AMAJUBA DISTRICT MUNICIPALITY

Financial Statements

for the year ended 30 June 2016

General Information

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

Executive Committee

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

Members of Council

Councillor FS Tsotetsi	Councillor TA Chonco
Councillor NA Msibi	Councillor VR Hlatshwayo
CouncillorTM Mhlongo	Councillor SB Harber
Councillor JME Damons	Councillor MP Sithole
Councillor SD Msibi	Councillor MA Gama
Councillor S Kubheka	Councillor SJ Zulu
Councillor MA Buthelezi	Councillor DRF Buthelezi
Councillor RM Molelekoa	Councillor MI Dlamini
Councillor DX Dube	Councillor DO Shabalala
	Councillor LM Ndlovu

Audi Commitee Members	Mr Bheki Dlala - Chairperson Mr Babadile Mbange - Resigned Mr Simphiwe Ngwenya - Resigned Ms Thabisile Ndlela - Resigned
Acting Chief Financial Officer (CFO)	Ms Siphephile Mhlongo

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

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Abbreviations

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 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 Provincial and National Government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Provincial and National Governments have neither the intention nor the need to liquidate or curtail materially the scale of funding of the municipality.

The financial statements set out on pages 4 to 51, which have been prepared on the going concern basis, were approved by the accounting officer on 26 August 2016 and were signed on its behalf by:

Accounting Officer
Municipal Manager

Statement of Financial Position as at 30 June 2016

	Notes	2016 R	2015 R Restated
Assets			
Current Assets			
Receivables from non-exchange transactions	7	2 750 496	2 993 188
VAT receivable	8	5 289 580	8 193 915
Consumer debtors	9	11 889 959	14 748 858
Inventory	10	5 483 245	5 793 653
Cash and cash equivalents	11	17 989 672	147 870
		43 402 952	**31 877 484**
Non-Current Assets			
Investment property	3	485 045	507 955
Property, plant and equipment	4	319 879 438	320 089 324
Intangible assets	5	1 592 909	2 533 528
Investment in associate	6	289 848 367	355 636 131
		611 805 759	**678 766 938**
Total Assets		**655 208 711**	**710 644 422**
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	70 121 248	67 660 264
Unspent conditional grants and receipts	14	18 663 683	6 809 857
Current portion of other financial liabilities	12	1 433 794	1 365 151
Current portion of finance leases obligation	13	11 754	67 335
Provisions	15	16 170 868	10 835 206
		106 401 347	**86 737 813**
Non-Current Liabilities			
Other financial liabilities	12 & 36	8 162 341	8 097 297
Finance leases obligation	13	-	11 754
		8 162 341	**8 109 051**
Total Liabilities		**114 563 688**	**94 846 864**
Net Assets		**540 645 023**	**615 797 558**
Net Assets			
Accumulated surplus		**540 645 023**	**615 797 558**

Amajuba District Municipality
Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

	Notes	2016 R	2015 R Restated
Revenue			
Service charges	18	24 422 179	17 863 039
Interest received (trading)	18	2 335 786	1 358 925
Government grants and subsidies	18	190 394 937	178 604 359
Rental income	18	272 356	287 486
Recoveries	18	8 664	11 455
Sundry revenue	18	491 960	237 688
Interest received - investment	26	1 788 345	1 017 113
Indirect taxes (VAT recovered)	18	7 771 532	8 563 431
Public contributions and donations	18	220 000	100 000
Newly identified assets at fair value	4	-	1 426 246
Total revenue		**227 705 759**	**209 469 742**
Expenditure			
Employee related costs	24	81 375 498	72 785 324
Remuneration of councillors	25	4 346 061	4 320 335
Depreciation and amortisation	27	28 791 450	27 005 892
Finance costs	28	935 897	1 758 247
Debt impairment	9	15 850 580	-
Repairs and maintenance		9 557 525	3 680 057
Bulk purchases	31	13 517 542	7 510 997
Contracted services	30	19 655 398	18 942 381
Contributions to provisions	15	1 717 899	1 494 000
General expenses	22	51 294 425	60 897 905
LED project costs		2 429	624 969
Loss on disposal of property, plant and equipment	4	430 260	1 465 900
Donated assets - Sportsfields	4	2 953 939	-
Impairment of property, plant and equipment	4	6 641 627	1 711 756
Total expenditure		**237 070 530**	**202 197 763**
(Deficit) Surplus for the year		**(9 364 771)**	**7 271 979**

Statement of Changes in Net Assets

	Notes	Accumulated surplus R	Total net assets R
Balance at 01 July 2013		**689 422 321**	**689 422 321**
Surplus (Deficit) for the year		(365 893 610)	(365 893 610)
Changes in net assets		(50 938 837)	(50 938 837)
Balance at 30 June 2014		**272 589 874**	**272 589 874**
Correction of prior period errors			
Statement of Financial Position		55 229 042	55 229 042
Statement of Financial Performance		(6 311 054)	(6 311 054)
Restated balance at 30 June 2014		**321 507 862**	**321 507 862**
Changes in net assets relating to prior years		9 478 278	9 478 278
Surplus for the year		7 550 200	7 550 200
Increase in valuation of Investment in Associate		276 394 955	276 394 955
Total changes		293 423 433	293 423 433
Balance at 30 June 2015		**614 931 295**	**614 931 295**
Correction of prior period errors			
Statement of Financial Position	36	1 896 745	1 896 745
Statement of Financial Performance	36	(278 221)	(278 221)
Changes in net assets relating to prior years		(752 261)	(752 261)
Restated balance at 30 June 2015		**615 797 558**	**615 797 558**
(Deficit) Surplus for the year		(9 364 771)	(9 364 771)
Increase (Decrease) in valuation of Investment in Associate		(65 787 764)	(65 787 764)
Balance at 30 June 2016		**540 645 023**	**540 645 023**

Cash Flow Statement

	Notes	2016 R	2015 R Restated
Cash flows from operating activities			
Receipts			
Sale of goods and services and taxation		18 948 023	12 803 207
Grants		210 421 295	183 869 030
Public contributions and donations		220 000	100 000
Provisions		-	248 845
Interest income		1 788 345	1 017 113
		231 377 663	198 038 195
Payments			
Employee costs		(77 089 870)	(72 785 324)
Remuneration of councillors		(4 346 061)	(4 320 335)
Suppliers		(92 310 331)	(72 377 628)
Leave payments		(667 865)	-
Changes in net assets - prior year adjustments		(752 261)	(6 283 397)
Finance costs		(791 964)	(1 758 247)
		(175 958 352)	(157 524 931)
Net cash flows from operating activities	32	**55 419 311**	**40 513 264**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(37 732 761)	(36 056 213)
Proceeds from disposal of property, plant and equipment		88 900	-
Purchase of intangible assets	5	-	(4 388 964)
Net cash flows from investing activities		**(37 643 861)**	**(40 445 177)**
Cash flows from financing activities			
Receipt (Repayment) of other financial liabilities		133 687	(224 712)
Receipt (Repayment) of finance leases obligations		(67 335)	(27 815)
Movement in Investment in associate		-	-
Net cash flows from financing activities		**66 352**	**(252 527)**
Net increase/(decrease) in cash and cash equivalents		**17 841 802**	**(184 440)**
Cash and cash equivalents at the beginning of the year		147 870	332 310
Cash and cash equivalents at the end of the year	11	**17 989 672**	**147 870**

Accounting Policies

1. Presentation of Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Consolidation

Entity combinations

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

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

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

Accounting Policies

1.2 Consolidation (continued)

Investment in associates

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

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

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

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

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

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

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

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

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

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

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

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

Jointly controlled entities

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty

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

Provisions

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

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The

decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.5 Intangible assets

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

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

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

Item
Computer software, internally generated
Computer software, other

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

1.6 Investments in associates

See accounting policy note 1.2

1.7 Financial instruments

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

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

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

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

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal business considerations.

Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique.

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

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

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the municipality applies the following to determine the amount of any impairment loss:

Accounting Policies

1.7 Financial instruments (continued)

Financial assets carried at amortized cost: If there is objective evidence that an impairment loss on loans and receivables or held-to maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognized in surplus or deficit.

Financial assets carried at cost: If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

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

Other financial liabilities

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

Accounting Policies

1.7 Financial instruments (continued)

De-recognition

Financial assets

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

Financial liabilities

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Categorization

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

Type of financial asset	Classification in terms of GRAP 104
Loans and receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other receivables	Loans and receivables
Call investment deposits	Available for sale

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

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

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

Type of financial liability	Classification in terms of GRAP 104
Long term liabilities	Financial liability that is not measured at fair value through profit or loss
Trade and other payables	Financial liability that is not measured at fair value through profit or loss
Consumer deposits	Financial liability that is not measured at fair value through profit or loss
Unspent conditional grants	Financial liability that is not measured at fair value through profit or loss
Bank overdraft	Financial liability that is not measured at fair value through profit or loss

Accounting Policies

1.8 Water inventory

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

1.9 Leases

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

Finance leases - lessee

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

Operating leases - lessee

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

1.10 Impairment of cash-generating assets

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

1.10 Impairment of cash-generating assets (continued)

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

Useful life is either:

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

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

Identification

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

Value in Use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.
When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

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

Discount rate

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.
An impairment loss is recognised immediately in surplus or deficit.
When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.
After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.
A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.
After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.
In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
its recoverable amount (if determinable); and
the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.
Non-cash-generating assets are assets other than cash-generating assets.
Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).
Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.
Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.
Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.
Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Accounting Policies

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

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

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

Identification

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

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.
An impairment loss is recognised immediately in surplus or deficit.
When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.
After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.
A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.
After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

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

1.12 Share capital / contributed capital

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

1.13 Provisions and contingencies

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

1.13 Provisions and contingencies (continued)

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised.

1.14 Revenue from exchange transactions

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

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

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

Measurement

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

Accounting Policies

1.14 Revenue from exchange transactions (continued)

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

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

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

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

1.15 Revenue from non-exchange transactions

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

1.17 Borrowing costs

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

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

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

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

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

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

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

Accounting Policies

1.21 Irregular expenditure (continued)

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

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

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

1.22 Use of estimates

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

1.23 Investments

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

1.24 Conditional grants and receipts

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

1.25 Segmental information

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

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

1.26 Budget information

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

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

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

1.27 Related parties

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

1.28 Employee benefits

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

Accounting Policies

1.28 Employee benefits (continued)

GRAP 25: Employee benefits

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

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

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 20 - Related Party Disclosures
GRAP 32 - Service Concession Arrangements : Grantor
GRAP 108 - Statutory Receivables
GRAP 109 - Accounting by Principals and Agents

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Notes to the Financial Statements

	2016 R	2015 R

7. Receivables from non-exchange transactions

	2016 R	2015 R
Sundry Debtors	**2 880 760**	**2 993 188**
Less: Allowance for impairment	**(130 264)**	**-**
	2 750 496	**2 993 188**

8. VAT receivable

	2016 R	2015 R
VAT	**5 289 580**	**8 193 915**

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

9. Consumer debtors

	2016 R	2015 R
Gross balances		
Water, Sanitation and Other	**33 301 634**	**20 440 217**
Less: Allowance for impairment		
Water, Sanitation and Other	**(21 411 675)**	**(5 691 359)**
Net balance		
Water, Sanitation and Other	**11 889 959**	**14 748 858**

	2016 R	2015 R
Water, Sanitation and Other		
Current (0 -30 days)	3 155 375	3 917 305
31 - 60 days	1 593 110	2 300 876
61 - 90 days	1 182 038	660 727
91 - 120 days	1 198 018	542 685
121 - 365 days	8 541 340	571 549
> 365 days	17 631 754	12 447 075
	33 301 634	**20 440 217**

Notes to the Financial Statements

9. Consumer debtors (continued)
Summary of debtors by customer classification

	2016 R	2015 R
Consumers		
Current (0 -30 days)	1 549 879	3 905 818
31 - 60 days	1 455 647	2 300 745
61 - 90 days	1 055 254	660 597
91 - 120 days	1 063 553	537 409
121 - 365 days	7 761 901	571 194
> 365 days	14 970 275	12 416 892
	27 856 509	**20 392 655**
Industrial/ commercial		
Current (0 -30 days)	146 934	11 135
31 - 60 days	5 382	53
61 - 90 days	55 047	53
91 - 120 days	59 791	5 199
121 - 365 days	388 486	279
> 365 days	735 704	455
	1 391 343	**17 174**
National and provincial government		
Current (0 -30 days)	1 458 562	353
31 - 60 days	80 080	78
61 - 90 days	71 737	78
91 - 120 days	74 674	77
121 - 365 days	431 414	76
> 365 days	1 925 776	29 726
	4 042 244	**30 388**
Total		
Current (0 -30 days)	3 166 913	3 917 306
31 - 60 days	1 541 110	2 300 876
61 - 90 days	1 182 038	660 728
91 - 120 days	1 198 018	542 685
121 - 365 days	8 581 801	571 549
> 365 days	17 631 755	12 447 073
	33 301 634	**20 440 217**

Reconciliation of allowance for impairment

Balance at beginning of the year	(5 691 359)	(7 365 839)
Contributions to allowance	(15 720 316)	-
Debt impairment written off against allowance		1 674 480
	(21 411 675)	**(5 691 359)**

Credit quality of consumer debtors

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

Notes to the Financial Statements

	2016 R	2015 R

9. Consumer debtors (continued)

Consumer debtors impaired

As of 30 June 2016, consumer debtors of R21 541 939 (2015: R5,691,359) were impaired and provided for.

10. Inventory

	2016 R	2015 R
Purified water	**5 483 245**	**5 793 653**

The inventory has been valued at the gazetted tariff.

11. Cash and cash equivalents

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

	2016 R	2015 R
Petty cash	3 000	3 000
Bank balances	655 189	6 212
Call investment deposits	17 331 483	138 658
	17 989 672	**147 870**

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

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

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

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

The municipality had the following bank accounts

Account number / description

	Bank Statement balance R	General Ledger balance R
30 June 2016		
ABSA BANK - Cheque Account - 405 347 259	655 189	655 189
Standard BANK - Call Deposit - 068 448 3090 02	3 016 305	3 016 305
Standard BANK - Call Deposit - 068 448 3090 03	5 073 972	5 073 972
Standard BANK - Call Deposit - 068 448 3090 06	1 051 191	1 051 191
Standard BANK - Call Deposit - 068 448 3090 05	3 739 818	3 739 818
Standard BANK - Call Deposit - 068 448 3090 04	567 046	567 046
Nedbank - Call Deposit - 03/7881121424/000001	17	17
Nedbank - Call Deposit - 03/7881121661/000001	4	4
Nedbank - Call Deposit - 03/7881121440/000001	56	56
First National Bank - Call Deposit - 62581801654	412 414	412 414
Nedbank - Call Deposit - 03/7881121424/000002	426	426
First National Bank - Call Deposit - 62586087556	3 465 433	3 465 433
Nedbank - Call Deposit - 03/7881124067/000001	4 799	4 799
Total	**17 986 670**	**17 986 670**
30 June 2015		
ABSA BANK - Cheque Account - 405 347 259	6 212	6 212
Standard BANK - 32 Day Notice Account - 068 448 3090 02	138 658	138 658
Total	**144 870**	**144 870**

Notes to the Financial Statements

	2016 R	2015 R Restated

12. Other financial liabilities

	2016 R	2015 R Restated
Designated at fair value		
DBSA Loan - 61000384	**9 596 135**	**9 462 448**
Less: Current portion	**(1 433 794)**	**(1 365 151)**
Long term portion	**8 162 341**	**8 097 297**

The financial liability relates to DBSA loans taken over form uThukela Water which are now due and payable by Amajuba DM in terms of the transfer of the water and sanitation function. These loans include interest capitalised as they were not serviced by uThukela Water.
The loans were consolidated into one loan with a repayment period of 10 years. The final repayment date is January 2025

	2016 R	2015 R Restated
Non-current liabilities		
Designated at fair value	8 162 341	8 097 297

13. Finance leases obligation

	2016 R	2015 R Restated
Laptops and Tablets	**11 754**	**79 089**
Less: Current portion	**(11 754)**	**(67 335)**
Long term portion	**-**	**11 754**
Opening Balance	79 089	106 904
Additions	-	29 195
Amortisation	(67 335)	(57 010)
Total finance leases obligation	**11 754**	**79 089**
Minimum lease payments due		
- within one year	11 754	67 335
- in second to fifth year inclusive	-	11 754
Present value of minimum lease payments	**11 754**	**79 089**

It is municipality policy to lease certain ICT equipment under finance leases.
The average lease term is 2 years (24 months) and the average effective borrowing rate was 3% average (2015: 3%).
Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Notes to the Financial Statements

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2016 R	2015 R
MIG Grant	-	30 944
Shared services Grant	-	51 988
Governance Expert Grant	-	264 812
Department of Public Works Grant	-	-
Massification Grant	16 796	16 796
Municipal Systems Improvement Grant (MSIG)	-	240 804
Disaster Management Centre Grant	-	620 428
WC/WD Management Grant	1 453	1 453
Road Asset Management System Grant	-	-
Boreholes Maintenance Grant	-	699 837
Finance Management Grant	-	57 464
ACIP grant - Call Centre	-	534 958
Councillors Training Grant	79 388	79 388
DWA - Municipal Infrastructure Grant (MWIG)	8 649 585	4 210 985
Water Operating Subsidy Grant	830 180	-
Bulk Water - Goedehoop - Grant	3 523 861	-
Cogta - Disaster Management Centre Grant	5 000 000	-
Rural Transport Roads Grant	0	-
Environmental Grant	562 420	-
	18 663 683	**6 809 857**
Movement during the year		
Balance at the beginning of the year	6 809 857	22 617 656
Roll overs not approved	(401 000)	(16 263 939)
Additions during the year	79 031 996	71 484 030
Further approval	-	3 400 000
VAT claimed	(7 771 532)	(8 208 531)
Income recognition during the year	(59 005 638)	(66 219 359)
	18 663 683	**6 809 857**

15. Provisions

Reconciliation of provisions

	2016 R	2015 R
Staff leave		
Opening balance	6 479 560	5 925 889
Additions	4 285 628	553 671
Encashed	(667 865)	-
Closing balance	10 097 323	6 479 560
Performance bonuses		
Opening balance	649 646	954 472
Additions	225 529	-
Reversed	-	(304 826)
Closing balance	875 175	649 646
Post retirement medical aid benefit		
Opening balance	1 127 000	195 000
Additions		932 000
Reversed	(205 531)	-
Closing balance	921 469	1 127 000
Long service awards		
Opening balance	2 579 000	2 017 000
Additions	1 697 901	562 000
Reversed	-	-
Closing balance	4 276 901	2 579 000
Total	**16 170 868**	**10 835 206**

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

Notes to the Financial Statements

15. Provisions (continued)	**2016 R**	**2015 R**
Post retirement medical aid benefit		
Independent valuers, Arch Actuarial Consulting, carried out a statutory valuation on an annual basis		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	8,74%	8,59%
Healthcare cost inflation	7,79%	7,79%
Net discount rate	0,73%	0,73%
Examples of mortality rates used were as follows:		
Average retirement age	63	63
Mortality during employment	PA-90	PA-90

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

Present value of funded obligations	921 469	1 127 000
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	921 469	1 127 000

Movements in the defined benefit obligation is as follows:

Balance at beginning of the year	1 127 000	195 000
Current service cost	-	930 000
Interest cost	94 000	3 000
Benefit payments	(66 000)	(2 000)
Actuarial gains/(losses)	(233 531)	-
Miscellaneous	-	1 000
Balance at end of year	921 469	1 127 000

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

Discount rate per annum		8,79%	8,55%
General salary inflation		7,43%	7,93%
Consumer price index		7,93%	6,93%
Examples of mortality rates used were as follows:			
Average retirement age		63	63
Mortality during employment		SA85-90	SA85-90
Members withdrawn from services:		**Rates**	**Rates**
	Age 20	12%	12%
	Age 25	6.6%	6.6%
	Age 30	5.1%	5.1%
	Age 35	3.6%	3.6%
	Age 40	2.6%	2.6%
	Age 45	1.8%	1.8%
	Age 50	1.1%	1.1%
	Age +55	0%	0%

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

Present value of funded obligations	4 276 901	2 579 000
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	4 276 901	2 579 000

Movements in the defined benefit obligation is as follows:

Balance at beginning of the year	2 579 000	2 017 000
Current service cost	503 000	-
Interest cost	219 000	618 000
Benefit payments	(43 000)	(70 000)
Actuarial gains/(losses)	1 018 901	14 000
Balance at end of year	4 276 901	2 579 000

Notes to the Financial Statements

	2016 R	2015 R Restated

16. Payables from exchange transactions

	2016	2015
Trade payables	62 699 566	61 980 524
Retentions	4 095 578	4 266 607
Other creditors	3 004 309	1 086 301
Deposits received	321 795	326 832
	70 121 248	**67 660 264**

17. Financial liabilities by category

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

	Financial liabilities at amortised cost	Total
2016		
Other financial liabilities	9 596 135	9 596 135
Finance leases obligation	11 754	11 754
Trade and other payables	70 121 248	70 121 248
	79 729 137	**79 729 137**
2015		
Other financial liabilities	9 462 448	9 462 448
Finance leases obligation	79 089	79 089
Trade and other payables	67 660 264	67 660 264
	77 201 801	**77 201 801**

18. Revenue

	2016	2015
Service charges	24 422 179	17 863 039
Interest received (trading)	2 335 786	1 358 925
Rental income	272 356	287 486
Recoveries	8 664	11 455
Sundry Revenue	491 960	237 688
Interest received - investment	1 788 345	1 017 113
Indirect taxes (VAT recovered)	7 771 532	8 563 431
Government grants & subsidies	190 394 937	178 604 359
Public contributions and donations	220 000	100 000
Newly identified assets at fair value	-	1 426 246
	227 705 759	**209 469 742**

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

	2016	2015
Service charges	24 422 179	17 863 039
Interest received (trading)	2 335 786	1 358 925
Rental income	272 356	287 486
Recoveries	8 664	11 455
Sundry Revenue	491 960	208 330
Interest received - investment	1 788 345	1 017 113
	29 319 290	**20 746 348**

	2016 R	2015 R

18. Revenue (continued)

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

	2016 R	2015 R
Taxation revenue		
Indirect taxes (VAT recovered)	7 771 532	8 563 431
Transfer revenue		
Government grants & subsidies	190 394 937	178 604 359
Public contributions and donations	220 000	100 000
	198 386 469	**187 267 790**

19. Service charges

	2016 R	2015 R
Sale of water	20 862 490	15 111 300
Sewerage and sanitation charges	3 559 689	2 751 739
	24 422 179	**17 863 039**

Notes to the Financial Statements

20. Government grants and subsidies

	2016 R	2015 R Restated
Equitable share	60 132 000	55 797 000
DWAF Drought Relief	10 462 299	-
Capital Projects Grants	57 042 804	70 286 220
Levies Replacement Grant	60 795 000	56 588 000
Municipal Systems Improvement Grant	1 127 212	693 196
Financial Management Grant	1 500 000	2 096 979
Skills Development Grant	138 996	202 797
IGR Grant -Government Expert	264 812	555 586
Rural Transport Roads Grant	2 007 000	-
Department of Public Works Grant	1 252 000	-
Call Centre Grant	534 958	-
Shared services - Planning Grant	301 988	948 012
Water Operating Subsidy Grant	2 169 820	-
Environmental Grant	437 580	-
	198 166 469	**187 167 790**
Less: VAT recovery reflected as a separate income item	(7 771 532)	(8 563 431)
	190 394 937	**178 604 359**

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

Municipal Infrastructure Grant

	2016 R	2015 R Restated
Balance unspent at beginning of year	30 944	6 605 896
Roll over not approved	(30 944)	(6 605 896)
Current-year receipts	40 119 000	41 650 000
Transfer from Disaster Management Centre	620 428	-
Transfer from Boreholes Refurbishment	699 837	-
Conditions met - transferred to revenue	(41 439 265)	(41 619 056)
	-0	**30 944**

Conditions still to be met - remain liabilities (see note 14).

Skills Development Grant

	2016 R	2015 R Restated
Balance unspent at beginning of year	-	0
Current-year receipts	138 996	202 797
Conditions met - transferred to revenue	(138 996)	(202 797)
	-	**-**

Shared Services Grant

	2016 R	2015 R Restated
Balance unspent at beginning of year	51 988	-
Current-year receipts	250 000	1 000 000
Conditions met - transferred to revenue	(301 988)	(948 012)
	-	**51 988**

Conditions still to be met - remain liabilities (see note 14).

Rural Transport Road Grant

	2016 R	2015 R Restated
Balance unspent at beginning of year	-	-
Current-year receipts	2 007 000	-
Conditions met - transferred to revenue	(2 007 000)	-
	0	**-**

Amajuba District Municipality
Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

20. Government grants and subsidies (continued)

	2016 R	2015 R
Governance Expert Grant		
Balance unspent at beginning of year	264 812	820 398
Conditions met - transferred to revenue	(264 812)	(555 586)
	-	**264 812**

	2016 R	2015 R
Public Works (EPWP) Grant		
Balance unspent at beginning of year	-	7 078
Roll over not approved	-	(7 078)
Current-year receipts	1 252 000	1 276 000
Conditions met - transferred to revenue	(1 252 000)	(1 276 000)
Other		-
	-	**-**

	2016 R	2015 R
Massification Grant		
Balance unspent at beginning of year	16 796	16 796
Conditions met - transferred to revenue	-	-
	16 796	**16 796**

Conditions still to be met - remain liabilities (see note 14).

	2016 R	2015 R
Municipal Systems Improvement Grant		
Balance unspent at beginning of year	240 804	187 043
Roll over not approved	(53 592)	(187 043)
Current-year receipts	940 000	934 000
Conditions met - transferred to revenue	(1 127 212)	(693 196)
	-	**240 804**

Notes to the Financial Statements

20. Government grants and subsidies (continued)

	2016 R	2015 R
Disaster Management Centre Grant		
Balance unspent at beginning of year	620 428	5 620 428
Roll over not approved		(5 000 000)
Current-year receipts	-	-
Transfer to MIG	(620 428)	-
Conditions met - transferred to revenue	-	-
	-	**620 428**

	2016 R	2015 R
WC/WD Management Grant		
Balance unspent at beginning of year	1 453	1 453
Conditions met - transferred to revenue	-	-
	1 453	**1 453**

Conditions still to be met - remain liabilities (see note 14).

	2016 R	2015 R
Road Asset Management System Grant		
Balance unspent at beginning of year	-	59 922
Roll over not approved	-	(59 922)
Current-year receipts	-	2 020 000
Conditions met - transferred to revenue	-	(2 020 000)
Other	-	-
	-	**-**

	2016 R	2015 R
Boreholes Refurbishment Grant		
Balance unspent at beginning of year	**699 837**	**699 837**
Transferred to MIG	(699 837)	-
	-	**699 837**

	2016 R	2015 R
Finance Management Grant		
Balance unspent at beginning of year	57 464	654 443
Roll over not approved	(57 464)	-
Current-year receipts	1 500 000	1 500 000
Conditions met - transferred to revenue	(1 500 000)	(2 096 979)
	-	**57 464**

	2016 R	2015 R
ACIP Grant - Call Centre		
Balance unspent at beginning of year	534 958	37 820
Current-year receipts	-	2 379 049
Conditions met - transferred to revenue	(534 958)	(1 881 911)
Other	-	-
	-	**534 958**

Notes to the Financial Statements

	2016 R	2015 R
20. Government grants and subsidies (continued)		
Councillors Trainning Grant		
Balance unspent at beginning of year	79 388	79 388
Conditions met - transferred to revenue	-	-
	79 388	**79 388**
Conditions still to be met - remain liabilities (see note 14).		
DOHS - Rural Household Infrastructure Granrt		
Balance unspent at beginning of year	-	4 000 000
Roll over not approved	-	(4 000 000)
Current-year receipts	-	-
	-	**-**
DWA - Municipal Water Infrastructure Grant MWIG		
Balance unspent at beginning of year	4 210 985	3 827 154
Roll over not approved	(259 000)	(404 000)
Current-year receipts	19 825 000	12 040 000
Further approved	-	3 400 000
Conditions met - transferred to revenue	(15 127 400)	(14 652 169)
	8 649 585	**4 210 985**
Conditions still to be met - remain liabilities (see note 14).		
Regional Bulk Water Infrastructure Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	-	8 482 184
Conditions met - transferred to revenue	-	(8 482 184)
	-	**-**
Water Operating Subsidy Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(2 169 820)	-
	830 180	**-**
Conditions still to be met - remain liabilities (see note 14).		
Bulk Water - Goedehoop - Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(476 139)	-
	3 523 861	**-**
Conditions still to be met - remain liabilities (see note 14).		
Cogta - Disaster Management Centre Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	5 000 000	-
Conditions met - transferred to revenue	-	-
	5 000 000	**-**
Conditions still to be met - remain liabilities (see note 14).		
Environmental Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(437 580)	-
	562 420	**-**
Conditions still to be met - remain liabilities (see note 14).		

Notes to the Financial Statements

21. Other revenue

	2016 R	2015 R
Rental income - third party	272 356	287 486
Recovery - Telephone	8 664	11 455
Sundry income	491 960	237 688
	772 980	**536 629**

22. General expenses

	2016 R	2015 R
Accounting fees	-	10 753
Advertising	131 888	141 347
Arts & Culture	112 800	-
Assessment rates & municipal charges	826 748	559 241
Auditors remuneration	2 005 198	2 075 812
Bank charges	166 718	68 358
Budget & IDP roadshows	158 117	-
Cleaning	113 045	279 738
Consulting and professional fees	3 439 457	3 043 869
Consumables	715 279	565 270
Debt collection	51 126	47 044
Entertainment	19 360	28 334
Insurance	779 691	686 355
Conferences and seminars	109 077	29 567
Audit commitee costs	193 742	915 256
Chemicals	667 714	546 422
Lease rentals on operating lease	348 816	575 250
Fleet	2 400 121	2 563 411
Internal audit fees	-	18 490
Magazines, books and periodicals	96	-
Membership fees	754 094	-
Postage and courier	656 938	11 068
Printing and stationery	143 325	73 075
Professional fees - VAT	777 574	959 649
Project initiation	1 111 024	1 826 763
Promotions and marketing	89 371	29 347
Protective clothing	16 141	112 650
License fees	143 170	183 102
Staff welfare	38 505	8 273
Telephone and fax	937 483	855 250
Town planning support	196 785	1 445 838
Training	370 441	416 519
Travel - local	1 522 081	1 358 183
Electricity	4 388 623	4 956 900
Tourism development programmes	10 972	22 387
Water analysis	957 295	807 290
General expenditure	227 373	2 763 850
ICT management	2 979 246	-
Road asset management	1 810 526	-
Call centre management	1 878 840	-
Sports development programmes	-	1 137 321
Senior citizens programmes	59 560	-
Disabled programme	8 000	-
Gender programme	17 500	-
Kwanaloga games	1 022 728	-
Community assets	18 829 194	29 910 614
VAT penalties and interest	-	1 396 422
GIS implementation	72 992	-
Disaster management programmes	35 651	468 887
	51 294 425	**60 897 905**

Notes to the Financial Statements

23. Operating surplus

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

	2016 R	2015 R
Operating lease charges		
Equipment - contractual amounts	348 816	575 250
Loss on scrapping of property, plant and equipment	430 260	1 465 900
Depreciation and amortisation of fixed assets	28 791 450	27 005 892
Impairment of property, plant and equipment	6 641 627	1 711 756
Employee costs	81 375 498	72 785 324
Newly identified assets at fair value	-	1 426 246

Amajuba District Municipality
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Notes to the Financial Statements

24. Employee related costs

	2016 R	2015 R Restated
Basic	50 405 996	46 249 682
Bonus	3 726 523	4 030 928
Medical aid - company contributions	3 030 867	2 704 650
UIF and SDL	1 006 834	975 145
Other payroll levies	-	309 460
Leave pay provision charge	4 285 628	1 781 435
Short term benefit 1	-	3 132
Defined contribution plans	6 101 903	5 582 451
Travel, motor car, accommodation, subsistence and other allowances	5 447 965	5 526 358
Overtime payments	4 649 735	4 667 547
Housing benefits and allowances	277 445	205 048
Bargaining council contribution	14 876	13 281
Standby Allowance	716 453	676 462
Shift Allowance	67 248	59 745
13 Cheque accrual	1 644 025	-
	81 375 498	**72 785 324**

Remuneration of Municipal Manager

Annual Remuneration	1 054 800	1 054 800
Car Allowance	186 000	186 000
Housing allowance and annual bonus	270 707	270 707
	1 511 507	**1 511 507**

Remuneration of Chief Financial Officer

Annual Remuneration	616 021	459 750
Cellphone allowance	13 500	7 500
	629 521	**467 250**

The Chief Financial Officer was in the employ of the municipality for 5 months of the 2015 financial year and 9 months of the 2016 financial year.

Corporate Services

Annual Remuneration	198 750	213 129
Car Allowance	-	47 606
Cellphone allowance	4 500	4 500
	203 250	**265 235**

The Director Corporate Services was in the employ of the municipality for only 3 months in the 2015 financial year and 3 months of the 2016 financial year.

Director of Engineering Services

Annual Remuneration	666 012	666 012
Car Allowance	151 727	151 727
Housing allowance and annual bonus	225 200	225 200
	1 042 939	**1 042 939**

Director of Development and Planning

Annual Remuneration	746 914	746 914
Car Allowance	229 994	229 994
Housing allowance	66 031	66 031
	1 042 939	**1 042 939**

Notes to the Financial Statements

24. Employee related costs (continued)

Director of Community Services

	2016 R	2015 R
Annual Remuneration	826 284	826 284
Car Allowance	144 531	144 531
Annual bonus	72 124	72 124
	1 042 939	**1 042 939**

25. Remuneration of councillors

	2016 R	2015 R
Mayor	685 377	685 377
Deputy Mayor	342 577	342 577
Executive Committee Members	581 089	581 089
Speaker	536 311	536 311
Councillors	2 200 707	2 174 981
	4 346 061	**4 320 335**

In-kind benefits

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

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

26. Investment revenue

	2016 R	2015 R
Interest revenue		
Banks	1 788 345	1 017 113

27. Depreciation and amortisation

	2016 R	2015 R
Property, plant and equipment	27 827 920	26 694 962
Intangible assets	940 620	288 050
Investment property	22 910	22 880
	28 791 450	27 005 892

28. Finance costs

	2016 R	2015 R
Other interest payable	935 897	1 758 247

29. Auditors' remuneration

	2016 R	2015 R
Fees	2 005 198	2 705 812

30. Contracted services

	2016 R	2015 R
Security Services	3 173 459	3 691 953
Pest control and hygiene services	179 504	111 907
Water Tanker Services	12 649 657	11 515 714
VIP Desludging	3 652 778	3 622 807
	19 655 398	**18 942 381**

Notes to the Financial Statements	2016 R	2015 R

31. Bulk purchases

Water	13 517 542	7 510 997

32. Cash generated from (used in) operations

(Deficit) Surplus for the year	(9 364 771)	7 271 979
Adjustments for:		
Depreciation : Property plant and equipment	27 827 920	26 694 962
Depreciation : Investment property	22 910	22 880
Impairment : Intangible assets	940 620	288 050
Impairment : Property, plant and equipment	6 641 627	1 711 756
Loss on disposal of property, plant and equipment	430 260	1 465 900
Donated assets - Sportsfields	2 953 939	-
Newly identified assets at fair value	-	(1 426 246)
Changes in net assets relating to prior year	-	6 283 397
Movements in provisions	5 335 662	1 742 845
Changes in working capital:		
Receivables from non-exchange transactions	242 692	215
VAT receivable	2 904 335	(2 699 426)
Consumer debtors	2 858 899	(9 242 704)
Inventory	310 408	20 997
Payables from exchange transactions	2 460 984	24 186 458
Unspent conditional grants and receipts	11 853 826	(15 807 799)
Cash generated from (used in) operations	**55 419 311**	**40 513 264**

33. Commitments
Authorised capital expenditure

Already contracted for		
Property, plant and equipment	132 874 404	87 103 961
Not yet contracted for and authorised by accounting officer		
Property, plant and equipment	28 867 500	15 014 000

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

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

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

35. Related parties
`

Relationships

Shareholder with joint control uThukela Water(Proprietary) Limited

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

Related party balances

Amounts included in Trade Receivables (Trade Payables) regarding related parties		
uThukela Water(Proprietary) Limited	(34 051 293)	(23 264 460)

Related party transactions

Purchases from (sales to) related parties		
uThukela Water (Proprietary) Limited	13 207 134	7 510 997

Notes to the Financial Statements	**2016 R**	**2015 R Restated**

36. Prior year errors

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

	Previously reported	**Restated**
Statement of Financial Position	**R**	**R**
External loan	(10 224 014)	(9 462 448)
- The arrears of R761 566 at 30 June 2015 were accounted for twice		
Receivables from non-exchange transactions	3 187 895	2 993 188
- S & T advances of R194 707 were accounted for incorrectly		
VAT receivable	10 624 899	8 193 915
- The 30 June 2015 VAT content amounting to R417 676 of one creditor was overstated		
- The VAT content of debtors at 30 June 2015 totalling R2 013 308 was not taken into account when correcting the VAT balance at 30 June 2015		
Property, plant and equipment	311 320 418	320 089 324
- Fixed assets totalling R8 768 906 were identified during the current year physical verification which assets had not been accounted for at 30 June 2015		
Intangible assets	7 241 290	2 533 528
- Intangible assets of R4 707 762 were incorrectly accounted for at 30 June 2015		
Retentions	(3 966 333)	(4 266 607)
- Retention balances at 30 June 2015 were understated by R300 274		
	318 184 155	320 080 900
Net restatement		1 896 745
Accumulated surplus	614 931 295	615 797 558
Net restatement		866 263
Statement of Financial Performance		
Expenditure		
Employee related costs	72 507 103	72 785 324
- 2015 Employee deductions totalling R278 221 were not paid to SARS and were deducted from a VAT refund in the 2016 financial year		
Net restatement		278 221

Amajuba District Municipality
Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements

37. Risk management

Capital risk management

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

	2016 R	2015 R
Total borrowings		
Finance lease obligation	11 754	79 089
Other financial liabilities	9 596 135	9 462 448
	9 607 889	**9 541 537**
Less: Cash and cash equivalents	(17 989 672)	(147 870)
	(8 381 783)	9 393 667
Total equity	540 645 023	615 797 558
Total capital	**532 263 240**	**625 191 225**

Liquidity risk

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

Interest rate risk

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

Credit risk

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

38.Going concern

We draw attention to the fact that at 30 June 2016, while the municipality had an accumulated surplus of R606 432 787, the current liabilities exceeded the current assets by R62 998 395 and that the available cash resources did not cover the commitments for unspent conditional grants with an amount of R674 011 uncovered .
The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that both Provincial and National government have neither the intention nor the need to liquidate or curtail materially the scale of funding of the municipality.

39. Unauthorised expenditure

	2016 R	2015 R
Unauthorised expenditure	674 011	6 661 987
Budget overspending	52 701 079	46 541 136
	53 375 090	**53 203 123**

Notes to the Financial Statements

	2016 R	2015 R

39. Unauthorised expenditure (continued)

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

40. Fruitless and wasteful expenditure

	2016 R	2015 R
Fruitless and wasteful expenditure	**48 779**	**1 469 509**

Fruitless and wasteful expenditure relates to penalties incurred because of late payments.

41. Irregular expenditure

	2016 R	2015 R
Opening balance	50 069 688	47 738 282
Add: Irregular Expenditure - current year	1 436 058	2 411 406
Less: Amounts condoned	(913 287)	(80 000)
	50 592 459	**50 069 688**

Analysis of expenditure awaiting condonation (under investigation)

	2016 R	2015 R
Current year	522 771	2 411 406
Prior years	50 069 688	47 658 282
	50 592 459	**50 069 688**

Details of irregular expenditure – current year
See Note 43

Details of irregular expenditure condoned

	2016 R	2015 R
Exceptional cases, single provider and some emergencies	913 287	-
Acting Allowance payments	-	80 000
	913 287	**80 000**

Details of irregular expenditure recoverable (not condoned)
None -

Notes to the Financial Statements

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2016 R	2015 R
Current year subscription / fee	754 094	-
Amount paid - current year	(754 094)	-
	-	-

Audit fees

	2016 R	2015 R
Current year subscription / fee	2 005 198	2 075 812
Amount paid - current year	(2 005 198)	(2 075 812)
	-	-

PAYE and UIF

	2016 R	2015 R
Current year subscription / fee	13 757 638	12 877 202
Amount paid - current year	(13 757 638)	(12 877 202)
	-	-

Pension and Medical Aid Deductions

	2016 R	2015 R
Current year subscription / fee	12 371 196	12 867 977
Amount paid - current year	(12 371 196)	(12 867 977)
	-	-

VAT

	2016 R	2015 R
VAT receivable	5 289 580	8 193 915

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

Notes to the Financial Statements

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

Supply chain management regulations (SCM Deviations)

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

	2016 R	2015 R
Incident		
SALGA Games Accomodation - direct purchase		865 800
Direct Purchase - Supply and deliver round-up ready maize seeds		199 300
TLB Hire services		127 572
SCM - Impractical to follow SCM procedure		888 460
Expenditure on emergency repairs	685 517	-
Exceptional cases where it is impractical or impossible to follow the official procurement processes	614 247	-
Expenditure on goods or services which are produced by, or available from, a single provider only	136 294	-
	1 436 058	**2 081 132**

44. Utilisation of Long-term liabilities reconciliation

	2016 R	2015 R
Long-term liabilities raised	-	29 195
Used to finance property, plant and equipment	-	(29 195)
	-	**-**

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

45. Water losses

	2016 R	2015 R
The water losses are as follows:		
Kilolitres	1003.98kl	1,035,740 kl
Valued at cost	R 1 003 982	R 8 413 657

46. Deviation from supply chain management regulations

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

Notes to the Financial Statements

3. Investment property

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	569 052	(84 007)	485 045	569 052	(61 097)	507 955

Reconciliation of investment property - 2016

	Opening balance	Additions	Depreciation	Total
Investment property	507 955		(22 910)	485 045

Reconciliation of investment property - 2015

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

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.

Subsequent to 30 June 2016 the investment property was sold for R2 997 682.

4. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	569 591	-	569 591	569 591	-	569 591
Buildings	48 565 916	(7 438 743)	41 127 173	36 118 430	(6 341 324)	29 777 106
Plant and machinery	6 314 689	(4 522 511)	1 792 178	6 027 274	(4 107 056)	1 920 218
Furniture and fixtures	3 208 561	(2 583 567)	624 994	3 208 561	(2 304 026)	904 535
Motor vehicles	9 677 003	(4 556 908)	5 120 095	7 563 190	(5 152 530)	2 410 660
Office equipment	5 540 331	(4 150 443)	1 389 888	5 379 586	(3 752 626)	1 626 960
IT equipment	138 657	(66 281)	72 376	138 657	(34 153)	104 504
Park facilities	36 329 027	(14 183 699)	22 145 328	38 883 382	(12 717 194)	26 166 188
Wastewater network	67 193 607	(27 356 711)	39 836 896	67 193 607	(18 645 376)	48 548 231
Water network	264 623 154	(57 422 235)	207 200 919	244 331 375	(36 270 044)	208 061 331
Total	**442 160 536**	**(122 281 098)**	**319 879 438**	**409 413 653**	**(89 324 329)**	**320 089 324**

Notes to the Financial Statements

4.Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Expenditure on uncompleted projects	Depreciation	Impairment loss	Total
Land	569 591						-	569 591
Buildings	29 777 106				12 447 486	(1 097 419)		41 127 173
Plant and machinery	1 920 218	456 298	(64 294)			(519 839)	(205)	1 792 178
Furniture and fixtures	904 535					(279 541)		624 994
Motor vehicles	2 410 660	3 766 700	(428 180)			(541 705)	(87 380)	5 120 095
Office equipment	1 626 960	370 913	(26 687)			(581 298)		1 389 888
IT equipment	104 504					(32 128)		72 376
Park facilities	26 166 188	399 584	(2 953 939)			(1 457 300)	(9 205)	22 145 328
Wastewater network	48 543 991					(8 642 059)	(65 036)	39 836 896
Water network	208 065 571	2 508 503			17 783 277	(14 676 631)	(6 479 801)	207 200 919
	320 089 324	**7 501 998**	**(3 473 100)**	**0**	**30 230 763**	**(27 827 920)**	**(6 641 627)**	**319 879 438**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Newly identified assets at fair value	Depreciation	Impairment loss	Total
Land	569 591	-	-	-	-	-	-	569 591
Buildings	19 897 741	10 911 040	-	61 905	-	(1 093 580)	-	29 777 106
Plant and machinery	1 183 693	32 680	-	-	1 121 562	(368 721)	(48 996)	1 920 218
Furniture and fixtures	1 117 108	53 253	-	-	8 306	(274 888)	(2 216)	901 563
Motor vehicles	2 962 000	-	-	-	10 387	(557 378)	(4 349)	2 410 660
Office equipment	1 320 456	689 298	(8 539)	-	89 151	(461 091)	(2 315)	1 626 960
IT equipment	112 365	29 194	(5 273)	-	-	(29 382)	(2 400)	104 504
Park facilities	28 853 357	-	-	(61 905)	-	(1 621 284)	(1 003 980)	26 166 188
Wastewater network	58 656 895	533 824	(1 345 727)	-	122 464	(8 885 147)	(647 500)	48 434 809
Water network	189 037 371	23 806 924	(106 361)	-	74 376	(13 403 491)	-	199 408 819
	303 710 577	**36 056 213**	**(1 465 900)**	**-**	**1 426 246**	**(26 694 962)**	**(1 711 756)**	**311 320 418**

Reconciliation of Work-in-Progress - 2016

	Included within Infrastructure	Included within Community	Included within other PPE	Total
Opening balance	23 281 941	13 712 365	4 707 762	41 702 068
Additions/capital expenditure	17 783 277	12 447 486		30 230 763
Sportsfields transferred		(2 953 939)		(2 953 939)
Intangible assets corrections			(4 707 762)	(4 707 762)
Transferred to completed items	(16 284 064)			(16 284 064)
	24 781 154	**23 205 912**	**-**	**47 987 066**

Reconciliation of Work-in-Progress - 2015

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

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.

Notes to the Financial Statements

5.Intangible assets

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	**3 977 668**	**(2 384 759)**	**1 592 909**	**3 977 667**	**(1 444 139)**	**2 533 528**

Reconciliation of intangible assets - 2016

	Opening balance	Corrections	Impairment loss	Total
Computer software	**7 241 290**	**(4 707 761)**	**(940 620)**	**1 592 909**

Reconciliation of intangible assets - 2015

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

6.Investment in associate

Name of entity		% holding 2016	% holding 2015	Carrying 2016 R	Carrying 2015 R
uThukela Water (Pty) Ltd	Unlisted	0,333	0,333		**355 636 131**

The carrying amounts of associates are shown net of impairment losses.
The annual financial statements of Uthukela Water (Pty)Ltd are prepared for the accounting period 01 July 2015 to 30 June 2016 , which is the same as the Amajuba District Municipality , no adjustments were made to this effect. No loans were made to or received from the associate. No shares were sold nor any acquired during the year..
With effect from 01 July 2013, the municipality has taken over a portion of the assets, liabilities and staff that relate to Amajuba District Municipality from uThukela Water. The municipality is therefore providing water and sanitation services as a water services provider and authority.

Movements in carrying value	**2016**	**2015**
	R	**R**
Opening balance	355 636 131	79 241 176
Increase (Decrease) in value	(65 787 764)	276 394 955
	289 848 367	**355 636 131**

Statement of Comparison of Budget and Actual Amounts
(Budget prepared on a Cash Basis)

	Approved Budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Explanation of variances
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	19 666 052	3 000 000	**22 666 052**	24 422 179	**1 756 127**	Data cleansing exercise assisted the municipality's billing, resulting in an improvement.
Rental of facilities and equipment	363 632	86 368	**450 000**	272 356,00	**(177 644)**	Budget was overstated.
Interest received (trading)	1 210 000	1 212 842	**2 422 842**	2 335 786	**(87 056)**	The effective implementation of credit control reduced the interest charged on overdue accounts.
Recoveries	20 000	(11 500)	**8 500**	8 664	**164**	Not applicable
Sundry Revenue	378 900	84 652	**463 552**	491 960	**28 408**	More tender documents were sold during the financial year.
Interest received - investment	350 000	50 000	**400 000**	1 788 345	**1 388 345**	Ring fencing of conditional grants played a major role in increasing interest earnings.
Total revenue from exchange transactions	**21 988 584**	**4 422 362**	**26 410 946**	**29 319 290**	**2 908 344**	
Revenue from non-exchange transactions						
Taxation revenue						
Indirect taxes (VAT recovery)	11 383 503	(11 383 503)	**-**	7 771 532	**7 771 532**	This item is difficult to budget for - it is accounted for as and when the related expenditure occurs.
Government grants & subsidies	129 796 001	5 990 832	**135 786 833**	190 394 937	**54 608 104**	Grants to fund capital expenditure and community assets were not budgeted for.
Public contributions and donations	-		**-**	220 000	**220 000**	This was a donation for the SALGA games. It was not meant for the municipality's operations, so it could not have been budgeted for.
Total revenue from non-exchange transactions	**141 179 504**	**(5 392 672)**	**135 786 833**	**198 386 469**	**62 599 636**	
Total revenue	**163 168 088**	**(970 309)**	**162 197 779**	**227 705 759**	**65 507 980**	
Expenditure						
Personnel	81 241 639	(10 451 599)	**70 790 040**	81 375 498	**(10 585 458)**	The budgeted expense did not include contributions to the leave pay provision and the 13th cheque accrual.
Remuneration of councillors	5 708 437	(534 604)	**5 173 833**	4 346 061	**827 772**	The municipality budgeted for the councillors upper limits, but these were not approved by COGTA
Depreciation and amortisation	2 685 000	22 856 952	**25 541 952**	35 433 077	**(9 891 125)**	It is not practical to budget for Impairement or amortisation.
Finance costs	3 685 682	(2 924 116)	**761 566**	935 897	**(174 331)**	The budgeted expense was understated.
Debt impairment and provisions	2 725 000	4 747 794	**7 472 794**	17 568 479	**(10 095 685)**	This is due to non collection on long outstanding debts. The provision was based only on domestic customers' outstandings.
Repairs and maintenance	5 650 000	969 857	**6 619 857**	9 557 525	**(2 937 668)**	Costs are high due the aging of infrastructure. The municipality cannot afford to replace those assets.
Bulk purchases	9 509 470	5 490 530	**15 000 000**	13 517 542	**1 482 458**	The budgeted expense was overstated.
Contracted Services	12 450 000	6 338 000	**18 788 000**	19 655 398	**(867 398)**	More water tanker services due to the drought.
Other Expenses	36 916 524	(6 079 314)	**30 837 209**	51 296 854	**(20 459 645)**	It was not possible to budget for expenditure on community assets.
Total expenditure	**160 571 753**	**20 413 499**	**180 985 252**	**233 686 331**	**(52 701 079)**	
Operating surplus (deficit)	**2 596 335**	**(21 383 809)**	**(18 787 473)**	**(5 980 572)**	**12 806 901**	
Loss on disposal of assets				(3 384 199)	**(3 384 199)**	It is not possible to budget for this item.
Contributions to capital	(1 080 000)				**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**1 516 335**	**(21 383 809)**	**(18 787 473)**	**(9 364 771)**	**9 422 702**	