



AMATHOLE
DISTRICT MUNICIPALITY

**Annual Financial Statements
for the year ended 30 June 2018**

DRAFT

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

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The reports and statements set out below comprise the Annual financial statements presented to the Council.

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Abbreviation

GRAP	Generally Recognised Accounting Practice
ADM	Amathole District Municipality
NT	National Treasury
PT	Eastern Cape Provincial Treasury
DWS	Department of Water and Sanitation
AEDA	Amathole Economic Development Agency SOC Limited t/a ASPIRE
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)
EPWP	Expanded Public Works Programme
VAT	Value Added Taxation

Amathole District Municipality

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General Information

Mayoral Committee

Executive Mayor	Nxawe, N. N
Speaker	Ndikinda, N
Chief Whip	Ndwayana, S.E
Councillors	Mgidlana, N (Corporate Services Human Resources and Admin) Plaatjie, N (Community Safety) Ganjana, B. M (Land and Housing) Zuka, S. M (Local Economic Development) Namba, M. M (Strategic Planning) Kabane, Z (Budget and Treasury) Jacobs, L. E. V (Engineering and Infrastructure) Tekile, N. W (Community Services:Health) Bonga, N. A (Legislation and Essential Services)

Grading and Jurisdiction

Grade 7

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

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

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

Provincial Administration areas

The Amathole District Municipality's demarcated area is made up of six (6) local municipalities namely :

Amahlathi Municipality

Great Kei Municipality

Mbhashe Municipality

Mnquma Municipality

Ngqushwa Municipality

Raymond Mhlaba Municipality (formerly Nxuba and Nkonkobe municipalities)

LEGISLATION

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

Municipal Finance Management Act 56 of 2003

Municipal Demarcation Act 27 of 1998

Municipal Structures Act 117 of 1998

Laws Amendment Act 51 of 2002

Constitution of the Republic of South Africa Act No. 108 as amended

Municipal Systems Act 32 of 2000

Water Service Act 108 of 1997

Basic Conditions of Employment Act 75 of 1997

Labour Relations Act 66 of 1995

Remuneration of the Public Office Bearers Act 20 of 1998

Division of Revenue Act 3 of 2016

Housing Act 107 of 1997

Local government transitions Act 209 of 1993

Local government transitions Act Second 97 of 1996

Local government: Municipal Planning and Performance Management Regulations 2001

Local government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers 2006

Supply Chain Management Regulations 2005

Value Added Tax Act 89 of 1991, and

Unemployment Insurance Act 30 of 1996

Municipal Manager	Dr T.T. Mnyimba
Office number	043 701 2257
Email	thandekilem@amathole.gov.za
Business address	Waverly Office Park No 3 - 33 Phillip Frame Road Chiselhurst 5247
Postal address	PO Box 320 East London 5200
Banker	Standard Bank, East London
Auditors	Auditor General of South Africa Registered Auditors

Amathole District Municipality

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General Information

Councillors

Baleni, X	Mbhashe Local Municipality
Tyodana, X	Mbhashe Local Municipality
Genyana, C	Mbhashe Local Municipality
Nyalambisa, N	Mbhashe Local Municipality
Nqwena, N	Mbhashe Local Municipality
Msindwana, K	Mbhashe Local Municipality
Mafanya-Goniwe, T	Mbhashe Local Municipality
Mantshiyo, L	Mbhashe Local Municipality
Hobo, A	Amahlathi Local Municipality
Balindlela, T	Amahlathi Local Municipality
Pose, N	Amahlathi Local Municipality
Mevana, N.V	Great Kei Local Municipality
Skelenge, N	Mnquma Local Municipality
Siyu, Z	Mnquma Local Municipality
Plaatjie, N	Mnquma Local Municipality
Tshona, N. R	Mnquma Local Municipality
Xhongwana, Z	Mnquma Local Municipality
Mnqokoyi, Z	Mnquma Local Municipality
Magwaca, K	Mnquma Local Municipality
Bomela, Z	Mnquma Local Municipality
Dywili, M. D	Raymond Mhlaba Local Municipality
Penisi, L. D	Raymond Mhlaba Local Municipality
Badi, X. C	Raymond Mhlaba Local Municipality
Ngaye, T	Raymond Mhlaba Local Municipality
Auld, C. A	Raymond Mhlaba Local Municipality
Maneli, S	Ngqushwa Local Municipality
Ncanywa, D	Ngqushwa Local Municipality
Siwisa, M. T	Ngqushwa Local Municipality
Konza, N	Proportional Representative
Mfecane, N	MPAC Chairperson
Rulashe, N	Proportional Representative
Lombard, J	Proportional Representative
Matshobeni, A	Proportional Representative
Sitole, P. S	Proportional Representative
Tolobisa, M. D	Proportional Representative
Goniwe, P. B	Proportional Representative

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 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 dependent on grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Amathole District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Dr T.T Mnyimba
Municipal Manager

L.M Mosala
Chief Financial Officer

Amathole District Municipality

Annual Financial Statements as at 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated
Assets			
Current Assets			
Inventories	11	4 053 626	8 424 226
Receivables from exchange transactions	12	190 011 214	131 592 413
Receivables from non- exchange transactions	13	3 604 560	4 754 423
Cash and cash equivalents	15	162 228 288	167 557 250
		359 897 687	312 328 312
Non - Current Assets			
Investment property	3	151 764 161	152 121 774
Property, plant and equipment	4	5 116 654 615	4 765 164 591
Intangible assets	5	27 790 497	37 214 194
Heritage assets	6	400 000	400 000
Investments in controlled entities	7	1 000	1 000
Non - current Investments	18	2 000 000	-
Non current receivables	8	1 710 803	1 710 906
		5 300 321 076	4 956 612 465
Total Assets		5 660 218 763	5 268 940 777
Liabilities			
Current Liabilities			
Finance lease obligation	16	144 261	148 421
Payables from exchange transactions	20	465 664 272	385 948 633
Taxes and transfers payable (non - exchange)	21	12 674 527	8 210 634
Vat Payable	54	172 561	19 782 036
Consumer deposits	22	3 017 984	2 989 539
Unspent conditional grants and receipts	17	71 708 087	50 801 687
Provisions	19	17 287 401	13 795 875
		570 669 094	481 676 825
Non- current Liabilities			
Finance lease obligation	16	4 160	659 962
Operating lease liability	9	960 594	1 301 522
Employee benefit obligation	10	253 977 571	263 544 392
		254 942 325	265 505 876
Total Liabilities		825 611 418	747 182 701
Net Assets		4 834 607 345	4 521 758 075
Reserves			
Accumulated surplus		4 834 607 345	4 521 758 076
Total Net Assets		4 834 607 345	4 521 758 075

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance for the year ended 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated
Revenue			
Revenue from exchange transaction			
Service charges	24	262 030 590	221 794 532
Rental of facilities and equipment	25	308 026	335 593
Interest earned outstanding receivables	50	40 792 184	32 914 767
Other income	26	2 019 883	7 990 855
Interest received - Investment	27	6 542 063	15 566 238
Total revenue from exchange transaction		311 692 746	278 601 985
Revenue from non - exchange transaction			
Transfer revenue			
Government grants & subsidies	28	1 281 917 998	1 164 929 622
Own revenue - VAT on other grants	23	16 195 782	16 168 543
Own revenue - VAT on MIG	23	49 007 661	37 405 389
Total revenue from non - exchange transaction		1 347 121 441	1 218 503 554
Total revenue	23	1 658 814 187	1 497 105 539
Expenditure			
Employee related costs	29	(747 037 493)	(629 007 597)
Remuneration of councillors	30	(14 644 800)	(14 428 346)
Depreciation and amortisation	31	(111 031 181)	(107 741 926)
Finance costs	32	(26 608 885)	(24 634 956)
Debt impairment	33	(91 755 544)	(128 945 383)
Collection costs		(501 358)	(943 604)
Repairs and maintenance	52	(16 508 637)	(20 715 203)
Bulk purchases	34	(92 358 696)	(91 620 498)
Contracted services	35	(39 887 987)	(37 101 242)
Transfers and grants expenditure	55	(45 952 805)	(70 164 411)
General expense	36	(220 824 438)	(221 630 550)
Total expenditure		(1 407 111 822)	(1 346 933 714)
Operating surplus		251 702 364	150 171 825
Loss on disposal of assets	51	(845 942)	(5 326 141)
Actuarial gains	10	61 992 848	17 577 099
Surplus for the year		312 849 270	162 422 783

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total Net Assets
Opening balance as previously reported	4 349 347 355	4 349 347 355
Prior year adjustments (Note 43)	9 987 937	9 987 937
Balance at 01 July 2016 as restated	4 359 335 292	4 359 335 292
Changes in net assets		
Surplus for the 30 June 2017	162 422 783	162 422 783
Total changes	162 422 783	162 422 783
Balance at 01 July 2017 as restated	4 521 758 075	4 521 758 075
Changes in net assets		
Surplus for the year	312 849 270	312 849 270
Balance at 30 June 2018	4 834 607 345	4 834 607 345

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement for the year ended 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated
Cash flows from operating activities			
Receipts			
Service charges		111 856 245	76 984 152
Grants		1 261 011 597	1 173 816 883
Interest income		47 334 247	48 481 005
Other receipts		68 681 216	61 533 308
		1 488 883 304	1 360 815 348
Payments			
Employee costs		(757 218 400)	(619 039 194)
Suppliers		(360 639 285)	(307 819 406)
Finance costs		(26 608 885)	(8 178 141)
		(1 144 466 569)	(935 036 741)
Net cash flows from operating activities	38	344 416 735	425 778 607
Cash flow from investing activities			
Purchase of property, plant and equipment	4	(347 139 038)	(365 442 969)
Proceeds from sale of property, plant and equipment	4	20 594	264 549
Purchase of other intangible assets	5	(0)	(15 159 034)
Increase in current investment		(2 000 000)	-
Increase in non-current receivables		103	1 689
Movement in current portion of non-current receivables		-	125 597 660
Net cash flows from investing activities		(349 118 341)	(254 738 105)
Cash flow from financing activities			
Movement in interest bearing borrowings DBSA		-	(132 684 268)
Proceeds from consumer deposits		28 446	231 710
Finance lease payments		(655 802)	(2 395 326)
Net cash flows from financing activities		(627 356)	(134 847 884)
Net increase/(Decrease) in cash and cash equivalents		(5 328 962)	36 192 618
Cash and cash equivalent at the beginning of the year		167 557 250	131 364 632
Cash and cash equivalent at the end of the year	15	162 228 288	167 557 250

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on accrual basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transaction						
Service charges	255 908 204	(99 117 164)	156 791 040	262 030 590	105 239 550	1
Rental of facilities and equipment	355 588	-	355 588	308 026	(47 562)	2
Interest earned outstanding receivables	2 584 671	-	2 584 671	40 792 184	38 207 513	3
Other income	297 221 253	(211 758 428)	85 462 825	2 019 883	(83 442 942)	4
Interest received - Investment	9 324 497	-	9 324 497	6 542 063	(2 782 434)	5
Total revenue from exchange transaction	565 394 213	-310 875 592	254 518 621	311 692 746	57 174 125	
Revenue from non - exchange transaction						
Transfer revenue						
Government grants & subsidies	1 278 265 335	(7 080 000)	1 271 185 335	1 281 917 998	10 732 663	6
Own revenue - VAT on MIG	50 917 883	-	50 917 883	16 195 782	(34 722 101)	7
Own revenue - VAT on other grants	15 873 182	-	15 873 182	49 007 661	33 134 479	8
Total revenue from non - exchange transaction	1 345 056 400	-7 080 000	1 337 976 400	1 347 121 441	9 145 041	
Total revenue	1 910 450 613	-317 955 592	1 592 495 021	1 658 814 187	66 319 166	
Expenditure						
Employee related costs	733 533 597	(2 508 011)	731 025 586	(747 037 493)	(16 011 907)	9
Remuneration of councillors	14 202 363	-	14 202 363	(14 644 800)	(442 437)	10
Depreciation and amortisation	107 594 641	-	107 594 641	(111 031 181)	(3 436 540)	11
Finance costs	22 851 570	-	22 851 570	(26 608 885)	(3 757 315)	12
Debt impairment	105 755 544	(14 000 000)	91 755 544	(91 755 544)	-	13
Collection costs	1 040 000	-	1 040 000	(501 358)	538 642	14
Repairs and maintenance	19 100 000	-	19 100 000	(16 508 637)	2 591 363	15
Bulk purchases	112 000 000	8 000 000	120 000 000	(92 358 696)	27 641 304	16
Contracted services	31 185 500	10 413 182	41 598 682	(39 887 987)	1 710 695	17
Transfers and grant expenditure	-	(7 080 000)	(7 080 000)	(45 952 805)	(53 032 805)	18
General expenses	225 666 353	103 453 583	329 119 936	(220 824 438)	108 295 498	19
Total expenditure	1 372 929 568	98 278 754	1 471 208 322	(1 407 111 822)	64 096 500	
Operating surplus	537 521 045	(219 676 838)	317 844 207	251 702 364	(66 141 843)	
Actuarial gain	-	-	-	61 992 848	61 992 848	
Loss on disposal of assets	-	-	-	(845 942)	(845 942)	20
(Deficit)/Surplus for the year	537 521 045	(219 676 838)	317 844 207	312 849 270	(4 994 937)	
Actual Amount on Comparable basis	537 521 045	(219 676 838)	317 844 207	312 849 270	(4 994 937)	

Amathole District Municipality

Annual Financial Statements for the period ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	8 742 639	-	8 742 639	4 053 626	(4 689 013)	1
Receivables from exchange transactions	133 558 485	-	133 558 485	190 011 214	56 452 729	2
Receivables from non- exchange transactions	51 488 000	-	51 488 000	3 604 560	(47 883 440)	3
VAT receivable	-	-	-	-	-	4
Cash and cash equivalents	16 121 027	-	16 121 027	162 228 288	146 107 261	5
	209 910 151	-	209 910 151	359 897 687	149 987 536	
Non - Current Assets						
Investment property	154 970 432	-	154 970 432	151 764 161	(3 206 271)	6
Property, plant and equipment	5 205 133 929	-	5 205 133 929	5 116 654 615	(88 479 314)	7
Intangible assets	28 453 558	-	28 453 558	27 790 497	(663 061)	8
Heritage assets	400 000	-	400 000	400 000	-	
Non - current investments	-	-	-	2 000 000	-	9
Investments in controlled entities	1 000	-	1 000	1 000	-	
Non - current receivables	1 710 906	-	1 710 906	1 710 803	(103)	
	5 390 669 825	-	5 390 669 825	5 300 321 076	(92 348 749)	
Total Assets	5 600 579 976	-	5 600 579 976	5 660 218 763	57 638 788	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	144 261	144 261	10
Payables from exchange transactions	340 125 000	-	340 125 000	465 664 272	125 539 272	11
Taxes and transfers payable (non - exchange)	-	-	-	12 674 527	12 674 527	12
Consumer deposits	3 112 625	-	3 112 625	3 017 984	(94 641)	13
Unspent conditional grants and receipts	39 172 361	-	39 172 361	71 708 087	32 535 727	14
Provisions	8 440 081	-	8 440 081	17 287 401	8 847 320	15
	390 850 067	-	390 850 067	570 496 532	179 646 465	
Non- current Liabilities						
Finance lease obligation	465 035	-	465 035	4 160	(460 875)	16
Operating lease liability	2 839 286	-	2 839 286	960 594	(1 878 692)	17
Employee benefit obligation	272 904 080	-	272 904 080	253 977 571	(18 926 509)	18
	276 208 401	-	276 208 401	254 942 325	(21 266 076)	
Total Liabilities	667 058 468	-	667 058 468	825 438 857	158 380 389	
Net Assets	4 933 521 507	-	4 933 521 507	4 834 779 906	(100 741 601)	-
Net assets attributable to owners of controlling entity						
Reserves						
Accumulated surplus	4 933 521 507	-	4 933 521 507	4 834 607 345	(98 914 162)	
Total Net Assets	4 933 521 507	-	4 933 521 507	4 834 779 906	(98 741 601)	

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Service charges	272 908 204	-	272 908 204	111 856 245	(161 051 959)	
Grants	1 278 265 335	-	1 278 265 335	1 261 011 597	(17 253 738)	
interest income	11 909 168	-	11 909 168	47 334 247	35 425 079	
Other receipts	151 017 708	-	151 017 708	68 681 216	(82 336 492)	
	1 714 100 415	-	1 714 100 415	1 488 883 304	(225 217 111)	
Payments						
Employee costs	(747 735 960)	-	(747 735 960)	(757 218 400)	(9 482 440)	
Suppliers	(405 991 853)	-	(405 991 853)	(360 639 285)	45 352 568	
Finance costs	(22 851 570)	-	(22 851 570)	(26 608 885)	(3 757 315)	
Taxation	-	-	-	-	-	
	(1 176 579 383)	-	(1 176 579 383)	(1 144 466 569)	32 112 814	
Net cash flows from operating activities	537 521 032	-	537 521 032	344 416 735	(193 104 297)	1
Cash flow from investing activities						
Purchase of property, plant and equipment	(537 521 032)	-	(537 521 032)	(347 139 038)	190 381 994	
Proceeds from sale of property, plant and equipment	-	-	-	20 594	20 594	
Purchase of intangible assets	-	-	-	(0)	(0)	
Increase in current investments	-	-	-	(2 000 000)	(2 000 000)	
	-	-	-	-	-	
Net cash flows from investing activities	(537 521 032)	-	(537 521 032)	(349 118 444)	188 402 588	2
Cash flow from financing activities						
Proceeds from consumer deposits	-	-	-	28 446	28 446	
Repayment of other financial liabilities	-	-	-	(655 802)	(655 802)	
Net cash flows from financing activities	-	-	-	(627 356)	(627 356)	3
Net increase/(Decrease) in cash and cash equivalents	-	-	-	(5 329 065)	(5 329 065)	
Cash and cash equivalent at the beginning of the year	195 045 741	-	195 045 741	167 557 250	(27 488 491)	
Cash and cash equivalent at the end of the year	195 045 741	-	195 045 741	162 228 185	(32 817 556)	

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Figures in Rand											
Municipality - 2018											
Financial Performance											
Service charges	272 908 204	(99 117 164)	173 791 040	-	-	173 791 040	262 030 590		88 239 550	151%	96%
Investment revenue	9 324 497	-	9 324 497	-	-	9 324 497	6 542 063		(2 782 434)	70%	70%
Transfers recognised - operational	780 372 763	(7 080 000)	773 292 763	-	-	773 292 763	763 014 155		(10 278 608)	99%	98%
Other own revenue	366 952 577	(211 758 428)	155 194 149	-	-	155 194 149	108 323 536		(46 870 613)	70%	30%
Total revenue											
(excluding capital transfers and contributions)	1 429 558 041	(317 955 592)	1 111 602 449	-	-	1 111 602 449	1 139 910 344		28 307 895	103%	80%
Employee costs	(733 533 597)	(2 508 011)	(736 041 608)	-	5 636 247	(730 405 361)	(747 037 493)	16 632 132	(16 632 132)	102%	102%
Remuneration of councillors	(14 202 363)	-	(14 202 363)	-	(449 609)	(14 651 972)	(14 644 800)	(7 172)	7 172	100%	103%
Debt impairment	(105 755 544)	14 000 000	(91 755 544)	-	190 825	(91 564 719)	(91 755 544)	190 825	(190 825)	100%	87%
Depreciation and asset impairment	(107 594 641)	-	(107 594 641)	-	(10 748 895)	(118 343 536)	(111 031 181)	(7 312 355)	7 312 355	94%	103%
Finance charges	(22 851 570)	-	(22 851 570)	-	(2 670 934)	(25 522 504)	(26 608 885)	1 086 381	(1 086 381)	104%	116%
Material and bulk purchases	(112 000 000)	(8 000 000)	(120 000 000)	-	9 972 893	(110 027 107)	(92 358 696)	(17 668 411)	17 668 411	84%	82%
Other expenditure	(293 991 853)	96 704 656	(197 287 197)	-	(12 332 842)	(209 620 039)	(323 675 224)	114 055 185	(114 055 185)	154%	110%
Total expenditure	(1 389 929 568)	100 196 645	(1 289 732 923)	-	(10 402 315)	(1 300 135 238)	(1 407 111 822)	106 976 584	(106 976 584)	108%	101%
Surplus/ (Deficit)	39 628 473	(217 758 947)	(178 130 474)	-	-10 402 315	(188 532 789)	(267 201 479)		(78 668 690)	142%	-674%
Transfers recognised - capital	497 892 572	3 206 390	501 098 962	-	-	501 098 962	518 903 843	(17 804 881)	17 804 881	104%	104%
Surplus / Deficit after capital transfers and contributions	537 521 045	(214 552 557)	322 968 488	-	-10 402 315	312 566 173	251 702 364	-17 804 881	(60 863 809)	81%	47%
Capital expenditure and funds sources											
Total capital expenditure	537 521 032	3 206 390	540 727 422	-	-	540 727 422	891 607 298	-	350 879 876	165%	166%
Source of capital funds											
Transfers recognised - capital	497 892 576	6 006 176	503 898 752	-	-	503 898 752	615 967 291	-	112 068 539	122%	124%
Internally generated funds	39 628 456	-2 799 786	36 828 670	-	-	36 828 670	26 446 288	-	(10 382 382)	72%	67%
Total sources of capital funds	537 521 032	3 206 390	540 727 422	-	-	540 727 422	642 413 579	-	101 686 157	119%	120%

Amathole District Municipality

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Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Figures in Rand											
Municipality											
Cash flows											
Net cash from operating (used)	537 521 032	-	537 521 032	-		537 521 032	344 416 735		(193 104 297)	64%	64%
Net cash from investing (used)	(537 521 032)	-	(537 521 032)	-		(537 521 032)	(349 118 341)		188 402 691	65%	65%
Net cash from financing (used)	-	-	-	-		-	(627 356)		(627 356)	#DIV/0!	#DIV/0!
Net increase /(decrease) in cash and cash equivalents	-	-	-	-		-	(5 328 962)		(5 328 962)	#DIV/0!	#DIV/0!
Cash and cash equivalents at the beginning of the year	195 045 741	-	195 045 741	-		195 045 741	167 557 250		167 557 250	86%	86%
Cash and cash equivalents at the end of the year	-	-	-	-		-	162 228 288		162 228 288	#DIV/0!	#DIV/0!

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Basis of presentation

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

Estimates

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

Pension and other post - employment benefits

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

For key actuarial assumptions, refer to note 10 " Employee Benefit obligations "

Depreciation and Amortisation

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

Infrastructure assets

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

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

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

Allowance for doubtful debts

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

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

Inventory - Water Stock

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

Impairments of non-financial assets

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

Provisions and contingent liabilities

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

Useful lives of waste and water network and other assets

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

Operating lease commitments - Municipality as lessor

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

Environmental rehabilitation provisions

The municipality operates a landfill site and has made critical assumptions for estimating the life expectancy and rehabilitation costs of the site.

1.4 Investment property

Investment property includes property (land or a building, or part of a building, or both land or buildings under a finance lease) held to earn rentals and /or for capital appreciation rather than held to meet service delivery objectives or sale in the ordinary course of business. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. Investment property is initially rerecognised when future benefits are probable and the cost or fair value can be determined reliably.

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

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

Cost model

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

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

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

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

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

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable. Property interests held under operating leases are classified and accounted for as investment property in the following circumstances. When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature and type of properties classified as held for strategic purposes, are as follows. The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statement (see note 3). The municipality discloses relevant information relating to assets under construction or development, in the notes to the Annual financial statements (see note 3).

Impairments

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

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

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting 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 or fair value 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 assets, or a combination of assets 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, its deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

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

Subsequent measurement

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

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

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

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

Item	Average useful life
Land	Indefinite Life
Buildings	30 years
Furniture and fixtures	7 to 10 years
Motor vehicles	
• Vehicle	5 years
• Specialised Vehicles	3 to 20 years
Office equipment	3 to 7 years
• IT equipment	
IT equipment	3 to 5 years
Infrastructure	
• Roads and paving's	10 to 30 years
• Sewerage Mains and Purification Works	4 to 55 years
• Water Supply and Reticulation	3 to 94 years
Community	
• Libraries	30 years
• Buildings	30 years
• Community Centres	20 years
• Recreational Facilities	30 years
Other property, plant and equipment	
• Specialised Plant and Equipment	5 to 15 years
• Emergency and Medical Equipment	5 to 15 years
Ancillary fleet equipment and security	
• Security Equipment	3 to 5 years
Bins and containers	5 to 10 years
• Other Items	2 to 5 years
Leased Assets	3 to 5 years

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

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

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Depreciation of an asset commences when the asset is ready for its use as intended by management.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where appropriate, the term of the relevant lease, and are recognised in the statement of financial performance.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal 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. The municipality separately discloses expenditure and maintain Property Plant and Equipment in the notes to Financial Statements (see note 4). The Municipality discloses relevant information relating to assets under construction or development in the notes to the Financial Statements (see note 4).

Impairments

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

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

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

Subsequent Measurement

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

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

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

Item	Useful life
Computer software	3 years

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

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

The amortisation period, the amortisation method and the residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance. The residual value of intangible assets is estimated to be nil. The municipality discloses relevant information relating to assets under construction, in the notes to financial statements (see note 5).

Impairments

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

Intangible assets are derecognised:

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

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

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Heritage assets

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 6). The municipality discloses relevant information relating to assets under construction or development in the notes to the financial statements (see note 6).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

Impairment

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

Derecognition

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

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

1.8 Investments in controlled entities

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

1.9 Financial instruments

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

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

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

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

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

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

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Classification

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

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

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

Class	Category
Trade payables	Financial liability measured at amortised cost
Other payables	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities.

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

Amathole District Municipality

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Accounting Policies

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, 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.

Reclassification

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

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

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

Offsetting

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

Gains and losses

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

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

Impairment of financial assets

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

Financial assets measured at amortised cost

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

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Accounting Policies

Receivables

Receivables are classified as financial assets at amortised cost less provision for impairment. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year end.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivables is impaired. Bad debts are written off in the year in which they are identified as irrecoverable, subject to the approval of the necessary delegated authority. Impairments are determined by discounting expected future cash flows to their present value. Amounts receivable within 12 months from the date of reporting are classified as current. An impairment of receivables is accounted for by reducing the carrying amount of receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a receivable is uncollectible, it is written off.

Subsequent recoveries of amounts previously written off are credited in the Statement of Financial Performance. Interest is charged on overdue amounts.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when:

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

Policies relating to specific financial instruments

Investment at amortised cost

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

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

Investment at cost

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

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

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Accounting Policies

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

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

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade and other payables

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

Borrowings and other financial liabilities

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

Loans and Receivables

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

1.10 VAT

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

1.11 Leases

Finance leases -municipality as a lessee

Recognition

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

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

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

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement

at inception date: namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement

Assets subject to a finance lease, as recognised in the statement of financial position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the of the future minimum lease payments. The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

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

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

Derecognition

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

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

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Accounting Policies

Subsequent measurement

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

Operating leases - municipality as a lessor

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

Recognition

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable

is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

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

Measurement

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

Derecognition

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

Operating leases - municipality as a lessee

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

1.12 Inventories

Initial recognition

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

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

Subsequent measurement

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

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

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

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

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

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

Derecognition

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

Amathole District Municipality

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Accounting Policies

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Identification

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.

This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:

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

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

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Accounting Policies

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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.

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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.

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Accounting Policies

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

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

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

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

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

Non-cash-generating assets are assets other than cash-generating assets. Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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Accounting Policies

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 Environmental Rehabilitation Provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure are based on the Municipality's policy, taking into account current technological, The provision for rehabilitation is recognised as and when the environmental liability arises. In so far as the obligations relate to assets, they are capitalised as part of the cost of those assets. Any unwinding of discount is charged to the statement of financial performance.

1.16 Employee benefits

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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Accounting Policies

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

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

Post-employment benefits

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

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

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

Multi-employer plans

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

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

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

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

Post-employment benefits: Defined contribution plans

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

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

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

Post-employment benefits : Defined benefits plans

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

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

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

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement. Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.

Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

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Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

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Accounting Policies

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An Annual charge to income is made to cover both these liabilities.

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

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

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

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

Medical Aid: Continued Members

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

Actuaries are used to determine the obligation on an Annual basis. The actuarial gain or loss is recognised in surplus or deficit.

Other Long Term Employee Benefits

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

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.18 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.

Amathole District Municipality

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Accounting Policies

Sale of goods

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

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

Rendering of Services

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

Interest, rentals and agency services

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

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

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Grants, transfers and donations

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

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

Gifts and donations, including goods in-kind

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

Amathole District Municipality

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Accounting Policies

1.20 Turnover

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

1.21 Investment income

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

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Translation of foreign currencies

Foreign currency transactions

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

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

1.24 Surplus/deficit

Gains and Losses

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

1.25 Comparative figures

Current year comparatives (budget)

Budget information in accordance with GRAP 1 and 24, has been provided as separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanations and comments to material differences are provided in the notes to the Annual financial statements. In addition a note has been added to the Annual financial statements, for the current financial year only. The annual budget figures included in the Annual financial statements are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan (IDP). The approved budget covers the fiscal period from 01/07/2017 to 30/06/2018. The Annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of budget and actual amounts. Comparative information is not required.

Prior year comparatives

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

1.27 Unauthorised expenditure

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

1.26 Fruitless and wasteful expenditure

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

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.28 Irregular expenditure

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

1.29 Use of estimates

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

1.30 Investments

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

1.31 Conditional grants and receipts

Government grants and other grants are recognised as revenue when:

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

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

1.32 Related parties

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

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

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

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

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

1.33 Commitments

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

1.34 Post balance sheet events

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date). The municipality will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	Restated R

2. New standards and interpretations

2.1 Standards and Interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods

Standard / Interpretation :	Effective date : Years beginning on or after	Expected impact :
GRAP 18 : Segment Reporting	01 April 2017	No effective date has been determined by the Minister of Finance. The Standard requires the identification and aggregation of the municipality into reportable segments. For each of the reportable segments. For each of the reportable segments identified details of the financial performance will be disclosed. The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting.
GRAP 20 : Related parties	01 April 2017	The municipality has based its accounting policy on this standard, hence it is unlikely that the standard will have a material impact on the Annual financial statements.
GRAP 32: Service Concession Arrangements: Grantor	01 April 2017	No effective date has been determined by the Minister of Finance. Unlikely that the standard will have a material impact on the Annual financial statements.
GRAP 108: Statutory Receivables	01 April 2017	No effective date has been determined by the Minister of Finance. Unlikely that the standard will have a material impact on the Annual financial statements.
GRAP 109: Accounting by Principles and agents	01 April 2019	No effective date has been determined by the Minister of Finance. Unlikely that the standard will have a material impact on the Annual financial statements.
IGRAP 17 : Service Concession Arrangement where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2017	No effective date has been determined by the Minister of Finance. Unlikely that the standard will have a material impact on the Annual financial statements.

3. Investment property

	2018			2017		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Investment property	155 210 848	(3 446 687)	151 764 161	155 210 848	(3 089 074)	152 121 774

Reconciliation of Investment property - 2018

	Opening carrying value	Transfers received	Depreciation	Closing carrying value
Investment property	152 121 774	-	(357 613)	151 764 161

Reconciliation of Investment property - 2017

	Opening carrying value	Transfers In/ (Out)	Depreciation	Closing carrying value
Investment property	152 479 387	-	(357 613)	152 121 774

Pledged as security

There were no properties pledged as security.

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

Rental income from investment property	308 026	335 593
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Refer to Note 40 for lease commitments

4. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
	R	R	R	R	R	R
Land	9 283 072	(1 187 394)	8 095 678	9 283 072	(989 495)	8 293 577
Buildings	15 827 408	(4 357 790)	11 469 618	15 827 408	(3 830 215)	11 997 193
Infrastructure	5 803 052 497	(825 644 251)	4 977 408 246	5 349 803 594	(741 704 546)	4 608 099 048
Community	7 274 722	(6 972 559)	302 163	55 468 710	(7 355 295)	48 113 415
Finance leased assets	55 468 710	(9 420 899)	46 047 812	7 274 722	(6 218 701)	1 056 021
Other assets	161 706 553	(88 375 455)	73 331 098	163 876 847	(76 271 511)	87 605 336
	6 052 612 962	(935 958 347)	5 116 654 615	5 601 534 354	(836 369 763)	4 765 164 591

Reconciliation of property, plant and equipment - 2018

	Carrying Value Opening balance	Additions	Disposal	Transfers in / (out)	Under construction	Depreciation	Carrying value Closing Balance
	R	R	R	R	R	R	R
Land	8 293 577	-	-	-	-	(197 899)	8 095 678
Buildings	11 997 193	-	-	-	-	(527 575)	11 469 618
Infrastructure	4 600 907 629	628 523	-	-	445 089 446	(83 939 444)	4 962 686 154
Community	48 113 420	-	-	-	-	(2 065 003)	46 047 817
Finance leased assets	1 056 021	-	-	-	-	(753 858)	302 163
Other assets	87 605 336	799 883	(2 166 516)	-	-	(12 907 829)	73 331 098
	4 757 973 175	1 428 406	(2 166 516)	-	445 089 446	(100 392 208)	5 101 932 254

Reconciliation of property, plant and equipment - 2017

	Carrying Value Opening balance	Additions	Disposal	Transfers in / (out)	Under construction	Depreciation	Carrying value Closing Balance
	R	R	R	R	R	R	R
Land	8 491 476	-	-	-	-	(197 899)	8 293 577
Buildings	12 524 768	-	-	-	-	(527 575)	11 997 193
Infrastructure	4 344 550 662	95 482 066	-	(94 726 619)	334 737 180	(79 135 660)	4 600 907 629
Community	50 179 023	-	-	-	-	(2 065 603)	48 113 420
Finance leased assets	3 139 248	566 556	-	-	-	(2 649 783)	1 056 021
Other assets	106 361 832	3 205 822	(5 929 493)	(94 726 619)	334 737 180	(16 032 827)	87 605 336
	4 525 247 009	99 254 444	(5 929 493)	(94 726 619)	334 737 180	(100 609 347)	4 757 973 175

Amathole District Municipality

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Notes to the Annual Financial Statements

2018
2017
Restated

Breakdown of Other Asset	R				R				
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance	Carrying Value
	R	R	R	R	R	R	R	R	R
Total Other Assets	163 871 431	749 638	(2 964 986)	161 656 083	76 242 393	12 906 488	(801 954)	88 346 927	73 309 156
Office Equipment	1 786 948	333 162	(9 599)	2 110 512	985 306	158 932	(5 709)	1 138 529	971 983
Computer Equipment	53 347 553	278 760	(1 524 815)	52 101 497	16 551 498	4 591 212	(337 435)	20 805 276	31 296 221
Bins and Containers	227 317	-	-	227 317	178 294	13 866	-	192 159	35 158
Emergency Equipment	2 149 454	-	-	2 149 454	1 356 906	135 726	-	1 492 632	656 822
Furniture and Fittings	21 461 915	3 272	(26 281)	21 438 906	9 925 031	1 692 391	(3 258)	11 614 165	9 824 741
Plant and Equipment	8 633 021	134 444	-	8 767 465	5 298 293	670 443	-	5 968 737	2 798 728
Motor Vehicles	76 265 223	-	(1 404 291)	74 860 931	41 947 064	5 643 918	(455 553)	47 135 429	27 725 502

Transfer of infrastructure

During the 2015/16 financial year, the Demarcation Board rezoned the Amathole District Municipality, (ADM) boundaries.

The effect of the rezoning was a loss of some of the ADM villages to other municipalities. The assets, mainly water infrastructure assets, in the affected villages are to be transferred from ADM to the relevant municipalities as per the Demarcation Board's resolutions.

ADM is in an advanced stage of transferring the assets to the rightful municipalities. A list of assets to be transferred has been compiled and are mainly in the Buffalo City Metropolitan Municipality (BCM) and Chris Hani District Municipality. The costing process of the affected assets is being finalised by ADM.

Expenditure Incurred to repair and maintain Property, Plant and Equipment

	R
Repairs and maintenance	16 508 637
Total	16 508 637

Pledged as security

No assets pledged as security

Comparative figures have been restated: Refer Note 43

Capitalised expenditure (excluding borrowing costs)

Land and Buildings	-	-
Infrastructure	445 717 969	330 696 278
Finance leased assets	-	566 556
Other assets	799 883	3 205 822
	446 517 852	334 468 656

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

Motor vehicles	20 594	217 650
Office equipment	-	-
Other property, plant and equipment	-	46 899
	20 594	264 549

Reconciliation of work - in - Progress - 30 June 2018

Opening balance		
Additions/capital expenditure	2 346 358 778	2 346 358 778
Transferred to completed items	445 089 446	445 089 446
Transfer out	-	-
	2 791 448 224	2 791 448 224

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Notes to the Annual Financial Statements

	2018	2017
	R	Restated R
Reconciliation of work-in-Progress - 2017		
	Included within infrastructure	Total
Opening balance	2 106 348 217	2 106 348 217
Additions/capital expenditure	334 737 180	334 737 180
Transferred to completed items	(94 726 619)	(94 726 619)
Disposals	-	-
Transferred to completed items	-	-
	2 346 358 778	2 346 358 778

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

During the verification process of the current year (2016/17) there were assets that could not be physically found verified. Investigation of the possible losses have been conducted during the 2017/18 financial year. Some of the assets amounting to R218 170.19 were found as an outcome of the investigation. The balance is being considered by council for a possible write-off.

Details of the assets are as follows:

	Carrying Amount 2018
Computer Equipment	447 195,04
Emergency Materials	4 747,25
Furniture and Fittings	108 155,65
Office Equipment	144 830,12
Plant and Equipment	145 339,63
Security Machinery	<u>16 380,00</u>
	<u>866 647,69</u>

5. Intangible assets

	2018		2017			
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, licences	46 819 414	(19 028 916)	27 790 497	46 819 414	(9 605 219)	37 214 194

Reconciliation of intangible assets - 2018

	Opening carrying value	Additions	Transfer In/(Out)	Work in progress	Amortisation	Closing carrying value
Computer software, licences	37 214 194	-	-	-	(9 423 697)	27 790 497

Reconciliation of intangible assets - 2017

	Opening carrying value	Additions	Transfer In/(Out)	Work in progress	Amortisation	Closing carrying value
Computer software, licences	14 980 770	43 585 854	(29 759 074)	15 159 034	(6 752 389)	37 214 194

Comparative figures have been restated. Refer Note 43

Pledged as security

The carrying value of intangible assets is not pledged as security

Restricted title

Carrying value of intangible assets whole title is not restricted.

The amortisation expense has been included in the line depreciation on the Statement of Financial Performance. A useful life of 3 years has been used in the calculation of amortisation.

6. Heritage assets

	2018		2017			
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Collections of historical implements	400 000	-	400 000	400 000	-	400 000

Reconciliation of heritage assets - 2018

	Opening carrying value	Closing carrying value
Collections of historical implements	400 000	400 000

Reconciliation of heritage assets - 2017

	Opening carrying value	Closing carrying value
Collections of historical implements	400 000	400 000

Pledged as security

Carrying value of heritage assets is not pledged as security

Method and assumption used

Valuations were performed by independent valuer, Mrs Penelope Jean Lindstrom [Board Member of South African Institute of Valuer], and currently the chairman. Messrs Penny Lindstrom Valuations CC are not connected to the municipality and have recent experience in location and category of asset being valued. Effective date of valuation June 2015.

7. Investment in controlled entities

Name of Company	Held by	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Amathole Economic Development Agency SOC Limited t/a ASPIRE	ADM	100%	100%	1 000	1 000

Investment in Municipal entity

Amathole Economic Development Agency SOC Limited t/a ASPIRE
Issued share capital (1000 ordinary shares of R1,00 each)
100% owned by ADM council

The Amathole Economic Development Agency was established 1 September 2005

Place of incorporation: South Africa

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

The municipal transfers funds to the entity for operating purposes. Refer Note 42 for related party transaction

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

8. Non current receivables

	2018	2017
Other long term receivables	1 710 803	1 710 906
	1 710 803	1 710 906
Non current receivables		
Deposits	1 710 803	1 710 803
Loans to sports clubs in the District	-	103
Subtotal	1 710 803	1 710 906
Less: Current portion transferred to current receivables	-	-
	1 710 803	1 710 906

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	Restated R
Loans to sports clubs in the District		
The loans to the local municipalities represents loans to Winterstrand and Kei Road Sports Club. The loans currently attract interest at 4% per annum and are repayable in 40 instalments over 20 years.		
Deposits		
The deposits relate to the amounts paid when the municipality enters into the leases for buildings and utilities.		
Non-current receivables are financial assets which are categorized at amortised cost. The fair values of the loans are estimated to approximate their carrying amounts		
9. Operating Lease Liability		
Non-Current Liabilities	960 594	1 301 522
	960 594	1 301 522
Operating lease income and expenditure have been recognized on a straight line basis over the lease term. The effect of accounting for operating leases on the straight line basis had the above effect. The municipality leases office equipment and premises from external parties.		
10. Employee benefit obligation		
Defined contribution plan		
Provision for post employment health care benefits	224 560 689	241 846 123
Provision for ex-gratia benefits	94 554	99 981
Provision for long service benefits	29 322 328	21 598 288
	253 977 571	263 544 392
Statement of Financial Performance		
Current service cost	26 355 532	26 482 602
Interest cost	26 400 538	22 778 004
Actuarial gain recognised	61 992 848	17 596 654
Actuarial loss recognised	(5 237 387)	(19 755)
	109 511 631	66 837 705
Post retirement medical aid plan		
The Post Employment Health Care plan, of which members are made up as follows		
In service (employee) members	1 169	1 345
Continuation (retiree, widow/er and orphan) members	59	319
In service (employee) non- members	637	82
	1 865	1 746
The unfunded liability in respect of past services has been estimated to be as follows:		
In service (employee) members	154 262 665	184 540 408
Continuation (retiree, widow/er and orphan) members	44 875 279	27 275 502
In service (employee) non- members	25 422 745	30 030 212
	224 560 690	241 846 122
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
Bonitas		
Hosmed		
Key health		
LA health		
Samwumed		
Gems		
On retirement of an employee council has post retirement obligation to contribute 70% to the medical cost of the employee		
Reconciliation of assets and liabilities recognised in the balance sheet		
Present value of fund obligations		
Fair value on plan assets		
Present value of unfunded obligations	224 560 690	241 846 122
Present value of obligations in excess of plan assets		
Unrecognised past service cost	224 560 690	241 846 122
Unrecognised actuarial (gains)/losses	-	-
Unrecognised transitional liability	-	-
Net liability in Balance Sheet	224 560 690	241 846 122
The municipality has elected to recognise the full increase in this defined benefit liability immediately.		
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	241 846 122	218 036 332
Current service costs	23 164 432	22 596 368
Expected benefits paid	(2 715 807)	(2 623 692)
Interest cost	24 258 790	20 840 365
Past service costs	-	-
Actuarial gain /losses	(61 992 848)	(17 003 250)
Present value of fund obligation at the end of the year	224 560 689	241 846 123
Total unfunded liability		
	R	R
In service (employee) members	154 262 665	184 540 408
Continuation (retiree, widow/er and orphan) members	44 875 279	27 275 502
In service (employee) non- members	25 422 745	30 030 212
All eligible individuals	224 560 689	241 846 122
Average liability per individual		
In service members	2 213	2 423
Continuation members	3 263	2 712
In service non- members	1 248	2 581
All eligible individuals		
Reason for the movement in Liability		
The total liability has increased by 11% (or R24 million) since the last valuation. The continuation pensioners increased by four over the valuation period which resulted in an increase in the liability. The medical contribution increases also resulted in an increase to the liability.		
Actuarial Gains and Losses		
Actuarial (gain)/loss for the period	(61 992 848)	(17 003 250)
Contributions to actuarial loss	-	-
Basis changes: in net discount rate	(17 243 393)	(25 234 886)
Contributions increases higher than assumed	4 029 069	4 358 792
Changes to membership profile different from assumed	(40 074 616)	1 115 601
Actual benefits vesting, lower than expected	(8 703 908)	2 757 243
Net liability in the Statement of Financial Position		
Opening balance	241 846 122	218 036 332
Current service cost	23 164 432	22 596 368
Interest cost	24 258 790	20 840 365
Expected return on plan assets	-	-
Transitional liability recognised	-	-
Actuarial (gain)/losses	(61 992 848)	(17 003 250)
Past service cost	-	-
Net periodic cost recognised in surplus and deficit	(14 569 678)	26 433 483
Expected employee benefit payments	(2 715 807)	(2 623 692)
Transitional liability recognised outside surplus and deficit	-	-
Closing balance	224 560 689	241 846 123
Current portion of liability (due in next 12 months)	2 350 190	2 715 807
Non- current portion of liability	222 210 499	239 130 315
Closing balance	224 560 689	241 846 122
Reconciliation of fair value of plans assets		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	-	-
Contributions: Employee	-	-
Benefits paid	-	-
Closing balance	-	-

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018		2017	
	R		Restated R	
Trend information				
Present value of obligation	2019	2018	2018	2017
Fair value of plan assets	264 950 601	224 560 689	241 846 123	
	264 950 601	224 560 689	241 846 123	
Expected adjustments				
Actuarial gain (loss) before changes in assumptions		-	-	-
In respect of present value of obligations		61 992 848	17 003 250	
In respect of fair value of plan assets				
		61 992 848	17 003 250	

Sensitivity results

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

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A one - year age reduction in the assumed rates of post - retirement mortality ;
- (iii) A one - year age reduction in the assumed rates of post - retirement mortality ;

Assumption	Change	Liability	Percentage change
Central Assumptions		224 560 689	
Medical inflation	+1%	267 495 469	19,12%
	-1%	190 485 722	-15,17%
Post-retirement mortality	-2 yr	230 954 833	2,85%

The post mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer. The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 19.12% higher than that shown.

Sensitivity analysis on the current-service and interest cost for the year ending

Assumption	Change	Current - Service Cost	Interest Cost	Total	% change
Central Assumptions		19 753 725	22 986 377	42 740 102	
Medical inflation	+1%	24 442 195	27 403 809	51 846 004	19%
	-1%	843 153	1 582 279	2 425 432	15%
Post-retirement mortality	-2 yr	20 271 090	23 644 099	43 915 189	3%

Key Financial Assumptions

Assumption	Value p.a.	Value p.a.
Discount rate	10,29%	10,08%
Health care cost inflation rate	8,10%	8,48%
Net discount rate - health care cost inflation	2,03%	1,47%
Consumer price index	6,60%	6,98%

Assumption

	Active employees	Pensioners
Normal retirement age	65	0
Fully accrued age (to take account for ill - health and early retirement decrements)	59	0
Employment age used for past service period		Actual service entry ages
Age difference between spouses	5 years	Actual ages used
Proportion married at retirement	95%	Actual marital status
Mortality	SAS - 90(Normal)	PA (90) - 1

Withdrawal from service (sample Annual rates)	Age	Withdrawal rates Female	Withdrawal rates Male
	20	10%	15%
	25	10%	12%
	30	10%	7%
	35	9%	5%
	40	7%	4%
	45	5%	2%
	50	3%	1%
	55	1%	0%
	55+	0%	0%

Provision for retirement gratuity benefits

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

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

Multi - employer funds

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

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

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

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

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

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

Defined contribution (DC) Multi - employer plans

	Number of the Municipality's employees belonging to the plan	Amount of contributions paid by the Municipality for the year ending 30 June 2017	Number of the Municipality's employees belonging to the plan	Amount of contributions paid by the Municipality for the year ending 30 June 2016
Cape Retirement Fund (CRF)	1 496	55 213 992	1 496	55 213 992
SAMWU National Provident Fund (SNPF)	137	4 018 548	137	4 018 548
National Fund for Municipal Workers	9	231 804	9	231 804
Cape Joint Pension Fund	10	124 740	10	124 740
Easter Cape Gratuity Fund	2	24 197	2	24 197
Easter Cape Municipality Pension Fund	2	62 913	2	62 913

Defined benefits (DB) Multi - employer plans

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

- Plan assets are held as one portfolio and not notionally allocated to each participating employer
- Similarly, the plan's financial statements are not constructed separately for each participating employer, but rather in respect of the whole plan including all the participating employers.
- Contribution rates do not usually vary by participating employer . The table below reflects the municipality's contributions to these Defined Benefit (DB) plans for the year

Multi - employer plan

	Number of the Municipality's employees belonging to the plan	Total number of active members per the Plan's most recent valuation report	Amount of contributions paid by the Municipality for the period ending 30 September 2016	Date of most recently available actuarial valuation report	Funding level	Key Assumptions
GEPF	66	1 298 394	1 407 180	31-Mar-14	100%	Net pre-ret discount rate Salary Inflation Net post - ret discount rate
SALA PF	3	16 997	81 180	01-Jul-15	100%	
						3,24% 7,90% 5,59%
						1,84% 8,75% 5,25%

Further information for each plan follows below:

GEPF (Government Employees Pension Fund)

The funding level of the GEPF remained at 100% as at the 30 June 2014 valuation date compared with the 100% funding level as at the 30 June 2012. The plan is holding reserves at 46.6% of what would be in line with the long-term funding level per the Board of Trustees adopted GEPF Funding Policy, compared with 5.9% as at 30 June 2012. This employer contribution rate remains at 16% in respect of the Services employee category and 13% in respect of the 'Others' employee category.

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	2018	2017	
	R	Restated R	
SALA PF (South Africa Authorities Pension Fund)			
There is a defined contribution section in this Plan (27% of the active membership). The valuation actuary recommended that the prevailing employer contribution rate at 1 July 2015 be maintained at 19.18%. This includes a margin of 1.65% compared with the contribution rate required to fund the Projected Unit Method future service benefits and associated costs. The valuation actuary suggested that the contribution reserve of R317.8 m set up at valuation date should remain if the valuation assumptions are borne out in practice, be sufficient to subsidise the shortfall.			
Provision for ex - gratia benefits			
Eligible employees			
	Male	Total	
Number of pensioners	5	5	
Average monthly payment	558	558	
Average age	89,8	89,8	
Reconciliation of assets and liabilities recognised in the balance sheet			
Total value of liabilities	94 554	99 982	
Value of assets	-	-	
Unfunded accrued liability	94 554	99 982	
Unfunded accrued liability	94 554	99 982	
Unrecognised actuarial gain	-	-	
Unrecognised past service cost	-	-	
Net liability in the Statement of Financial Position	94 554	99 982	
Total unfunded liability	94 554	99 982	
Average liability per retiree	18 911	19 996	
Certain pensions are paid by the municipality from its own revenue and are therefore not funded by pension funds. These pensions are payable for life and increase annually but not by any inflationary factor.			
The average liability has decreased by 6% due to an increase in the average age and an increase in the discount rate.			
The total liability has also decreased by 6% (or R6 879) since the last valuation due to the above and because the number of pensioners has remained the same.			
Analysis of the unexpected movement in the liability			
Actuarial gain for the period	17 693	19 755	
Contributions to actuarial loss :	-	-	
Basis changes : increase in net discount rate	(407)	(505)	
Changes to membership profile different from assumed	18 100	20 260	
Actual benefits vesting, lower than expected	-	-	
Trend information			
	2019	2018	2017
Present value of obligations	71 441	94 554	99 982
Fair value of plan assets	-	-	-
	71 441	94 554	99 982
Experience adjustments			
	2018	2017	
Actuarial Gain / Loss before in Assumptions			
In respect of Present Value of Obligations	17 693	19 755	
In respect of Fair Value of Plan Assets	-	-	
	17 693	19 755	
Present value of fund obligation at the beginning of the year	99 982	106 860	
Current service costs	-	-	
Interest Cost	6 630	6 872	
Actuarial (gain)/losses	17 693	19 755	
Expected benefit payments	(29 751)	(33 506)	
	94 555	99 982	
Reconciliation of fair value of plan assets:			
Fair value of plan assets at the beginning of the year	-	-	
Expected return on plan assets	-	-	
Contributions: Employee	-	-	
Past service costs	-	-	
Actuarial (gain)/losses	-	-	
Benefits paid	-	-	
Fair value of plan assets at the end of the year	-	-	
Current service costs and interest costs			
Total cost	6 630	6 872	

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

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	Restated R
Net liability in the Statement of Financial Position		
Opening balance	99 982	106 860
Current service cost	-	-
Interest cost	6 630	6 872
Expected return on plan assets	-	-
Transitional liability recognised	-	-
Actuarial (gain)/losses	17 693	19 755
Net periodic cost recognised in surplus and deficit	24 323	26 627
Expected employee benefit payments	(29 751)	(33 506)
Transitional liability recognised outside surplus and deficit	-	-
Closing balance	94 554	99 982

Sensitivity analysis on the unfunded accrued liability

Assumption	Change	Liability	% Change
Long term discount rate			
Central assumptions		76 851	
Discount rate	+1%	-407	-2,44%
	-1%	18 100	2,59%

Post - retirement mortality

Assumption	Change	Liability	% Change
Mortality			
Post - retirement mortality	-3 yr	104 698	10,72%

Key actuarial assumptions used

Assumption	Value p.a	Value p.a
Discount rate	7,96%	7,79%
Mortality in retirement	PA(90)-1	PA(90)-1

Provision for long service benefits

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

Summary for eligible employees

	2018	2017
Number of eligible employees	1 806	1 663
Average Annual salary	224 305	201 399
Salary - weighted average age	42,8	41,1
Salary - weighted average past service	8,43	9,24

Long service awards for the levels of past service

Completed Service (in years)	Long Service Awards (Days Accumulated)	Long Service Bonuses (% of Annual Salary)	Description
5	5	2%	(5 / 260 + 2%) x Annual salary
10	10	3%	(10 / 260 + 3%) x Annual salary
15	15	4%	(15 / 260 + 4%) x Annual salary
20	15	5%	(15 / 260 + 5%) x Annual salary
25, 30, 35, 40, 45	15	6%	(15 / 260 + 6%) x Annual salary

A day of accumulated leave is worth 1/260 of the Annual salary.

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

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

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

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

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

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

Employee related costs

	2018	2017
Current service cost	3 191 100	3 886 234
Interest cost	2 135 218	1 930 767

Amathole District Municipality

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Notes to the Annual Financial Statements

	2018	2017
	R	Restated R
(i) The Current- Service Cost reflects the additional liability that is expected to accrue in respect of in-service members over the corresponding year.		
(ii) The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefit vesting's, over the corresponding year. This arises because all future LSA benefits are one year closer to payment		
Provision for long service award liability		
Opening accrued liability	26 267 806	24 950 635
Current service cost	3 191 100	3 886 234
Interest cost	2 135 218	1 930 767
Benefit vesting's	(2 236 010)	(3 906 226)
Total Annual expense	3 090 308	1 910 775
Actuarial loss / (Gain)	5 219 694	(593 604)
Closing Accrued Liability	34 577 808	26 267 806
Reconciliation of assets and liabilities recognised in the Statement of Financial Position		
Present value of fund accrued liability	34 577 808	26 267 806
Fair value of plan assets	-	-
Unrecognised actuarial gain	-	-
Unrecognised transition liability	-	-
Unrecognised past service cost	-	-
Net liability in the Statement of Financial Position	34 577 808	26 267 806
The net discount rate changed from 1.24% to 2.07% during the valuation period, as a result the obligation decreased.		
The total liability has increased by 15% (or R3 886 234) due to the above, partially offset by the fact that there are fewer eligible employees than at the last valuation.		
Net liability to reflect in the Statement of Financial Position		
Opening balance	26 267 806	24 950 635
Current service cost	3 191 100	3 886 234
Interest cost	2 135 218	1 930 767
Expected return on plan assets	-	-
Transitional liability recognised	-	-
Actuarial gains recognised in surplus and deficit	5 219 694	(593 604)
Past service cost	-	-
Effect of Curtailment / Settlement	-	-
Miscellaneous item	-	-
Net Periodic Cost Recognised in profit and loss	10 546 012	5 223 397
Expected employer benefit vesting's	(2 236 010)	(3 906 226)
	34 577 808	26 267 806
Current portion of liability (due in the next 12 months) refer to Note 19	5 255 480	2 236 010
Non - current portion of the liability	29 322 328	24 031 796
Reconciliation of present value of accrued liability:		
Present value of accrued liability at the beginning of the year	26 267 806	24 950 635
Current service costs	3 191 100	3 886 234
Interest cost	2 135 218	1 930 767
Expected return on plan assets	-	-
Actuarial (gain)/losses	5 219 694	(593 604)
Expected employee benefit vesting's	(2 236 010)	(3 906 226)
Closing balance	34 577 808	26 267 806
Total unfunded liability	34 577 808	26 267 806
Average liability per member	19 146	15 795
Reconciliation of fair value of plans assets		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employee	-	-
Past service costs	-	-
Actuarial gains/(losses)	-	-
Benefits paid	-	-
Fair value of plan assets at the end of the year	-	-
Key actuarial assumptions used		
Financial assumptions	2018	2017
Discount rate	8,81%	8,49%
General salary inflation (long -term)	6,38%	6,29%
Net effective discount rate	2,28%	2,07%
Consumer price index	5,38%	5,29%

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018		2017	
	R		Restated R	
Demographic Assumptions				
Average retirement age	59 for males	56 for females		
Mortality during employment		SA67-70		
Withdrawal from service (sample Annual rates)	Age	Female	Male	Rate
	20	24%	16%	
	25	24%	16%	
	30	18%	12%	
	35	15%	10%	
	40	10%	8%	
	45	6%	6%	
	50	4%	4%	
	55	2%	2%	
	55+	0%	0%	

Sensitivity analysis assumption Accrued liability

Assumption	Change	Liability	% Change
Central assumptions		34 577 808	
General salary inflation	+1%	36 721 377	6,20%
Mortality	-1%	32 633 792	-5,62%
	+2 yrs	34 734 031	0,45%

(i) A 1% increase and decrease in the assumed general salary inflation rate ;

(ii) A two-year decrease and increase in the assumed average retirement age of employees; and

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 0,45% higher.

11. Inventories

Housing projects	1 068 427 01	601 332
Consumable stores	2 242 694	761 224
Water	742 505	7 061 670
	4 053 626	8 424 226

Housing projects

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

Water inventory

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

Write down of inventory

Raw materials of R11 860 (2017: R11 243) on site for the housing projects were found to be damaged and were not suitable for construction.

No inventory pledged as a security.

12. Receivables from exchange transactions

Trade receivables	190 011 214	131 592 413
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Trade receivables

Balance as at 30 June 2018

	Gross balances	Allowance for impairment	Net balance
Water	545 597 154	(421 198 187)	124 398 967
Sanitation	336 614 881	(287 169 380)	49 445 501
Other	16 166 747	-	16 166 747
	898 378 782	(708 367 567)	190 011 214

Balance as at 30 June 2017

	Gross balances	Allowance for impairment	Net balance
Water	466 788 254	(376 235 138)	90 553 116
Sanitation	283 971 386	(242 932 088)	41 039 298
	750 759 640	(619 167 226)	131 592 413

Water and sanitation - Debtors ageing

Current (0-30 days)		71 490 021	55 801 410
30 -60 days		21 912 002	21 037 489
60 - 90 days		19 595 607	20 809 956
90 - 120 days		41 637 712	18 273 226
120 - 330 days		123 377 067	155 447 234
330+ days		620 366 373	479 390 223
		898 378 782	750 759 639

Summary of debtors by customer classification - 30 June 2018

	Domestic	Industrial / Commercial	National and Provincial Government	Total
Current (0-30 days)	44 087 518	5 533 622	21 868 881	71 490 021
30 -60 days	16 284 368	2 011 503	3 616 133	21 912 002
60 - 90 days	14 454 010	1 814 202	3 327 394	19 595 607
90 - 120 days	32 541 980	3 391 503	5 704 229	41 637 712
120 - 330 days	110 755 663	8 204 741	20 356 838	139 317 242
330+ days	500 199 207	13 621 940	90 605 050	604 426 197
Subtotal	718 322 745	34 577 511	145 478 525	898 378 782
Less: Allowance for impairment	(573 385 170)	(28 417 347)	(106 565 051)	(708 367 567)
	144 937 575	6 160 164	38 913 475	190 011 214

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018			2017
	R			Restated R
	Domestic	Industrial / Commercial	National and Provincial Government	Total
Summary of debtors by customer classification - 30 June 2017				
Current (0-30 days)	37 411 724	4 750 295	13 639 392	55 801 411
30 -60 days	16 153 646	1 472 953	3 410 889	21 037 488
60 - 90 days	16 332 446	1 366 382	3 111 129	20 809 957
90 - 120 days	14 201 081	1 271 632	2 800 512	18 273 225
120 - 330 days	121 024 549	6 946 357	19 534 713	147 505 529
330+ days	400 900 424	12 049 452	74 382 153	487 332 029
Subtotal	606 023 870	27 856 981	116 878 788	750 759 639
Less: Allowance for impairment	(501 786 734)	(19 128 282)	(88 252 210)	(619 167 226)
	104 237 136	8 728 699	18 626 578	131 592 411

Comparative figures have been restated: Refer Note 43

Credit quality of trade and other receivables

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

Trade receivables

Counterparties without external credit rating

A - Government	4	15
B - Businesses	15	3
C - Domestic and other	81	82
	100	100

A - The debtors are of good credit quality and default in payment is expected.

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

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

Method of determining credit quality of trade and other receivables from exchange transaction

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

Trade and other receivables past due but not impaired

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

1 month past due	42 894 013	33 480 646
2 months past due	4 382 400	4 207 498
3 months past due	3 919 121	4 161 991
4 months past due	8 327 542	3 654 645
greater than 4 months	130 488 137	86 087 431

Trade and other receivables impaired

The amount of the provision was (R708 367 567) as of 30 June 2018 (R619 167 227) as of 30 June 2017.

The ageing of or these is as follows:

1 to 3 months	28 596 009	22 320 564
3 to 6 months	17 529 601	16 829 991
6 to 9 months	15 676 485	16 647 966
more than 9 months past due	646 565 472	563 369 206

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

Opening balance	621 233 327	529 682 710
Provision for impairment	92 725 510	128 945 383
Amounts written off as uncollectable	(3 525 168)	(37 394 766)
Closing balance	710 433 669	621 233 327

The estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments (more than 30 days overdue) are considered indicators that the consumer debtor is impaired. Total bad debts of R2 854 3378 were written off during the year.

13. Receivables from non - exchange transactions

Total other debtors	3 604 560	4 754 423
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Receivables from non - exchange transactions

Sundry receivables	5 670 663	6 820 527
Subtotal	5 670 663	6 820 527
Less: Allowance for doubtful debts	(2 066 103)	(2 066 103)
	3 604 560	4 754 423

Comparative figures have been restated: Refer Note 43

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

The fair value of other receivables approximates their carrying amounts.

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	Restated R
Receivables from non - exchange transactions past due but not impaired		
Other receivables from non - exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R3 604 560 (2017: R4 754 423) were past due but not impaired		
The ageing of amounts past due but not impaired is as follows		
3 months past due	3 604 560	4 754 423
Receivables from non - exchange transactions impaired		
The amount of the provision was (R2 066 103) as of 30 June 2018, (2017: R 2 066 103)		
Over 6 months	2 066 103	2 066 103
Reconciliation of provision for impairment of receivables from non - exchange transaction		
Opening balance	2 066 103	2 321 974
Provision for impairment	-	-
Amounts written off as uncollectible	-	(255 871)
	2 066 103	2 066 103
14. VAT receivables		
VAT	-	-

VAT is paid over to SARS only once payment is received from debtors. The October 2017, November 2017, December 2017 and January 2018 VAT returns were not submitted within the legislative timeframes due to challenges experienced on the financial system.

15. Cash and cash equivalents

Cash on hand	9 000	9 000
Bank balances (current accounts)	135 048 151	138 517 717
Short - deposits (call accounts)	27 171 137	29 030 533
	162 228 288	167 557 250

An amount of R71 708 0887 (2017 : R50 801 687) of the unspent conditional grants is included in cash and cash equivalents. Investments of R27 million have been included as short term deposits as this investment has been invested for less than three months .

The municipality had the following bank accounts

Account number / description	Bank statement balances				Cash book balances	
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA BANK Account no - 406-309-3498	4 291 043	69 837 075	16 497 554	4 291 043	69 837 075	16 497 554
Standard Bank Account no - 081-109-3454 (primary account)	78 042 981	68 537 260	62 693 400	78 042 981	51 780 609	62 279 481
Standard Bank - Call no 088-643-816-001	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000	4 447 210
Standard 488260	8 806 000	-	-	8 806 000	-	-
Standard Bank	-	-	20 000 000	-	-	20 000 000
Standard Bank (secondary SAP Account)	-	16 900 032	-	-	16 900 032	-
Standard 488630	985 936	-	-	985 936	-	-
Investec Bank	17 154 123	17 995 273	17 000 000	17 154 123	17 995 273	17 000 000
ABSA Bank	10 017 014	10 035 260	10 000 000	10 017 014	10 035 260	10 000 000
Total	120 296 997	184 304 901	127 190 954	120 296 998	167 548 250	130 224 245

16. Finance lease obligation

Minimum lease payment due

within one year	153 263	700 506
in second to fifth year inclusive	4 267	157 929
	157 530	858 035
Less: future finance charges	(9 108)	(49 653)
Present value of minimum lease payments	148 421	808 383

Present value of minimum lease payments

within one year	144 261	659 962
in second to fifth year inclusive	4 160	148 421
	148 421	808 383
Current liabilities	144 261	659 962
Non - current liabilities	4 160	148 421
	148 421	808 383

It is the municipality policy to lease certain office equipment under leases. These leases have been classified as finance leases in accordance with GRAP standards on leases.

The average lease term was 3 years and the average effective borrowing rate was 9.1% (2017: 9.2 %). All leases have fixed repayment terms with no escalation rate, but varies with the changes in the prime interest rate.

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

Default and breaches

Although the average creditors payment days ratio was at 70% at 30 June 2018 due to the cash flow constraints, from time to time the municipality had challenges in meeting the 30 days legislated timeframe for payments of invoices. This resulted in an aggregate of 16% of invoices processed and not paid within 30 days during 2017/18 financial year. The municipality has exercised reasonable steps to ensure that invoices are paid within 30 days of receipt.

Total Value of invoices processed	R 1 061 196 581.00
Value of invoices processed and paid within 30 days	738 421 428.09
Value of invoices processed but not paid within 30 days	322 775 152.91
Percentage	30%

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	Restated R
17. Unspent conditional grants and receipts comprise of :		
Total Unspent conditional grants and receipts	71 708 087	50 801 687
National government grant	19 140 381	9 724 300
Provincial government grant	38 500 199	38 500 199
Other grant providers	2 745 234	2 577 189
	60 385 813	50 801 687
Movement during the year		
Balance at the beginning of the year	50 801 687	41 914 426
Additions during the year	604 708 578	602 183 715
Income recognition during the year	(595 124 452)	(593 296 454)
Roll-overs returned	-	-
Balance at the end of the year	60 385 813	50 801 687

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

18. Investment

At amortised cost

Bank investment

2 000 000

The above fixed deposit accounts have been classified as financial assets at amortised cost in accordance with GRAP 104. Financial instrument. Maturity period is fixed at 5 years

19. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Post employment benefit	4 669 518	585 962	-	-	5 255 480
Performance bonus	2 087 963	2 046 750	-	-	4 134 713
Provision for rehabilitation of landfill site	7 038 395	858 814	-	-	7 897 209
	13 795 875	2 632 712	-	-	17 287 401

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Post employment benefit	3 906 226	763 292	-	-	4 669 518
Performance bonus	3 629 561	2 088 118	-	(3 629 716)	2 087 963
Provision for rehabilitation of landfill site	6 272 976	765 419	-	-	7 038 395
	13 808 763	2 851 410	-	(3 629 716)	13 795 875

Performance bonuses

The uncertainties noted for the provision for Performance Bonus are as follows: Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the reporting date. The provision is calculated at 14% of the current total salary package of Section 57 employees for the 2017/18 financial year, however this is subject to change once the assessments have been finalised. The payment of the 2016/17 year has not been paid yet due to financial constraints being experienced by the municipality.

Employee benefit cost provision

The uncertainties noted for the current portion of the long service awards are as follows: The current portion of the long service award was calculated by independent actuaries that have performed a valuation for the long service award provision. Refer to Note 10 for the assumptions used.

Provision for rehabilitation of landfill site

Provision is made in terms of the municipality's licensing stipulations on the waste landfill sites, for the estimated cost of rehabilitating waste sites.

The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have been applied and projected at an annual inflation rate of 5,5% and discounted to present value at the average borrowing cost. The payment dates of total closure and rehabilitation are uncertain, but are currently expected to be between 2012 and 2032.

The comparative figure was restated refer to Note 43

20. Payables from exchange transactions

Trade payables	305 393 281	134 617 854
Amounts received in advance: Water and sanitation	-	-
Other payables	32 739 575	59 069 783
Accruals	19 100 142	80 300 215
Accrued service bonus	14 140 238	13 365 928
Retention payable	31 964 855	39 501 542
Consumer debtors with credit balances	-	17 030 937
Accrued Leave pay	62 326 181	42 062 375
	465 664 272	385 948 633

Fair value of trade and other payables

Trading creditors are non-interest bearing and are normally settled on 30-day terms.

Retentions are non-interest bearing and are settled in terms of the contract agreement.

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

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

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

The comparative figure was restated refer to Note 43

Amathole District Municipality

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	2018	2017
	R	Restated R
The movement on the staff leave accrual balances as above for the 30 June 2018 financial year was as follows:		
Accrued leave pay		
Opening balance	42 062 375	53 944 686
Plus: contributions during the year	20 386 184	96 003 526
Unused amounts reversed	(122 380)	(107 885 838)
Closing balance	<u>62 326 181</u>	<u>42 062 375</u>
The leave accrual is based on the total number of accrued days at the reporting date. The full amount of the leave liability is recognised as an accrual as the municipality does not have an unconditional right to defer settlement of its leave liabilities and its policies allow leave to be carried forward or paid out without any restrictions. Hence the timing and amount are certain.		
The movement on the service bonus accrual balances as above for the 2018 financial year was as follows:		
Accrued service bonus		
Opening balance	13 365 928	13 911 209
Additional provision	774 310	-
Unused amounts reversed	-	(545 281)
Closing balance	<u>14 140 238</u>	<u>13 365 928</u>
The accrual calculation is based on the portion of the thirteenth cheque payable that falls due within the current year. The municipality has an obligation to pay a service bonus in terms of its condition of employment.		
21. Taxes and transfers payable (non - exchange)		
Other payables from non - exchange transactions	<u>12 674 527</u>	<u>8 210 634</u>
22. Consumer deposits		
Water and Sanitation	<u>3 017 984</u>	<u>2 989 539</u>
The consumer deposits relate to the water and sanitation function. The municipality does not have an unconditional right to defer the payment of the consumer deposits. Deposits are released when an owner of the property terminates the contract with the municipality to supply water to the property.		
23. Revenue		
Service charges	262 030 590	222 413 354
Rental of facilities and equipment	308 026	335 593
Interest earned outstanding receivables	40 792 184	32 914 767
Other income	2 019 883	7 990 855
Interest received - investments	6 542 063	15 566 238
Government grants & subsidies	1 281 917 998	1 164 929 622
Own revenue - VAT other grants	16 195 782	16 168 543
Own revenue - VAT MIG	49 007 661	37 405 389
	<u>1 658 814 187</u>	<u>1 497 724 360</u>
The amount included in revenue arising from exchange of goods or services are as follows:		
Service charges	262 030 590	222 413 354
Rental of facilities and equipment	308 026	335 593
Interest earned outstanding receivables	40 792 184	32 914 767
Other income	2 019 883	7 990 855
Interest received - investments	6 542 063	15 566 238
	<u>311 692 746</u>	<u>279 220 806</u>
The amount included in revenue arising from Non exchange of goods or services are as follows:		
Transfer revenue		
Government grants & subsidies	1 281 917 998	1 164 929 622
Own revenue - VAT other grant	16 195 782	16 168 543
Own revenue - VAT MIG	49 007 661	37 405 389
	<u>1 347 121 441</u>	<u>1 218 503 554</u>
24. Service charges		
Sale of water	171 527 917	150 890 952
Sewerage and sanitation charges	85 873 314	66 458 690
Other service charges	4 629 360	4 444 891
	<u>262 030 590</u>	<u>221 794 532</u>
Service charges are reflected at an amount net of subsidy to indigents amounting to R17 422 415 (2017 : R16 391 630) for both water and sanitation The comparative figures have been restated, refer to Note 43 .		
25. Rental facilities and equipment		
Facilities and equipment		
Straight lined operating lease receipts	-	3 256
Other rentals	308 026	332 337
	<u>308 026</u>	<u>335 593</u>
26. Other income		
Admin fees	-	3 926 521
Commission	800 357	1 125 926
Connection fees	-37 802	181 881
Conservancy fees	-	1 716 390
Sundry income	1 256 468	996 148
Bad debts recovered	-	13 773
RD cheque bank charges recovered	-	1 667
Emergency tanked water	-	28 301
Illegal parking fines	860	250
	<u>2 019 883</u>	<u>7 990 855</u>
27. Interest received - investment		
Bank	5 535 643	13 447 167
Financial assets	1 006 420	2 119 071
	<u>6 542 063</u>	<u>15 566 238</u>
28. Government grants and subsidies		
Operating grants		
Conditional grants: conditions met - transferred to revenue	5 174 845	5 301 605
Other government grants and subsidies	707 310	4 949 758
Levy replacement grant	329 456 382	315 022 025
Equitable share	427 675 618	415 749 975
	<u>763 014 155</u>	<u>741 023 364</u>

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	Restated R
Capital grants		
Neighbourhood development grant (NDPG)	9 834 649	2 000 000
Water services infrastructure grant (WSIG)	74 366 566	111 887 012
Rural bulk infrastructure grant (RBIG)	50 295 776	18 275 245
Municipal infrastructure grant (MIG)	384 406 852	291 744 002
	<u>518 903 843</u>	<u>423 906 258</u>
	<u>1 281 917 998</u>	<u>1 164 929 622</u>
Conditional and Unconditional		
Unconditional		
Equitable share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigent receive a monthly subsidy of which is funded from the grant.		
Equitable share		
Current year receipts	427 675 618	415 749 975
Conditions met - transferred to revenue	(427 675 618)	(415 749 975)
	<u>-</u>	<u>-</u>
Levy grant replacement		
Current year receipts	329 456 382	315 022 025
Conditions met - transferred to revenue	(329 456 382)	(315 022 025)
	<u>-</u>	<u>-</u>
Regional Services Council levies were abolished during 2006. This grant is used to subsidise the operations of the District Municipality due to the significant change in funding.		
Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act 3 of 2016), no significant changes in the level of government grant funding are expected over the forthcoming three financial years.		
Conditional		
Municipal infrastructure grant (MIG)		
Balance unspent at beginning of year	2 791 799	(192 615)
Current year receipts	436 439 000	447 736 000
Conditions met - transferred to revenue	(439 397 908)	(444 751 586)
	<u>(167 110)</u>	<u>2 791 799</u>
Conditions still to be met - remain liabilities (see note 17)		
Regional bulk infrastructure (RBIG)		
Balance unspent at beginning of year	766 801	1 275 521
Current year receipts	59 954 352	22 117 845
Conditions met - transferred to revenue	(55 117 134)	(22 636 565)
	<u>5 604 019</u>	<u>766 801</u>
Conditions still to be met - remain liabilities (see note 17)		
Municipal system improvement grant (MSIG)		
Balance unspent at beginning of year	-	4 026
Current year receipts	-	-
Unspent amount returned to funder	-	(4 026)
Conditions met - transferred to revenue	-	-
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17)		
Expanded public works programme (EPWP)		
Balance unspent at beginning of year	332 403	332 403
Current year receipts	1 527 000	2 297 000
Conditions met - transferred to revenue	(1 530 349)	(1 964 597)
Unspent amount returned to funder	-	(332 403)
	<u>329 054</u>	<u>332 403</u>
Conditions still to be met - remain liabilities (see note 17)		
Financial Management (FMG)		
Balance unspent at beginning of year	298 140	9 229
Current year receipts	1 250 000	1 250 000
Condition met - transferred to revenue	(1 640 768)	(961 089)
Unspent amount returned to funder	-	-
	<u>(92 628)</u>	<u>298 140</u>
Conditions still to be met - remain liabilities (see note 17)		
Rural Roads Asset Management Grant (RAMS)		
Balance unspent at beginning of year	500 597	60 448
Current year receipts	2 933 000	2 806 000
Conditions met - transferred to revenue	(888 839)	(2 365 851)
Unspent amount returned to funder	-	-
	<u>2 544 758</u>	<u>500 597</u>
Conditions still to be met - remain liabilities (see note 17)		
Water Services Infrastructure Grant (WSIG)		
Balance unspent at beginning of year	-	-
Current year receipts	3 249 377	(677 144)
Conditions met - transferred to revenue	90 000 000	119 190 000
	<u>(84 678 865)</u>	<u>(115 263 479)</u>
	<u>8 570 512</u>	<u>3 249 377</u>
Conditions still to be met - remain liabilities (see note 17)		
Neighbourhood Development Partnership Grant (NDPG)		
Balance unspent at beginning of year	-	-
Current year receipts	9 834 649	2 000 000
Conditions met - transferred to revenue	(9 834 649)	(2 000 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17)		
29. Employee related costs		
Employee related costs - Salaries and Wages	437 666 219	376 411 281
Bonus	34 826 070	28 069 224
Medical aid - company contributions	59 139 171	33 719 007
UIF	2 889 871	3 382 148
WCA	(36 556)	3 394 514
Leave pay provision charge	24 661 456	(7 926 958)
Contribution: Pension fund	58 508 996	63 959 323
Contribution: Group life	3 176 392	5 060 908
Bargaining council	162 896	157 907
Employee benefit contribution	8 131 704	22 145 937
Travel, motor car, accommodation, subsistence and other allowances	34 928 191	33 623 920
Overtime payments	28 872 311	28 323 422
Car allowance	17 295 480	12 600 880
Housing benefits and allowances	2 706 576	2 037 290
Allowance: cell phone	10 084 993	9 692 110
Allowance: shift	2 658 265	2 409 687
Allowance: Standby, Night and Sunday	11 365 458	11 946 357
Allowance: Dirt	-	640
	<u>747 037 493</u>	<u>629 007 597</u>
Amounts expended in respect of retirement benefit plans		
Defined contribution funds	100 960 628	94 723 562
Defined benefits funds	2 819 714	2 780 658
	<u>103 780 342</u>	<u>97 504 219</u>
Remuneration of Municipal Manager		
Remuneration	2 301 682	1 867 499
Performance bonuses	-	120 617
Contribution to UIF, Medical and Pension Funds	1 785	18 324
Leave encashment	-	-
Cell phone allowance	13 000	55 616
Travel allowance	-	176 000
	<u>2 316 467</u>	<u>2 238 056</u>

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	2018	2017
	R	Restated R
Remuneration of Chief Financial Officer		
Remuneration	1 061 984	278 226
Contribution to UIF, Medical and Pension Funds	206 027	34 408
Cell phone allowance	43 074	14 358
Travel allowance	135 000	45 000
Back Pay of Remuneration	154 440	-
	1 600 525	371 992
The previous Chief Financial Officer resigned on 1 April 2018. The new Chief Financial Officer was appointed from 2 July 2018		
Remuneration of the Director: Engineering		
Remuneration	-	915 890
Performance bonuses	-	100 694
Contribution to UIF, Medical and Pension Funds	-	201 785
Cell phone allowance	-	61 050
Travel allowance	-	222 000
Back pay of remuneration	-	-
Housing allowance	-	176 772
	-	1 678 191
Remuneration of the Director: Engineering L. Govu		
Remuneration	970 097	-
Performance bonuses	-	-
Contribution to UIF, Medical and Pension Funds	49 937	-
Cell phone allowance	-	-
Travel allowance	60 000	-
Back pay of remuneration	-	-
Housing allowance	39 999	-
	1 120 033	-
The new Director: Engineering was appointed November 2017		
Remuneration of the Director: Strategic Management R.Links		
Remuneration	-	1 187 895
Performance bonuses	-	89 912
Contribution to UIF, Medical and Pension Funds	-	250 475
Cell phone allowance	-	57 432
Travel allowance	-	195 000
Back pay of remuneration	-	66 000
Acting allowance	-	13 808
	-	1 854 522
Remuneration of the Director: Strategic Management A.Tinta		
Remuneration	1 058 330	-
Performance bonuses	-	-
Contribution to UIF, Medical and Pension Funds	20 738	-
Cell phone allowance	4 786	-
Travel allowance	182 000	-
Back pay of remuneration	-	-
Acting allowance	-	-
	1 265 854	-
The new Director: Strategic Management was appointed November 2017		

Amathole District Municipality

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	2018	2017
	R	Restated R
Remuneration of the Director: Corporate services		
Remuneration	-	1 118 212
Performance Bonuses	-	134 259
Contribution to UIF, Medical and Pension Funds	-	233 316
Leave Encashment	-	-
Cell phone Allowance	-	57 432
Travel Allowance	-	332 627
Back pay of Remuneration	-	-
Acting Allowance	-	9 969
	-	1 885 815
Remuneration of the Director: Corporate services M.Dlwayo		
Remuneration	760 771	-
Performance Bonuses	-	-
Housing Allowance	138 000	-
Contribution to UIF, Medical and Pension Funds	165 374	-
Leave Encashment	-	-
Cell phone Allowance	4 786	-
Travel Allowance	147 720	-
Back pay of Remuneration	-	-
Acting Allowance	-	-
	1 216 651	-
The new Director: Corporate Services was appointed November 2017		
Remuneration of the Director: Community Services		
Remuneration	1 278 364	1 142 187
Performance bonuses	-	107 687
Contribution to UIF, Medical and Pension Funds	251 066	260 921
Leave encashment	-	-
Cell phone allowance	57 432	57 432
Travel, motor car, accommodation, subsistence and other allowance	291 136	277 617
Housing allowance	70 487	-
	1 948 484	1 845 844
Remuneration of the Director: Legislative Executive Services		
Remuneration	1 151 314	1 386 232
Performance bonuses	-	151 042
Contribution to UIF, Medical and Pension Funds	11 327	76 602
Cell phone allowance	43 074	52 646
Travel allowance	260 005	260 004
Group Life	18 355	-
Housing allowance	70 487	-
	1 554 562	1 926 526
Remuneration of the Director: Land, Human Settlements and Economic Development		
Remuneration	-	901 983
Performance bonuses	-	83 912
Contribution to UIF, Medical and Pension Funds	-	211 248
Cell phone allowance	-	66 238
Travel allowance	-	252 000
Back pay of remuneration	-	-
Housing allowance	-	73 755
	-	1 589 136
Remuneration of the Director: Land, Human Settlements and Economic Development S.Mnweba		
Remuneration	710 886	-
Performance bonuses	-	-
Contribution to UIF, Medical and Pension Funds	129 149	-
Cell phone allowance	-	-
Travel allowance	120 000	-
Back pay of remuneration	-	-
Housing allowance	120 000	-
	1 080 035	-
The new Director: Land, Human settlements and Economic Development was appointed November 2017		
30. Remuneration of councillors		
Councillors 2018: (37) 2017: (37)	12 777 530	12 666 569
Councillors allowance	1 867 270	1 761 777
	14 644 800	14 428 346
In-kind benefits		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has the use of a Council owned vehicle for official duties.		
The Executive Mayor has two full-time body guards.		
The salary allowances and benefits of the political office-bearers are within the upper limits of the framework prescribed by Sec 219 of Constitution.		
Executive Mayor: NH Konza		
Salary	-	179 181
Cell phone Allowances	-	5 217
Travel Allowance	-	4 108
Housing Allowance	-	32 258
3G Allowance	-	900
	-	221 664
Speaker: S.Janda		
Salary	-	95 929
Cell phone Allowances	-	3 983
Housing Allowance	-	43 226
3G Allowance	-	687
	-	143 825
Executive Mayor: N.W Nkawe		
Salary	968 008	921 912
Cell phone Allowances	40 800	29 461
3G Allowance	3 600	3 600
Travel Allowance	-	-
Contribution to UIF, Medical and Pension Funds	-	41 486
	1 012 408	996 459
Speaker: N. Ndikinda		
Salary	774 405	554 756
Cell phone Allowances	40 800	22 261
3G Allowance	3 600	2 700
	818 805	579 717
Cllr. L. Jacobs		
Salary	544 504	500 232
Cell phone Allowances	40 800	22 478
Travel Allowance	181 501	166 745
3G Allowance	3 600	3 600
Back pay	-	-
	770 405	693 055
Cllr. EB Madikane		
Salary	-	55 761
Cell phone Allowances	-	2 244
Travel Allowance	-	18 587
3G Allowance	-	387
Back pay	-	-
	-	76 979
Cllr. SB Mtintsilana		
Salary	-	74 348
Cell phone Allowances	-	2 244
3G Allowance	-	387
Back pay	-	-
	-	76 979

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	R	Restated R
Cllr. B Melitafa		
Salary	-	33 057
Cell phone Allowances	-	2 244
Travel Allowance	-	9 032
Housing Allowance	-	32 258
3G Allowance	-	387
Back pay	-	-
	<u>-</u>	<u>76 979</u>
Cllr. M Memani		
Salary	-	55 761
Cell phone Allowances	-	2 244
Travel Allowance	-	18 587
3G Allowance	-	387
Back pay	-	-
	<u>-</u>	<u>76 979</u>
Cllr. P Finca		
Salary	-	55 761
Cell phone Allowances	-	2 244
Travel Allowance	-	18 587
3G Allowance	-	387
Back pay	-	-
	<u>-</u>	<u>76 979</u>
Cllr. S Genu		
Salary	-	36 928
Cell phone Allowances	-	2 244
Travel Allowance	-	11 613
Housing Allowance	-	25 806
3G Allowance	-	387
	<u>-</u>	<u>76 979</u>
Cllr. M Bikitsha		
Salary	-	26 606
Cell phone Allowances	-	2 244
Travel Allowance	-	7 742
Housing Allowance	-	40 000
3G Allowance	-	387
	<u>-</u>	<u>76 979</u>
Cllr. N.V Mgidlana		
Salary	546 000	501 420
Cell phone Allowances	40 800	22 478
Housing Allowance	94 288	22 695
3G Allowance	3 600	3 600
Contributions to UIF, Medical and Pension Funds	-	46 800
	<u>684 688</u>	<u>596 993</u>

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	2018	2017
	R	Restated R
Cllr. Nyalambisa		
Salary	-	59 878
Cell phone Allowances	-	3 113
Travel Allowance	-	18 587
3G Allowance	-	387
	<u>-</u>	<u>81 965</u>
Cllr. SM Zuka		
Salary	726 005	644 280
Cell phone Allowances	40 800	22 478
Travel Allowance	-	22 696
3G Allowance	3 600	3 600
Back pay	-	-
	<u>770 405</u>	<u>693 054</u>
Cllr. B.M Ganjana		
Salary	726 005	576 194
Cell phone Allowances	40 800	19 000
3G Allowance	3 600	3 000
	<u>770 405</u>	<u>598 194</u>
Cllr. M.M Namba		
Salary	726 003	576 193
Cell phone Allowances	40 800	19 000
3G Allowance	3 600	3 000
	<u>770 403</u>	<u>598 193</u>
Cllr. N.W Kabane		
Salary	577 173	496 515
Cell phone Allowances	40 800	22 478
Travel Allowance	83 491	87 719
3G Allowance	3 600	2 700
Contribution to UIF, Medical and Pension Funds	73 508	70 008
	<u>778 572</u>	<u>679 420</u>
Cllr. N.W Tekile		
Salary	726 003	576 193
Cell phone Allowances	40 800	19 000
Travel Allowance	-	6 344
3G Allowance	3 600	3 000
	<u>770 403</u>	<u>604 537</u>
Cllr. N.A Bonga		
Salary	726 003	576 193
Cell phone Allowances	40 800	19 000
3G Allowance	3 600	3 000
	<u>770 403</u>	<u>598 193</u>
Cllr. N Plaatjie		
Salary	726 005	580 178
Cell phone Allowances	40 800	20 122
3G Allowance	3 600	4 328
	<u>770 405</u>	<u>604 628</u>
The Executive Mayor, Speaker and Mayoral committee members and councillors were replaced during the current year due to Municipality's elections held in August 2016.		
31. Depreciation and amortisation		
Property, plant and equipment	111 031 181	107 741 926
Property, plant and equipment	101 249 871	100 609 348
Intangible assets	9 423 697	6 774 965
Investment property	357 613	357 613
	<u>111 031 181</u>	<u>107 741 926</u>
32. Finance costs		
Total finance costs	26 608 885	24 634 956
Finance leases	39 191	267 128
Employee benefit obligation	26 400 638	22 778 004
VAT interest/SARS	-	1 462 412
Interest overdue accounts	169 056	46 922
Interest external borrowings	-	80 491
	<u>26 608 885</u>	<u>24 634 956</u>
33. Debt impairment		
Contributions to debt impairment provision	91 755 544	128 945 383
	<u>91 755 544</u>	<u>128 945 383</u>
34. Bulk purchases		
Water	92 358 696	91 620 498
35. Contracted services		
Contractual amounts		
Office equipment	2 283 789	(1 173 558)
Accommodation/ Office Space and parking	37 604 197	38 274 800
	<u>39 887 987</u>	<u>37 101 242</u>

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	Restated R
36. General expense		
Administration	294 014	1 003 634
Advertising and Communication	497 040	1 103 789
Amathole Economic Dev Agency contribution	13 500 000	12 521 350
Audit committee meetings	816 495	76 500
Audit fees	6 247 810	3 577 555
Bank charges	801 052	641 838
Chemicals	10 291 307	9 511 892
Cleaning materials	214 388	414 500
Community Based Organisation	5 852 754	6 561 209
Commission paid	18 384 982	-
Conference expenses	1 146 387	748 724
Legal fees and Litigation	4 199 214	1 479 791
Photographs	-	3 908
Consultants	11 353 621	28 453 987
Consumables	(253 639)	202 639
Database Expenditure	98 036	182 678
Disposal of the dead	-	15 200
Municipal Utilities	40 018 625	42 221 037
Emergency provisions (dm)	406 774	2 148 541
Employee Welfare	210 425	253 183
Entertainment expenses	11 904	27 647
Hiring costs	399 762	1 463 732
Inventory	6 334 795	(64 503)
Insurance Premium Cost	3 466 622	3 140 096
Licenses and subscription	739 698	818 609
Membership fees	6 567 863	6 984 124
Storage of Files	76 563	46 695
Postage	1 709 645	1 903 211
Printing and stationery	497 626	842 488
Protective clothing & uniforms	12 033	3 997 107
Refreshments and catering	1 484 174	1 292 333
Telephone and data expenses	7 161 947	9 440 822
Recruitment Expense	-	4 609
Sampling and Testing	1 621 360	1 418 608
Security services	27 190 209	26 598 384
Skill Development Levy	5 435 875	5 086 440
Software and Computer	11 753 452	8 646 378
Solid waste site eastern region costs	3 274 611	1 338 461
Special programmes	6 566 501	21 131 049
Subsistence and Travel	9 213 997	7 385 047
Transport	13 232 506	9 007 258
	220 824 438	221 630 550

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	Restated R
37. Auditors' remuneration		
Fees paid	6 247 810	3 577 555
38. Cash generated from operations		
Surplus	312 849 270	162 422 783
Adjustments for:		
Depreciation and amortisation	111 031 181	107 741 926
Gain (loss) on sale of asset and liabilities	845 942	5 326 141
Finance costs	26 608 885	24 634 956
Contribution to debt impairment	91 755 544	128 945 383
Increase in retirement benefit assets and liabilities	(9 566 821)	24 356 791
Movement in provision	(3 491 526)	778 306
Actuarial gain and loss defined benefit	(61 992 848)	(17 577 099)
Changes in working capital:		
Decrease/(Increase) in inventories	4 370 600	112 979
(Increase)/decrease in receivables from exchange transactions	(58 418 801)	(19 051 051)
Contribution to debt impairment	(91 755 544)	(128 945 383)
(Increase)/decrease in other receivables from non-exchange transactions	1 149 864	(367 072)
Increase/(decrease) in payables from exchange transactions	(4 339 304)	120 104 800
(Increase)/decrease in VAT receivable	-	7 589 622
(Decrease)/increase in taxes and transfers payable (non exchange)	4 463 893	818 264
Increase/(decrease) in unspent conditional grants and receipts	20 906 401	8 887 261
	344 416 735	425 778 607
39. Financial instruments disclosure		
Categories of financial instruments		
2018		
Financial assets	At amortised cost	Total
Non - current receivables	1 710 803	1 710 803
Trade and other receivables from exchange transactions	190 011 214	190 011 214
Other receivables from non-exchange transactions	3 604 560	3 604 560
Cash and cash equivalents	162 228 288	162 228 288
Non - current investment	2 000 000	2 000 000
	359 554 864	357 554 864
Financial liabilities	At amortised cost	Total
Trade and other payables from exchange transactions	465 664 272	465 664 272
	465 664 272	465 664 272
2017		
Financial assets	At amortised cost	Total
Non - current receivables	1 710 906	1 710 906
Trade and other receivables from exchange transactions	131 592 413	131 592 413
Other receivables from non-exchange transactions	4 754 423	4 754 423
Cash and cash equivalents	167 557 250	167 557 250
	305 614 992	305 614 992
Financial liabilities	At amortised cost	Total
Trade and other payables from exchange transactions	385 948 633	385 948 633
	385 948 633	385 948 633
40. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	575 396 577	602 888 589
• Community	3 786 175	22 644 124
• Other - Land and Buildings	592 359	730 718
	579 775 111	626 263 431
This expenditure will be financed from		
• Government Grants	543 835 009	560 632 748
• Own Resources	35 940 102	65 630 683
The comparative figures were restated refer to note 56	579 775 111	626 263 431
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	28 433 989	15 568 057
- in second to fifth year inclusive	48 958 625	2 525 752
	77 392 614	18 093 809
Operating lease payments represent rentals payable by the Municipality for certain of its office properties and equipment. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.		
Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	225 850	299 096
- in second to fifth year inclusive	241 839	418 234
- later than five years	-	-
	467 689	717 331
Operating Leases consists of the following: Operating lease payments represent rentals receivable by the Municipality for certain of its properties situated in Stutterheim, Koma, Cathcart, Adelaide and Macleantown. No contingent rent is payable. Leases are negotiated for an average of 5 years and rentals escalate by an average of 10% annually.		

41. Contingencies

Contingent liabilities

Legal claims

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

Amathole District Municipality

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Notes to the Annual Financial Statements

	2018	2017
	R	Restated R
Legal disputes relate to:		
Compensation for goods delivered by suppliers		
The municipality is disputing claims by suppliers for goods delivered	5 922 918	100 572 968
The municipality has been sued in respect of a vehicle that was taken to the complainant to be repaired by Nkonkobe Local Municipality (now part of Raymond Mhlaba municipality) years ago and was never collected. There is uncertainty as to who actually owns the vehicle in question. The municipality is being sued for storage fees. Default judgement was granted against ADM and a Warrant of Execution was issued.	19 094	19 094
Compensation for work performed by a contractor	1 323 586	1 323 586
The claim is in respect of services rendered in the amount of R 1 323 586. The entity performed poorly but were nonetheless paid proportionately in terms of the agreement. Exceptions have been raised. The matter is not progressing.		
Non payment of the balance of the contract price	805 570	337 704
The service provider has instituted an action for payment of the balance of the contract price. The Municipality is defending the claim. The matter is pending.		
Supply of toilets pursuant to a cession agreement		
Supply of toilets pursuant to a cession agreement with service provider	34 921 848	-
Supply of VIP toilets structures		
The service provider supplied VIP toilet structures to the ADM before its contract was terminated. It has claimed specific performance, alternatively damages for enrichment.	58 922 632	-
Total contingent liabilities	101 915 648	102 253 352
Contingent assets		
The following contingent assets have been disclosed and not recognised as the outcome is dependent on a legal ruling.		
Non -performance on a contract	500 595	500 595
The municipality has instituted legal action against a contractor and its surety. The municipality and its lawyers are of the opinion that the litigation is likely to be in the municipality's favour. The timing of the legal proceeding regulating the above is uncertain.		
Compensation for work performed by contractor	4 886 641	4 886 641
The municipality has been settled the payment of outstanding amounts claimed in relation to the construction of RDP houses. The municipality expects the recovery of the amounts construction of RDP houses. The municipality expects the recovery of the amounts from the Eastern Cape Department of Human Settlements.		
Cancellation of contract	-	1 400 000
Court application being launched to cancel portion of contract relating to TLB. Service provider has undertaken to provide substitute machine		
Contract dispute	-	222 576
Service provider brought application to compel ADM to go to arbitration on disputed contract. ADM brought application to set aside contract.		
Fraudulent fuel purchase	125 091	125 091
Claim for fraudulent fuel purchases		
Tender award for new ADM offices	225 840	225 840
Interdict to set aside tender award for new ADM offices		
Breach of contract	1 198 370	1 198 370
The municipality instituted legal action against a contractor for damages related to breach of contract as a result of the contractors abandonment of the project. The municipality and its lawyers are of the opinion that the litigation is likely to be in the municipality's favour. The timing of the legal proceedings regulating the above is uncertain.		
Legal action to recover irregular expenditure		
The Municipality has instructed that the loss suffered due to the irregular and fraudulent procurement of uniform and trophies be recovered from the service providers concerned .	88 092	-
Claims for RSC levies and Water and Sanitation		
	73 513	73 513
	10 527	10 527
	35 169	35 169
	85 563	85 563
	15 627	15 627
	13 121	13 121
	100 828	100 828
	72 804	72 804
	407 152	407 152
Total contingent assets	7 431 780	8 966 265
42. Related parties		
Relationships		
Controlled entities Refer to note 7		
Related party transactions		
Shared internal audit services for ASPIRE	295 479	316 776
Fees paid to Audit Committee Members for ASPIRE		
L. Smith	45 750	35 250
M. Sibam	30 750	27 000
P. Zitumane	63 750	30 750
T. Maqwati	20 000	-
E.G Duitwilleng	10 000	-
V. Hlehliso	30 000	-
V. Ntsondo	36 000	-
Administration fees paid to (received from) related parties		
Amathole Economic Development Agency SOC Limited t/a (ASPIRE)	15 390 000	14 274 339
Neighbourhood Development Programme Grant		
NDPG	8 000 000	2 280 000

The Amathole Economic Development Agency was established 1 September 2005

Place of Incorporation: South Africa

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

Key management information

Refer to Note 29

43. Prior period errors

Receivables from exchange transactions

On 1 July 2006 the municipality assumed responsibility for the provision of water and sanitation services as required by Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998). The municipality is continually checking the accuracy of its debtors database. During previous years, consumer accounts taken over from the local municipalities were incorrect. Hence revenue was incorrectly recognised. The error was corrected in the current financial year and was adjusted retrospectively by an amount R2 384 352. Refer to note 12.

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	R	Restated R
Receivables from non exchange transactions		
A duplication as it was disclosed as a contingent asset and also classified as receivables from non exchange. The error was corrected in the current financial year and was adjusted retrospectively by an amount R4 866 641. Refer to note 13 .		
Property plant and equipment - WIP		
The comparative figure for work in progress was restated due to settlement of capital projects from transfers and grant expenditure. The restatement impacts the Statement of financial position and Statement of financial performance. The work in progress increased by R99 522 968 and transfers and grant expenditure decreased by R99 522 968. Refer to note 4 .		
The comparative figure for work in progress was restated due to operational expenditure feasibility study cost that was incorrectly capitalised R20 627 535. The restatement impacts the Statement of financial position and Statement of financial performance. Refer to note 4 .		
Property plant and equipment - Land (cost)		
The comparative figure for land was restated due to recognition of a land fill site that was previously not recognised during 2012. The restatement impacts the Statement of financial position and Statement of financial performance.		
The error was corrected in the current financial year and was adjusted retrospectively by an amount R4 866 641. Refer to note 14 .		
Property plant and equipment - Land (accumulated depreciation)		
The comparative figure for land was restated due to recognition of a land fill site that was previously not recognised during 2012. The restatement impacts the Statement of financial position and Statement of financial performance.		
The error was corrected in the current financial year and was adjusted retrospectively by an amount R791 596. Refer to note 4 .		
Provision for land-fill site		
The comparative figure for land was restated due to recognition of a land fill site that was previously not recognised during 2012. The restatement impacts the Statement of financial position and Statement of financial performance.		
The error was corrected in the current financial year and was adjusted retrospectively by an amount R6 272 976. Refer to note 19 .		
Intangible asset		
The comparative figure for intangible assets was restated due to alignment of intangible asset as per contract for software and development. The restatement impacts the Statement of financial position and Statement of financial performance.		
The error was corrected in the current financial year and was adjusted retrospectively by an amount R13 826 780. Refer to note 5 .		
Payables from exchange transactions		
The comparative figure for payables from exchange transactions was restated due to an alignment of software and development as per contract. The restatement impact the Statement of financial position and Statement of financial performance.		
The error was corrected in the current financial year and was adjusted retrospectively by an amount R13 826 780. Refer to note 20 .		
The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
Decrease in Receivables from exchange transaction	-	(1 765 531)
Decrease in Receivables from non exchange transaction	-	(4 886 641)
Increase in Property, plant and equipment : Infrastructure cost (WIP)	-	99 522 968
Increase in Property, plant and equipment : Land cost	-	3 957 980
Increase in Property, plant and equipment : Land (Accumulated depreciation)	-	(791 596)
Increase in Provision for rehabilitation of land full site	-	(6 272 976)
Increase in Intangible asset(cost)	-	13 826 780
Increase in Payables from exchange	-	(13 826 780)
Increase in Property, plant and equipment : Infrastructure cost	-	35 700 000
Decrease Community asset (cost)	-	(6 500 000)
Decrease Community asset (acc depn)	-	866 667
Decrease of Infrastructure WIP cost	-	(20 627 536)
Increase of Infrastructure cost	-	4 378
Decrease of Infrastructure asset :cost	-	(62 800)
Increase of accumulated depreciation	-	(150 771)
Decrease of Infrastructure:accumulated depreciation	-	4 292 039
Increase in community assets	-	966 972
Increase in vat receivable	-	296 755
Increase in housing inventory	-	780 710
Increase in receivables from exchange transactions	-	(11 231 372)
Total	-	93 999 247
Statement of Financial Performance		
Decrease in Transfers and grant expenditure	-	(99 522 968)
Increase in Depreciation	-	197 899
Increase in Finance costs	-	765 419
Decrease in Service charges	-	618 822
Increase in general expenditure	-	10 515 115
Decrease of Depreciation:Infrastructure asset (completed)	-	(16 561 471)
Total	-	(103 987 185)
Net (increase)/decrease in the accumulated surplus	-	(9 987 937)
Cash flow		
Net increase in operating activities	-	(98 904 147)

44. Risk management

Financial risk management

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

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

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Liquidity risk

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

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

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

On average 43% (2017: 51%) of receivable (own billed) income is realised within 30 days after the due date and payables are settled within 30 days of receipt of the invoice. National and Provincial grant funding is received in terms of the Division of Revenue Act (Dora).

There has been significant change during the financial year, or since the end of the financial year, to the municipality's exposure to liquidity risk, the approach of measurement or the objectives, policies and processes for managing this risk.

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

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and later than five years	Total
At 30 June 2018					
Trade and other payables	324 493 423	-	141 170 849	-	465 664 272
Other	-	-	4 134 713	-	4 134 713
Gross finance leases	12 771,92	38 315,75	102 175	4 267	157 530
	324 506 195	38 316	145 407 737	4 267	469 956 514

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and later than five years	Total
At 30 June 2017					
Trade and other payables	214 918 069	-	157 203 785	-	372 121 853
Other	-	-	2 087 963	-	2 087 963
Gross finance leases	58 376	175 127	467 004	157 529	858 035
	214 976 444	175 127	159 758 751	157 529	375 067 851

Credit risk

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

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

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

Investments and borrowing

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

Loans receivable

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

Cash and cash equivalents

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

Receivables

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

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

The average credit period on services rendered is 30 days from date of invoice. Interest is raised at prime on any unpaid accounts after the due dates. The municipality has provided fully for all receivables outstanding over 365 days. Receivables up to 365 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience. Additional information relating to the analysis of receivables is given in Note 12.

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

Maximum exposure to credit risk

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

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

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

Financial instrument		
Cash and cash equivalents	162 228 288	167 557 250
Receivables from exchange transactions	190 011 214	133 976 765
Receivables from non - exchange transactions	3 604 560	9 641 064
Other non- current financial assets	1 710 803	1 710 906
Non-current investments	2 000 000	-
Guarantees		
Guarantees in lieu of projects	21 762 825	26 534 870

Market risk

Interest rate risk

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

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

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

Market risk exposures are measured using sensitivity analysis. A sensitivity analysis shows how surplus and/or net assets would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. At year end financial assets exposed to interest rate risk were as follows:

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

Investments at fixed interest rates.

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

Loans granted are linked to a fixed rate of interest.

Surplus funds are invested with banks for fixed terms on fixed interest rates not exceeding one year. For details refer to Note 18.

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

Finance leases linked to the South African prime rate.

Management manages interest rate risk by negotiating beneficial rates.

Interest rate sensitivity analysis

Financial Assets

At 30 June 2018, if interest rates at that date had been 50 basis points higher, with all other variables constant, the effect on the statement of financial performance would have been R236 671 (2017: R242 405) with the opposite effect if the interest rate had been 50 basis points lower.

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Financial liabilities

At 30 June 2018, if interest rates at that date had been 50 basis points higher, with all other variables constant, the effect on the statement of financial performance would have been R196 (2016: R1 336) with the opposite effect if the interest rate had been 50 basis points lower.

Foreign exchange risk

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

45. Unauthorised expenditure

Opening balance	66 971 804	7 035 968
Current year unauthorised expenditure	-	59 935 836
Unauthorised expenditure written off	-	-
	66 971 804	66 971 804

The budget of the 2016/17 financial year was exceeded by an overall amount of R59 935 836. This was on the depreciation, bulk purchases and finance costs. SAP did not go live on 1 July as planned, resulting in 3 months expenditure being on Venus and next 9 months being on SAP. Problems were experienced in the migration of the Venus data into the SAP system. Without the Venus expenditure on SAP, the budget controls on SAP were of no use as the expenditure was overstated. This has led to poor controls on budget vs actual and has resulted in unauthorised expenditure.

During the 2015/16 financial year, the operational budget was exceeded at vote level by R697 374 for Legislative and executive support services on employee costs and R5 172 132 for Corporate services due to an increase in depreciation charges at year end and rental payments, however the total budget at institutional level was not overspent. The capital budget was exceeded on MIG by R192 614, MWIG R677 144 and War on Leaks by R296 703. This was approved by Council on 25 August 2017.

46. Fruitless and wasteful expenditure

Opening balance	2 533 393	1 475 297
Fruitless and wasteful expenditure current year	904 408	2 232 174
Written off during the year	-	(1 174 078)
	3 437 801	2 533 393

Incident

During the 2017/18 financial year R51 034,44 was paid for interest on late payment of fleet. The late payment is as a result of the cash constraints being experienced by the municipality.

An amount of R10 831,81 was incurred from the late payment of electricity.

Interest and penalties of R837 351,88 was incurred from the outcome of a VAT audit on the 2014 to 2017 financial year.

LA Retirement Fund: Penalty Payment of R290,35 for third party payment for the month of December 2017. The payment was delayed as a result of budget errors that were only resolved in January 2018. ADM only re-opened its offices on 8 January 2018 which is after the payment due date of the 3rd.

LA Retirement Fund: Penalty Payment of R352,80 for third party payment for the month of November 2017. The payment was delayed as a result of budget errors that were only resolved in January 2018. ADM only re-opened its offices on 8 January 2018 which is after the payment due date of the 3rd.

Municipal Workers Retirement Fund: Penalty Payment of R4 546,89 for third party payment for the month of November 2017. The payment was delayed as a result of budget errors that were only resolved in January 2018. ADM only re-opened its offices on 8 January 2018 which is after the payment due date of the 3rd.

During 2016/17 financial year an amount of R142 was incurred as interest on late payment of an invoice for catering.

During 2016/17 financial year an amount of R7 234 was incurred as interest on late payment of an invoice for Telkom.

During 2016/17 financial year an amount of R2 103 188 was incurred as interest of R402 441 and penalty VAT of R1 700 747.

During 2016/17 financial year an amount of R62 225 was incurred as interest for penalty charges.

During 2016/17 financial year an amount of R15 898 was incurred for Traffic Fines.

During 2016/17 financial year an amount of R43 487 was paid to Telkom for cables that were pulled up from the ground by an ADM TLB.

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

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

During the 2015/16 financial year, there was interest incurred for an amount R29 130 to SARS as a result of VAT audit. The Council approved the write off on the 31st August 2016.

During the 2014/15 financial year, there was interest incurred for an amount R70 478 and penalties of R83 776 to SARS as a result of VAT audit. The Council approved a write off of R154 254 on the 31st August 2016.

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

During the 2014/15 financial year, there was a late payment of PAYE, SKILLS and UIF to SARS incurring interest of R25 082. A report has been submitted providing reasons why this interest was incurred. No official can be held responsible for this matter according to the report. The Council approved the write off on the 31st August 2016.

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

During the 2013/14 financial year, interest and penalties of R403 823 were paid to SARS as a result of a VAT audit. Interest of R32 305 was incurred on late payments during 2013/14. Both instances were investigated. The Council approved the write off of R403 823 on the 31st August 2016.

During the 2013/14 financial year, there was interest incurred on late payment to Aloe Travel for an of R3 478. The official responsible for incurring this expenditure is no longer with the municipality and a request to write off the expenditure was tabled to Council. The Council approved the write off on the 31st August 2016.

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

During the 2012/13 financial year, three instances of late payment incurring interest were incurred, being R7617, R302 and R9 603 respectively. The ADM investigated all the matters of late payment. The Council approved the write off of R9 603 and R302 on the 31st August 2016.

An amount of R2 for interest on late payment to the Cape Joint Fund was incurred during May 2012. The Council approved the write off on the 31st August 2016.

During 2011/12 financial year, interest of R43 963 was incurred on accounts due. This was as a result of a dispute logged regarding previously charged interest and fees. The dispute was never resolved, yet the interest kept on accumulating on the amount in dispute. The Council approved write off on the 31st August 2016.

During 2010/11, interest of R714 was incurred on late payment. The ADM has investigated the matter. The Council approved the write off on the 31st August 2016.

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

A payment of R34 830 was made to a contractor for interest incurred on construction. The interest was to be paid per the ruling of the Mediator.

The ADM investigated the matter. The Council approved the write off of R91 835, R88 803, R184 207 and R34 830 on the 31st August 2016.

47. Irregular expenditure

Opening balance	17 682 475	2 085 201
Add: Irregular Expenditure during the current year	274 750 069	16 050 041
Less: Amounts written off by Council	-	(452 768)
	292 432 545	17 682 475

Incident

During 2017/18 an amount of R 757 073 was incurred to a service provider appointed. Messrs TSSN Carriers (Pty) Ltd. was appointed under contract 8/2/18/2016-2017 for the Construction of Butterworth Fire Station and Training Centre. The pre-qualification re-assessment by the BEC was not undertaken for all bidders. This was deemed irregular during the 2016/2017 financial year. Further payments were made during the 2017/2018 financial year.

During 2017/18 an amount of R 776 226 was incurred to a service provider appointed. Mfura Projects and General was appointed under contract 8/2/74/2016-2017C (Fort Beaufort) for an amount of R13 567 089,96. The awarded bidder failed to comply with Regulation 9 of the Preferential Procurement Regulations. The Final irregular figure will be dependent on the amount paid in the financial year under review.

During 2017/18 an amount of R345 844 was incurred to a service provider appointed. The awarded bidder failed to comply with Regulation 9 of the Preferential Procurement Regulations. The Final irregular figure will be dependent on the amount paid in the financial year under review.

The municipality awarded a contract for an amount of R 57 995 220. The company did not comply with Regulation 9(2)(f) of the tender conditions which required bidders to subcontract a minimum of 30% to at least two or more sub-contractors to undertake civil or structural work of the main contract to an EME or QSE which is at least 100% owned by black people living in rural or underdeveloped areas or townships which the ADM and the BCM District. The company indicated that they would be subcontracting 20.2% of the contract to three companies from Polokwane and one company from Burgersdorp. Furthermore the company did not complete annexure C i.e. local production and content; CSO report indicated that they are non VAT vendors; TAX matters non compliant; and did not note the two addendums. There was no SCM official on the BAC as required by the SCM Regulations. This award is therefore irregular. The actual irregular expenditure value will be dependent on the amount paid to the contractor.

The AG during its 2016/2017 Audit deemed this contract to be irregular. The contract was awarded to the second highest scorer for an amount of R192 563 766 and the reasons for this were not reasonable.

The AG during its 2016/2017 Audit deemed an amount of R22 500 000 as irregular as the competitive bidding process as per the SCM regulations was not followed as the initial process of getting the suppliers listed on the municipality's database was not finalised.

The criteria as per the municipality's Contractor Incubator Programme Policy were not applied when the bid was awarded.

The AG during its 2016/2017 Audit deemed an amount of R63 940 as irregular as the project was advertised for less than the required number of days per the SCM regulation. The project was advertised for 6 days instead of 7 days.

During 2016/17 a service provider was appointed for an amount of R402 649. The pre-qualification re-assessment by BEC was not undertaken for all bidders.

During 2016/17 a service provider was appointed for an amount of R9 228 to supply fittings without the departmental delegated authority's approval.

During the 2015/2016 Audit an amount of R329 000 was deemed irregular by Auditor General, as the reason cited use of Single Source specialised nature did not seem appropriate.

During the 2015/2016 Audit an amount of R377 295 was deemed irregular by Auditor General, as the reason cited use of Multi Source specialised nature did not seem appropriate.

During the 2015/2016 Audit an amount of R455 746 was deemed irregular by Auditor General, as the reason cited use of Multi Source specialised nature did not seem appropriate.

During the 2015/2016 Audit an amount of R416 000 was deemed irregular by Auditor General, as the reason cited use of Multi Source specialised nature did not seem appropriate.

During the 2016/17 an amount of R1 426 371 is for a service provider that was appointed under contract 8/2/17/2016-2017. The reason for deviation is not justifiable.

During the 2016/17 financial year the service provider was appointed for an of R20 250 amount while the tender validity period had expired.

During 2016/17 financial year the service provider was appointed for an amount of R389 356. The reason for deviation is not justifiable.

During 2016/17 financial year the service provider was appointed for an amount of R1 704 425. The reason for deviation is not justifiable.

During 2016/17 financial year the service provider was appointed for an amount of R4 189. The reason for deviation is not justifiable.

During 2016/17 financial year the service provider was appointed for an amount of R29 500. The reason for deviation is not justifiable.

During 2016/17 financial year the service provider was appointed for an amount of R22 731. The reason for deviation is not justifiable.

During 2016/17 financial year the service provider was appointed under emergency procurement of R42 000 per month. The amount is R504 000.

During 2016/17 financial year the service provider was appointed for an amount of R5 500 under emergency services to remove and reinstall outdoor ADM Branded Over Head Signage.

The reason for the breach was not provided as per Regulation 36 of the SCM Regulations.

The reasons for not awarding the highest point scorer was not justifiable. Confirmation will be provided by ADM's Attorneys whether or not this will be deemed as irregular.

During 2016/17 financial year the service provider was appointed for an amount of R9 974 000. The reason for deviation is not justifiable.

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

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

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

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

The expenditure was approved by Council for write off on the 31 August 2016

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During the 2014/2015 financial year Audit, an amount of R127 540 was deemed irregular by Auditor General. Municipality utilised a deviation process, namely Single Source Bidding to procure skills training programme for designers and crafters in garment making. One company was motivated to be utilised as ADM would receive 63% discount by using the said service provider. Auditor General deemed the procurement as irregular as the obtaining the services at a discount are not valid reasons for deviating from normal procurement process. The expenditure was approved by Council for write off on the 31 August 2016

During the 2014/2015 financial year Audit, an amount R145 000 was deemed irregular by Auditor General. The Municipality utilised a deviation process, namely Single Source Bidding, to fast track the implementation process for the project and approved the utilisation of a service provider utilised on similar project. Auditor General deemed the procurement as irregular, as it was not justified for the construction of chalets in Butterworth, by a supplier that completed the work in Tsitsikama. The expenditure was approved by Council for write off on the 31 August 2016

During 2014/2015 financial year Audit, an amount of R39 842 (R145 000, R2 232, R7 732, R9 980 and R19 898) were deemed irregular by Auditor General, as Auditor General noted that quotations were obtained from Messrs Butterworth Multipurpose Centre, Messrs Women Construction, Messrs Lqhayiya SD Electrical, Ezinokhanyo Trading CC and Long Island Trading which are not listed on ADM's supplier database and it could not be ascertained whether they met the listing requirements as their application documentation could not be obtained from ADM during 14/15 Audit. The expenditure of R9 980 was approved by Council for write off on the 31 August 2016.

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

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

48. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Amount paid - current year

6 247 810 3 577 555

PAYE and UIF

Opening balance

8 210 634 7 392 370

Current year subscription / fee

120 396 018 91 738 691

Amount paid - current year

(119 504 922) (90 920 427)

9 101 730 8 210 634

The balance represents PAYE and UIF deducted from the June 2018 payroll. The amount due was paid during July 2018 and has been included in current liabilities.

Pension and Medical Aid Deductions

Current year subscription / fee

164 077 530 154 021 889

Amount paid - current year

(149 595 699) (154 021 889)

14 481 831 -

The balance represents pension and medical aid deductions from the June 2018 payroll. The amount due was paid during July 2018 and has been included in current liabilities.

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Councillors' arrear consumer accounts		
	Outstanding more than 90 days	Total
	R	R
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:		
Councillor N.H Konza	2 173	2 173
Councillor B.M Ganjana	10 602	10 602
Councillor N. Ntshona	6 582	6 582
Councillor S & SE Ndwayana	1 337	1 337
Councillor S Zuka	7 060	7 060
Councillor LD Penisi	17 698	17 698
Councillor XC Badi	8 578	8 578
Councillor CA Auld	13 816	-
	67 847	54 031

30 June 2017

Councillor P. A Finca
Councillor C. Geryane
Councillor N. Sekelenge
Councillor N. Tshona
Councillor C. A Auld
Councillor N. A Bonga
Councillor X. C Badi
Councillor L. D Penisi
Councillor S. Zuka

	Outstanding more than 90 days	Total
	R	R
	651	651
	1 408	1 408
	15 293	15 293
	4 948	4 948
	21 823	21 823
	1 048	1 048
	29 419	29 419
	14 736	14 736
	3 158	3 158
	92 485	92 485

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

30 June 2018

Councillor LD Penisi
Councillor CA Auld
Councillor B.M Ganjana
Councillor XC Badi
Councillor S Zuka
Councillor N. Tshona
Councillor N.H Konza
Councillor S & SE Ndwayana

	Highest outstanding amount	Aging (in days)
	17 698	90
	13 816	90
	10 602	90
	8 578	90
	7 060	90
	6 582	90
	2 173	90
	1 337	90

30 June 2017

Councillor X. C Badi
Councillor C. A Auld
Councillor N. Sekelenge
Councillor L. D Penisi
Councillor N. Tshona
Councillor S. Zuka
Councillor C. Geryane
Councillor N. A Bonga
Councillor P. A Finca

	Highest outstanding amount	Aging (in days)
	29 419	90
	21 823	90
	15 293	90
	14 736	90
	4 948	90
	3 158	90
	1 408	90
	1 048	90
	651	90
	92 485	

Supply chain management regulations

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

Incident

Deviations

Breaches

	109 905 848	77 042 690
	915 639	826 322
	110 821 488	77 869 012

Bids awarded to family of employees in service of the state

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

Connected Person and Position Held

T. Madikida - Area Manager
T. Qwasha - Principle clerk
T. Mballi - Senior Manager: Disaster Management Officer
Z.Gladie - Senior clerk Leave Records
N. Tami - Contracts officer: SCM
N. Jacobs - Councillor
T. Hoyana
F. Nondwangu - Senior Manager: LHSED
Z. Qwasha - Engineering Services
Y. Ntshanga - Chief Financial Officer
F. Nondwangu - Senior Manager: LHSED

	974 146	
	321 073	-
	9 500	-
	30 000	50 060
	-	120 000
	-	48 750
	-	41 104
	-	24 760
	-	29 950
	-	408 652
	-	205 200
	360 573	928 475

49. Grant performance narrations

Refer to Annexure 1 for further detail on grants

National Government Grants

1. Financial Management Grant (FMG)

Funds were used for salaries of six (5) interns. In addition to interns salaries, the funds were also utilised for training of officials and stationery.

2. Extended Public Works Programme (EPWP)

Interns have been appointed throughout the district for various projects utilising the EPWP funding. The fund has been fully spent for 2017/18

3. Municipal Systems Improvement Grant (MSIG)

For the 2017/18 financial year, MSIG was classified as an allocation in kind with no funds accruing to ADM.

4. Municipal Infrastructure Grant (MIG)

MIG funding has been utilised for predominantly new water and sanitation projects. The funds are fully committed for the financial year

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2018	2017
R	Restated R

5. Water Services Infrastructure Grant (WSIG)

The funds were utilised for various water related projects within the District. The allocation was not fully spent and thus a rollover application will be made to the funder to retain the remaining balance.

6. Road Asset Management System (RAMS)

ADM experienced problems with the appointment of a service provider, which has delayed the kickstarting of the project. The application for rollover will be made to the funder to utilise the funds in the 2018/19 financial year.

7. Neighbourhood Development Partnership Grant (NDPG)

The initial budget allocation was reduced from R15 080 000 to R8 000 000. As these funds are received they are transferred to to NDPG for implementation.

8. Regional Bulk Infrastructure (RBIG)

Being a grant in kind. ADM undertakes the work, then submits the invoice to DWS immediately. Only upon receipt of the funding is the payment process effected to pay the actual service provider.

8. Capacity Building Programme

Project complete.

9. Mquma War on Leaks

Funds fully spent

10. ACP - WW Infrastructure refurbish R3 5M

Funds fully utilised.

11. Victoria

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

12. Teko Springs/ Ndlovini

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

13. Needs Camp

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

14. Hogsback

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

15. Haga Haga

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

16. Willowvale

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

17. Elliotdale

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

18. Ndevana

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

19. Msobomvu

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

20. Hertzog

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

21. Great Kei Planning Funds

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

22. Mquma Planning Funds

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

23. Ngqushwa Planning Funds

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

24. Nkonkobe Planning Funds

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

25. Mquma Survey

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

26. Survey Interest and Contribution

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

27. Ngqushwa Survey Funds

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

28. Nkonkobe Survey

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

29. Lewis Survey

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

30. Prudoe Engineering Design

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

31. Dongwe Engineering Design

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

32. Kubusie Establishment Grant

Project complete remaining balance is savings.

33. Ndlovini Establishment Grant

Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.

34. Ducats Establishment Grant

Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.

35. Macleantown Establishment Grant

Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.

36. Prudoe Establishment Grant

Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.

Amathole District Municipality

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	2018	2017
	R	Restated R
37. Dongwe Establishment Grant		
Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.		
38. Teko Spring Establishment Grant		
Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.		
39. Needs Camp Establishment Grant		
Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.		
40. Teko Spring Top Structure		
Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.		
41. Prudoe Top Structure		
Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.		
42. Dongwe Top Structure		
Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.		
43. Needscamp Top Structure		
Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.		
44. Ducats Top Structure Subsidy		
Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.		
45. Kubusi Top Structure		
Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.		
46. Lilyvale Kayzers Beach Establishment Grant		
Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.		
47. Kayzers Beach Housing Project		
Project complete. Balance is for the ADM income. The application for roll-over was made and approved by the funder. LHSED to confirm this statement.		
48. Lilyvale Eng Designs		
Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.		
49. Planning Grant DLA		
This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial years 2015/16 -2017. The application for roll-over was made by the project manager to the funder.		
50. Restitutional Award (DLA)		
This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial years 2016 -2017. The application for the roll over was made by the project manager to the funder.		
51. Beneficiary Administration (Breaking new ground)		
This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial years 2016 -2017. The application for the roll over was made by the project manager to the funder.		
52. Environmental Impact Assessment		
This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial years 2016 -2017. The application for the roll over was made by the project manager to the funder.		
53. Geo Hydrology		
Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.		
54. Bawa Falls Led		
Project will be completed in the next financial year (Multi-year).		
55. Elliotdale Brick Making		
Project will be completed in the next financial year (Multi-year).		
56. EC Information Initiative Support		
Project will be completed in the next financial year (Multi-year).		
57. ECDOT. Butterworth Interchange		
Retention amount remaining.		
58. Roof Top Rain Water Harvesting		
Funds fully spent		
59. Ngqusi Rain Water Harvesting		
Funds fully spent.		
60. Water service support		
Consolidation of small balances		
61. Free Basic Services Strategy Development		
Savings		
62. Silwindiala Women's Project		
Project will be completed in the next financial year (Multi -year)		
63. Balfour Sawmills		
Project will be completed in the next financial year (Multi -year).		
64. Highlands Resorts		
Project will be completed in the next financial year (Multi -year).		
65. Peddie Brick Making		
Project will be completed in the next financial year (Multi -year).		
66. Inkuthalo Hydroponics		
Project will be completed in the next financial year (Multi -year).		
67. Capacity Building for LM's		
Project will be completed in the next financial year (Multi -year).		
68. Led Capacity Building - Ngqushwa		
Project will be completed in the next financial year (Multi -year).		
69. Upgrade Infrastructure Sanitation (Consolidated of Accounts)		
Recently consolidated funds. Will be utilised		
70. Water Services Operating Grant-DWS Refurbishment		
Savings. Application for rollover will be sent to the funder once all the invoices are paid		
71. Water Conservation and Demand Management		
It will be utilised for stipends for rain water harvesting.		
72. Chatha Development		
This is a multi-year project. The project is progressing. The balance is expected to be utilised in the next financial years 2017/2018.		
73. Fingoland and Regional Authority		
This is a multi-year project. The project is progressing. The balance is expected to be utilised in the next financial years. 2017/2018		
74. Dwesa Cwebe Restitutional		
This is a multi-year project. The project is progressing. The balance is expected to be utilised in the next financial years 2016/2017.		
75. Co-operative specialist		
Project will be completed in the next financial year (Multi-year)		
76. Tourism Survey		
Project will be completed in the next financial year (Multi-year).		
77. Nxuba Dam Chalets Development		
Project will be completed in the next financial year (Multi-year)		
78. SETA Implementation		
79. Ploughing Contactors-ward 10		
Project will be completed in the next financial year (Multi-year)		
80. Ploughing Contactor- NGXAKAXA		
Project will be completed in the next financial year (Multi-year)		

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
	R	Restated R
81. Ploughing Contactor- Ward 15 Project will be completed in the next financial year (Multi-year).		
82. Vuna Awards Funds will be utilised for stationery.		
83. Public Awareness Savings Technical Assistance to Develop District Dec Profile The application for rollover has been done to COGTA.		
84. Shixini Water Supply The remaining amount is savings		
85. Communal Water Stations Project complete, awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the project manager to the funder.		
86. Technical Assistance to Develop District Development Profile Project complete.		
87. Municipal Disaster Grant: Drill borehole Dutywa Fund only received at the end of March 2018. Drilling has commenced in Nqabarna and Dwesa		
88. Municipal Disaster Grant: Drill borehole Dutywa Fund only received at the end of March 2018. Drilling has commenced in Nqabarna and Dwesa		
89. Municipal Disaster Grant: Drill borehole Dutywa Fund only received at the end of March 2018. Drilling has commenced in Nqabarna and Dwesa		
50. Interest earned - outstanding receivables		
Receivables - service charges	40 792 184	32 914 767
	<u>40 792 184</u>	<u>32 914 767</u>
51. Gain/(Loss) on disposal of asset	(845 942)	(5 326 141)
The loss relates to other assets such as machinery, computer equipment, furniture and fittings and motor vehicles.		
52. Repairs and maintenance		
Water and sanitation	16 374 477	11 747 282
Buildings	45 470	3 510 626
Vehicles	-	5 457 296
Office furniture and equipment	88 690	-
	<u>16 508 637</u>	<u>20 715 203</u>
53. Water distribution losses Water distribution losses	10 827 880	17 104 822
The amount recorded as distribution losses emanates from the provision of water to free basic services beneficiaries through communal standpipes and also network/distribution losses due to burst pipe and other leakages.		
54. Vat Payable VAT	172 561	19 782 036
55. Transfers and grant expenditure		
Conditional grant expenditure	45 952 805	70 164 411
This expenditure relates to non capital items Comparative figures have been restated: Refer Note 43		
56. Comparative figures Capital Commitments The comparative figure for capital commitments was restated due to errors identified in the contractual amounts and related expenditure. The restatement only impacts disclosure and thus has no effect on the statement of Financial Position and Performance. The Capital commitment decreased by R78 803 038. Refer to note 40		
The figures have been restated as follows :		
Decrease in Capital commitments - Infrastructure assets		57 542 285
Decrease in Capital commitments - Community assets		13 854 626
Decrease in Capital commitments - Other		7 406 127
	-	<u>78 803 038</u>
57. Financial sustainability The municipality is facing a number of financial risks that cast doubt on its ability to sustain its current level of operations in the near future. The key financial risks identified include: <ul style="list-style-type: none"> - inability to pay creditors within due dates - inability to collect revenue billed - net current liability position Management has planned to reduce expenditure and improve the financial sustainability of the municipality through the implementation of austerity measures to reduce the administrative costs, revenue enhancement strategies and rebuilding of reserves. Management plans include the review of the adopted policies, long-term financial forecasts, asset management plans, contractually committed fixed costs such as rentals and the existing organogram with a view to reduce financial liability and costs.		
58. Events after reporting date The certain Mayoral Committee members were reshuffled at the Council meeting held in July 2018.		
59. Budget differences Material differences between budget and actual amounts The excess of actual expenditure over the final budget of 10% are explained below: Statement of Financial Performance Revenue 1. Service charges The budget amount is based on what is realistically collectable, while the actual amount is based on accrued billing for services consumed. 2. Rentals The actual rental was less than anticipated. It must be noted that in the prior year Calgary was hired out to external parties and therefore earned additional rental income. 3. Interest earned - outstanding receivables Actual billing exceeded the budget as billing of interest on overdue accounts exceeded what was anticipated to be collected. 4. Other income Includes an VAT from own revenue recognised in accordance with Circular 48 on the conditional grants. 5. Interest on external investments Actual income is less than anticipated due to less funds being held to earn interest. 6. Government grants Income is recognised once spending takes place and conditions are met.		

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2018	2017
R	Restated R

7. VAT on MIG

This amount pertains to "VAT savings" on the MIG conditional grants as per National Treasury circular that allows this to be recognised as own revenue.

8. VAT other grant

This amount pertains to "VAT savings" on

Expenditure

9. Employee related costs

The municipality is implementing austerity measures to contain costs. Posts are not automatically filled once vacated.

10. Remuneration of councillors

11. Depreciation

The depreciation is more than anticipated due to additional asset that were additions to WIP in progress and provision of the landfill site.

12. Finance costs

The anticipated finance costs were more than budgeted due to the actuarial valuation of the employee benefits being greater than anticipated.

13. Bad debt

Almost 80% of the debt due is provided for.

14. Collection costs

Collection costs are less as the municipality was not able to generate reports to submit to the debt collector.

15. Repairs and maintenance

Repairs and maintenance votes are used on an adhoc basis and only used if and when needed. Emergency procurement has resulted in the actual expenditure exceeding the budget

16. Bulk services

The purchases of bulk water were less than anticipated as the municipality is instituting measures to reduce water inefficiencies.

17. Contracted services

Amathole District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2018	2017
R	Restated R

18. Transfers and grant expenditure

The transfers and grant expenditure includes non capital expenditure such as feasibility studies and ventilated pit latrines.

19. General expenditure

The municipality has implemented austerity measures to reduce expenditure.

20. Loss on sale of assets

Gain/loss on the disposal of assets is not budgeted for due its ad hoc nature and level of uncertainty.

Statement of Financial Position

1. Inventory

Less inventory on hand at year end. The water stock levels were lower due to the prevailing drought conditions throughout the District

2. Receivables from exchange transactions

The provision for bad debts is around 80% of the outstanding debt.

3. Receivables from non-exchange transactions

The decrease is a result of sundry debtors decreasing.

5. Cash and cash equivalents

The cash and cash equivalents was greater than anticipated.

6. Investment Property

Investment property consists mainly of vacant land.

7. Property, plant and equipment

The property, plant and equipment increased during the current year as a result of expenditure on infrastructure assets funded by grants.

10. Finance lease obligation (current)

The decrease is due to contract that have expired and not renewed for office equipment

11. Payables from exchange transactions

The increase is due to payments to creditors not settled at the end of the year.

12. Taxes and transfers payable (non exchange)

This relates to the June 2018 PAYE amount that was paid in July 2018.

14. Unspent conditional grants and receipts

15. Provisions

The increase in the provisions is due to the recognition of the Provision for the rehabilitation of the Eastern Region land fill site

17. Operating lease liability

The decrease is due to the period being reduced.

18. Employee benefit obligation

The employee benefit obligation is based upon the report obtained from the actuaries.

Cash flow statement

2. Investing activities The net cash flow from investing activities variances is as a consequence of purchasing of property, plant and equipment.

3. Financing activities

The net cash flow from investing activities variance is as a result of repaying the DBSA loan.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters as well as an adjustment to the budget.

Amathole District Municipality
Annual Financial Statements
Appendix A - Schedule of External Loans
for the year ended 30 June 2018

EXTERNAL LOANS	Loan number	Interest Rate	Redeemable Date	Received during the period	Redeemed / written off during the period	Balance at 30 June 2018
				R	R	R
CURRENT PORTION				-	-	-
				-	-	-
				-	-	-
Total long-term loans				-	-	-

The loan was settled during the 2016/17 financial year

Amathole District Municipality
Annual Financial Statements
Appendix B - Analysis of Property, plant and equipment: Municipality
for the year end 30 June 2018

Classifications	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Accumulated Depreciation	Opening Balance	Additions	Closing Balance	
INFRASTRUCTURE	2 735 144 918	628 523	-	2 735 773 441	690 051 571	57 957 023	-	748 008 594	1 987 764 847
Civil Structure	614 665 984	48 100	-	614 714 084	184 829 321	3 058 716	-	187 888 037	426 826 046
Common Assets	2 933 651	-	-	2 933 651	2 273 253	69 473	-	2 342 727	590 924
Electrical Plant	39 560 150	-	-	39 560 150	24 768 898	1 828 657	-	26 597 555	12 962 595
Infrastructure	220 651 506	580 423	-	221 231 929	8 155 409	5 265 472	-	13 420 881	207 811 048
Mechanical Plant	86 566 369	-	-	86 566 369	57 892 223	4 047 137	-	61 939 360	24 627 009
Other	1 693 389	-	-	1 693 389	710 206	96 406	-	806 612	886 777
Pipe	1 769 073 869	-	-	1 769 073 869	411 422 261	43 591 161	-	455 013 422	1 314 060 447
SANITATION	261 042 623	65 849	-	261 108 472	72 506 479	6 917 108	-1 788 196	77 635 391	183 473 081
Civil Structure	74 654 055	65 849	-	74 719 904	26 147 929	2 368 871	-1 788 196	26 728 604	47 991 300
Common Assets	397 125	-	-	397 125	230 806	17 423	-	248 229	148 896
Electrical Plant	5 651 580	-	-	5 651 580	2 786 766	220 696	-	3 007 462	2 644 118
Mechanical Plant	13 253 173	-	-	13 253 173	7 484 313	634 760	-	8 119 073	5 134 100
Other	29 951	-	-	29 951	16 473	1 498	-	17 971	11 980
Pipe	167 056 740	-	-	167 056 740	35 840 191	3 673 860	-	39 514 052	127 542 688
COMMUNITY ASSETS	2 429 355 024	424 461 911	-6 500 000	2 847 316 935	8 221 962	2 065 603	-866 664	9 420 901	2 837 896 034
Clinics & Hospitals	-	-	-	-	-	-	-	-	-
Fire Stations	-	-	-	-	-	-	-	-	-
Security System	-	-	-	-	-	-	-	-	-
Museum	400 000	-	-	400 000	-	-	-	-	400 000
Civic Buildings	61 968 710	-	-6 500 000	55 468 710	8 221 962	2 065 603	-866 664	9 420 901	46 047 809
Under Construction	2 366 986 314	424 461 911	-	2 791 448 225	-	-	-	-	2 791 448 225
INVESTMENT PROPERTY	155 210 848	-	-	155 210 848	3 089 074	357 613	-	3 446 687	151 764 161
LAND BUILDINGS	25 110 480	-	-	25 110 480	4 819 710	725 479	-	5 545 189	19 565 291

Amathole District Municipality
Annual Financial Statements
Appendix B - Analysis of Property, plant and equipment: Municipality
for the year end 30 June 2018

Classifications	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Accumulated Depreciation	Opening Balance	Additions	Closing Balance	
Office Equipment	88 127 134	14 488 947	-1 534 414	101 081 667	27 165 726	14 324 611	-339 660	41 150 678	59 930 990
Air Conditioners	2 144	-	-	2 144	1 630	92	-	1 722	422
Computer Hardware	53 347 553	329 005	-1 524 815	52 151 743	16 575 201	4 741 982	-333 951	20 983 233	31 168 510
Other Office Equipment	1 363 394	333 162	-9 599	1 686 957	736 082	126 630	-5 709	857 003	829 954
Office Machines	421 410	-	-	421 410	247 595	32 209	-	279 804	141 606
SOFTWARE	32 992 633	13 826 780	-	46 819 413	9 605 219	9 423 697	-	19 028 916	27 790 497
Furniture and Fittings	21 689 232	3 272	-26 281	21 666 223	10 103 325	1 706 257	-3 258	11 806 324	9 859 899
Tables and Desks	9 600 442	-	-26 281	9 574 161	3 545 023	805 453	-3 258	4 347 218	5 226 944
Furniture and Fittings: Other	7 671 353	-	-	7 671 353	3 949 736	587 304	-	4 537 040	3 134 314
Chairs	4 190 119	3 272	-	4 193 392	2 430 273	299 635	-	2 729 907	1 463 484
Bins and Containers	227 317	-	-	227 317	178 294	13 866	-	192 159	35 158
Plant and Equipment	10 782 476	134 444	-	10 916 920	6 655 200	807 010	-	7 462 210	3 454 710
Compressors	2 457 013	-	-	2 457 013	1 395 019	221 806	-	1 616 825	840 188
Medical Equipment	24 734	-	-	24 734	19 618	1 634	-	21 252	3 481
Fire Equipment	2 124 720	-	-	2 124 720	1 337 288	134 492	-	1 471 779	652 941
Laboratory Equipment	2 498 377	-	-	2 498 377	1 747 943	155 306	-	1 903 249	595 128
Lawnmowers	275 821	-	-	275 821	210 118	17 521	-	227 640	48 182
Plant and Equipment: General	467 387	-	-	467 387	278 002	38 923	-	316 926	150 461
Tractors and Trailers	2 051 812	134 444	-	2 186 256	1 138 915	179 843	-	1 318 758	867 498
Radio Equipment	882 611	-	-	882 611	528 296	57 485	-	585 781	296 830
Motor Vehicles	76 717 667	-	-1 404 291	75 313 375	41 947 064	5 643 918	-455 553	47 135 429	28 177 946
Motor Vehicles	4 599 898	-	-	4 599 898	2 680 845	371 822	-	3 052 668	1 547 230
Fire Engines	9 114 137	-	-1 096 768	8 017 369	2 793 303	580 969	-233 209	3 141 063	4 876 306
Trucks and Bakkies	63 003 633	-	-307 524	62 696 109	36 472 916	4 691 126	-222 344	40 941 698	21 754 410
Total	5 803 180 402	439 782 946	-9 464 986	6 233 498 361	864 560 110	90 504 623	-3 453 330	951 611 402	5 281 886 959

Amathole District Municipality

Annual Financial Statements

Appendix C - Segmental Analysis of Property, plant and equipment per department

for the year ended 30 June 2018

Classifications	Cost				Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposal	Closing Balance	
	R	R	R	R	R	R	R	R	R
Council & General	7 048 799	-	-	7 048 799	2 087 033	596 853	-	2 683 886	4 364 913
Strategic Management	68 847 488	14 105 540	(75 651)	82 877 377	20 444 003	12 556 221	(28 570)	32 971 653	49 905 723
Corporate Services	267 497 544	-	(157 301)	267 340 243	31 597 059	3 090 506	(99 292)	34 588 273	232 751 970
Budget & Treasury	9 413 647	307 200	(29 848)	9 690 998	4 851 044	753 129	(10 606)	5 593 566	4 097 432
O&M	32 791 423	137 716	(1 157 701)	31 771 437	13 575 333	2 301 368	(261 886)	15 614 815	16 156 622
Community Services	17 368 847	-	(7 862 131)	9 506 716	8 995 421	4 575 094	(1 120 861)	12 449 655	-2 942 939
Engineering	5 259 191 318	425 156 282	(158 012)	5 684 189 588	779 882 375	66 064 557	(1 914 660)	844 032 272	4 840 157 317
Land, Human Settlement & Economic Development	2 160 670	25 962	(24 341)	2 162 291	1 071 125	163 295	(16 920)	1 217 500	944 791
Municipal Manager	663 640	-	-	663 640	205 829	55 430	-	261 259	402 380
Grand Total	5 664 983 376	439 732 700	(9 464 986)	6 095 251 090	862 709 222	90 156 454	(3 452 795)	949 412 880	5 145 838 210

Amathole District Municipality
Annual Financial Statements
Appendix D
for the year ended 30 June 2018

2018	2018	2018		2017	2017	2017
Actual Income	Actual Expenditure	Surplus		Actual Income	Actual Expenditure	Surplus
R	R	R		R	R	R
RATES AND GENERAL SERVICES						
	35 449 939	(35 449 939)	Legislative & Executive Support Services		35 449 939	(35 449 939)
2 228	14 837 209	(14 834 981)	Council General	2 228	14 837 209	(14 834 981)
	6 275 643	(6 275 643)	Mayor's Committee		6 275 643	(6 275 643)
	21 542 627	(21 542 627)	Strategic Manager		21 542 627	(21 542 627)
10 174	6 809 142	(6 798 968)	Municipal Support Unit	10 174	6 809 142	(6 798 968)
	25 881 515	(25 881 515)	Information Systems Unit		25 881 515	(25 881 515)
249 669	122 444 275	(122 194 606)	Corporate Services	249 669	122 444 275	(122 194 606)
	22 651 905	(22 651 905)	Human Resources		22 651 905	(22 651 905)
437	10 201 251	(10 200 814)	Budget and Treasury	437	10 201 251	(10 200 814)
1 971 030	13 370 329	(11 399 299)	Accounting and Reporting	1 971 030	13 370 329	(11 399 299)
	7 183 463	(7 183 463)	Asset Management		7 183 463	(7 183 463)
	12 290 853	(12 290 853)	Supply Chain Management		12 290 853	(12 290 853)
	3 916 294	(3 916 294)	Budgeting		3 916 294	(3 916 294)
118 027	59 869 494	(59 751 467)	Revenue	118 027	59 869 494	(59 751 467)
	5 564 289	(5 564 289)	Expenditure		5 564 289	(5 564 289)
4 815 032	319 495 760	(314 680 728)	Engineering Services	4 815 032	319 495 760	(314 680 728)
600	9 264 682	(9 264 082)	Building and Services Planning	600	9 264 682	(9 264 082)
909 498	1 700 617	(791 120)	Solid Waste site	909 498	1 700 617	(791 120)
	768 675	(768 675)	Transport		768 675	(768 675)
	5 480 157	(5 480 157)	Water Services Authority		5 480 157	(5 480 157)
		-	Project Management Unit			-
267 873 663	428 024 358	(160 150 695)	Operations and Maintenance Water and Sanitation	267 873 663	428 024 358	(160 150 695)
415 773 096	17 446 754	398 326 342	Management of Water Services Authority	415 773 096	17 446 754	398 326 342
	9 709 391	(9 709 391)	Land Human Settlement & Economic Development		9 709 391	(9 709 391)
	3 182 385	(3 182 385)	Land Administration and Housing		3 182 385	(3 182 385)
	36 862 543	(36 862 543)	Economic Development		36 862 543	(36 862 543)
329 026 934	43 535 787	285 491 147	Municipal Manager	329 026 934	43 535 787	285 491 147
	3 493 757	(3 493 757)	Legal Fees		3 493 757	(3 493 757)
	9 056 968	(9 056 968)	Internal Audit		9 056 968	(9 056 968)
		-	Shared services module			-
	7 310 658	(7 310 658)	Community Services		7 310 658	(7 310 658)
	7 974 434	(7 974 434)	Disaster Management		7 974 434	(7 974 434)
	2 229 242	(2 229 242)	Community Safety Services		2 229 242	(2 229 242)
4 139 538	2 698 560	1 440 977	Municipal Health Services ADM	4 139 538	2 698 560	1 440 977
4 473 843	34 790 814	(30 316 971)	Fire Services	4 473 843	34 790 814	(30 316 971)
1 995	21 599 796	(21 597 802)	Municipal Health services LM's	1 995	21 599 796	(21 597 802)
		-				-
1 029 365 764	1 332 913 569	(303 547 804)		1 029 365 764	1 332 913 569	(303 547 804)
		-	Gain/(loss) on sale of assets			-
		-	Actuarial gains/losses			-
1 029 365 764	1 332 913 569	(303 547 804)	Surplus for the year	1 029 365 764	1 332 913 569	(303 547 804)

APPENDIX F
THE ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY
DISCLOSURE OF GRANTS & SUBSIDIES IN TERMS OF MFMA
as at 30 June 2018

CONDITIONAL GRANTS AND RECEIPTS	Opening Balance	QUARTERLY RECEIPTS				Total Receipts	QUARTERLY EXPENDITURE				Total Expenditure	Compliance with DORA	Reason for non compliance
		Sept 17	Dec 17	March 18	June 18		Sept 17	Dec 17	March 18	June 18			
		R	R	R	R		R	R	R	R			
LOCAL GOVERNMENT: FINANCIAL MANAGEMENT GRANT: (FMG) BUDGET REFORM	(288 139)	(1 250 000)	-	-	-	(1 250 000)	112 117	956 717	103 516	468 419	1 640 769	Yes	N/A
EXPANDED PUBLIC WORKS PROGRAMME INCENTIVE GRANT (EPWP)	(332 839)	(382 000)	(687 000)	(458 000)	-	(1 527 000)	79 700	190 499	364 800	905 290	1 530 249	Yes	N/A
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	-	(3 000 000)	(5 000 000)	-	-	(8 000 000)	3 420 000	6 834 649	-	(420 000)	9 834 649	Yes	N/A
WATER SERVICES INFRASTRUCTURE GRANT	(3 249 377)	(45 000 000)	-	(45 000 000)	-	(90 000 000)	4 761 583	15 033 960	10 941 998	53 941 426	84 678 965	Yes	N/A
REGIONAL BULK INFRASTRUCTURE GRANT	(766 800)	(25 732 463)	(25 750 257)	(8 470 692)	-	(59 954 312)	15 919 466	29 522 714	12 213 437	(2 538 482)	55 117 134	Yes	N/A
ROAD ASSET MANAGEMENT SYSTEM	(500 598)	(2 053 000)	-	(880 000)	-	(2 933 000)	-	500 598	-	388 241	888 839	Yes	N/A
MUNICIPAL INFRASTRUCTURE GRANT (MIG)	(2 791 799)	(146 580 000)	-	(289 859 000)	-	(436 439 000)	43 455 757	131 858 045	62 997 723	201 086 378	439 397 908	Yes	N/A
MUNICIPAL DISASTER GRANT: DRILL BOREHOLE DUTYWA	-	-	-	(460 000)	-	(460 000)	-	-	-	-	-	Yes	N/A
MUNICIPAL DISASTER GRANT: DRILL BOREHOLENGOABANE	-	-	-	(460 000)	-	(460 000)	-	-	-	317 136	317 136	Yes	N/A
MUNICIPAL DISASTER GRANT: DRILL BOREHOLE DWESA REGION	-	-	-	(460 000)	-	(460 000)	-	-	-	496 271	496 271	Yes	N/A
ACP - IW INFRASTRUCTURE REFURBISH R3 5M	(650 289)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
LG SETA Grants	(2 572 879)	(458 566)	(160 653)	(488 049)	(283 309)	(1 390 577)	84 340	268 406	317 012	552 775	1 222 532	Yes	N/A
UPGRADE INFRASTRUCTURE SANITATION (CONSOLIDATION OF ACCOUNTS)	(193 316)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
PLANNING GRANT DLA	(1 456 032)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
MQUMMA WAR ON LEAKS	296 703	-	-	-	-	-	-	-	-	-	-	Yes	N/A
WATER SERVICES OPERATING GRANT- DWS REFURBISHMENT	(29 705)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
SHKINI WATER SUPPLY	(6 487)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
WATER SERVICE SUPPORT	(562 068)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
COMMUNAL WATER STATIONS (DST/ CSIR)	(309 585)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
FREE BASIC SERVICES STRATEGY DEVELOPMENT	(330 000)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
VICTORIA POST	(152 290)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
TEKO SPRINGS/DLOVINI	(68 161)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
NEEDS CAMP	(33 714)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
HOOSBACK	(130 884)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
HAGA HAGA	(41 923)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
WILLOWDALE	(171 954)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
ELLIOTDALE	(8 274)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
NDEVANA	(34 766)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
MSOBOMVU	(57 530)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
HERTZOG	(84 070)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
GREAT KEI PLANNING FUNDS	(4 029)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
MQUMMA PLANNING FUNDS	(110 000)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
NGQUSHWA PLANNING FUNDS	(46 667)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
NKONKOBE PLANNING FUNDS	(53 063)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
MQUMMA SURVEY	(25 000)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
SURVEY INTEREST & CONTRIBUTION	(61 680)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
NGQUSHWA SURVEY FUNDS	(177 510)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
NKONKOBE SURVEY	(116 200)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
LEWIS SURVEY	(141 125)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
PRUDOE ENGINEERING DESIGN	(1 249)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
DONGWE ENGINEERING DESIGN	(8 499)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
KUBUSI ESTABLISHMENT GRANT	(688)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
NDOVINI ESTABLISHMENT GRANT	(8 986)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
DUCATS ESTABLISHMENT GRANT	(70 542)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
MACLEANTOWN ESTABLISHMENT GRANT	(16 849)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
PRUDOE ESTABLISHMENT GRANT	(51 233)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
DONGWE ESTABLISHMENT GRANT	(76 675)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
TEKO SPRING ESTAB GRANT	(35 082)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
NEEDS CAMP ESTABLISHMENT GRANT	(66 222)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
TEKO SPRING TOP STRUCTURE	(106 438)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
PRUDOE TOP STRUCTURE	(447 353)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
DONGWE TOP STRUCTURE	(1 347 309)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
NEEDSCAMP TOP STRUCTURE	(3 838)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
DUCATS TOP STRUCTURE SUBSIDY	(23 234)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
KUBUSI TOP STRUCTURE	(2 816)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
LILYVALE KAYSERS BEACH ESTABLISHMENT GRANT	(2 643)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
KAYSERS BEACH HOUSING PROJECT	(18 881)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
LILYVALE ENG DESIGNS	(5 940)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
RESTITUTION AWARD (DLA)	(20 897 062)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
BENEFICIARY ADMINISTRATION (BREAKING NEW GROUND)	(3 215)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
ENVIRONMENTAL IMPACT ASSESSMENT	(739 226)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
GEO HYDROLOGY	(1 394 200)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
BAWIA FALLS LED	(102 936)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
ELLIOTDALE BRICK MAKING	(232 803)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
EG INFORMATION INITIATIVE SUPPORT	(5 755)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
ECCDOT BUTTERWORTH INTERCHANGE	(1 506 964)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
ROOF TOP RAIN WATER HARVESTING	(3 900)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
NGQUSHI RAIN WATER HARVESTING	(5 700)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
SILWINDLALA WOMEN'S PROJECT	(2 303)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
BALFOUR SAWMILLS	(8 019)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
HIGHLANDS RESORTS	(75 836)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
PEDDIE BRICKS MAKING	(1 496)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
INKUTHALO HYDROPONICS	(1 524)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
CAPACITY BUILDING FOR LMs	(5 128)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
LED CAPACITY BUILDING - NGQUSHWA	(350 000)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
CHATHA DEVELOPMENT	(2 413 456)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
FINGLAND REGIONAL AUTHORITY	(101 278)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
DWESA - CYBE RESTITUTIONAL	(5 308 303)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
CO-OPERATIVES SPECIALIST	(22 280)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
TOURISM SURVEY	(12 130)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
NXUBA DAM CHALET'S DEVELOPMENT	(6 264)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
PLOUGHING CONTRACTORS-WARD 10	(1 155)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
PLOUGHING CONTRACTORS-NGKAKAXA	(1 642)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
PLOUGHING CONTRACTOR - Ward 15	(1 513)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
VUNA AWARDS	(9 289)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
PUBLIC AWARENESS	(365)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
TECHNICAL ASSISTANCE TO DEVELOP DISTRICT DEV PROFILE	(18 338)	-	-	-	-	-	-	-	-	-	-	Yes	N/A
TOTAL GRANT PROVIDERS	(50 891 687)	(224 456 969)	(31 997 910)	(346 535 741)	(283 309)	(602 873 929)	67 832 963	165 165 492	86 928 466	255 197 512	955 124 452		

Annexure 1
THE ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY
as at 30 June 2018

CONDITIONAL GRANTS AND RECEIPTS	Balance at 01/07/2017	Contributions received during the year	Other Income	Expenditure during the year	Balance at 30/06/2018
	R	R	R	R	R
NATIONAL GOVERNMENT GRANTS					
LOCAL GOVERNMENT: FINANCIAL MANAGEMENT GRANT: (FMG) BUDGET REFORM	(298 139)	(1 250 000)	-	1 640 768	92 629
EXPANDED PUBLIC WORKS PROGRAMME INCENTIVE GRANT (EPWP)	(332 839)	(1 527 000)	-	1 530 349	(329 490)
WATER SERVICES INFRASTRUCTURE GRANT	(3 249 377)	(90 000 000)	-	84 678 865	(8 570 511)
REGIONAL BULK INFRASTRUCTURE GRANT	(766 802)	(59 954 352)	-	55 117 134	(5 604 019)
ROAD ASSET MANAGEMENT SYSTEM	(500 598)	(2 933 000)	-	888 839	(2 544 758)
MUNICIPAL INFRASTRUCTURE GRANT (MIG)	(2 791 799)	(436 439 000)	-	439 397 908	167 109
MUNICIPAL DISASTER GRANT: DRILL BOREHOLE DUTYWA	-	(460 000)	-	-	(460 000)
MUNICIPAL DISASTER GRANT: DRILL BOREHOLENQABANE	-	(460 000)	-	317 136	(142 865)
MUNICIPAL DISASTER GRANT: DRILL BOREHOLE DWESA REGION	-	(460 000)	-	496 271	36 271
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	-	(8 000 000)	(1 834 649)	9 834 649	-
ACIP - WW INFRASTRUCTURE REFURBISH R3 5M	(650 289)	-	-	-	(650 289)
UPGRADE INFRASTRUCTURE SANITATION (CONSOLIDATION OF ACCOUNTS)	(193 316)	-	-	-	(193 316)
MSIG: DATA CLEANSING PROJECT NKONKBE PH2	(0)	-	-	-	(0)
MNQUMA WAR ON LEAKS	296 703	-	-	-	296 703
WATER SERVICES OPERATING GRANT- DWS REFURBISHMENT	(29 705)	-	-	-	(29 705)
SHIXINI WATER SUPPLY	(6 487)	-	-	-	(6 487)
WATER SERVICE SUPPORT	(562 068)	-	-	-	(562 068)
COMMUNAL WATER STATIONS (DST/ CSIR)	(309 585)	-	-	-	(309 585)
FREE BASIC SERVICES STRATEGY DEVELOPMENT	(330 000)	-	-	-	(330 000)
TOTAL NATIONAL GOVERNMENT GRANTS	-9 724 300	-601 483 352	-1 834 649	593 901 920	-19 140 380
PROVINCIAL GOVERNMENT GRANTS					
PLANNING GRANT DLA	(1 456 032)	-	-	-	(1 456 032)
VICTORIA POST	(152 250)	-	-	-	(152 250)
TEKO SPRINGS/NDLOVINI	(68 161)	-	-	-	(68 161)
NEEDS CAMP	(33 714)	-	-	-	(33 714)
HOGSBACK	(130 884)	-	-	-	(130 884)
HAGA HAGA	(41 923)	-	-	-	(41 923)
WILLOWVALE	(171 954)	-	-	-	(171 954)
ELLIOTDALE	(9 274)	-	-	-	(9 274)
NDEVANA	(34 766)	-	-	-	(34 766)
MSOBOMVU	(57 530)	-	-	-	(57 530)
HERTZOG	(84 070)	-	-	-	(84 070)
GREAT KEI PLANNING FUNDS	(4 029)	-	-	-	(4 029)

**THE ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY
as at 30 June 2018**

CONDITIONAL GRANTS AND RECEIPTS	Balance at 01/07/2017	Contributions received during the year	Other Income	Expenditure during the year	Balance at 30/06/2018
	R	R	R	R	R
NATIONAL GOVERNMENT GRANTS					
MNQUMA PLANNING FUNDS	(110 000)	-	-	-	(110 000)
NGQUSHWA PLANNING FUNDS	(46 667)	-	-	-	(46 667)
NKONKOBÉ PLANNING FUNDS	(53 063)	-	-	-	(53 063)
MNQUMA SURVEY	(25 000)	-	-	-	(25 000)
SURVEY INTEREST & CONTRIBUTION	(61 680)	-	-	-	(61 680)
NGQUSHWA SURVEY FUNDS	(177 510)	-	-	-	(177 510)
NKONKOBÉ SURVEY	(116 200)	-	-	-	(116 200)
LEWIS SURVEY	(141 125)	-	-	-	(141 125)
PRUDOE ENGINEERING DESIGN	(1 348)	-	-	-	(1 348)
DONGWE ENGINEERING DESIGN	(9 499)	-	-	-	(9 499)
KUBUSIE ESTABLISHMENT GRANT	(698)	-	-	-	(698)
NDLOVINI ESTABLISHMENT GRANT	(8 986)	-	-	-	(8 986)
DUCATS ESTABLISHMENT GRANT	(70 542)	-	-	-	(70 542)
MACLEANTOWN ESTABLISHMENT GRANT	(16 849)	-	-	-	(16 849)
PRUDOE ESTABLISHMENT GRANT	(51 233)	-	-	-	(51 233)
DONGWE ESTABLISHMENT GRANT	(76 675)	-	-	-	(76 675)
TEKO SPRING ESTAB GRANT	(35 082)	-	-	-	(35 082)
NEEDS CAMP ESTABLISHMENT GRANT	(66 222)	-	-	-	(66 222)
TEKO SPRING TOP STRUCTURE	(106 438)	-	-	-	(106 438)
PRUDOE TOP STRUCTURE	(447 353)	-	-	-	(447 353)
DONGWE TOP STRUCTURE	(1 347 309)	-	-	-	(1 347 309)
NEEDSCAMP TOP STRUCTURE	(3 838)	-	-	-	(3 838)
DUCATS TOP STRUCTURE SUBSIDY	(23 234)	-	-	-	(23 234)
KUBUSI TOP STRUCTURE	(3 816)	-	-	-	(3 816)
LILYVALE KAYSERS BEACH ESTABLISHMENT GRANT	(2 643)	-	-	-	(2 643)
KAYSERS BEACH HOUSING PROJECT	(18 881)	-	-	-	(18 881)
LILLYVALE ENG DESIGNS	(5 940)	-	-	-	(5 940)
RESTITUTION AWARD (DLA)	(20 897 062)	-	-	-	(20 897 062)
BENEFICIARY ADMINISTRATION (BREAKING NEW GROUND)	(3 215)	-	-	-	(3 215)
ENVIROMENTAL IMPACT ASSESMENT	(739 235)	-	-	-	(739 235)
GEO HYDROLOGY	(1 394 200)	-	-	-	(1 394 200)
BAWA FALLS LED	(102 936)	-	-	-	(102 936)
ELLIOTDALE BRICK MAKING	(232 803)	-	-	-	(232 803)
EC INFORMATION INITIATIVE SUPPORT	(5 755)	-	-	-	(5 755)
ECDOT: BUTTERWORTH INTERCHANGE	(1 506 964)	-	-	-	(1 506 964)
ROOF TOP RAIN WATER HARVESTING	(3 900)	-	-	-	(3 900)
NGQUSI RAIN WATER HARVESTING	(5 700)	-	-	-	(5 700)

**THE ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY
as at 30 June 2018**

CONDITIONAL GRANTS AND RECEIPTS	Balance at 01/07/2017	Contributions received during the year	Other Income	Expenditure during the year	Balance at 30/06/2018
	R	R	R	R	R
NATIONAL GOVERNMENT GRANTS					
SILWINDLALA WOMEN'S PROJECT	(2 303)	-	-	-	(2 303)
BALFOUR SAWMILLS	(8 019)	-	-	-	(8 019)
HIGHLANDS RESORTS	(75 836)	-	-	-	(75 836)
PEDDIE BRICKS MAKING	(1 495)	-	-	-	(1 495)
INKUTHALO HYDROPONICS	(1 524)	-	-	-	(1 524)
CAPACITY BUILDING FOR LM's	(5 128)	-	-	-	(5 128)
LED CAPACITY BUILDING - NGQUSHWA	(350 000)	-	-	-	(350 000)
CHATHA DEVELOPMENT	(2 413 456)	-	-	-	(2 413 456)
FINGOLAND REGIONAL AUTHORITY	(101 278)	-	-	-	(101 278)
DWESA - CWEBE RESTITUTIONAL	(5 308 303)	-	-	-	(5 308 303)
CO-OPERATIVES SPECIALIST	(22 280)	-	-	-	(22 280)
TOURISM SURVEY	(12 130)	-	-	-	(12 130)
NXUBA DAM CHALET'S DEVELOPMENT	(6 264)	-	-	-	(6 264)
VUNA AWARDS	(9 289)	-	-	-	(9 289)
PUBLIC AWARENESS	(365)	-	-	-	(365)
TECHNICAL ASSISTANCE TO DEVELOP DISTRICT DEV PROFILE	(18 338)	-	-	-	(18 338)
PROVINCIAL GOVERNMENT GRANTS	-38 500 199	-	-	-	-38 500 199
OTHER GRANT PROVIDERS					
LG SETA Grants	(2 572 878)	(1 390 577)	-	1 222 532	(2 740 924)
PLOUGHING CONTACTORS-WARD 10	(1 155)	-	-	-	(1 155)
PLOUGHING CONTRACTOR-NGXAKAXA	(1 642)	-	-	-	(1 642)
PLOUGHING CONTRACTOR - Ward 15	(1 513)	-	-	-	(1 513)
TOTAL OTHER GRANT PROVIDERS	-2 577 188	-1 390 577	-	1 222 532	-2 745 234
TOTAL GRANTS	-50 801 687	-602 873 929	-1 834 649	595 124 452	-60 385 813

Amathole District Municipality
Annual Financial Statements
Annexure 2
for the year ended 30 June 2018

Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description R thousand	2017/2018										2016/2017				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Revenue - Standard															
Governance and administration	985 484	(244 012)	741 472	–	132 418	873 889	322 014	–	551 876	0	0	–	–	–	336 183
Executive and council	903 054	(246 014)	657 040	–	132 418	789 458	322 014	–	467 444	41%	36%	–	–	–	333 844
Finance and administration	82 367	2 002	84 369	–	–	84 369	–	84 369	0%	0%	–	–	–	–	2 339
Internal audit	63	–	63	–	–	63	–	63	0%	0%	–	–	–	–	–
Community and public safety	6 790	31 732	38 522	–	–	38 522	1 333	–	37 190	0	0	–	–	–	8 615
Community and social services	443	153	596	–	–	596	–	596	0%	0%	–	–	–	–	–
Sport and recreation	–	–	–	–	–	–	–	–	–	#DIV/0!	#DIV/0!	–	–	–	–
Public safety	5 815	–	5 815	–	–	5 815	1 333	–	4 483	23%	23%	–	–	–	4 474
Housing	94	31 579	31 674	–	–	31 674	–	–	31 674	0%	0%	–	–	–	–
Health	437	–	437	–	–	437	–	–	437	0%	0%	–	–	–	4 142
Economic and environmental services	41 747	(1 681)	40 066	–	–	37 133	–	–	37 133	–	–	–	–	–	11
Planning and development	38 814	(1 681)	37 133	–	–	37 133	–	–	37 133	0%	0%	–	–	–	11
Road transport	2 933	–	2 933	–	–	2 933	–	–	2 933	0%	0%	–	–	–	–
Trading services	893 430	(97 187)	796 243	–	–	796 243	83 097	–	713 146	0	0	–	–	–	1 175 610
Water	751 037	(68 076)	682 960	–	–	682 960	55 201	–	627 760	8%	7%	–	–	–	870 714
Waste water management	141 428	(30 076)	111 353	–	–	111 353	27 896	–	83 456	25%	20%	–	–	–	303 986
Waste management	965	965	1 930	–	–	1 930	–	–	1 930	0%	0%	–	–	–	909
Total Revenue - Standard	1 927 451	(311 148)	1 616 303	–	132 418	1 748 788	406 443	–	2 681 622	#DIV/0!	#DIV/0!	–	–	–	1 520 420
Expenditure - Standard															
Governance and administration	529 504	66 489	595 993	–	664 541	1 260 534	162 328	–	1 098 206	0	0	(12 022)	(12 022)	–	914 381
Executive and council	145 687	(6 692)	138 994	–	650 464	789 458	33 028	–	756 429	4%	23%	(7 362)	(7 362)	–	613 023
Finance and administration	373 270	73 182	446 451	–	14 101	460 553	126 032	–	334 521	27%	34%	–	–	–	301 359
Internal audit	10 548	–	10 548	–	(24)	10 524	3 268	–	7 256	31%	31%	(4 660)	(4 660)	–	–
Community and public safety	88 494	31 449	119 942	–	1 279	121 221	28 995	–	92 226	0	0	–	–	–	216 316
Community and social services	7 895	–	7 895	–	259	8 155	1 974	–	6 181	24%	25%	–	–	–	7 752
Sport and recreation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Public safety	39 813	(4)	39 809	–	1 882	41 691	16 335	–	25 355	–	–	–	–	–	46 510
Housing	2 044	31 453	33 497	–	406	33 903	408	–	33 495	1%	20%	–	–	–	31 342
Health	38 742	–	38 742	–	(1 269)	37 473	10 278	–	27 195	27%	27%	–	–	–	130 713
Economic and environmental services	77 650	(3 376)	74 274	–	(10 703)	63 571	48 965	–	14 606	0	0	–	–	–	54 150
Planning and development	74 364	(3 376)	70 988	–	(10 675)	60 312	48 720	–	11 592	81%	66%	–	–	–	54 150
Road transport	3 286	–	3 286	–	(28)	3 258	245	–	3 014	8%	7%	–	–	–	–
Trading services	694 282	3 717	697 999	–	(119 213)	578 786	439 135	–	139 651	0	0	–	–	–	288 478
Water	549 713	2 742	552 455	–	(105 285)	447 169	411 975	–	35 194	92%	75%	–	–	–	255 384
Waste water management	139 480	(225)	139 255	–	(14 555)	124 700	24 115	–	100 586	19%	17%	–	–	–	33 094
Waste management	5 089	1 200	6 289	–	627	6 916	3 045	–	3 871	44%	60%	–	–	–	–
Total Expenditure - Standard	1 389 930	98 279	1 488 208	–	535 904	2 024 112	679 423	–	1 344 689	0	0	(12 022)	(12 022)	–	1 473 325
Surplus/(Deficit) for the year	537 521	(409 426)	128 095	–	(403 486)	(275 324)	(272 979)	–	1 336 933	#DIV/0!	#DIV/0!	12 022	12 022	–	47 095

Amathole District Municipality
Annual Financial Statements
Annexure 2
for the year ended 30 June 2018

Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2017/2018							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure
R thousand	1	2	3	4	5	6	7	8
Revenue by Vote								
Vote 01 - Legislative & Executive Support Services	482	–	482	–	–	482	12	0
Vote 02 - Strategic Management	2 481	0	2 481	–	–	2 481	–	0
Vote 3 - Corporate Services	65 096	1 993	67 089	–	–	67 089	229	0
Vote 4 - Budget & Treasury	14 956	9	14 965	–	–	14 965	6 804	0
Vote 5 - Engineering Department	594 918	11 045	605 963	–	–	605 963	891	0
Vote 6 - Health & Protection Department	6 696	153	6 849	–	–	6 849	1 215	0
Vote 7 - Water & Sanitation Management	430 858	–	430 858	–	–	430 858	182 101	0
Vote 8 - Water Services	320 120	(68 076)	252 044	–	–	252 044	55 802	0
Vote 9 - Sanitation Services	141 428	(30 076)	111 353	–	–	111 353	22 375	0
Vote 10 - Land Human Settlement & Economic Development	17 623	29 898	47 521	–	–	47 521	–	0
Vote 11 - Municipal Management	332 792	(256 094)	76 697	–	–	76 697	137 013	(60 315)
			–	–	–	–		–
								–
Total Revenue by Vote	1 927 451	(311 148)	1 616 303	–	–	1 616 303	406 443	(60 315)
Expenditure by Vote to be appropriated								
Vote 1 - Legislative & Executive Support Services	60 703	252	60 955	–	–	60 955	25 052	0
Vote 2 - Strategic Management	61 324	1 131	62 455	–	–	62 455	37 405	0
Vote 3 - Corporate Services	205 096	42 012	247 108	–	–	247 108	76 091	0
Vote 4 - Budget & Treasury	125 303	23 209	148 512	–	–	148 512	74 695	0
Vote 5 - Engineering Department	51 964	4 770	56 734	–	–	56 734	200 841	(144 107)
Vote 6 - Health & Protection Department	86 449	149	86 599	–	–	86 599	35 338	0
Vote 7 - Water & Sanitation Management	198 900	2 598	201 498	–	–	201 498	16 193	0
Vote 8 - Water Services	344 663	(14 107)	330 556	–	–	330 556	139 628	0
Vote 9 - Sanitation Services	139 480	26	139 507	–	–	139 507	34 426	0
Vote 10 - Land Human Settlement & Economic Development	74 304	26 898	101 202	–	–	101 202	25 916	0
Vote 11 - Municipal Management	41 743	13 258	55 001	–	–	55 001	13 838	0
			–	–	–	–		–
								–
Total Expenditure by Vote	1 389 930	100 197	1 490 126	–	–	1 490 126	679 423	(144 107)
Surplus/(Deficit) for the year	537 521	(411 344)	126 177	–	–	126 177	(272 979)	83 792

			2016/2017			
Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
9	10	11	12	13	14	15
470	3%	3%	-	-	-	2
2 481	0%	0%	-	-	-	10
66 860	0%	100%	-	-	-	250
8 161	45%	45%	-	-	-	19 667
605 072	0%	0%	-	-	-	479 202
5 634	18%	18%	-	-	-	8 615
248 757	42%	42%	-	-	-	415 773
196 242	22%	17%	-	-	-	267 874
88 977	20%	16%	-	-	-	-
47 521	0%	0%	-	-	-	-
(60 315)	179%	41%	-	-	-	329 027
-	#DIV/0!	#DIV/0!	-	-	-	-
1 209 860			-	-	-	1 520 420
35 903	41%	41%	-	-	-	56 563
25 050	60%	61%	-	-	-	54 233
171 016	31%	100%	-	-	-	145 096
73 817	50%	60%	-	-	-	117 722
(144 107)	354%	386%	(144 107)	(144 107)	-	465 851
51 261	41%	41%	-	-	-	76 604
185 305	8%	8%	-	-	-	23 391
190 928	42%	41%	-	-	-	428 024
105 080	25%	25%	-	-	-	-
75 286	26%	35%	-	-	-	49 754
41 163	25%	33%	-	-	-	56 087
-	#DIV/0!	#DIV/0!	-	-	-	-
-			-	-	-	-
810 704			(144 107)	(144 107)	-	1 473 325
399 156			144 107	144 107	-	47 095

Amathole District Municipality
Annual Financial Statements
Annexure 2
for the year ended 30 June 2018

Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure): Municipality

Description	2017/2018						2016/17				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	14	15
Revenue By Source											
Service charges - water revenue	186 545	(68 076)	118 469	-	-	118 469	171 528		(53 059)	-	150 891
Service charges - sanitation revenue	80 305	(30 076)	50 229	-	-	50 229	85 873		(35 644)	-	66 459
Service charges - other	6 058	(965)	5 093	-	-	5 093	4 629		464	-	4 445
Rental of facilities and equipment	356	-	356	-	-	356	308		48	-	336
Interest earned - external investments	9 324	-	9 324	-	-	9 324	6 542		2 782	-	15 566
Interest earned - outstanding debtors	2 585	-	2 585	-	-	2 585	40 792		(38 208)	-	32 915
Fines	-	-	-	-	-	-	-		-	-	-
Transfers recognised - operational	780 373	(7 080)	773 293	-	-	773 293	763 014		10 279	-	741 023
Grants and subsidies	-	-	-	-	-	-	-		-	-	-
Other revenue	364 012	(211 758)	152 254	-	-	152 254	61 363		90 891	-	61 565
Gains on disposal of PPE	-	-	-	-	-	-	-		-	-	-
Total Revenue (excluding capital transfers and contributions)	1 429 558	(317 956)	1 111 602	-	-	1 111 602	1 134 050		(22 448)	-	1 073 199
Expenditure By Type											
Employee related costs	733 534	(2 508)	731 026	-	5 636	736 662	747 037		(10 376)	-	629 008
Remuneration of councillors	14 202	-	14 202	-	(450)	13 753	14 645	(892)	(892)	-	14 428
Debt impairment	105 756	(14 000)	91 756	-	191	91 946	91 756	191	191	-	128 945
Depreciation & asset impairment	107 595	-	107 595	-	(10 749)	96 846	111 031	-	(14 185)	-	124 303
Finance charges	22 852	-	22 852	-	(2 671)	20 181	26 609	(6 428)	(6 428)	-	24 605
Bulk purchases	112 000	8 000	120 000	-	9 973	129 973	92 359	37 614	37 614	-	91 620
Contracted services	31 186	10 413	41 599	-	-	41 599	39 888	1 711	1 711	-	37 101
Transfers and grants	15 080	(7 080)	8 000	-	-	8 000	45 953	(37 953)	(37 953)	-	70 164
Other expenditure	247 726	(95 022)	351 180	-	(12 333)	338 847	237 863	-	100 984	-	243 289
Loss on disposal of PPE	-	-	-	-	-	-	846	(846)	(846)	-	5 326
Total Expenditure	1 389 930	(100 197)	1 488 208	-	(10 402)	1 477 806	1 407 986	(6 603)	69 820	-	1 368 792
Surplus/(Deficit)	39 628	(418 152)	(376 606)	-	10 402	(366 204)	(273 936)	6 603	(92 268)	-	(295 592)
Transfers recognised - capital	497 893	6 006	503 899	-	-	503 899	518 904	(15 005)	(15 005)	-	423 906
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	39 628	(2 800)	36 829	-	-	36 829	-	36 829	36 829	-	-
Surplus/(Deficit) after capital transfers & contributions	537 521	3 206	540 727	-	-	540 727	518 904	21 824	21 824	-	423 906
Taxation	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	537 521	3 206	540 727	-	-	540 727	518 904	21 824	21 824	-	423 906
Attributable to minorities	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	537 521	3 206	540 727	-	-	540 727	518 904	21 824	21 824	-	423 906
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	537 521	3 206	540 727	-	-	540 727	518 904	21 824	21 824	-	423 906

Amathole District Municipality
Annual Financial Statements
Annexure 2
for the year ended 30 June 2018

Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding: Municipality

Vote Description	2017/2018											2016/2017			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Capital expenditure - Vote															
Multi-year expenditure															
Vote 01 - Legislative & Executive Support Services	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 02 - Strategic Management	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 03 - Internally Funded Projects	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 04 - Corporate Services	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 05 - Budget & Treasury	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 06 - Engineering Department	497 893	6 808	504 701	-	-	504 701	206 356	-	298 344	41%	41%	-	-	-	58 736
Vote 11 - Land Human Settlement & Economic Development	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Capital multi-year expenditure sub-total	497 893	6 808	504 701	-	-	504 701	206 356	-	298 344			-	-	-	58 736
Single-year expenditure															
Vote 1 - Legislative & Executive Support Services	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 2 - Strategic Management	35 550	(4 000)	31 550	-	-	31 550	9 102	-	22 449	29%	26%	-	-	-	(26 556)
Vote 3 - Corporate Services	169	-	169	-	-	169	-	-	169	0%	0%	-	-	-	-
Vote 4 - Budget & Treasury	417	-	417	-	-	417	-	-	417	0%	0%	-	-	-	-
Vote 5 - Engineering Department	56	3 189	3 245	-	-	3 245	-	-	3 245	0%	0%	-	-	-	-
Vote 6 - Health & Protection Department	-	210	210	-	-	419	275	-	144	66%	#DIV/0!	-	-	-	-
Vote 7 - Water & Sanitation Management	3 000	(3 000)	-	-	-	-	-	-	-	#DIV/0!	0%	-	-	-	-
Vote 8 - Water Services	233	-	233	-	-	233	-	-	233	0%	0%	-	-	-	-
Vote 9 - Sanitation Services	166	-	166	-	-	166	-	-	166	0%	0%	-	-	-	-
Vote 10 - Land Human Settlement & Economic Development	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Vote 11 - Municipal Management	37	-	37	-	-	37	-	-	37	0%	0%	-	-	-	-
Capital single-year expenditure sub-total	39 628	(3 602)	36 027	-	-	36 236	9 377	-	26 860	#DIV/0!	#DIV/0!	-	-	-	(26 556)
Total Capital Expenditure - Vote	537 521	3 206	540 727	-	-	540 937	215 733	-	325 204	#DIV/0!	#DIV/0!	-	-	-	32 180
Capital Expenditure - Standard															
Government and administration	534 066	10 053	544 119	-	-	544 119	215 458	-	328 662	#DIV/0!	#DIV/0!	-	-	-	-
Executive and council	527 930	10 053	537 983	-	-	537 983	215 458	-	322 525	40%	41%	-	-	-	-
Finance and administration	6 136	-	6 136	-	-	6 136	-	-	6 136	0%	0%	-	-	-	-
Internal audit	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Community and public safety	56	153	210	-	-	210	-	-	210			-	-	-	-
Community and social services	-	153	153	-	-	153	-	-	153	0%	#DIV/0!	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Public safety	55	-	55	-	-	55	-	-	55	0%	0%	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Health	1	-	1	-	-	1	-	-	1	0%	0%	-	-	-	-
Economic and environmental services	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Planning and development	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	-	-	-	-
Trading services	3 398	(7 000)	(3 602)	-	-	(3 602)	-	-	(3 602)	-	-	-	-	-	222 510
Water	3 233	(7 000)	(3 767)	-	-	(3 767)	-	-	(3 767)	0%	0%	-	-	-	222 510
Waste water management	166	-	166	-	-	166	-	-	166	0%	0%	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	537 521	3 206	540 727	-	-	540 727	215 458	-	325 270	#DIV/0!	#DIV/0!	-	-	-	222 510
Funded by:															
National Government	497 893	3 206	501 099	-	-	501 099	215 733	-	285 366	43%	43%	-	-	-	222 510
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	497 893	3 206	501 099	-	-	501 099	215 733	-	285 366			-	-	-	222 510
Public contributions & donations	-	-	-	-	-	-	-	-	-			-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-			-	-	-	-
Internally generated funds	39 628	-	39 628	-	-	39 628	-	-	39 628	0%	0%	-	-	-	15 159
Total Capital Funding	537 521	3 206	540 727	-	-	540 727	215 733	-	324 994	0	0	-	-	-	237 669

Amathole District Municipality
Annual Financial Statements
Annexure 2
for the year ended 30 June 2018

Reconciliation of Table A7 Budgeted Cash Flows

Description	2017/2018								2016/2017
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
R thousand	1	2	3	6	7	9	10	11	12
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts	1 714 100	–	1 714 100	1 714 100	1 488 883	225 217	0	0	1 360 815
Ratepayers and other	423 926		423 926	423 926	180 537	243 388	43%	43%	138 517
Government - operating	780 373		780 373	780 373	742 108	38 265	95%	95%	654 913
Government - capital	497 893		497 893	497 893	518 904	(21 011)	104%	104%	518 904
Interest	11 909		11 909	11 909	47 334	(35 425)	100%	100%	48 481
Payments	(1 176 579)	–	(1 176 579)	(1 176 579)	(1 144 467)	(1 079 861)	0	0	(935 037)
Suppliers and employees	(1 138 648)		(1 138 648)	(1 138 648)	(1 117 858)	(1 058 065)	98%	98%	(926 859)
Finance charges	(22 852)		(22 852)	(22 852)	(26 609)	(6 716)	100%	100%	(8 178)
Other	(15 080)	–	(15 080)	(15 080)		(15 080)	100%	100%	
NET CASH FROM/(USED) OPERATING ACTIVITIES	537 521	–	537 521	537 521	344 417	(854 644)	0	0	425 779
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts	55 470	–	55 470	55 470	(1 979)	57 450	0	0	125 864
Proceeds on disposal of PPE	55 470	–	55 470	55 470	21	55 450	100%	100%	265
Decrease (Increase) in non-current debtors	–	–	–	–	0	(0)	100%	100%	125 598
Decrease (increase) other non-current receivables	–	–	–	–	–	–	100%	100%	2
Decrease (increase) in financial assets	–	–	–	–	(2 000)	2 000	100%	100%	
Payments	(537 521)	–	(537 521)	(537 521)	(347 139)	(190 382)	0	0	(380 602)
Capital assets	(537 521)		(537 521)	(537 521)	(347 139)	(190 382)	65%	65%	(380 602)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(482 051)	–	(482 051)	(482 051)	(349 118)	(132 932)	0	0	(254 738)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts	–	–	–	–	(627)	627			(134 848)
Borrowing long term/refinancing	–	–	–	–	–	–			(132 684)
Finance lease payments	–	–	–	–	(656)	656			(2 395)
Increase (decrease) in consumer deposits	–	–	–	–	28	(28)	100%	100%	232
Payments	–	–	–	–	–	–	0	0	–
Repayment of borrowing	–	–	–	–	–	–	100%	100%	
NET CASH FROM/(USED) FINANCING ACTIVITIES	–	–	–	–	(627)	627			(134 848)
NET INCREASE/ (DECREASE) IN CASH HELD	55 470	–	55 470	55 470	(5 329)	(986 949)	0	0	36 193
Cash/cash equivalents at the year begin:	167 557	–	167 557	167 557	167 557	0	100%	100%	131 365
Cash/cash equivalents at the year end:	223 027	–	223 027	223 027	162 228	60 799	73%	73%	167 557