
Sundry income	2,561,142	1,527,387
Bad debts recovered	3,428	43,270
RD cheques bank charges recovered	2,845	2,817
Emergency tanked water	82,506	64,983
Illegal parking fines	500	-
	5,360,950	**4,736,144**

30. General expenses

Figures in Rand	2016	2015 Restated
Audit fees	3,229,105	4,063,574
Advertising	435,174	1,323,526
Assessment rates	205,850	718,049
Audit Committee	782,250	518,250
Bank charges	255,712	242,556
Cleaning Materials	115,000	30,695
Gifts	1,524,516	429,430
Database expenditure	466,380	287,308
Consultants	17,454,795	36,194,075
Consumables	548,059	1,511,728
Pit Latrine Clearance	795,065	9,770,603
Delegated Management	549,147	1,322,943
Rentals:VPN Lines	1,260,714	1,797,661
Livestock improvement	2,385,607	34,200
Entertainment	1,351,069	3,819,841
Public Participation	1,152,564	1,945,950
Fire services	21,106	7,204
Training and Workshops	1,974,551	7,461,211
Grants In Aid	688,241	630,140
Administration	3,126,233	5,670
Hiring Costs	4,707,693	6,556,751
Insurance	1,299,216	6,081,543
Community Based Organisation	15,203,383	29,200,180
Conferences Expenses	446,126	1,535,712
International Programmes	813	427,354
Software and Computer Expenditure	10,326,838	12,805,677
Emergency Provisions	306,332	1,996,064
Marketing	839,697	2,622,393
Recruitment expenditure	227,355	749,745
IGR Learnership and Programmes	111,735	161,806
Water Research Levy	1,424,250	1,254,336
Books and Publications	221,160	24,078
Solid Waste Site Costs	1,984,193	3,374,285
Skills Development Levy	4,749,799	4,462,363
Sampling and Testing	987,538	1,007,013
Fumigation	34,800	20,422
Conditional Grant Expenditure	44,130,792	336,165,854
Communication	316,751	1,175,167
Whippery	74,200	84,145
Postage	2,268,907	1,961,849
Printing & Stationery	1,959,559	6,058,805
Protective clothing and uniform	2,755,965	7,017,900
Tools	57,182	323,473
Licenses and Subscriptions	441,205	745,698
Security Services	24,786,821	21,107,866
Employee Welfare	2,919,246	5,884,753
Membership Fees	6,479,036	5,863,821
Telephone Expenditure	3,451,979	3,773,339
Transport	17,192,310	35,527,318
Bursary for Rare Skills	(19,321)	365,052
Subsistence and Travel	13,586,916	20,780,703
Stipend Volunteers	-	1,396,633
Project Management	-	237,684
Refreshments	2,212,921	2,809,967
Electricity,Water and Refuse	27,591,378	31,443,803
Performance management system	40,000	35,000
Offsite storage	-	43,445
Stores and materials	2,543	114,626

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated
30. General expenses (continued)		
Food Control	11,800	1,451,346
Campaigns and Promotions	1,777,043	2,334,377
Advisory Forums	-	17,119
Amathole Economic Development Agency Contribution	18,521,350	16,680,858
Annual Event	584,816	1,225,831
Job Evaluation Expenditure	-	50,000
Housing Inventories	17,370	80,928
Special Programmes	21,200,992	28,980,162
Disposal of the Dead	50,088	162,946
Meeting Costs	3,306,345	2,287,125
Oversight Committee	215,714	435,823
Chemicals	12,455,837	10,297,201
Consultative Forums	401,502	504,960
Property Transfer Costs	-	13,902
	289,983,313	**691,833,815**

General expenditure comparative figure was restated. Refer to note 44

Figures in Rand	2016	2015 Restated

31. Employee related costs

Employee related costs - Salaries and Wages	356,630,984	324,737,890
Bonus	16,403,692	18,942,378
Medical aid - company contributions	31,605,621	26,593,666
UIF	2,824,693	2,757,907
WCA	3,419,655	3,114,022
Contributions: SAMWU	4,222,897	3,202,049
Leave pay provision charge	35,083,378	31,215,786
Contribution: Pension Fund	56,615,431	50,504,985
Contribution : Group Life	3,047,096	2,316,201
Bargaining Council	151,764	142,997
Employee Benefit Contribution	22,153,844	20,567,531
Travel, motor car, accommodation, subsistence and other allowances	27,474,075	24,892,885
Overtime payments	20,763,347	24,232,418
Car allowance	13,213,752	11,161,352
Housing benefits and allowances	4,988,634	4,444,890
Allowance: Cellphone	9,078,733	8,413,205
Allowance: Shift	2,162,523	2,014,636
Allowance :Standby,Night and Sunday	12,683,523	9,594,910
Allowance :Dirt	4,622	1,125,536
	622,528,264	**569,975,244**

Amount expensed in respect of retirement benefit plans:

Defined contribution funds	91,501,849	66,950,043
Defined benefit funds	2,495,779	4,104,052
	93,997,628	**71,054,095**

Remuneration of Municipal Manager

Annual Remuneration	1,745,415	1,595,036
Performance bonus	180,926	132,199
Leave encashment	170,232	-
Cellphone allowance	60,672	50,574
Travel allowance	196,000	192,000
Back pay of Remuneration	-	71,640
Contributions to UIF, Medical and Pension Fund	20,401	1,825
	2,373,646	**2,043,274**

Remuneration of the Director:Engineering

Annual Remuneration	867,365	781,378
Performance Bonus	117,477	96,395
Housing Allowance	356,353	359,927
Cellphone Allowance	57,432	47,874
Travel Allowance	216,000	216,000
Back pay of Remuneration	41,508	22,768
Contributions to UIF, Medical and Pension Fund	200,645	176,455
Leave Encashment	-	145,259
	1,856,780	**1,846,056**

Remuneration of the Director:Corporate Services

Annual Remuneration	1,076,681	943,707
Performance Bonus	117,477	137,707
Leave Encashment	64,597	64,836

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

31. Employee related costs (continued)

Cellphone Allowance	57,432	47,874
Travel Allowance	415,775	397,596
Back pay of Remuneration	41,509	22,769
Contributions to UIF, Medical and Pension fund	226,550	191,463
Acting allowance	9,969	-
	2,009,990	**1,805,952**

Remuneration of Director:Land Human Settlements and Economic Development

Annual Remuneration	860,381	780,059
Performance bonus	100,694	96,395
Leave Encashment	-	133,890
Housing Allowance	296,540	354,745
Cellphone Allowance	57,432	46,650
Travel Allowance	252,000	252,000
Back pay of Remuneration	40,756	22,769
Contributions to UIF, Medical and Pension Fund	231,293	200,875
	1,839,096	**1,887,383**

Remuneration of the Director:Legislative and Executive Support

Annual Remuneration	1,337,254	1,182,414
Performance bonus	100,694	123,937
Cellphone Allowance	57,432	44,208
Travel Allowance	261,072	263,604
Back pay of Remuneration	48,981	214,453
Contributions to UIF, Medical and Pension fund	35,162	19,705
	1,840,595	**1,848,321**

Remuneration of the Chief Finance Officer

Annual Remuneration	483,332	870,597
Performance bonus	100,694	96,395
Housing Allowance	53,886	184,357
Cellphone	28,716	47,874
Travel Allowance	124,642	252,000
Leave Encashment	-	58,942
Back pay of Remuneration	41,505	22,769
Contributions to UIF, Medical and Pension fund	292,503	230,646
	1,125,278	**1,763,580**

The Chief Financial Officer was medically boarded with effect 1 June 2016

Remuneration of the Director:Strategic Management

Annual Remuneration	1,140,988	809,195
Performance bonus	117,477	96,396
Housing Allowance	-	299,127
Cellphone Allowance	57,432	47,874
Travel Allowance	264,000	264,000
Back pay of Remuneration	40,988	22,768
Contributions to UIF, Medical and Pension fund	235,832	164,058
Acting Allowance	13,803	19,804
	1,870,520	**1,723,222**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

31. Employee related costs (continued)

Remuneration of the Director: Community Services

Annual Remuneration	1,094,661	961,754
Performance bonus	107,687	72,296
Leave Encashment	109,816	-
Cellphone Allowance	57,432	43,250
Travel, motor car, accomodation, subsistance and other allowances	297,473	255,772
Back pay of Remuneration	38,629	70,107
Contributions to UIF, Medical and Pension fund	250,079	174,941
	1,955,777	**1,578,120**

32. Remuneration of councillors

Executive Mayor	947,475	886,906
Speaker	905,591	724,923
Councillors 2016: (37) - 2015:(37)	11,826,987	11,050,338
Skills development levy	203,389	159,304
Councillors allowances	246,708	208,394
	14,130,150	**13,029,865**

Figures in Rand	2016	2015 Restated

32. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor has full-time bodyguards .

The salary allowances and benefits of the political office - bearers are within the upper limits of the framework prescribed by Sect 219 of Constitution.

Executive Mayor : NH Konza		
Salary	333,172	314,312
Cell Allowance	15,651	22,126
Travel Allowance	109,231	129,771
Housing Allowance	225,000	383,034
3G Allowance	2,700	3,300
Back Pay	-	37,097
	685,754	**889,640**

Speaker : S Janda		
Salary	232,418	271,803
Cell Allowance	15,651	20,625
Travel Allowance	-	6,175
Housing Allowance	301,500	383,714
3G Allowance	2,700	3,300
Back Pay	-	29,678
	552,269	**715,295**

Cllr : L Jacobs		
Salary	502,805	470,673
Cell Allowance	20,868	20,868
Travel Allowance	167,603	156,891
3G Allowance	3,600	3,600
Back Pay	21,027	27,823
	715,903	**679,855**

Cllr : T Xundu - Kubukeli		
Salary	-	143,715
Cell Allowance	-	12,173
Travel Allowance	-	47,905
Housing Allowance	-	169,050
3G Allowance	-	2,100
Back Pay	-	21,640
	-	**396,583**

Cllr : EB Madikane		
Salary	502,805	470,673
Cell Allowance	20,868	20,868
Travel Allowance	167,603	156,891
3G Allowance	3,600	3,600
Back Pay	21,027	27,823
	715,903	**679,855**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

32. Remuneration of councillors (continued)

Cllr : SB Mtintsilana		
Salary	546,019	470,673
Cell Allowance	21,449	20,868
Travel Allowance	128,681	156,891
3G Allowance	3,600	3,600
Back Pay	33,908	27,823
	733,657	**679,855**

Cllr : B Melitafa		
Salary	286,405	249,079
Cell Allowance	20,868	20,868
Travel Allowance	84,000	81,411
Housing Allowance	300,000	297,075
3G Allowance	3,600	3,600
Back Pay	21,027	27,823
	715,900	**679,856**

Cllr : P Billie		
Salary	-	270,502
Cell Allowance	-	12,173
Travel Allowance	-	90,167
3G Allowance	-	2,100
Back Pay	-	21,640
	-	**396,582**

Cllr : M Papu		
Salary	-	273,654
Cell Allowance	-	20,868
Travel Allowance	-	90,141
Housing Allowance	-	231,000
3G Allowance	-	3,600
Back Pay	-	27,823
	-	**647,086**

Cllr : M Memani		
Salary	502,805	470,673
Cell Allowance	20,868	20,868
Travel Allowance	167,603	156,891
3G Allowance	3,600	3,600
Back Pay	21,027	27,823
	715,903	**679,855**

Cllr : P Finca		
Salary	458,268	470,673
Cell Allowance	20,868	20,868
Travel Allowance	167,603	156,891
3G Allowance	3,600	3,600
Back Pay	21,027	27,823
	671,366	**679,855**

Cllr : S Genu		
Salary	322,404	297,059

Figures in Rand	2016	2015 Restated

32. Remuneration of councillors (continued)

Cell Allowance	20,868	20,868
Travel Allowance	108,000	100,404
Housing Allowance	240,000	230,100
3G Allowance	3,600	3,600
Back Pay	21,027	27,823
	715,899	**679,854**

Cllr : M Bikitsha

Salary	226,404	195,097
Cell Allowance	20,868	20,868
Travel Allowance	72,000	65,417
Housing Allowance	372,000	367,050
3G Allowance	3,600	3,600
Back Pay	21,027	27,823
	715,899	**679,855**

Cllr : N Mgidlana

Salary	502,805	146,126
Cell Allowance	20,868	21,440
Travel Allowance	-	33,384
Housing Allowance	167,603	108,773
3G allowance	3,600	3,699
Back Pay	21,027	24,595
	715,903	**338,017**

Cllr : N Nyalambisa

Salary	375,414	212,846
Cell Allowance	15,651	21,440
Travel Allowance	125,139	75,438
3G Allowance	2,700	3,699
Back Pay	-	24,595
	518,904	**338,018**

Cllr : SM Zuka

Salary	502,805	73,731
Cell Allowance	20,868	5,789
Travel Allowance	167,603	29,947
3G Allowance	3,600	1,047
Back Pay	21,027	16,110
	715,903	**126,624**

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

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

33. Debt impairment

Contributions to debt impairment provision	162,127,101	154,873,868

Refer to Note 13 included in Receivables from exchange transaction

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

34. Investment revenue

Interest revenue		
Bank	15,029,931	11,577,170
Financial assets	5,363,285	15,777,606
Interest received - SARS	-	27,072
	20,393,216	**27,381,848**

35. Depreciation and amortisation

Property, plant and equipment	100,034,420	90,856,216

Property ,plant and equipment	99,289,407	90,544,824
Intangible assets	380,730	380,731
Investment property	364,283	(69,339)
	100,034,420	**90,856,216**

36. Finance costs

Total finance costs	42,186,776	31,001,620

Finance leases	349,363	55,984
Employee benefit obligations	19,473,144	17,437,189
Interest &VAT penalty	29,131	154,254
Interest overdue accounts	35,489	3,045
Interest expense -external borrowing	22,299,649	13,351,148
	42,186,776	**31,001,620**

37. Contracted services

Contractual amounts - office equipment	819,095	244,226
Contractual amounts - accommodation	28,864,299	25,526,286
Contractual amounts - parking	3,492,744	2,201,975
Contractual amounts - motor vehicles	-	66,080
	33,176,138	**28,038,567**

38. Bulk purchases

Water	89,173,581	57,572,563

39. Cash generated from operations

Figures in Rand	2016	2015 Restated
Surplus	306,916,260	248,117,472
Adjustments for:		
Depreciation and amortisation	100,034,420	90,856,216
Provisions paid	-	(500,426)
(Loss) gain on disposal of assets	9,215,107	5,698,121
Finance costs - DBSA loan	7,086,606	13,351,148
Interest received	-	(1,385,117)
Debt impairment	162,127,101	154,873,868
Movements in retirement benefit assets and liabilities	25,557,697	26,133,747
Movements in provisions	1,380,788	(2,432,595)
Actuarial gain and loss defined benefit	(15,885,466)	-
Changes in working capital:		
Inventories	(1,545,752)	(2,619,845)
Receivables from exchange transactions	17,276,924	(23,691,359)
Consumer debtors	(162,127,101)	(154,873,868)
Other receivables from non-exchange transactions	10,866,743	(12,377,586)
Payables from exchange transactions	(77,450,309)	160,696,378
VAT	61,835,841	(64,004,769)
Taxes and transfers payable (non exchange)	7,392,370	(5,651,074)
Unspent conditional grants and receipts	(3,325,114)	(5,790,706)
Increase in long term debtor for MIG grant	-	(286,320,150)
	449,356,115	**140,079,455**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	686,162,817	1,214,598,513
• Community	20,693,844	31,980,419
• Other- Land and Buildings	3,271,801	5,912,994
	710,128,462	**1,252,491,926**

This expenditure will be financed from		
• Government Grants	635,099,630	1,108,323,666
• Own Resources	75,028,832	144,168,260
	710,128,462	**1,252,491,926**

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	37,536,577	33,233,230
- in second to fifth year inclusive	14,643,499	43,740,593
	52,180,076	**76,973,823**

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

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	178,047	80,572
- in second to fifth year inclusive	388,538	276,315
- later than five years	28,608	10,257
	595,193	**367,144**

Operating Leases consists of the following:
Operating lease payments represent rentals receivable by the Municipality for certain of its properties situated in Stutterheim, Komga, Cathcart, Adelaide and Macleantown.
No contingent rent is payable.

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

Figures in Rand	2016	2015 Restated

41. Contingencies

Contingent liabilities

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

Legal disputes relate to:

Compensation for goods delivered by suppliers	column	
The municipality is disputing claims by suppliers for goods delivered	100,572,968	-

	19,094	19,094

The municipality has been sued in respect of a vehicle that was taken to the complainant to be repaired by Nkonkobe Local

Municipality years ago and was never collected. There is uncertainty as to who actually owns the vehicle in question. The Municipality is being sued for storage fees. Default judgement was granted against the ADM and a Warrant of Execution was issued.

Compensation for work performed by a contractor

	1,323,586	1,323,586

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

Cession agreement		
	-	27,225

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

Total contingent liabilities	1,342,680	1,369,905
	1,342,680	**1,369,905**

Contingent assets

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

Non -performance on a contract		
	500,595	500,595

The municipality has instituted legal action against a contractor and its surety. The municipality and its lawyers are of the opinion that the litigation is likely to be in the municipality's favour. The timing of the legal proceedings regulating the above is uncertain.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

41. Contingencies (continued)

Compensation for work performed by contractor

	3,310,894	3,310,894

The municipality has been settled the payment of outstanding amounts claimed in relation to the construction of RDP houses. The municipality expects the recovery of the amounts from the Eastern Cape Department of Human Settlements.

Breach of contract

	1,198,370	1,198,370

The municipality instituted legal action against a contractor for damages related to breach of contract as a result of the contractors abandonment of the project. The municipality and its lawyers are of the opinion that the litigation is likely to be in the municipality's favour. The timing of the legal proceedings regulating the above is uncertain.

Claims for RSC levies and Water and Sanitation

	73,513	35,299
	10,527	59,865
	25,688	25,688
	40,748	80,646
	35,169	103,683
	85,563	-
	271,208	**305,181**

Total contingent assets	5,281,067	5,315,040
	5,281,067	**5,315,040**

Figures in Rand	2016	2015 Restated

42. Related parties

Relationships
Controlled entities — Refer to note 8

Related party transactions

	2016	2015 Restated
Shared internal audit services		
General Manager	20,122	-
Senior Manager	25,230	-
Internal Audit Manager	21,721	-
Fees paid to Audit Committee Members		
L.Smith	48,750	-
M.Sibam	38,250	-
P.Zitumane	27,750	-
Acting allowance paid to (received from) key management from February to June		
L.Hanabe (Acting CEO)	398,940	-
S.Kweleta (Acting CFO)	379,175	-
Administration fees paid to (received from) related parties		
Amathole Economic Development Agency for the operations	18,521,350	18,810,000
Neighbourhood Development Programme Grant		
NDPG	11,312,000	12,832,980
ADM to ASPIRE		
Emthonjaneni Project	-	180,858
Funding for projects	-	5,700,000

The Amathole Economic Development Agency was established 1 September 2005

Place of Incorporation: South Africa

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

Key management information

Figures in Rand	2016	2015 Restated

43. Prior period errors

Investment Property
During the current financial year, Investment property was adjusted to effect the impact of identifying properties owned by the municipality that were not previously included in the fixed asset register. These properties were identified during an identification, verification and valuation exercise of all properties . Refer to note 5 . Investment property was increased retrospectively by an amount of R54 769 225.

Property, plant and equipment
During the current financial year, Property, plant and equipment was adjusted. Refer to note 6. Property plant and equipment was increased retrospectively by an amount of R4 973 537.

Receivables from exchange transactions
On 1 July 2006 the municipality assumed responsibility for the provision of water and sanitation services as required by Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998).
The municipality is continually checking the accuracy of its debtors database.
During previous years, consumer accounts taken over from the local municipalities were incorrect. Hence revenue was incorrectly recognised. The error was corrected in the current financial year and was adjusted retrospectively by an amount of R3 086 629. Refer to note 13.

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

Statement of financial position		
Decrease in Trade and other receivables from exchange transactions	-	(3,086,628)
Increase in Investment property: Cost	-	54,718,000
Increase in Property, plant and equipment: Land	-	8,447,672
Decrease in Property, plant and equipment: Buildings	-	(2,885,496)
Increase in Property, plant and equipment: Infrastructure Assets	-	1,657,540
Increase in Property, plant and equipment: Community assets	-	377,896
Decrease in Property, plant and equipment: work in progress	-	(1,249,882)
Increase in Property, plant and equipment: Finance lease assets	-	462,604
Decrease in Accumulated depreciation: Investment property	-	51,228
Increase in Accumulated depreciation: Buildings	-	(3,272,867)
Decrease in Accumulated depreciation: Infrastructure assets	-	1,557,161
Decrease in Accumulated depreciation: Community assets	-	144,000
Increase in Accumulated depreciation: Finance leased assets	-	(265,091)
Total	-	56,656,136

Statement of Financial Performance

		Total
Net increase in the accumulated surplus	56,656,136	56,656,136

44. Comparative figures

The comparative figure for employee related cost and general expenditure was restated due to misallocation of expenditure between these expenditure line items. Refer to note 30&31

The comparative figure for capital commitments was restated due to errors identified in the contractual amounts and related expenditure. The restatement only impacts disclosure and thus has no effect on the statement of Financial Position and Performance. The Capital commitment decreased by R337 583. Refer to note 40.

Figures in Rand	2016	2015 Restated

44. Comparative figures (continued)

The figures have been restated as follows:

Increase in Employee cost	-	(24,467)
Decrease in General expenditure	-	24,467
	-	-

Statement of Financial Performance		
Increase in Employee cost	-	(24,467)
Decrease in General expenditure	-	24,467

45. Risk management

Financial risk management

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

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

45. Risk management (continued)

Liquidity risk

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

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

On average 48% (2015: 42%) of receivable (own billed) income is realised within 30 days after the due date and payables are settled within 30 days of receipt of the invoice. National and Provincial grant funding is received in terms of the Division of Revenue Act (DoRA).
There has been significant change during the financial year, or since the end of the financial year, to the municipality's exposure to liquidity risk, the approach of measurement or the objectives, policies and processes for managing this risk.

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

2016	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and later than five years	Total
Trade and other payables	123,923,764	-	145,153,618	-	269,077,382
Other	-	-	7,535,787	-	7,535,787
Gross finance leases	243,733	731,199	1,949,864	470,566	3,395,362
	124,167,497	**731,199**	**154,639,269**	**470,566**	**280,008,531**

2015	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
Trade and other payables	235,304,648	-	108,303,999	-	343,608,647
Other	-	-	2,432,596	-	2,432,596
Gross finance leases	17,935	53,806	143,483	101,400	316,624
	235,322,583	**53,806**	**110,880,078**	**101,400**	**346,357,867**

45. Risk management (continued)

Interest rate risk

The municipality's activities expose it primarily to the risks of fluctuations in interest rate.
Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

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

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

At year end, financial liabilities exposed to interest rate risk were as follows:
Finance leases linked to the South African prime rate and DBSA loan is fixed.
Management manages interest rate risk by negotiating beneficial rates.

Interest rate sensitivity analysis
Financial Assets
At 30 June 2016 ,if interest rates at that date had been 50 basis points higher, with all other variables constant, the effect on the statement of financial performance would have been R 129 103 (2015: R265 725) with the opposite effect if the interest rate had been 50 basis points lower.

Financial liabilities
At 30 June 2016, if interest rates at that date had been 50 basis points higher, with all other variables constant, the effect on the statement of financial performance would have been R495 (2015: R280) with the opposite effect if the interest rate had been 50 basis points lower.

45. Risk management (continued)

Credit risk

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

Financial assets that potentially subject the municipality to credit risk, consist primarily of cash deposits, cash equivalents, short term deposits, loans and receivables, investments and trade and other receivables.
Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

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

Loans receivable
Loans are granted and managed in accordance with policies and regulations as set out in Note 9 .The associated interest rates and repayments are clearly defined and where appropriate, the municipality obtains certain suitable forms if security when granting loans. Allowances for impairment are made in certain instances.

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

Receivables
Receivables are amounts owing by consumers and presented net of impairment losses. The municipality has a credit control and debt collection policy in place, and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review.
The municipality's strategy for managing its risk includes encouraging residents to install water management devices that control water flow to households. In certain instances, a deposit is required for new service connections, serving as a guarantee. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographic area. The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables.
The average credit period on services rendered is 30 days from date of invoice. Interest is raised at prime on any unpaid accounts after the due dates. The municipality has provided fully for all receivables outstanding over 365 days. Receivables up to 365 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience. Additional information relating to the analysis of receivables is given in Note
13.Consumer debtors with a demonstrative inability to pay are encouraged to apply for potential indigent status as an ongoing customer relationship strategy and also to enable the municipality to make provision for such relief.

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

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

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

Financial instrument	2016	2015
Cash and Cash Equivalents	131,364,632	205,167,663
Receivables from exchange transactions	74,935,788	92,212,711
Receivables from non - exchange transactions	9,273,992	20,140,735

Figures in Rand	2016	2015 Restated

45. Risk management (continued)

Other Non-current financial assets	1,712,595	1,541,338

Foreign exchange risk

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

46. Events after the reporting date

Municipal Elections
The municipal elections were held on 3 August 2016, as result of these elections, the Amathole District Municipality held an inauguration meeting for its new Executive Mayor, Speaker, Chief Whip, Mayoral Committee and Council members on 23 August 2016.

Amalgamation
As a result of the re-determination of boundaries in terms of section 21 of the Local Government: Municipal Demarcation act, 1998 (Act No.27 of 1998), certain municipalities were dis-established and their former areas of jurisdiction merged under new municipalities were established. The new municipalities were established, and the former municipalities dis-established with effect from the date of the municipal elections, being 03 August 2016. The Nkonkobe Local Municipality and the Nxuba Local Municipality were thus amalgamated to form the new Raymond Mhlaba Local Municipality. In the 2016/17 financial year the Amathole District Municipality now only has six local municipalities within its demarcated area.

47. Water distribution losses

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

Water distribution losses	49,293,247	58,254,650

48. Unauthorised expenditure

Opening balance	12,092,000	12,092,000
Current year unauthorised expenditure	7,035,968	-
Unauthorised expenditure written off	(12,092,000)	-
	7,035,968	**12,092,000**

The operational budget was exceeded at vote level by R697 374 for Legislative and executive support services on employee costs and R5 172 132 for Corporate servcies due to an increase in depreciation charges at year end and rental payments, however the total budget at institutional level was not overspent.Capital budget was exceeded on MIG by R192 614,MWIG R677 144 and War on Leaks R296 703

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

49. Fruitless and wasteful expenditure

Opening balance	1,222,466	898,024
Current year fruitless and wasteful expenditure	252,849	324,442
	1,475,315	**1,222,466**

Figures in Rand	2016	2015 Restated

49. Fruitless and wasteful expenditure (continued)

Incident

During the 2015/16 financial year, interest was incurred for First Auto of R35 489.

During the 2015/16 financial year ,there was interest incurred for an amount R90 512 and R97 718 for late insurance payment.

During the 2015/16 financial year ,there was interest incurred for an amount R29 130 to SARS as a result of VAT audit.

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

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

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

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

During the 2013/14 financial year, interest and penalties of R403 823 were paid to SARS as a result of a VAT audit.
Interest of R32 305 was incurred on late payments during 2013/14.
Both instances are still under investigation.

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

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

50. Irregular expenditure

Opening balance	288,537,590	546,238
Add: Irregular Expenditure - current year	1,879,633	288,537,590
Less: Amounts written off	(288,279,522)	(546,238)
	2,137,701	**288,537,590**

50. Irregular expenditure (continued)

Incident

During the 2015/16 an amount R28 932 and R29 500 relate to the service providers not registers.

During the 2015/16 an amount of R1 327 748 was overpaid.

During the 2014/2015 financial year Audit , an amount of R3 532 and R7 293 was deemed irregular by AG as there was no evidence provided that the procurement process of requesting three quotations was followed to procure catering services from Messrs Grazia Fine food and Wine.

During the 2014/2015 financial year Audit , an amount of R170 248 was deemed irregular by Auditor General,as the reasons cited for utilising the deviation process, namely Single Source Bidding were not justifiable to procure the Municipality's reception/ customer care area funiture.

During the 2014/2015 financial year Audit, an amount of R127 540 was deemed irregular by Auditor General. Municipality utilised a deviation process, namely Single Source Bidding to procure skills training programme for designers and crafters in garment making.One company was motivated to be utilised as ADM would recieve 63% discount by using the said service. provider. Auditor General deemed the procurement as irregular as the obtaining the services at a discount are not valid reasons for deviating from normal procurment process.

During the 2014/2015 financial year Audit , an amount R145 000 was deemed irregular by Auditor General. The Municipality utilised a deviation process, namely Single Source Bidding, to fastrack the implementation process for the project and approved the utilisation of a service provider utilised on similar project. Auditor General deemed the procurement as irregular, as it was not justified for the construction of chalets in Butterworth, by a supplier that completed the work in Tsitsikama.

During 2014/2015 financial year Audit, an amount of R39 842 (145 000 , 2 232 , 7 732, 9 980 and19 898) were deemed irregular by Auditor General,as Auditor General noted that quotations were obtained from Messrs Butteworth Multipurpose Center, Messrs Womem Construction, Messrs Liqhayiya SD Electrical , Ezinokhanyo Trading CC and Long Island Trading which are not listed on ADM's supplier database and it could not be ascertained whether they met the listing requirements as their application documentation could not be obtained from ADM during 14/15 Audit.

During the 2014/15 financial year ,an amount of R286 320 150 was deemed by ADM as irregular.ADM contracted with a service provider utilising section 32 procurement process.It has been established after award that the tax clearance certificate submitted by the service provider was fraudalent.This was written off by the council on the 21st August 2015.

During the 2014/15 financial year,procurement amounting to R205 568 (7 incidents) were deemed irregular by ADM as procurement pr0cesses were split to avoid the SCM processes.

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

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

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

50. Irregular expenditure (continued)

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

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

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

51. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Amount paid - current year	3,229,105	4,063,574

PAYE and UIF

Opening balance	(25,160)	5,651,074
Current year subscription / fee	97,332,065	98,084,904
Amount paid - current year	(89,914,535)	(103,761,138)
	7,392,370	**(25,160)**

The balance represents PAYE and UIF deducted from the June 2016 payroll. The amount overpaid during July 2016 payroll. The amount due was paid during July 2016 and has been included in current liabilities

Pension and Medical Aid Deductions

Current year subscription / fee	108,521,430	105,025,827
Amount paid - current year	(108,521,430)	(105,025,827)
	-	-

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2016:

June 30, 2016	Outstanding more than 90 days R	Total R
Councillor TP Dwanya	1,971	1,971
Councillor MJ Papu	7,661	7,661
Councillor PA Finca	698	698
	10,330	**10,330**

June 30, 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor N Nonjaca	-	456	456
Councillor TP Dwanya	-	225	225
Councillor M.J Papu	-	6,291	6,291
	-	**6,972**	**6,972**

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

June 30, 2016	Highest outstanding amount	Aging (in days)
Councillor MJ Papu	7,661	90
Councillor TP Dwanya	1,971	90
Councillor PA Finca	698	90
	10,330	**-**

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

Figures in Rand	2016	2015 Restated

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

Supply chain management regulations

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

Incident		
Deviations	124,938,046	180,674,384
Breaches	1,104,523	515,074
	126,042,569	**181,189,458**

Non-Compliance with the Municipal Finance Management Act

The March schedule C was not submitted within 10 working days due ICT technical challenges.

Bids awarded to family of employees in service of the state

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

Connected Person and Position Held		
A. Mc Allister - Administration Officer	224,886	427,950
L. Ngcobo - Senior Manager: Municipal Support Unit	420,127	166,290
B.Cook - Engineering services	9,500	-
S. Gqeba - Administration Officer: LESS	-	6,000
Z.Gladile - Senior clerk Leave Records	337,500	337,500
P Mtsatse - Senior clerk: Expenditure	-	60,107
N.Tami - Contracts officer: SCM	282,888	130,746
N. Jacobs	4,650	-
	1,279,551	**1,128,593**

52. Actual operating expenditure versus budgeted operating expenditure

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

Notes to the Annual Financial Statements

53. Grant performance narrations

National Government Grants

1. Municipal Systems Improvement Grant (MSIG)

MSIG:Promolgated of by- laws

Funds fully spent.

MSIG: Data Fin Analysis & Recon Ngqushwa

Funds fully spent..

MSIG: Data Cleaning Project Nkonkobe Ph2

Project completed.

53. Grant performance narrations (continued)

2. Municipal Infrastructure Grant (MIG)

Funds fully spent.

3.Municipal Infrastructure Grant (MWIG)

Ngqamakwe rain water Haversting

Funds fully spent.

District Wide Refurish Plan Phase1

Funds fully spent.

District Wide Water Pipe line Ext Phase 1

Funds fully spent.

Dutywa East Interim ws

Funds fully spent.

Seymour Ext 6 & surround Interim ws

Funds fully spent.

Toleni interim Water Supply

Funds fully spent.

Amahlati Interim WS

Funds fully spent.

Nkonkobe Interim WS

Funds fully spent.

Water conservation and demand management

Funds will be fully utilised .

4. Road Asset Management System

Apply for roll over of remaining balance .Extending contract with the supplier.

5. Neighbourhood Development Partnership Grant (NDPG))

Funds transferred to ASPIRE.

6. Regional Bulk Infrastructure (RBIG)

Xora East Water Supply- Impementation

This funding is transferred as per the National Financial year as such we are already on the second quarter of the 16/17 FY.

Mncwasa water Supply- Implementation

53. Grant performance narrations (continued)

This funding is transferred as per the National Financial year as such we are already on the second quarter of the 16/17 FY.

Ibeka Water Supply- Feasibility

This funding is transferred as per the National Financial year as such we are already on the second quarter of the 16/17 FY.

Ngqamakwe water Supply - Feasibility

Funds fully spent.

7. **Dutywa Water Supply-Feasibility**

Funds fully spent.

8. Great Kei River Basin Water Supply Scheme

Funds fully spent.

9. Capacity Building Programme

Funds fully spent.

10. Mnquma War on Leaks

Funds fully spent

11.ACIP -WW Infrastracture refurbish R3 5M

These funds are claimed from ACIP after the work has been completed.The R731 641 has resulted from the use of a seperate account number for VAT.

12. Victoria

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

13.**Teko Springs/ Ndlovini**

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial year. The application for roll-over was made by the project manager to the funder. The project status awaiting approval of the layout plan by COGTA.

14. Needs Camp

This is a multi-year project. The project is progressing. The balance is expected to be utilised in the next financial year. The application for roll-over was made by the project manager to the funder. The project status awaiting approval of the layout plan by COGTA.

15. Hogsback

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial year .The application for roll-over was made by the project manager to the funder .The project status awaiting approval of the layout plan by COGTA.

16. Haga Haga

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the current financial year 2015/16.The application for roll-over was approved by the funder.The project status awaiting acceptance of the offer to acquire

53. Grant performance narrations (continued)
the land from the land owner. Keep and use the funds.

17. Willowvale

This is a multi-year project. The project is progressing. The balance is expected to be utilised in the next financial year . The application for roll-over was made by the project manager to the funder. The project status awaiting approval of the layout plan by COGTA.

18. Elliotdale

This is a multi-year project. The project is progressing. The balance is expected to be utilised in the next financial year . The application for roll-over was made by the project manager to the funder. The project status awaiting approval of the layout plan by COGTA.

19. Ndevana

This is a multi-year project. The project is progressing. The balance is expected to be utilised in the next financial year . The application for roll-over was made by the project manager to the funder. The project status awaiting approval of the layout plan by COGTA.

20. Msobomvu

This is a multi-year project. The project is progressig. The balance is expected to be utilised in the next financial year . The application for roll-over was made by the project manager to the funder.The project status awaiting approval of the layout plan by COGTA.

21. Hertzog

This is a multi-year project. The project is progressig. The balance is expected to be utilised in the next financial year . The application for roll-over was made by the project manager to the funder.The project status awaiting approval of the layout plan by COGTA.

22. Great Kei Planning Funds

This is a multi-year project. The project is progressig. The balance is expected to be utilised in the next financial year . The application for roll-over was made by the project manager to the funder.The project status awaiting approval of the layout plan by COGTA.

23. Mnquma Planning Funds

This is a multi-year project. The project is progressig. The balance is expected to be utilised in the next financial year . The application for roll-over was made by the project manager to the funder.The project status awaiting approval of the layout plan by COGTA.

24. Ngqushwa Planning Funds

This is a multi-year project. The project is progressig. The balance is expected to be utilised in the next financial year . The application for roll-over was made by the project manager to the funder.The project status awaiting approval of the layout plan by COGTA.

25. Nkonkobe Planning Funds

This is a multi-year project. The project is progressig. The balance is expected to be utilised in the next financial year . The application for roll-over was made by the project manager to the funder.The project status awaiting approval of the layout plan by COGTA.

26. Mnquma Survey

This is a multi-year project. The project is progressig. The balance is expected to be utilised in the next financial year . The

Notes to the Annual Financial Statements

53. Grant performance narrations (continued)

application for roll-over was made by the project manager to the funder.The project status awaiting approval of the layout plan by COGTA.

27. Survey Interest and Contribution

This is a multi-year project. The project is progressig. The balance is expected to be utilised in the next financial year . The application for roll-over was made by the project manager to the funder.The project status awaiting approval of the layout plan by COGTA.

28. Ngqushwa Suvery Funds

This is a multi-year project. The project is progressig. The balance is expected to be utilised in the next financial year . The application for roll-over was made by the project manager to the funder.The project status awaiting approval of the layout plan by COGTA.

29. Nkonkobe Survey

This is a multi-year project. The project is progressig. The balance is expected to be utilised in the next financial year . The application for roll-over was made by the project manager to the funder.The project status awaiting approval of the layout plan by COGTA.

30. Lewis Survey

This is a multi-year project. The project is progressig. The balance is expected to be utilised in the next financial year . The application for roll-over was made by the project manager to the funder.The project status awaiting approval of the layout plan by COGTA.

31. Prudoe Engineering Design

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

32. Dongwe Engineering Design

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

33. Kubusie Establishment Grant

Project complete remaining balance is savings.

34. Ndlovini Establishment Grant

Project complete, awaiting the close out Report and the balance to be transfered back to the funder as possible savings.The application for roll-over was made by the project manager to the funder.

35. Ducats Establishment Grant

Project complete, awaiting the close out Report and the balance to be transfered back to the funder as possible savings.The application for roll-over was made by the project manager to the funder.

36. Macleantown Establishment Grant

Project complete, awaiting the close out Report and the balance to be transfered back to the funder as possible savings.The application for roll-over was made by the project manager to the funder.

37. Prudoe Establishment Grant

Project complete, awaiting the close out Report and the balance to be transfered back to the funder as possible savings.The application for roll-over was made by the project manager to the funder.

53. Grant performance narrations (continued)
38. Dongwe Establishment Grant

Project complete, awaiting the close out Report and the balance to be transfered back to the funder as possible savings.The application for roll-over was made by the project manager to the funder.

39. Teko Spring Establishment Grant

Project complete, awaiting the close out Report and the balance to be transfered back to the funder as possible savings.The application for roll-over was made by the project manager to the funder.

40. Needs Camp Establishment Grant

Project complete, awaiting the close out Report and the balance to be transfered back to the funder as possible savings.The application for roll-over was made by the project manager to the funder.

41. Teko Spring Top Structure

Project complete, awaiting the close out Report and the balance to be transfered back to the funder as possible savings.The application for roll-over was made by the project manager to the funder.

42. Prudoe Top Structure

Project complete, awaiting the close out Report and the balance to be transfered back to the funder as possible savings.The application for roll-over was made by the project manager to the funder.

43. Dogwe Top Structure

Project complete, awaiting the close out Report and the balance to be transfered back to the funder as possible savings.The application for roll-over was made by the project manager to the funder.

44. Needscamp Top Structure

Project complete, awaiting the close out Report and the balance to be transfered back to the funder as possible savings.The application for roll-over was made by the project manager to the funder.

45. Ducats Top Structure Subsidy

Project complete, awaiting the close out Report and the balance to be transfered back to the funder as possible savings.The application for roll-over was made by the project manager to the funder.

46. Kubusi Top Structure

Project complete, awaiting the close out Report and the balance to be transfered back to the funder as possible savings.The application for roll-over was made by the project manager to the funder.

47. Lilyvale Kaysers Beach Establishment Grant

Project complete, awaiting the close out Report and the balance to be transfered back to the funder as possible savings.The application for roll-over was made by the project manager to the funder.

48. Kaysers Beach Housing Project

Project complete. Balance is for the ADM income. The application for roll-over was made and approved by the funder. LHSED to confirm this statement.

49. Lillyvale Eng Designs

Project complete, awaiting the close out Report and the balance to be transfered back to the funder as possible savings.The application for roll-over was made by the project manager to the funder.

Figures in Rand	2016	2015 Restated

53. Grant performance narrations (continued)

50. Planning Grant DLA

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial years 2015/16 -2017. The application for roll-over was made by the project manager to the funder.

51. Restitutional Award (DLA)

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial years 2016 -2017. The application for the roll over was made by the project manager to the funder.

52. Beneficiary Administration (Breaking new ground)

This is a multiyear project. The project is progressing.The balance is expected to be utilised in the next financial years 2016 -2017. The application for the roll over was made by the project manager to the funder.

53. Environmental Impact Assessment

This is a multiyear project. The project is progressing.The balance is expected to be utilised in the next financial years 2016 -2017. The application for the roll over was made by the project manager to the funder.

54. Geo Hydrology

Project complete, awaiting the close out Report and the balance to be transfered back to the funder as possible savings.The application for roll-over was made by the project manager to the funder.

55. Bawa Falls Led

Project will be completed in the next financial year (Multi-year).

56. Elliotdale Brick Making

Project will be completed in the next financial year (Multi-year).

57. EC Information Initiative Support

Project will be completed in the next financial year (Multi-year).

58.ECDOT: Butterworth Interchange

Retention amount remaining.

59. Dutywa Extention 8 (VIP Toilets, RDS &W)

Funds fully spent.

60. Roof Top Rain Water Harvesting

Funds fully spent.

61. Household Leak Repairs

Funds fully spent

62. Ngqusi Rain Water Harvesting

Funds fully spent.

63. Adelaide Water Re-use Phase 1

53. Grant performance narrations (continued)

Funds fully spent

64.Water service support

Consolidation of small balances

65. Communal Water Stations (DST/CSIR)

Vat savings. Will be used for stipends

66. Free Basic Services Strategy Development

Savings

67. Silwindlala Women's Project

Project will be completed in the next financial year (Multi -year)

68. Balfour Sawmils

Project will be completed in the next financial year (Multi -year).

69. Highlands Resorts

Project will be completed in the next financial year (Multi -year).

70. Peddie Bricks Making

Project will be completed in the next financial year (Multi -year).

71. **Inkuthalo Hydroponics**

Project will be completed in the next financial year (Multi -year).

72. Capacity Building for LM's

Project will be completed in the next financial year (Multi -year).

73. Led Capacity Building - Ngqushwa

Project will be completed in the next financial year (Multi -year).

74. Upgrade Infrastructure Sanitation (Consolidated of Accounts)

Recently consolidated funds. Will be utilised .

75. Water Services Operating Grant- DWS Refurbishment

Savings.Application for rollover will be sent to the funder once all the invoices are paid

76. Water Conservation and Demand Management

It will be utilised for stipends for rain water harvesting.

77. Shixini Water Suppy

The funds will be utilised for stipends for rain water harvesting.

Figures in Rand	2016	2015 Restated

53. Grant performance narrations (continued)
78. Chatha Development

This is a multi-year project. The project is progressing. The balance is expected to be utilised in the next financial years 2016-2017. .

79. Fingoland and Regional Authority

This is a multi-year project. The project is progressing. The balance is expected to be utilised in the next financial years. 2016-2017.

80. Dwesa Cwebe Restitutional

This is a multi- year project. The project is progressing. The balance is expected to be utilised in the next financial years 2016-2017.

81. Development Craft Centre

Project complete .

82. Co-operative specialist

Project will be completed in the next financial year (Multi-year)

83. Tourism Survey

Project will be completed in the next financial year (Multi-year).

84. Nxuba Dam Chalets Development

Project will be completed in the next financial year (Multi-year).

85. SETA Implementation

The roll-over was granted by LGSETA on the 29 July 2015. Funds are currently utilised. More funds are expected to do the projects.

86. LG SETA MSU

The roll-over was granted by LGSETA on the 29 July 2015. Funds are currently utilised. More funds are expected to do tehe projects.

87. Ploughing Contactors-ward 10

Project will be completed in the next financial year (Multi-year)

88. Ploughing Contactor- NGXAKAXA

Project will be completed in the next financial year (Multi-year)

89. Ploughing Contactor- Ward 15

Project will be completed in the next financial year (Multi-year).

90. Other Projects

IDP Local Municipality

Funds fully spent..

53. Grant performance narrations (continued)
Vuna Awards

Funds will be utilised for stationery,procurement has been done already

Public Awareness

Savings

Technical Assistance to Develop District Dec Profile

The application for rollover has been done to COGTA.

54. Budget differences

Material differences between budget and actual amounts

54. Budget differences (continued)

The excess of actual expenditure over the final budget of 10% are explained below:

Statement of Financial Performance

Income

1. Service charges
The budgeted amount was revised to be more indicative of what is realistically collectable (ito Sec 18 of MFMA). The actual collection rate of current billing versus current receipts is 48% for the year.

2.Rentals
The budget was revised as actual rentals were less than anticipated as per budget. The actual amount is higher due to money received from external parties for hiring of the Calgary Conference Centre.

3.Interest earned - outstanding receivables
Actual billing exceeded the budget as billing of interest on overdue accounts exceeded what was anticipated to be collected.

4.Other income–
Includes an amount to balance the budget expenditure on non-cash flow items..

5.Interest on external investments
Actual income is more than anticipated due to funds received being invested until required.

6.Government grants
Income is recognised once spending takes place and conditions are met..

7.VAT on MIG
This amount pertains to “VAT savings” on the MIG conditional grants as per National Treasury circular that allows this to be recognised as own revenue.

8.VAT other grant
This amount pertains to “VAT savings” on conditional grants as per National Treasury circular that allows this to be recognised as own revenue.

Expenditure

11.Depreciation
The depreciation expense is less than the budget as the amount anticipated for new schemes commissioned during the year was less.

14.Collection costs -
This expenditure is ad hoc as it depends on when the need for an attorney/debt collector is required. It also includes the costs paid to the appointed debt collector when monies collected are paid over to ADM on a commission basis.

15.Repairs and maintenance
Repairs and maintenance votes are used on an adhoc basis and only used if and when needed. Emergency procurement has resulted in the actual expenditure exceeding the budget.

17.Bulk services
The purchases of bulk water was greater than anticipated as purchases are based on demand.

18.General expenditure
The municipality has implemented austerity measures to reduce expenditure.

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

54. **Budget differences (continued)**

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Statement of Financial Position

1. Inventories
The water stock on hand at year end was greater than anticipated.

2. Receivables from exchange transactions
The provision for bad debts is for 80% of the outstanding debt.

3. Receivables from non-exchange transactions
The decrease is a result of sundry debtors decreasing.

4. VAT receivable
VAT receivable increased due to outstanding VAT Refunds for the months of July 2015, January 2016, April 2016, May 2016 and June 2016 .

5. Current portion of receivables

This amount is the current portion of the pledged MIG grant for 16/17 allocation that is receivable to repay the DBSA loan.

6. Cash and cash equivalents
The cash and cash equivalents have decreased as a result of increased spending especially on grants

8. Investment Property
ADM properties were identified during the verification and valuation process by an independent valuer that were to be included in the fixed asset register that were not recognised previously.

9. Property, plant and equipment
The property, plant and equipment increased during the current year as a result of expenditure on infrastructure assets.

10. Intangible Assets
The increase is a result of software purchased during the year under review.

12. Current portion of the interest bearing borrowings DBSA
This amount is the current portion of the DBSA loan that was entered into to finance the accelerated sanitation project.

14. Payables from exchange transactions
Trade creditors were anticipated to be higher

15. Taxes and transfers payable
This relates to the June 2016 PAYE amount that was paid in July 2016

17. Unspent conditional grants
Increased spending of the grant allocations by the municipality. With almost all the DoRA gazetted grants being fully spent.

18. Provisions
The long service awards provision was less than anticipated. This is based upon the valuations performed by an actuary at year end.

20. Employee benefits
The employee benefit obligation is based upon the report obtained from the actuaries.

Cash flow statement

1.Operating activities
The net cash flow from operating activities reflects an inflow, due to the expenditure being less than anticipated. The municipality has implemented austerity measures in order to reduce expenditure.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated

54. Budget differences (continued)
2. Investing activities
The net cash flow from investing activities variances is as a consequence of purchasing of property, plant and equipment.

3. Financing activities
The net cash flow from investing activities variance is as a result of repaying the DBSA loan.

-	-	-	-	-

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters as well as an adjustment to the budget.

55. Repairs and maintenance

	2016	2015
Water and Sanitation	7,029,930	14,490,408
Buildings	1,140,331	4,062,611
Vehicles	120,813	349,075
Tools and equipment	5,188,600	180,455
Office furniture and equipment	27,791	-
Computers	2,117,780	49,613
Others	26,036,767	34,947,131
	41,662,012	**54,079,293**

56. Interest earned - outstanding receivables

	2016	2015
Receivables - service charges	37,408,693	35,223,068
Financial assets	-	36
	37,408,693	**35,223,104**

57. Gain/(Loss) on disposal of asset

	2016	2015
Gain on disposal of asset	(9,215,107)	(5,698,121)