



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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Index

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

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### Abbreviation

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## General Information

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### 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

- Intergrated 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

Consolidated Annual Financial Statements for the year ended 30 June 2018

## General Information

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### 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

### Email

[thandekilem@amathole.gov.za](mailto:thandekilem@amathole.gov.za)

### Business address

Waverly Office Park  
No 3 - 33 Phillip Frame Road  
Chiselhurst  
5247

### Telephone /Fax number

043 /01 225 / / 043 /42 033 /

### Postal address

PO Box 320  
East London  
5200

### Banker

Standard Bank, East London

### Auditors

Auditor General of South Africa  
Registered Auditors

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## General Information

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### 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
Siyo, 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

### Directors ASPIRE

Mbede, N.E (Board Chairperson)
July, M.M (Deputy Chairperson)
Buswana, T
Mushohwe, F
Mosehana, M.M
Nkwentsha, T.W
Qunta, A.T

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Responsibilities and Approval

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

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

The accounting officer are 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 consolidated 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, they are 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 the grants for continued funding of operations. The consolidated 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.

The external auditors are responsible for independently reviewing and reporting on the group's consolidated annual financial statements.

The consolidated annual financial statements set out on pages 7 to 86, which have been prepared on the going concern basis, were approved on 30 June 2018 and were signed on its behalf by:

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**Dr T.T. Mnyimba**  
Municipal Manager

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**L.M Mosala**  
Chief Financial Officer

## Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

### Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	Group		Municipality	
		2018	2017 Restated	2018	2017 Restated
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	<a href="#">11</a>	4,053,626	8,424,226	4,053,626	8,424,226
Receivables from exchange transactions	<a href="#">12</a>	190,011,214	131,592,414	190,011,214	131,592,414
Receivables from non- exchange transactions	<a href="#">13</a>	3,999,328	4,824,134	3,604,560	4,754,424
VAT receivable	<a href="#">14</a>	656,808	-	-	-
Cash and cash equivalents	<a href="#">15</a>	171,943,958	176,785,861	162,228,288	167,557,250
		<b>370,664,933</b>	<b>321,626,635</b>	<b>359,897,687</b>	<b>312,328,314</b>
<b>Non - Current Assets</b>					
Investment property	<a href="#">3</a>	151,764,161	152,121,774	151,764,161	152,121,774
Property, plant and equipment	<a href="#">4</a>	5,116,709,660	4,765,378,689	5,116,654,615	4,765,164,591
Intangible assets	<a href="#">5</a>	27,790,497	37,216,316	27,790,497	37,214,194
Heritage assets	<a href="#">6</a>	400,000	400,000	400,000	400,000
Investments in controlled entities	<a href="#">7</a>	-	-	1,000	1,000
Non - current Investments	<a href="#">18</a>	2,000,000	-	2,000,000	-
Non current receivables	<a href="#">8</a>	1,710,803	1,710,906	1,710,803	1,710,906
		<b>5,300,375,120</b>	<b>4,956,827,685</b>	<b>5,300,321,076</b>	<b>4,956,612,465</b>
<b>Total Assets</b>		<b>5,671,040,053</b>	<b>5,278,454,320</b>	<b>5,660,218,763</b>	<b>5,268,940,778</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Financial lease obligation	<a href="#">16</a>	144,261	148,421	144,261	148,421
Payables from exchange transactions	<a href="#">20</a>	469,284,052	387,121,118	465,664,272	385,948,633
VAT Payable	<a href="#">21</a>	172,561	19,827,662	172,561	19,782,036
Taxes and transfers payable (non - exchange)	<a href="#">22</a>	12,674,527	8,210,634	12,674,527	8,210,634
Current tax payable	<a href="#">23</a>	290,926	-	-	-
Consumer deposits	<a href="#">24</a>	3,017,984	2,989,539	3,017,984	2,989,539
Unspent conditional grants and receipts	<a href="#">17</a>	76,449,373	58,728,117	71,708,087	50,801,687
Provisions	<a href="#">19</a>	17,287,401	13,795,875	17,287,401	13,795,875
		<b>579,321,086</b>	<b>490,821,366</b>	<b>570,669,094</b>	<b>481,676,825</b>
<b>Non- current Liabilities</b>					
Financial lease obligation	<a href="#">16</a>	4,160	659,962	4,160	659,962
Operating lease liability	<a href="#">9</a>	969,301	1,349,195	960,594	1,301,522
Employee benefit obligation	<a href="#">10</a>	253,977,571	263,544,392	253,977,571	263,544,392
		<b>254,951,033</b>	<b>265,553,549</b>	<b>254,942,325</b>	<b>265,505,874</b>
<b>Total Liabilities</b>		<b>834,272,119</b>	<b>756,374,915</b>	<b>825,611,418</b>	<b>747,182,699</b>
<b>Net Assets</b>		<b>4,836,767,934</b>	<b>4,522,079,404</b>	<b>4,834,607,345</b>	<b>4,521,758,079</b>
<b>Reserves</b>					
Accumulated surplus		4,836,767,934	4,522,079,405	4,834,607,345	4,521,758,080
<b>Total Net Assets</b>		<b>4,836,767,934</b>	<b>4,522,079,405</b>	<b>4,834,607,345</b>	<b>4,521,758,080</b>

## Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

### Statement of Financial Performance as at 30 June 2018

Figures in Rand	Note(s)	Group		Municipality	
		2018	2017 Restated	2018	2017 Restated
<b>Revenue</b>					
<b>Revenue from exchange transaction</b>					
Service charges	<a href="#">26</a>	262,030,590	221,794,532	262,030,590	221,794,532
Rental of facilities and equipment	<a href="#">27</a>	308,026	335,593	308,026	335,593
Interest earned outstanding receivables	<a href="#">53</a>	40,792,184	32,914,767	40,792,184	32,914,767
Other income	<a href="#">28</a>	2,294,683	8,707,472	2,019,883	7,990,855
Interest received - Investment	<a href="#">29</a>	6,723,311	15,698,481	6,542,063	15,566,238
<b>Total revenue from exchange transaction</b>		<b>312,148,794</b>	<b>279,450,845</b>	<b>311,692,746</b>	<b>278,601,985</b>
<b>Revenue from non - exchange transaction</b>					
<b>Transfer revenue</b>					
Government grants & subsidies	<a href="#">31</a>	1,281,653,223	1,169,198,849	1,281,917,998	1,164,929,622
Own revenue - VAT on other grants	<a href="#">25</a>	16,195,782	16,168,543	16,195,782	16,168,543
Own revenue - VAT on MIG	<a href="#">25</a>	49,007,661	37,405,389	49,007,661	37,405,389
<b>Total revenue from non - exchange transaction</b>		<b>1,346,856,666</b>	<b>1,222,772,781</b>	<b>1,347,121,441</b>	<b>1,218,503,554</b>
<b>Total revenue</b>	<a href="#">25</a>	<b>1,659,005,460</b>	<b>1,502,223,626</b>	<b>1,658,814,187</b>	<b>1,497,105,539</b>
<b>Expenditure</b>					
Employee related costs	<a href="#">32</a>	(756,128,825)	(639,207,172)	(747,037,493)	(629,007,597)
Remuneration of councillors	<a href="#">33</a>	(15,611,612)	(15,270,109)	(14,644,800)	(14,428,346)
Depreciation and amortisation	<a href="#">34</a>	(111,118,571)	(107,905,241)	(111,031,181)	(107,741,926)
Finance costs	<a href="#">35</a>	(26,680,044)	(24,708,084)	(26,608,885)	(24,634,956)
Debt impairment	<a href="#">36</a>	(91,755,544)	(128,945,383)	(91,755,544)	(128,945,383)
Collection costs		(501,358)	(943,604)	(501,358)	(943,604)
Repairs and maintenance	<a href="#">55</a>	(16,524,491)	(20,716,448)	(16,508,637)	(20,715,203)
Bulk purchases	<a href="#">37</a>	(92,358,696)	(91,620,498)	(92,358,696)	(91,620,498)
Contracted services	<a href="#">38</a>	(40,465,930)	(37,870,919)	(39,887,987)	(37,101,242)
Transfer and grant expenditure	<a href="#">30</a>	(44,600,814)	(74,376,183)	(45,952,805)	(70,164,411)
General expense	<a href="#">39</a>	(209,366,450)	(211,574,227)	(220,824,439)	(221,630,551)
<b>Total expenditure</b>		<b>(1,405,112,333)</b>	<b>(1,353,137,866)</b>	<b>(1,407,111,823)</b>	<b>(1,346,933,715)</b>
<b>Operating surplus</b>		<b>253,893,126</b>	<b>149,085,760</b>	<b>251,702,363</b>	<b>150,171,824</b>
Loss on disposal of assets	<a href="#">54</a>	(906,515)	(5,326,141)	(845,942)	(5,326,141)
Actuarial gains	<a href="#">10</a>	61,992,848	17,577,099	61,992,848	17,577,099
<b>Surplus before tax</b>		<b>314,979,459</b>	<b>161,336,718</b>	<b>312,849,269</b>	<b>162,422,782</b>
Taxation	23	(290,926)	-	-	-
<b>Surplus for the year</b>		<b>314,688,533</b>	<b>161,336,718</b>	<b>312,849,269</b>	<b>162,422,782</b>



## Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

### Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total Net Assets
<b>Group</b>		
Opening balance as previously reported	4,350,754,754	4,350,754,754
Prior year adjustments ( Note 46 )	9,987,938	9,987,938
<b>Balance at 01 July 2016 as restated</b>	<b>4,360,742,692</b>	<b>4,360,742,692</b>
Surplus for the year 30 June 2017	161,336,718	161,336,718
<b>Restated Balance at 01 July 2017</b>	<b>4,522,079,410</b>	<b>4,522,079,410</b>
Surplus for the year	314,688,533	314,688,533
<b>Balance at 30 June 2018</b>	<b>4,836,767,943</b>	<b>4,836,767,943</b>
<b>Municipality</b>		
Opening balance as previously reported	4,349,347,355	4,349,347,355
Prior year adjustments ( Note 46 )	9,987,938	9,987,938
<b>Balance at 01 July 2016 as restated</b>	<b>4,359,335,293</b>	<b>4,359,335,293</b>
Changes in net assets		-
Surplus for the 30 June 2017	162,422,782	162,422,782
Total changes	162,422,782	162,422,782
<b>Restated Balance at 01 July 2017</b>	<b>4,521,758,076</b>	<b>4,521,758,076</b>
Changes in net assets		
Surplus for the year	312,849,269	312,849,269
<b>Balance at 30 June 2018</b>	<b>4,834,607,345</b>	<b>4,834,607,345</b>

## Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

### Cash Flow Statement as at 30 June 2018

Figures in Rand	Note(s)	Group		Municipality	
		2018	2017 Restated	2018	2017 Restated
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Service charges		111,856,245	76,984,152	111,856,245	76,984,152
Grants		1,258,932,980	1,181,657,870	1,261,011,597	1,173,816,883
interest income		47,515,495	48,613,249	47,334,247	48,481,005
Other receipts		68,681,318	62,329,482	68,681,216	61,533,308
Tax receipts		-	291,620	-	-
		<b>1,486,986,037</b>	<b>1,369,876,373</b>	<b>1,488,883,304</b>	<b>1,360,815,348</b>
<b>Payments</b>					
Employee costs		(767,038,967)	(630,308,544)	(757,218,400)	(619,039,194)
Suppliers		(346,474,064)	(302,146,790)	(360,639,285)	(307,819,406)
Finance costs		(26,680,044)	(8,251,269)	(26,608,885)	(8,178,141)
Taxation		-	-	-	-
Grant Returns		(1,902,381)	(10,461,707)	-	-
		<b>(1,142,095,455)</b>	<b>(951,168,310)</b>	<b>(1,144,466,569)</b>	<b>(935,036,741)</b>
<b>Net cash flows from operating activities</b>	<b>41</b>	<b>344,890,582</b>	<b>418,708,063</b>	<b>344,416,735</b>	<b>425,778,607</b>
<b>Cash flow from investing activities</b>					
Purchase of property, plant and equipment	<b>4</b>	(347,139,038)	(365,454,390)	(347,139,038)	(365,442,969)
Proceeds from sale of property, plant and equipment	<b>4</b>	33,806	264,549	20,594	264,549
Purchase of other intangible assets	<b>5</b>	(0)	(15,159,034)	(0)	(15,159,034)
Movement in current portion of non- current receivables		-	125,597,660	-	125,597,660
Increase in non-current receivables		103	1,689	103	1,689
Increase in current investment		(2,000,000)	-	(2,000,000)	-
<b>Net cash flows from investing activities</b>		<b>(349,105,130)</b>	<b>(254,749,526)</b>	<b>(349,118,341)</b>	<b>(254,738,105)</b>
<b>Cash flow from financing activities</b>					
Movement in interest bearing borrowings: DBSA		-	(132,684,268)	-	(132,684,268)
Proceeds from consumer deposits		28,446	231,710	28,446	231,710
Finance lease payments		(655,802)	(2,395,326)	(655,802)	(2,395,326)
<b>Net cash flows from financing activities</b>		<b>(627,357)</b>	<b>(134,847,883)</b>	<b>(627,355)</b>	<b>(134,847,883)</b>
<b>Net increase/(Decrease) in cash and cash equivalents</b>		<b>(4,841,903)</b>	<b>29,110,653</b>	<b>(5,328,962)</b>	<b>36,192,618</b>
Cash and cash equivalent at the beginning of the year		176,785,861	147,675,208	167,557,250	131,364,632
<b>Cash and cash equivalent at the end of the year</b>	<b>15</b>	<b>171,943,958</b>	<b>176,785,861</b>	<b>162,228,288</b>	<b>167,557,250</b>

## Amathole District Municipality

Consolidated 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						
<b>Group</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transaction</b>						
Service charges	255,908,204	(99,117,164)	<b>156,791,040</b>	262,030,590	105,239,550	1
Rental of facilities and equipment	355,588	-	<b>355,588</b>	308,026	(47,562)	2
Interest earned outstanding receivables	2,584,671	-	<b>2,584,671</b>	40,792,184	38,207,513	3
Other income	299,637,130	(213,889,305)	<b>85,747,825</b>	2,294,683	(83,453,142)	4
Interest received - Investment	9,324,497	150,000	<b>9,474,497</b>	6,723,311	(2,751,186)	5
<b>Total revenue from exchange transaction</b>	<b>567,810,090</b>	<b>(312,856,469)</b>	<b>254,953,621</b>	<b>312,148,794</b>	<b>57,195,173</b>	
<b>Revenue from non - exchange transaction</b>						
<b>Transfer revenue</b>						
Fines	-	-	-	-	-	
Government grants & subsidies	1,312,254,101	(29,280,958)	<b>1,282,973,143</b>	1,281,653,223	(1,319,920)	6
Own revenue - VAT on MIG	50,917,883	-	50,917,883	49,007,661	(1,910,222)	7
Own revenue - VAT on other grants	15,873,182	-	15,873,182	16,195,782	322,600	8
<b>Total revenue from non - exchange transaction</b>	<b>1,379,045,166</b>	<b>(29,280,958)</b>	<b>1,349,764,208</b>	<b>1,346,856,666</b>	<b>(2,907,542)</b>	<b>21</b>
<b>Total revenue</b>	<b>1,946,855,256</b>	<b>(342,137,427)</b>	<b>1,604,717,829</b>	<b>1,659,005,460</b>	<b>54,287,631</b>	
<b>Expenditure</b>						
Personnel	743,773,523	(1,504,020)	<b>742,269,503</b>	(756,128,825)	(13,859,322)	9
Remuneration of councillors	15,618,784	(22,108)	<b>15,596,676</b>	(15,611,612)	(14,936)	10
Depreciation and amortisation	107,769,641	(55,000)	<b>107,714,641</b>	(111,118,571)	(3,403,930)	11
Finance costs	22,851,570	-	<b>22,851,570</b>	(26,680,044)	(3,828,474)	12
Bad debts written off	105,755,544	(14,000,000)	<b>91,755,544</b>	(91,755,544)	-	13
Collection costs	1,040,000	-	<b>1,040,000</b>	(501,358)	538,642	14
Repairs and maintenance	19,100,000	-	<b>19,100,000</b>	(16,524,491)	2,575,509	15
Bulk purchases	112,000,000	8,000,000	<b>120,000,000</b>	(92,358,696)	27,641,304	16
Contracted services	31,185,500	10,413,182	<b>41,598,682</b>	(40,465,930)	1,132,752	17
Transfers and grant expenditure	23,988,766	(19,280,958)	<b>4,707,808</b>	(44,600,814)	(39,893,006)	18
General expenses	226,250,883	92,553,805	<b>318,804,688</b>	(209,366,450)	109,438,238	19
<b>Total expenditure</b>	<b>1,409,334,211</b>	<b>76,104,901</b>	<b>1,485,439,112</b>	<b>(1,405,112,333)</b>	<b>80,326,779</b>	
<b>Operating surplus</b>	<b>537,521,045</b>	<b>(266,032,526)</b>	<b>271,488,519</b>	<b>253,893,126</b>	<b>(26,039,148)</b>	
Actuarial gain	-	-	-	61,992,848	(61,992,848)	21
Loss on disposal of assets	-	-	-	(906,515)	906,515	20
	-	-	-	<b>314,979,459</b>	<b>(87,125,481)</b>	
<b>Surplus before taxation</b>	<b>537,521,045</b>	<b>(266,032,526)</b>	<b>271,488,519</b>	<b>314,979,459</b>	<b>(87,125,481)</b>	
<b>Actual Amount on Comparable basis</b>	<b>537,521,045</b>	<b>(266,032,526)</b>	<b>271,488,519</b>	<b>314,979,459</b>	<b>(87,125,481)</b>	

## Amathole District Municipality

Consolidated 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
<b>Figures in Rand</b>						
<b>Municipality</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transaction</b>						
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
<b>Total revenue from exchange transaction</b>	<b>565,394,213</b>	<b>(310,875,592)</b>	<b>254,518,621</b>	<b>311,692,746</b>	<b>57,174,125</b>	
<b>Revenue from non - exchange transaction</b>						
Fines	-	-	-	-	-	
<b>Transfer revenue</b>						
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	49,007,661	(1,910,222)	7
Own revenue - VAT on other grants	15,873,182	-	15,873,182	16,195,782	322,600	8
<b>Total revenue from non - exchange transaction</b>	<b>1,345,056,400</b>	<b>(7,080,000)</b>	<b>1,337,976,400</b>	<b>1,347,121,441</b>	<b>9,145,041</b>	
<b>Total revenue</b>	<b>1,910,450,613</b>	<b>(317,955,592)</b>	<b>1,592,495,021</b>	<b>1,658,814,187</b>	<b>66,319,166</b>	
<b>Expenditure</b>						
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
Bad debts written off	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	(220,824,439)	108,295,497	19
<b>Total expenditure</b>	<b>1,372,929,568</b>	<b>98,278,754</b>	<b>1,471,208,322</b>	<b>(1,407,111,823)</b>	<b>64,096,499</b>	
<b>Operating surplus</b>	<b>537,521,045</b>	<b>(219,676,838)</b>	<b>317,844,207</b>	<b>251,702,363</b>	<b>(66,141,844)</b>	
Actuarial gain / loss	-	-	-	61,992,848	61,992,848	
(Loss) gain on disposal of assets	-	-	-	(845,942)	(845,942)	20
<b>Surplus for the year</b>	<b>537,521,045</b>	<b>(219,676,838)</b>	<b>317,844,207</b>	<b>312,849,269</b>	<b>(4,994,938)</b>	
<b>Actual Amount on Comparable basis</b>	<b>537,521,045</b>	<b>(219,676,838)</b>	<b>317,844,207</b>	<b>312,849,269</b>	<b>(4,994,938)</b>	

## Amathole District Municipality

Consolidated 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						
<b>Group</b>						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
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	3,999,328	(47,488,672)	3
VAT receivable	-	-	-	656,808	656,808	4
Cash and cash equivalents	16,121,027	-	16,121,027	171,943,958	155,822,931	5
	<b>209,910,151</b>	-	<b>209,910,151</b>	<b>370,664,933</b>	<b>160,754,782</b>	
<b>Non - Current Assets</b>						
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	5,116,709,660	(88,424,269)	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	-	-	-	-	-	
Non - current receivables	1,710,906	-	1,710,906	1,710,803	(103)	
	<b>5,390,668,825</b>	-	<b>5,390,668,825</b>	<b>5,300,375,121</b>	<b>(92,293,704)</b>	
<b>Total Assets</b>	<b>5,600,578,976</b>	-	<b>5,600,578,976</b>	<b>5,671,040,054</b>	<b>68,461,079</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Financial lease obligation	-	-	-	144,261	144,261	10
Payables from exchange transactions	340,125,000	-	340,125,000	469,284,052	129,159,052	11
Taxes and transfers payable (non - exchange)	-	-	-	12,674,527	12,674,527	12
Current tax payable	-	-	-	290,926		
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	76,449,373	37,277,012	14
Provisions	8,440,081	-	8,440,081	17,287,401	8,847,320	15
VAT Payable	-	-	-	45,235	45,235	
	<b>390,850,067</b>	-	<b>390,850,067</b>	<b>579,193,759</b>	<b>188,052,766</b>	
<b>Non- current Liabilities</b>						
Financial lease obligation	465,035	-	465,035	4,160	(460,875)	16
Operating lease liability	2,839,286	-	2,839,286	969,301	(1,869,985)	17
Employee benefit obligation	272,904,080	-	272,904,080	253,977,571	(18,926,509)	18
	<b>276,208,401</b>	-	<b>276,208,401</b>	<b>254,951,032</b>	<b>(21,257,369)</b>	
<b>Total Liabilities</b>	<b>667,058,468</b>	-	<b>667,058,468</b>	<b>834,144,791</b>	<b>166,795,397</b>	
<b>Net Assets</b>	<b>4,933,520,507</b>	-	<b>4,933,520,507</b>	<b>4,836,895,263</b>	<b>(98,334,318)</b>	-
<b>Net assets attributable to owners of controlling entity</b>						
<b>Reserves</b>						
Accumulated surplus	4,933,521,507	-	4,933,521,507	4,836,767,937	(96,753,570)	
<b>Total Net Assets</b>	<b>4,933,521,507</b>	-	<b>4,933,521,507</b>	<b>4,836,767,937</b>	<b>(96,753,570)</b>	

## Amathole District Municipality

Consolidated 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
<b>Figures in Rand</b>						
<b>Municipality</b>						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
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
	<b>209,910,151</b>	-	<b>209,910,151</b>	<b>359,897,687</b>	<b>149,987,536</b>	
<b>Non - Current Assets</b>						
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)	
	<b>5,390,669,825</b>	-	<b>5,390,669,825</b>	<b>5,300,321,076</b>	<b>(92,348,749)</b>	
<b>Total Assets</b>	<b>5,600,579,976</b>	-	<b>5,600,579,976</b>	<b>5,660,218,763</b>	<b>57,638,787</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Financial 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
	<b>390,850,067</b>	-	<b>390,850,067</b>	<b>570,496,532</b>	<b>179,646,465</b>	
<b>Non- current Liabilities</b>						
Financial 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
	<b>276,208,401</b>	-	<b>276,208,401</b>	<b>254,942,325</b>	<b>(21,266,076)</b>	
<b>Total Liabilities</b>	<b>667,058,468</b>	-	<b>667,058,468</b>	<b>825,438,857</b>	<b>158,380,389</b>	
<b>Net Assets</b>	<b>4,933,521,507</b>	-	<b>4,933,521,507</b>	<b>4,834,779,906</b>	<b>(100,741,601)</b>	-
<b>Net assets attributable to owners of controlling entity</b>						
<b>Reserves</b>						
Accumulated surplus	4,933,521,507	-	4,933,521,507	4,834,607,345	(98,914,162)	
<b>Total Net Assets</b>	<b>4,933,521,507</b>	-	<b>4,933,521,507</b>	<b>4,834,779,906</b>	<b>(98,741,601)</b>	

## Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Group	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Service charges	272,908,204	-	<b>272,908,204</b>	111,856,245	<b>(161,051,959)</b>	
Grants	1,278,265,335	-	<b>1,278,265,335</b>	1,258,932,980	<b>(19,332,355)</b>	
Interest income	11,909,168	-	<b>11,909,168</b>	47,515,495	<b>35,606,327</b>	
Other receipts	151,017,708	-	<b>151,017,708</b>	68,681,318	<b>(82,336,390)</b>	
Tax receipts				-		
	<b>1,714,100,415</b>	-	<b>1,714,100,415</b>	<b>1,486,986,037</b>	<b>(227,114,378)</b>	
<b>Payments</b>						
Employee costs	(747,735,960)	-	<b>(747,735,960)</b>	(767,038,967)	<b>(19,303,007)</b>	
Suppliers	(405,991,853)	-	<b>(405,991,853)</b>	(346,474,064)	<b>59,517,789</b>	
Finance costs	(22,851,570)	-	<b>(22,851,570)</b>	(26,680,044)	<b>(3,828,474)</b>	
Taxation	-	-	-	-	-	
Grant Returns	-	-	-	(1,902,381)	(1,902,381)	
	<b>(1,176,579,383)</b>	-	<b>(1,176,579,383)</b>	<b>(1,142,095,455)</b>	<b>34,483,928</b>	
<b>Net cash flows from operating activities</b>	<b>537,521,032</b>	-	<b>537,521,032</b>	<b>344,890,582</b>	<b>(192,630,450)</b>	<b>1</b>
<b>Cash flow from investing activities</b>						
Purchase of property, plant and equipment	(537,521,032)	-	<b>(537,521,032)</b>	(347,139,038)	<b>190,381,994</b>	
Proceeds from sale of property, plant and equipment	-	-	-	33,806	<b>33,806</b>	
Purchase of intangible assets	-	-	-	(0)	<b>(0)</b>	
Movement in current portion of non current receivables	-	-	-	-	-	
Increase in current receivables	-	-	-	103	<b>103</b>	
<b>Net cash flows from investing activities</b>	<b>(537,521,032)</b>	-	<b>(537,521,032)</b>	<b>(347,105,130)</b>	<b>190,415,903</b>	<b>2</b>
<b>Cash flow from financing activities</b>						
Movement in interest bearing borrowings DBSA	-	-	-	-	-	
Proceeds from consumer deposits	-	-	-	28,446	<b>28,446</b>	
Repayment of other financial liabilities	-	-	-	(655,802)	<b>-655,802</b>	
<b>Net cash flows from financing activities</b>	-	-	-	<b>(627,356)</b>	<b>(627,356)</b>	<b>3</b>
Net increase/(Decrease) in cash and cash equivalents	-	-	-	(2,841,904)	<b>(2,841,904)</b>	
Cash and cash equivalent at the beginning of the year	195,045,741	-	<b>195,045,741</b>	176,785,861	<b>(18,259,880)</b>	
<b>Cash and cash equivalent at the end of the year</b>	<b>195,045,741</b>	-	<b>195,045,741</b>	<b>171,943,958</b>	<b>(21,101,784)</b>	

## Amathole District Municipality

Consolidated 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
<b>Figures in Rand</b>						
<b>Municipality</b>						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
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)	
	<b>1,714,100,415</b>	<b>-</b>	<b>1,714,100,415</b>	<b>1,488,883,304</b>	<b>(225,217,111)</b>	
<b>Payments</b>						
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	-	-	-	-	-	
	<b>(1,176,579,383)</b>	<b>-</b>	<b>(1,176,579,383)</b>	<b>(1,144,466,569)</b>	<b>32,112,814</b>	
<b>Net cash flows from operating activities</b>	<b>537,521,032</b>	<b>-</b>	<b>537,521,032</b>	<b>344,416,735</b>	<b>(193,104,297)</b>	<b>1</b>
<b>Cash flow from investing activities</b>						
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)	
Movement in current portion of non current receivables	-	-	-	103	103	
Increase in current receivables	-	-	-	-	-	
	<b>(537,521,032)</b>	<b>-</b>	<b>(537,521,032)</b>	<b>(347,118,341)</b>	<b>190,402,691</b>	<b>2</b>
<b>Cash flow from financing activities</b>						
Movement in interest bearing borrowings DBSA	-	-	-	-	-	
Proceeds from consumer deposits	-	-	-	28,446	28,446	
Repayment of other financial liabilities	-	-	-	(655,802)	(655,802)	
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(627,356)</b>	<b>(627,356)</b>	<b>3</b>
Net increase/(Decrease) in cash and cash equivalents	-	-	-	(3,328,962)	(3,328,962)	
Cash and cash equivalent at the beginning of the year	195,045,741	-	195,045,741	167,557,250	(27,488,491)	
<b>Cash and cash equivalent at the end of the year</b>	<b>195,045,741</b>	<b>-</b>	<b>195,045,741</b>	<b>162,228,288</b>	<b>(30,817,453)</b>	



## Amathole District Municipality

Consolidated 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 Variance expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Figures in Rand</b>											
<b>Group - 2018</b>											
<b>Financial Performance</b>											
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	150,000	9,474,497	-	-	9,474,497	6,723,311	-	(2,751,186)	71%	72%
Transfers recognised - operational	814,361,529	(29,280,958)	785,080,571	-	-	785,080,571	764,501,028	-	(20,579,543)	97%	94%
Other own revenue	369,368,454	(213,889,305)	155,479,149	-	-	155,479,149	108,598,336	-	(46,880,813)	70%	29%
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1,465,962,684</b>	<b>(342,137,427)</b>	<b>1,123,825,257</b>	<b>-</b>	<b>-</b>	<b>1,123,825,257</b>	<b>1,141,853,265</b>	<b>-</b>	<b>18,028,008</b>	<b>102%</b>	<b>78%</b>
Employee costs	(743,773,523)	(1,504,020)	(745,277,543)	-	5,636,247	(745,277,543)	(756,128,825)	-	(10,851,282)	101%	102%
Remuneration of councillors	(14,939,252)	(7,424)	(14,946,676)	-	(449,609)	(14,946,676)	(15,611,612)	-	(664,936)	104%	105%
Debt impairment	(105,755,544)	14,000,000	(91,755,544)	-	190,825	(91,755,544)	(91,755,544)	-	-	100%	87%
Depreciation and asset impairment	(107,769,641)	55,000	(107,714,641)	-	(10,748,895)	(107,714,641)	(111,118,571)	-	(3,403,930)	103%	103%
Finance charges	(22,851,570)	-	(22,851,570)	-	(2,670,934)	(22,851,570)	(26,680,044)	-	(3,828,474)	117%	117%
Material and bulk purchases	(112,000,000)	(8,000,000)	(120,000,000)	-	9,972,893	(120,000,000)	(92,358,696)	-	27,641,304	77%	82%
Transfers and grants expenditure	(23,988,766)	12,200,958	(11,787,808)	-	-	(11,787,808)	(44,600,814)	-	(32,813,006)	0%	0%
Other expenditure	(295,255,915)	107,633,966	(187,621,949)	-	(12,332,842)	(187,621,949)	(266,858,228)	-	(79,236,279)	142%	90%
<b>Total expenditure</b>	<b>(1,426,334,211)</b>	<b>124,378,480</b>	<b>(1,301,955,731)</b>	<b>-</b>	<b>(10,402,315)</b>	<b>(1,301,955,731)</b>	<b>(1,405,112,333)</b>	<b>-</b>	<b>(103,156,602)</b>	<b>108%</b>	<b>99%</b>
<b>Surplus/ (Deficit)</b>	<b>39,628,473</b>	<b>(217,758,947)</b>	<b>(178,130,474)</b>	<b>-</b>	<b>(10,402,315)</b>	<b>(178,130,474)</b>	<b>(263,259,069)</b>	<b>-</b>	<b>(85,128,595)</b>	<b>148%</b>	<b>-664%</b>
Transfers recognised - capital	497,892,572	3,206,390	501,098,962	-	-	501,098,962	517,152,195	-	16,053,233	103%	104%
<b>Surplus / Deficit after capital transfers and contributions</b>	<b>537,521,045</b>	<b>(214,552,557)</b>	<b>322,968,488</b>	<b>-</b>	<b>-10,402,315</b>	<b>322,968,488</b>	<b>253,893,126</b>	<b>-</b>	<b>(87,103,369)</b>	<b>79%</b>	<b>47%</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	537,521,032	3,206,390	540,727,422	-	-	540,727,422	891,607,298	-	350,879,876	165%	166%
<b>Source of capital funds</b>											
Transfers recognised - capital	497,892,576	-	497,892,576	-	-	497,892,576	517,152,195	-	19,259,619	104%	104%
Internally generated funds	39,628,456	(2,799,786)	36,828,670	-	-	36,828,670	26,446,288	-	(10,382,382)	72%	67%
<b>Total sources of capital funds</b>	<b>537,521,032</b>	<b>(2,799,786)</b>	<b>534,721,246</b>	<b>-</b>	<b>-</b>	<b>534,721,246</b>	<b>543,598,483</b>	<b>-</b>	<b>8,877,237</b>	<b>102%</b>	<b>101%</b>

## Amathole District Municipality

Consolidated 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											
<b>Municipality - 2017</b>											
<b>Financial Performance</b>											
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%
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1,429,558,041</b>	<b>(317,955,592)</b>	<b>1,111,602,449</b>	<b>-</b>	<b>-</b>	<b>1,111,602,449</b>	<b>1,139,910,344</b>	<b>-</b>	<b>28,307,895</b>	<b>103%</b>	<b>80%</b>
Employee costs	(733,533,597)	(2,508,011)	(736,041,608)	-	5,636,247	(730,405,361)	(747,037,493)	-	(16,632,132)	102%	102%
Remuneration of councillors	(14,202,363)	-	(14,202,363)	-	(449,609)	(14,651,972)	(14,644,800)	-	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)	100%	87%
Depreciation and asset impairment	(107,594,641)	-	(107,594,641)	-	(10,748,895)	(118,343,536)	(111,031,181)	-	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)	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	84%	82%
Other expenditure	(293,991,853)	96,704,656	(197,287,197)	-	(12,332,842)	(209,620,039)	(323,675,225)	-	(114,055,186)	154%	110%
<b>Total expenditure</b>	<b>(1,389,929,568)</b>	<b>100,196,645</b>	<b>(1,289,732,923)</b>	<b>-</b>	<b>(10,402,315)</b>	<b>(1,300,135,238)</b>	<b>(1,407,111,823)</b>	<b>-</b>	<b>(106,976,585)</b>	<b>108%</b>	<b>101%</b>
<b>Surplus/ (Deficit)</b>	<b>39,628,473</b>	<b>(217,758,947)</b>	<b>(178,130,474)</b>	<b>-</b>	<b>-</b>	<b>-188,532,789</b>	<b>(267,201,480)</b>	<b>-</b>	<b>(78,668,691)</b>	<b>142%</b>	<b>-674%</b>
Transfers recognised - capital	497,892,572	3,206,390	501,098,962	-	-	501,098,962	518,903,843	-	17,804,881	104%	104%
<b>Surplus / Deficit after capital transfers and contributions</b>	<b>537,521,045</b>	<b>(214,552,557)</b>	<b>322,968,488</b>	<b>-</b>	<b>-</b>	<b>312,566,173</b>	<b>251,702,363</b>	<b>-</b>	<b>(60,863,810)</b>	<b>81%</b>	<b>47%</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	537,521,032	3,206,390	540,727,422	-	-	540,727,422	891,607,298	-	350,879,876	165%	166%
<b>Source of capital funds</b>											
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%
<b>Total sources of capital funds</b>	<b>537,521,032</b>	<b>3,206,390</b>	<b>540,727,422</b>	<b>-</b>	<b>-</b>	<b>540,727,422</b>	<b>642,413,579</b>	<b>-</b>	<b>101,686,157</b>	<b>119%</b>	<b>120%</b>

**Amathole District Municipality**

Consolidated 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 funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget (i.t.o. s28 and s31 of the MFMA)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Figures in Rand</b>											
<b>Group</b>											
<b>Cash flows</b>											
Net cash from operating (used)	537,521,032	-	537,521,032	-		537,521,032	344,890,582		(192,630,450)	64%	64%
Net cash from investing (used)	(537,521,032)	-	(537,521,032)	-		(537,521,032)	(349,105,130)		188,415,902	65%	65%
Net cash from financing (used)	-	-	-	-		-	(627,357)		(627,357)	0%	0%
<b>Net increase /(decrease) in cash and cash equivalents</b>	-	-	-	-		-	<b>(4,841,905)</b>		<b>(4,841,905)</b>	<b>#DIV/0!</b>	<b>0%</b>
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	176,785,861		176,785,861	0%	0%
<b>Cash and cash equivalents at the end of the year</b>	-	-	-	-		-	<b>171,943,956</b>		<b>171,943,956</b>	<b>#DIV/0!</b>	<b>0%</b>

**Amathole District Municipality**

Consolidated 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 funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Figures in Rand</b>											
<b>Municipality</b>											
<b>Cash flows</b>											
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)	-	-	-	-		-	(627,355)		(627,355)	0%	0%
<b>Net increase /(decrease) in cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>(5,328,961)</b>		<b>(5,328,961)</b>	<b>#DIV/0!</b>	<b>0%</b>
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	167,557,250		167,557,250	0%	0%
<b>Cash and cash equivalents at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>162,228,289</b>		<b>162,228,289</b>	<b>#DIV/0!</b>	<b>0%</b>

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1. Basis of presentation

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

These consolidated 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 Consolidation

##### Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the group presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the municipality and all controlled entity which is controlled by the municipality.

Control exists when the municipality has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The annual financial statements of the municipality and its controlled entity used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

Adjustments are made when necessary to the annual financial statements of the controlled entity to bring its accounting policies in line with those of the municipality.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

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

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

##### 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 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 extent of use of the asset, its condition, and the expected condition at the end of the period of use.

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 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 hidden assets, such as pipes , the assessment is based on the age of the pipe 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.

### 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.

### Taxation

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid is in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset

Current tax is recognised as income or an expense and included in surplus or deficit for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside surplus or deficit, directly in equity, or a business combination.

### 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.

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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

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

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

#### Cost model

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

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

Item	Useful life Property
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.

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 group separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3). The group 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.

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

### 1.6 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 group; 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:

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	30 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



# Amathole District Municipality

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## Accounting Policies

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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.

### Impairments

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

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

### 1.7 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 group; and
- the cost or fair value of the asset can be measured reliably.

The group 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.

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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 group discloses relevant information relating to assets under construction, in the notes to the financial statements (see note 5)

### Impairments

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

Intangible assets are derecognised:

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

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

### 1.8 Heritage assets

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an group's operations that is shown as a single item for the purpose of disclosure in the consolidated 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 group separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 6). The group discloses relevant information relating to assets under construction or development in the notes to the annual financial statements (see note 6).

### Recognition

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

### Derecognition

The group 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.

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.9 Investments in controlled entities

#### Group consolidated annual financial statements

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.

#### Municipality annual financial statements

In the municipality's separate annual financial statements, investments in controlled entities are carried at cost less any accumulated impairment.

### 1.10 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.

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 group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

# Amathole District Municipality

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## Accounting Policies

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 group 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 group 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 group 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 group recognises financial assets using trade date accounting.

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

The group 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.

### Subsequent measurement of financial assets and financial liabilities

The group 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 group 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.

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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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 group 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 entity reclassifies the instrument from cost to fair value.

### Offsetting

The group 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 group 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 group 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:

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

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

#### Financial assets measured at cost:

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

### Receivables

#### Derecognition

#### Financial assets

The group derecognises financial assets using trade date accounting. The group 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.

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### Financial liabilities

The group 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.

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.

# Amathole District Municipality

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## Accounting Policies

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### 1.11 VAT

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

### 1.12 Leases

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

##### Subsequent measurement

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

#### Operating leases - group 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.

# Amathole District Municipality

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## Accounting Policies

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### 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 group's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the group'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 - group 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.

## 1.13 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 group has complied with any of the criteria, obligations or conditions of the grant.

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

### Derecognition

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

## 1.14 Impairment of cash-generating assets

The group 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 group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the group 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.



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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 group 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.

### Identification

#### Basis for estimates of future cash flows

In measuring value in use the group:

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

#### 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 group expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the group 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.

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### 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 group 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 group 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.

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 group 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.

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.

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### 1.15 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the group 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 group; or
- (b) the number of production or similar units expected to be obtained from the asset by the group.

#### Identification

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

The group 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 group estimates the recoverable service amount of the asset.

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the group 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.

#### 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 group 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.

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### Reversal of an impairment loss

The group 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 group 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.

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.

### 1.16 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, environmental and regulatory requirements.

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.

### 1.17 Share capital / contributed capital

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

### 1.18 Employee benefits

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

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

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

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

### 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 entity during a reporting period, the entity recognise 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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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 group 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 group recognises the expected cost of bonus, incentive and performance related payments when the group 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 group 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 group 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 group 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 group 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 group 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 group during a reporting period, the group 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, an group 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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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 group 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 groups' informal practices. Informal practices give rise to a constructive obligation where the group has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the group'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 group 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 consolidated annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The group 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 group 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 group offsets an asset relating to one plan against a liability relating to another plan when the group 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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### Other post retirement obligations

The group 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 group 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 group 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 group 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 group 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 group 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 group provides long-term incentives to eligible employees, payable on completion of years of employment. The group'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 group offers employees long service awards for every five years of services completed, from five years of service to 45 years of service, inclusive.

## 1.19 Provisions and contingencies

Provisions are recognised when:

- the group 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.

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### 1.20 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 group receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

#### Measurement

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

#### Sale of goods

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

- the group has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the group 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 group; 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.

### 1.21 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the group 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 group. Where public contributions have been received but the group 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 group.

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.



# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 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 group 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 group.

When, as a result of a non-exchange transaction, the group 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 group'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 group and the fair value of the assets can be measured reliably.

### 1.22 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.

### 1.23 Investment income

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

### 1.24 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.

### 1.25 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.

### 1.26 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.

### 1.27 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 consolidated 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.

## **Amathole District Municipality**

Consolidated Annual Financial Statements for the year ended 30 June 2018

### **Accounting Policies**

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#### **Prior year comparatives**

When the presentation or classification of items in the consolidated 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 Consolidated 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.

#### **1.28 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, group 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.

#### **1.29 Fruitless and wasteful expenditure**

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

#### **1.30 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 group'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.

#### **1.31 Use of estimates**

The preparation of consolidated 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 group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated annual financial statements are disclosed in the relevant sections of the consolidated 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.

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.32 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.

### 1.33 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 group,
  - (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 group 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.

### 1.34 Related parties

The group 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 group 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 group 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 group'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 group controls the other entity. Subsidiaries are consolidated from the date that effective control is transferred to the group 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,

### 1.35 Commitments

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

### 1.36 Tax

#### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using tax rates ( and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- ☐ a transaction or event which is recognised, in the same or a different period, to net assets; or
- ☐ a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

## **Amathole District Municipality**

Consolidated Annual Financial Statements for the year ended 30 June 2018

### **Accounting Policies**

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#### **1.37 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 group will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

## Notes to the Consolidated Annual Financial Statements

	Group			Municipality	
	2018	2017	2018	2017	
	R	Restated R	R	Restated R	

## 2. New standards and interpretations

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

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

Standard / Interpretation :	Effective date : Years beginning	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 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. It is 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. It is unlikely that the standard will have a material impact on the annual financial statements.
GRAP 109: Accounting Principles and Agents	01 April 2019	No effective date has been determined by the Minister of Finance. It is 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. It is unlikely that the standard will have a material impact on the annual financial statements.

## 3. Investment property

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

Municipality	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated 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 - Group 2018

	Opening balance	Transfers received	Depreciation	Total
Investment property	152,121,774	-	(357,613)	151,764,161

## Reconciliation of Investment property - Group 2017

	Opening balance	Transfers received	Depreciation	Total
Investment property	152,479,387	-	(357,613)	152,121,774

## Reconciliation of Investment property - Municipality 2018

	Opening balance	Transfers received	Depreciation	Total
Investment property	152,121,774	-	(357,613)	151,764,161

## Reconciliation of Investment property - Municipality 2017

	Opening balance	Transfers received	Depreciation	Total
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. The comparative figure was restated. Refer to **Note 46**

Rental income from investment property	308,026	335,593	308,026	335,593
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Refer to **Note for 43** lease commitments

## 4. Property, plant and equipment

Group	2018			2017 Restated		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
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	162,599,770	(89,213,627)	73,386,143	165,013,369	(77,193,935)	87,819,434
<b>Total</b>	<b>6,053,506,179</b>	<b>(936,796,519)</b>	<b>5,116,709,660</b>	<b>5,602,670,876</b>	<b>(837,292,187)</b>	<b>4,765,378,689</b>

**Amathole District Municipality**

Consolidated Annual Financial Statements for the year ended 30 June 2018

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**Notes to the Consolidated Annual Financial Statements**

Municipality	Group			Municipality		
	2018	2017	2018	2017	2018	2017
	R	Restated	R	Restated	R	Restated
<b>Property, plant and equipment</b>						
	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
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
	<b>6,052,612,962</b>	<b>(935,958,347)</b>	<b>5,116,654,615</b>	<b>5,601,534,354</b>	<b>(836,369,763)</b>	<b>4,765,164,591</b>

**Reconciliation of property, plant and equipment - Group 2018**

	Opening balance	Additions	Disposal	Transfers	Under constructions: Work In Progress	Depreciation	Closing Carrying Value
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	-	-	-	-	(2,065,603)	46,047,817
Finance leased assets	1,056,021	-	-	-	-	(753,858)	302,163
Other assets	87,819,434	799,883	(2,240,301)	-	-	(12,993,097)	73,385,919
	<b>4,758,187,273</b>	<b>1,428,406</b>	<b>(2,240,301)</b>	<b>-</b>	<b>445,089,446</b>	<b>(100,477,476)</b>	<b>5,101,987,349</b>

**Reconciliation of property, plant and equipment - Group 2017**

	Opening Carrying Value	Additions	Disposal	Transfers	Under constructions: Work In Progress	Depreciation	Closing Carrying Value
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	106,719,813	3,217,243	(5,929,491)	-	-	(16,188,131)	87,819,434
	<b>4,525,604,990</b>	<b>99,265,865</b>	<b>(5,929,491)</b>	<b>(94,726,619)</b>	<b>334,737,180</b>	<b>(100,764,651)</b>	<b>4,758,187,273</b>

**Reconciliation of property, plant and equipment - Municipality 2018**

	Opening carrying value	Additions	Disposal	Transfers	WIP under construction	Depreciation	Closing Carrying Value
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	-	-	-	-	(2,065,603)	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)	73,330,874
	<b>4,757,973,175</b>	<b>1,428,406</b>	<b>(2,166,516)</b>	<b>-</b>	<b>445,089,446</b>	<b>(100,392,208)</b>	<b>5,101,932,254</b>

**Reconciliation of property, plant and equipment - Municipality 2017**

	Opening carrying value	Additions	Disposal	Transfers	WIP under construction	Depreciation	Closing Carrying Value
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	(5,929,491)	-	-	(16,032,827)	87,605,336
	<b>4,525,247,009</b>	<b>99,254,444</b>	<b>(5,929,491)</b>	<b>(94,726,619)</b>	<b>334,737,180</b>	<b>(100,609,347)</b>	<b>4,757,973,175</b>

**Municipality**

Asset type	Breakdown of Other Asset								
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Additions	Disposals	Closing balance	Carrying Value
	R	R	R	R	R	R	R	R	R
<b>Total Other Assets</b>	<b>163 871 431</b>	<b>749 638</b>	<b>(2 964 986)</b>	<b>161 656 083</b>	<b>76 242 393</b>	<b>12 906 488</b>	<b>(801 954)</b>	<b>88 346 927</b>	<b>73 309 156</b>
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**

Repairs and maintenance	R
	16,508,637
<b>Total</b>	<b>16,508,637</b>

**Pledged as security**

Carrying value of assets as security in the year under review

Comparative figures have been restated: Refer Note 46

**Capitalised expenditure (excluding borrowing costs)**

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R
Land and Buildings	-	-	-	-
Infrastructure	445,717,969	330,696,278	445,717,969	330,696,278
Finance leased assets	-	566,556	-	566,556
Other assets	799,883	3,217,243	799,883	3,205,822
	<b>446,517,852</b>	<b>334,480,077</b>	<b>446,517,852</b>	<b>334,468,656</b>

13,022

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

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

## Reconciliation of work - in - Progress Group - 2018

	Included within Infrastructure	Total
Opening balance	2,346,358,778	2,346,358,778
Additions/capital expenditure	445,089,446	445,089,446
	<b>2,791,448,224</b>	<b>2,791,448,224</b>

## Reconciliation of work - in - Progress Group - 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)
	<b>2,346,358,778</b>	<b>2,346,358,778</b>

## Reconciliation of work - in - Progress Municipality - 2018

	Included within infrastructure	Total
Opening balance	2,346,358,778	2,346,358,778
Additions/capital expenditure	445,089,446	445,089,446
Transferred to completed items	-	-
	<b>2,791,448,224</b>	<b>2,791,448,224</b>

## Reconciliation of work - in - Progress Municipality - 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)
Transferred to completed items	-	-
	<b>2,346,358,778</b>	<b>2,346,358,778</b>

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 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
	<b>2018</b>
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	16,380.00
	<b>866,647.69</b>

5. Intangible assets  
Group

	2018			2017		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer Licences	46,819,414	(19,028,916)	27,790,497	46,819,414	(9,605,219)	37,214,194
Computer software	271,672	(271,672)	-	271,672	(269,550)	2,122
	<b>47,091,086</b>	<b>(19,300,588)</b>	<b>27,790,497</b>	<b>47,091,086</b>	<b>(9,874,769)</b>	<b>37,216,316</b>

Intangible assets  
Municipality

	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 - Group 2018

	Opening carrying value	Additions	Transfer In/(Out)	Work in progress	Amortisation	Closing Carrying Value
Computer software, licences	37,216,316	-	-	-	(9,425,819)	27,790,497

## Reconciliation of intangible assets - Group 2017

	Opening carrying value	Additions	Transfer In/(Out)	Work in progress	Amortisation	Closing carrying Value
Computer software, licences	14,990,903	43,585,854	(29,759,074)	15,159,034	(6,760,400)	37,216,316

## Reconciliation of intangible assets - Municipality 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 - Municipality 2017

**Amathole District Municipality**

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	Group			Municipality		
	2018	2017	2018	2017		
	R	Restated R	R	Restated R		
	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 46**

**Pledged as security**

Carrying value of intangible assets is not pledged as security

**Restricted title**

Carrying value of intangible assets whole title is not restricted.

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. Software was fully depreciated at year end although still in use by the entity.

**6. Heritage assets**

Group	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

Municipality	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 - Group 2018**

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

**Reconciliation of heritage assets - Group 2017**

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

**Reconciliation of heritage assets - Municipality 2018**

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

**Reconciliation of heritage assets -Municipality 2017**

Collections of historical implements	Opening balance	Total
	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 chairperson.

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 45** for related party transaction

The ADM continues to provide support 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 initiative were undertaken to, among 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**

Long Term Receivables	1,710,803	1,710,906	1,710,803	1,710,906
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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

**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

	1,710,803	1,710,906	1,710,803	1,710,906
<b>Non current receivables</b>				
Deposits	1,710,803	1,710,803	1,710,803	1,710,803
Loans to sports clubs in the District	-	103	-	103
Subtotal	1,710,803	1,710,906	1,710,803	1,710,906
Less: Current portion transferred to current receivables	-	-	-	-
	<b>1,710,803</b>	<b>1,710,906</b>	<b>1,710,803</b>	<b>1,710,906</b>



## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R
<b>9. Operating Lease Liability</b>				
Non-Current Liabilities	969,301	1,349,195	960,594	1,301,522
	<b>969,301</b>	<b>1,349,195</b>	<b>960,594</b>	<b>1,301,522</b>

8,707

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	224,560,689	241,846,123
Provision for ex-gratia benefits	94,554	99,981	94,554	99,981
Provision for long service benefits	29,322,328	21,598,288	29,322,328	21,598,288
	<b>253,977,571</b>	<b>263,544,392</b>	<b>253,977,571</b>	<b>263,544,392</b>

**Statement of Financial Performance**

Current service cost	26,355,532	26,482,602	26,355,532	26,482,602
Interest cost	26,400,638	22,778,004	26,400,638	22,778,004
Actuarial gain recognised	61,992,848	17,596,854	61,992,848	17,596,854
Actuarial loss recognised	(5,237,387)	(19,755)	(5,237,387)	(19,755)
	<b>109,511,631</b>	<b>66,837,705</b>	<b>109,511,631</b>	<b>66,837,705</b>

**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	1,169	1,345
Continuation (retiree, widow/er and orphan) members	59	319	59	319
In service (employee) non- members	637	82	637	82
	<b>1,865</b>	<b>1,746</b>	<b>1,865</b>	<b>1,746</b>

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	154,262,665	184,540,408
Continuation (retiree, widow/er and orphan) members	44,875,279	27,275,502	44,875,279	27,275,502
In service (employee) non- members	25,422,745	30,030,212	25,422,745	30,030,212
	<b>224,560,689</b>	<b>241,846,122</b>	<b>224,560,689</b>	<b>241,846,122</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonita's  
Hosmed  
Key health  
LA health  
Discovery  
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

<b>Present value of unfunded obligations</b>	<b>224,560,690</b>	<b>241,846,122</b>	<b>224,560,690</b>	<b>241,846,122</b>
Present value of obligations in excess of plan assets				
Unrecognised past service cost	224,560,690	241,846,122	224,560,690	241,846,122
Unrecognised actuarial (gains)/losses	-	-	-	-
Unrecognised transitional liability	-	-	-	-
Net liability in Balance Sheet	<b>224,560,690</b>	<b>241,846,122</b>	<b>224,560,690</b>	<b>241,846,122</b>

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	241,846,122	218,036,332
Current service costs	23,164,432	22,596,368	23,164,432	22,596,368
Expected benefits paid	(2,715,807)	(2,623,692)	(2,715,807)	(2,623,692)
Interest cost	24,258,790	20,840,365	24,258,790	20,840,365
Past service costs	-	-	-	-
Actuarial gain	(61,992,848)	(17,003,250)	(61,992,848)	(17,003,250)
Contributions	-	-	-	-
Present value of fund obligation at the end of the year	<b>224,560,689</b>	<b>241,846,123</b>	<b>224,560,689</b>	<b>241,846,123</b>

**Total unfunded liability**

In service (employee) members	154,262,665	184,540,408	154,262,665	184,540,408
Continuation (retiree, widow/er and orphan) members	44,875,279	27,275,502	44,875,279	27,275,502
In service (employee) non- members	25,422,745	30,030,212	25,422,745	30,030,212
<b>All eligible individuals</b>	<b>224,560,689</b>	<b>241,846,122</b>	<b>224,560,689</b>	<b>241,846,122</b>

**Average liability per individual**

In service members	2,213	2,423	2,213	2,423
Continuation members	3,263	2,712	3,263	2,712
In service non- members	1,248	2,581	1,248	2,581
<b>All eligible individuals</b>	<b>6,724</b>	<b>7,716</b>	<b>6,724</b>	<b>7,716</b>

**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 for the period	(61,992,848)	(17,003,250)	(61,992,848)	(17,003,250)
Contributions to actuarial loss	-	-	-	-
Basis changes: in net discount rate	(17,243,393)	(25,234,886)	(17,243,393)	(25,234,886)
Contributions increases higher than assumed	4,029,069	4,358,792	4,029,069	4,358,792
Changes to membership profile different from assumed	(40,074,616)	1,115,601	(40,074,616)	1,115,601
Actual benefits vesting, lower than expected	(8,703,908)	2,757,243	(8,703,908)	2,757,243

**Net liability in the Statement of Financial Position**

Opening balance	241,846,122	218,036,332	241,846,122	218,036,332
Current service cost	23,164,432	22,596,368	23,164,432	22,596,368
Interest cost	24,258,790	20,840,365	24,258,790	20,840,365

**Amathole District Municipality**

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**Notes to the Consolidated Annual Financial Statements**

	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R
Expected return on plan assets	-	-	-	-
Transitional liability recognised	-	-	-	-
Actuarial gain	(61,992,848)	(17,003,250)	(61,992,848)	(17,003,250)
Past service cost	-	-	-	-
Net periodic cost recognised in surplus and deficit	(14,569,626)	26,433,483	(14,569,626)	26,433,483
Expected employee benefit payments	(2,715,807)	(2,623,692)	(2,715,807)	(2,623,692)
Transitional liability recognised outside surplus and deficit	-	-	-	-
<b>Closing balance</b>	<b>224,560,689</b>	<b>241,846,123</b>	<b>224,560,689</b>	<b>241,846,123</b>
Current portion of liability (due in next 12 months)	2,350,190	2,715,807	2,350,190	2,715,807
Non-current portion of liability	222,210,499	239,130,315	222,210,499	239,130,315
Closing balance	224,560,689	241,846,122	224,560,689	241,846,122
<b>Reconciliation of fair value of plans assets</b>				
Fair value of plan assets at the beginning of the year	-	-	-	-
Expected return on plan assets	-	-	-	-
Contributions: Employer	-	-	-	-
Contributions: Employee	-	-	-	-
Benefits paid	-	-	-	-
Closing balance	-	-	-	-
<b>Trend information</b>				
Present value of obligation		2019	2018	2017
		264,950,601	224,560,689	241,846,123
Fair value of plan assets		-	-	-
		<b>264,952,620</b>	<b>224,560,689</b>	<b>241,846,123</b>
<b>Expected adjustments</b>				
Actuarial gain (loss) before changes in assumptions	-	-	-	-
In respect of present value of obligations	61,992,848	17,003,250	61,992,848	17,003,250
In respect of fair value of plan assets	-	-	-	-
	<b>61,992,848</b>	<b>17,003,250</b>	<b>61,992,848</b>	<b>17,003,250</b>

**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 ;

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

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 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%

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%

The next contribution rate increase is assumed to occur at 1 January 2018.

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	SA85 -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

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017	2018	2017
		Restated		Restated
	R	R	R	R

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 as 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 BD plans to enable full DB accounting disclosure because :

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

**Multi - employer plan**

	Number of the Municipality's employees belonging to the plan	Total number of active members per the Plan's most recent valuation report	Amount of contributions paid by the Municipality for the period ending 30 September 2016	Date of most recently available actuarial valuation report	Funding level
GEPF	66	1,298,394.00	1,407,180	31-Mar-14	100%
SALA PF	3	16,997.00	81,180	1-Jul-15	100%

  

Key Assumptions		
Net pre-ret discount rate	Salary Inflation	Net post - ret discount rate
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 31 March 2014 valuation date compared with the 100% funding level as at the 31 March 2012. The plan is holding reserves at 46.6% of what would be in line with the long-term funding level per the Board of Trustees adopted GEPF Funding Policy, compared with 5.9% as at 31 March 2012.

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

**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	-	-
<b>Unfunded accrued liability</b>	<b>94,554</b>	<b>99,982</b>
Unfunded accrued liability	94,554	99,982
Unrecognised actuarial gain	-	-
Unrecognised past service cost	-	-
<b>Net liability in the Statement of Financial Position</b>	<b>94,554</b>	<b>99,982</b>
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)

**Amathole District Municipality**

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**Notes to the Consolidated Annual Financial Statements**

	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R
Changes to membership profile different from assumed			18,100	20,260
Actual benefits vesting, lower than expected			-	-
<b>Trend information</b>				
Present value of obligations		71,441	94,554	99,982
Fair value of plan assets		-	-	-
		<b>71,441</b>	<b>94,554</b>	<b>99,982</b>
Experience adjustments				
<b>Actuarial Gain / Loss before in Assumptions</b>			<b>2018</b>	<b>2017</b>
In respect of Present Value of Obligations			17,693	19,755
In respect of Fair Value of Plan Assets			-	-
			<b>17,693</b>	<b>19,755</b>
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)
			<b>94,555</b>	<b>99,981</b>
<b>Reconciliation of fair value of plan assets:</b>				
Fair value of plan assets at the beginning of the year			-	-
Expected return on plan assets			-	-
Contributions: Employee			-	-
Past service costs			-	-
Actuarial (gain)/losses			-	-
Benefits paid			-	-
<b>Fair value of plan assets at the end of the year</b>			<b>-</b>	<b>-</b>
<b>Current service costs and interest costs</b>				
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.

**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		-	-
<b>Closing balance</b>		<b>94,555</b>	<b>99,981</b>

**Sensitivity analysis on the unfunded accrued liability**

Assumption	Change	Liability	% Change	Value p.a	Value p.a
<b>Long term discount rate</b>					
Central assumptions		76,861			
Discount rate	+1%	-407	-2.44%	7.96%	7.79%
	-1%	18,100	2.59%	PA(90)-1	PA(90)-1
Post - retirement mortality					
<b>Assumption</b>	<b>Change</b>	<b>Liability</b>	<b>% Change</b>		
<b>Mortality</b>					
Post - retirement mortality	-3 yr	104,698	10.72%		
<b>Key actuarial assumptions used</b>				<b>Value p.a</b>	<b>Value p.a</b>
<b>Assumption</b>					
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%	2% } x Annual salary
10	10	3%	3% } x Annual salary
15	15	4%	4% } x Annual salary
20	15	5%	5% } x Annual salary
25, 30, 35, 40, 45	15	6%	6% } x Annual salary

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

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017	2018	2017
		Restated		Restated
	R	R	R	R

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

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

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

The value of the retirement gift used in the last valuation was : R 1,730 for employees with under twelve years of total service at retirement R3,240 for employees with twelve or more years of total service at retirement

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

**Employee related costs**

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

(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	26,267,806	24,950,635
Current service cost	3,191,100	3,886,234	3,191,100	3,886,234
Interest cost	2,135,218	1,930,767	2,135,218	1,930,767
Benefit vesting's	(2,236,010)	(3,906,226)	(2,236,010)	(3,906,226)
Total annual expense	3,090,308	1,910,775	3,090,308	1,910,775
Actuarial loss / (Gain)	5,219,694	(593,604)	5,219,694	(593,604)
Closing Accrued Liability	<b>34,577,808</b>	<b>26,267,806</b>	<b>34,577,808</b>	<b>26,267,806</b>

**Reconciliation of assets and liabilities recognised in the Statement of Financial Position**

Present value of fund accrued liability	<b>34,577,808</b>	<b>26,267,806</b>	<b>34,577,808</b>	<b>26,267,806</b>
Fair value of plan assets	-	-	-	-
Unrecognised actuarial gain	-	-	-	-
Unrecognised transition liability	-	-	-	-
Unrecognised past service cost	-	-	-	-
<b>Net liability in the Statement of Financial Position</b>	<b>34,577,808</b>	<b>26,267,806</b>	<b>34,577,808</b>	<b>26,267,806</b>

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	26,267,806	24,950,635
Current service cost	3,191,100	3,886,234	3,191,100	3,886,234
Interest cost	2,135,218	1,930,767	2,135,218	1,930,767

**Amathole District Municipality**

Consolidated Annual Financial Statements for the year ended 30 June 2018

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**Notes to the Consolidated Annual Financial Statements**

	Group		Municipality	
	2018	2017	2018	2017
		Restated		Restated
	R	R	R	R
Expected return on plan assets	-	-	-	-
Transitional liability recognised	-	-	-	-
Actuarial gains recognised in surplus and deficit	5,219,694	(593,604)	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	10,546,012	5,223,397
Expected employer benefit vesting's	(2,236,010)	(3,906,226)	(2,236,010)	(3,906,226)
	<b>34,577,808</b>	<b>26,267,806</b>	<b>34,577,808</b>	<b>26,267,806</b>
Current portion of liability ( due in the next 12 months ) refer to <b>Note 19</b>	5,255,480	2,236,010	5,255,480	2,236,010
Non - current portion of the liability	29,322,328	24,031,796	29,322,328	24,031,796
<b>Reconciliation of present value of accrued liability:</b>				
Present value of accrued liability at the beginning of the year	26,267,806	24,950,635	26,267,806	24,950,635
Current service costs	3,191,100	3,886,234	3,191,100	3,886,234
Interest cost	2,135,218	1,930,767	2,135,218	1,930,767
Expected return on plan assets	-	-	-	-
Actuarial (gain)/losses	5,219,694	(593,604)	5,219,694	(593,604)
Expected employee benefit vesting's	(2,236,010)	(3,906,226)	(2,236,010)	(3,906,226)
<b>Closing balance</b>	<b>34,577,808</b>	<b>26,267,806</b>	<b>34,577,808</b>	<b>26,267,806</b>
Total unfunded liability	34,577,808	26,267,806	34,577,808	26,267,806
Average liability per member	19,146	15,795	19,146	15,795
<b>Reconciliation of affair value of plans assets</b>				
Fair value of plan assets at the beginning of the year	-	-	-	-
Expected return on plan assets	-	-	-	-
Contributions: Employee	-	-	-	-
Past service costs	-	-	-	-
Actuarial gains/(losses)	-	-	-	-
Benefits paid	-	-	-	-
<b>Fair value of plan assets at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Key actuarial assumptions used				
<b>Financial assumptions</b>			<b>2018</b>	<b>2017</b>
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%
<b>Demographic Assumptions</b>				
Average retirement age	59 for males	56 for females		
Mortality during employment		SA67 -70		
Withdrawal form service ( sample annual rates )	<b>Age</b>	<b>Female</b>	<b>Male</b>	<b>Rate</b>
	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%	
<b>Sensitivity analysis assumption Accrued liability</b>				
<b>Assumption</b>	<b>Change</b>	<b>Liability</b>	<b>% Change</b>	
Central assumptions		34,577,808		
General salary inflation	+1%	36,721,377	6.20%	
	-1%	32,633,792	-5.62%	
Mortality	+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.				
<b>11. Inventories</b>				
Housing projects	1,068,427	601,332	1,068,427	601,332
Consumable stores	2,242,694	761,224	2,242,694	761,224
Water	742,505	7,061,670	742,505	7,061,670
	<b>4,053,626</b>	<b>8,424,226</b>	<b>4,053,626</b>	<b>8,424,226</b>

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R

**Housing projects**

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

**Water inventory**

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

**Write down of inventory**

Raw materials of 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	131,592,414	190,011,214	131,592,414
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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
<b>Balance as at 30 June 2018</b>	<b>898,378,782</b>	<b>(708,367,567)</b>	<b>190,011,214</b>

**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
Interest on arrears component	-	-	-
<b>Balance as at 30 June 2017</b>	<b>750,759,640</b>	<b>(619,167,226)</b>	<b>131,592,414</b>

**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	479,390,323
	<b>898,378,782</b>	<b>750,759,638</b>

	Domestic	Industrial / Commercial	National and Provincial Government	Total
<b>Summary of debtors by customer classification - 30 June 2018</b>				
Current (0-30 days)	44,087,518	5,533,622	21,868,881	71,490,021
30 - 60 days	16,284,366	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	898,378,781
Less: Allowance for impairment	(573,385,170)	(28,417,347)	(106,565,051)	(708,367,568)
	<b>144,937,575</b>	<b>6,160,164</b>	<b>38,913,475</b>	<b>190,011,215</b>

	Domestic	Industrial / Commercial	National and Provincial Government	Total
<b>Summary of debtors by customer classification - 30 June 2017</b>				
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	6,946,267	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)	(98,252,210)	(619,167,226)
	<b>104,237,136</b>	<b>8,728,699</b>	<b>18,626,578</b>	<b>131,592,411</b>

The comparative figures were restated refer Note 46

**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	15	15	15	15
B - Businesses	4	3	4	3
C - Domestic and other	81	82	81	82
	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

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	33,480,846	42,894,013	33,480,846
2 months past due	4,382,400	4,207,498	4,382,400	4,207,498
3 months past due	3,919,121	4,161,991	3,919,121	4,161,991
4 months past due	8,327,542	3,654,645	8,327,542	3,654,645
greater than 4 months	130,488,137	86,087,431	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	28,596,009	22,320,564
3 to 6 months	17,529,601	16,829,991	17,529,601	16,829,991

## Notes to the Consolidated Annual Financial Statements

	Group			Municipality	
	2018	2017	2018	2017	
	R	Restated R	R	Restated R	R
6 to 9 months	15,676,485	16,647,966	15,676,485	16,647,966	
more than 9 months past due	646,565,472	563,369,206	646,565,472	563,369,206	
<b>Reconciliation of provision for impairment of trade and other receivables including other receivables</b>					
Opening balance	621,233,327	529,682,710	621,233,327	529,682,710	
Provision for impairment	92,725,510	128,945,383	92,725,510	128,945,383	
Amounts written off as uncollectable	(3,525,168)	(37,394,766)	(3,525,168)	(37,394,766)	
<b>Closing balance</b>	<b>710,433,669</b>	<b>621,233,327</b>	<b>710,433,669</b>	<b>621,233,327</b>	

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 854 337 were written off during the year.

**13. Receivables from non - exchange transactions**

Total other debtors	3,999,328	4,824,134	3,604,560	4,754,424
<b>Receivables from non - exchange transactions</b>				
Sundry receivables	5,966,033	6,846,237	5,670,663	6,820,527
Prepayments	55,398	-	-	-
Deposits	44,000	44,000	-	-
Subtotal	6,065,431	6,890,237	5,670,663	6,820,527
Less: Allowance for doubtful debts	(2,066,103)	(2,066,103)	(2,066,103)	(2,066,103)
	<b>3,999,328</b>	<b>4,824,134</b>	<b>3,604,560</b>	<b>4,754,424</b>

The comparative figures were restated refer Note 46

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

The fair value of other receivables approximates their carrying amounts.

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

Other receivables from non - exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R3 999 328 ( 2017: R4 824 134 ) were past due but not impaired

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

3 months past due	3,999,328	4,824,134	3,604,560	4,754,424
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**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	2,066,103	2,066,103
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**Reconciliation of provision for impairment of receivables from non - exchange transaction**

Opening balance	2,066,103	2,321,974	2,066,103	2,321,974
Provision for impairment	-	-	-	-
Amounts written off as uncollectible	-	(255,871)	-	(255,871)
	<b>2,066,103</b>	<b>2,066,103</b>	<b>2,066,103</b>	<b>2,066,103</b>

**14. VAT receivables**

VAT	656,808	-	-	-
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VAT is paid over to SARS only once payment is received from debtors.

**15. Cash and cash equivalents**

Cash on hand	9,186	10,577	9,000	9,000
Bank balances (current accounts)	138,002,952	143,087,851	135,048,151	138,517,717
Short - deposits (call accounts)	33,931,820	33,687,433	27,171,137	29,030,533
	<b>171,943,958</b>	<b>176,785,861</b>	<b>162,228,288</b>	<b>167,557,250</b>

An amount of R76 449 373 ( 2017 : R58 728 117 ) 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 group 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
STD Bank Account no - 081-039-454 (primary)	78,042,981	68,537,260	62,693,400	78,042,981	51,780,609	62,279,481
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
STD 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
RMB Bank	8,806,000	-	-	8,806,000	-	-
STD Bank	-	-	20,000,000	-	-	20,000,000
Standard Bank (secondary SAP Account)	-	16,900,032	-	-	16,900,032	-
Standard	985,836	-	-	985,836	-	-
Investec	17,154,123	17,995,273	17,000,000	17,154,123	17,995,273	17,000,000
ABSA	10,017,014	10,035,260	10,000,000	10,017,014	10,035,260	10,000,000
AEDA Cheque Account : ABSA Bank	-	-	169,205	-	-	169,205
AEDA Call account : Standard Bank	3,837,150	2,627,097	1,952,926	3,837,150	2,627,097	1,952,926
AEDA Cheque Account : Standard Bank	159,449	79,899	555,200	159,449	79,899	555,200
Aspire Natural Resources Management : Standard Bank	2,783,066	3,279,576	822,710	2,783,066	3,279,576	822,710
Black Wattle Account	6,226	6,226	6,226	6,226	6,226	6,226
Cash on hand	186	1,577	95	186	1,577	95
DEA - Adopt a spot cheque account : Standard Bank	-	1,141,370	1,554,092	-	1,141,370	1,554,092
EA - Dot Cheque account : Standard Bank	4,447	6,353	7,906	4,447	6,353	7,906
EC- BCM Waste Management Standard Bank	-	53,191	754,854	-	53,191	754,854
			11,685			11,685
HAR Dot cheque account : Standard Bank	7,839	9,745		7,839	9,745	
NDPG call account	2,917,307	2,023,577	10,475,678	2,917,307	2,023,577	10,475,678



**Amathole District Municipality**

Consolidated Annual Financial Statements for the year ended 30 June 2018

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**Notes to the Consolidated Annual Financial Statements**

	Group				Municipality	
	2018	2017	2018	2017		
	R	Restated R	R	Restated R		
<b>Total</b>	<b>130,012,667</b>	<b>193,533,512</b>	<b>143,501,531</b>	<b>130,012,668</b>	<b>176,776,861</b>	<b>146,534,822</b>

**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	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
Rand Merchant Bank (RMB)	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	985,836	-	-	985,836	-	-
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
<b>Total</b>	<b>120,296,997.41</b>	<b>184,304,901</b>	<b>127,190,954</b>	<b>120,296,998</b>	<b>167,548,250</b>	<b>130,224,245</b>

**16. Finance lease obligation**

**Minimum lease payment due**

within one year	153,263	700,506	153,263	700,506
in second to fifth year inclusive	4,267	157,529	4,267	157,529
	157,530	858,035	157,530	858,035
Less: future finance charges	(9,108)	(49,653)	(9,108)	(49,653)
<b>Present value of minimum lease payments</b>	<b>148,422</b>	<b>808,383</b>	<b>148,422</b>	<b>808,383</b>

**Present value of minimum lease payments**

within one year	144,261	148,421	144,261	148,421
in second to fifth year inclusive	4,160	659,962	4,160	659,962
	<b>148,421</b>	<b>808,383</b>	<b>148,421</b>	<b>808,383</b>

Non - current liabilities

Current liabilities	4,160	659,962	4,160	659,962
	144,261	148,421	144,261	148,421
	<b>148,421</b>	<b>808,383</b>	<b>148,421</b>	<b>808,383</b>

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

	R
Total Value of invoices processed	1,061,196,581
Value of invoices processed and paid within 30 days	738,421,428
Value of invoices processed but not paid within 30 days	322,775,153
Percentage	30%

**17. Unspent conditional grants and receipts comprise of :**

Total Unspent conditional grants and receipts	76,449,373	58,728,117	71,708,087	50,801,687
National government grant	19,140,381	9,724,300	19,140,381	9,724,300
Provincial government grant	38,500,199	38,500,199	38,500,199	38,500,199
Other grant providers	7,486,520	10,503,619	2,745,234	2,577,189
	<b>65,127,099</b>	<b>58,728,117</b>	<b>60,385,813</b>	<b>50,801,687</b>
<b>Movement during the year</b>				
Balance at the beginning of the year	58,728,117	56,394,186	50,801,687	41,914,426
Additions during the year	612,995,690	612,636,079	604,708,578	602,183,715
Income recognition during the year	(604,694,326)	(599,840,441)	(595,124,452)	(593,296,454)
Return of Unspent Grant to National Treasury	(1,902,382)	(10,461,707)	-	-
Balance at the end of the year	<b>65,127,099</b>	<b>58,728,117</b>	<b>60,385,813</b>	<b>50,801,687</b>

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

Comparative figures have been restated: Refer **Note 46**

**18. Non current investments**

**At amortised cost**

Bank Investment	2,000,000	-	2,000,000	-
Terms and conditions				

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

**Non Current asset**

At amortised cost	2,000,000	-	2,000,000	-
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**19. Provisions**

**Reconciliation of provisions - Group 2018**

	Opening Balance	Additions	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
	<b>13,795,875</b>	<b>3,491,526</b>	<b>-</b>	<b>17,287,401</b>

**Reconciliation of provisions - Group 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
	<b>13,808,763</b>	<b>3,616,829</b>	<b>-</b>	<b>(3,629,716)</b>	<b>13,795,875</b>

**Reconciliation of provisions - Municipality 2018**

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R
	Opening Balance	Additions	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
	<b>13,795,875</b>	<b>3,491,526</b>	-	<b>17,287,401</b>

## Reconciliation of provisions - Municipality 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
	<b>13,808,763</b>	<b>3,616,829</b>	-	<b>(3,629,716)</b>	<b>13,795,875</b>

## Performance bonuses

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

## Employee benefit cost provision

The uncertainties noted for the current portion of the long service awards are as follows: The current portion of the long service award was calculated by independent actuaries that have performed a valuation for the long service award provision. Refer to Note 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 46

## 20. Payables from exchange transactions

Trade payables	305,407,258	134,619,675	305,393,281	134,617,854	13,977
Other payables	33,122,324	59,569,159	32,739,575	59,069,783	382,749
Accruals	21,735,398	80,359,393	19,100,142	80,300,215	2,635,256
Accrued service bonus	14,140,238	13,365,928	14,140,238	13,365,928	-
Retention payable	31,964,855	39,501,542	31,964,855	39,501,542	-
Consumer debtors with credit balances	-	17,030,937	-	17,030,937	-
Accrued Leave pay	62,913,979	42,674,485	62,326,181	42,062,375	587,798
	<b>469,284,052</b>	<b>387,121,118</b>	<b>465,664,272</b>	<b>385,948,633</b>	<b>3,619,780</b>

The comparative figure was restated refer to note 46.

## 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 settlement 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 movement on the staff leave accrual balances as above for the 2018 financial year was as follows:

Accrued leave pay					
Opening balance	42,650,173	54,556,796	42,062,375	53,944,686	612,111
Plus: contributions during the year	20,386,184	96,003,526	20,386,184	96,003,526	89,464
Unused amounts reversed	(122,380)	(107,885,838)	(122,380)	(107,885,838)	-
Closing balance	<b>62,913,978</b>	<b>42,674,484</b>	<b>62,326,181</b>	<b>42,062,374</b>	<b>701,575</b>

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

## The movement on the staff leave accrual balances as above for the 2018 financial year was as follows:

Accrued service bonus					
Opening balance	13,365,928	13,911,209	13,365,928	13,911,209	-
Additional provision	774,310	-	774,310	-	-
Unused amounts reversed	-	(545,281)	-	(545,281)	-
Closing balance	<b>14,140,238</b>	<b>13,365,928</b>	<b>14,140,238</b>	<b>13,365,928</b>	-

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

21. Vat Payable	172,561	19,827,662	172,561	19,782,036
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## 22. Taxes and transfers payable (non - exchange)

Other payables from non - exchange transactions	12,674,527	8,210,634	12,674,527	8,210,634
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## 23. Current tax payable (receivable)

## South African normal tax

Current tax - South African effective and normal rate (28%)

## Tax asset/(liability)

Amount paid/(payable) at beginning of the year	-	291,620	-	-
Interest earned	-	11,816	-	-
Current tax	290,926	-	-	-
Less: Tax refund	-	(303,436)	-	-
	<b>290,926</b>	-	-	-

The prior year estimated tax loss available for set off against future taxable income is R1 298 993

## 24. Consumer deposits

Water and Sanitation	3,017,984	2,989,539	3,017,984	2,989,539
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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.

## 25. Revenue

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality		
	2018	2017	2018	2017	
	R	Restated R	R	Restated R	
Service charges	262,030,590	222,413,354	262,030,590	222,413,354	
Rental of facilities and equipment	308,026	335,593	308,026	335,593	
Interest earned outstanding receivables	40,792,184	32,914,767	40,792,184	32,914,767	
Other income	2,294,683	8,707,472	2,019,883	7,990,855	
Interest received - investments	6,723,311	15,698,481	6,542,063	15,566,238	
Government grants & subsidies	1,281,653,223	1,169,198,849	1,281,917,998	1,164,929,622	23,069,874
Services in kind	-	-	-	-	531,729
Own revenue - VAT other grant	16,195,782	16,168,543	16,195,782	16,168,543	
Own revenue - VAT MIG	49,007,661	37,405,389	49,007,661	37,405,389	
	<b>1,659,005,460</b>	<b>1,502,842,447</b>	<b>1,658,814,187</b>	<b>1,497,724,360</b>	<b>23,601,603</b>

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

Service charges	262,030,590	222,413,354	262,030,590	222,413,354	
Rental of facilities and equipment	308,026	335,593	308,026	335,593	
Interest earned outstanding receivables	40,792,184	32,914,767	40,792,184	32,914,767	
Other income	2,294,683	8,707,472	2,019,883	7,990,855	274,800
Interest received - investments	6,723,311	15,698,481	6,542,063	15,566,238	181,248
	<b>312,148,794</b>	<b>280,069,666</b>	<b>279,220,806</b>	<b>279,519,524</b>	<b>456,048</b>

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

Government grants & subsidies	1,281,653,223	1,169,198,849	1,281,917,998	1,164,929,622	
Own revenue - VAT other grant	16,195,782	16,168,543	16,195,782	16,168,543	
Own revenue - VAT MIG	49,007,661	37,405,389	49,007,661	37,405,389	
	<b>1,346,856,666</b>	<b>1,222,772,781</b>	<b>1,347,121,441</b>	<b>1,218,503,554</b>	

## 26. Service charges

Sale of water	171,527,917	150,890,952	171,527,917	150,890,952	
Sewerage and sanitation charges	85,873,314	66,458,690	85,873,314	66,458,690	
Other service charges	4,629,360	4,444,891	4,629,360	4,444,891	
	<b>262,030,590</b>	<b>221,794,532</b>	<b>262,030,590</b>	<b>221,794,532</b>	

Service charges are reflected at an amount net of subsidy to indigents amounting to R17 422 415 (2017 : R 16 391 630) for both water and sanitation

## 27. Rental facilities and equipment

Facilities and equipment					
Straight lined operating lease receipts	-	3,256	-	3,256	
Other rentals	308,026	332,337	308,026	332,337	
	<b>308,026</b>	<b>335,593</b>	<b>308,026</b>	<b>335,593</b>	

## 28. Other income

Admin fees	-	3,926,521	-	3,926,521	
Commission	800,357	1,125,926	800,357	1,125,926	
Connection fees	(37,802)	181,881	(37,802)	181,881	
Consevanancy fees	-	1,716,390	-	1,716,390	
Discount received	-	-	-	-	
Legal fees recovered	-	-	-	-	
Sundry income	1,531,268	1,712,765	1,256,468	996,148	274,800
Bad debts recovered	-	13,773	-	13,773	
RD cheque bank charges recovered	-	1,667	-	1,667	
Emergency tanked water	-	28,301	-	28,301	
Illegal parking fines	860	250	860	250	
	<b>2,294,683</b>	<b>8,707,472</b>	<b>2,019,883</b>	<b>7,990,855</b>	<b>274,800</b>

## 29. Interest received

Bank	5,716,891	13,579,410	5,535,643	13,447,167	181,248
Financial assets	1,006,420	2,119,071	1,006,420	2,119,071	
	<b>6,723,311</b>	<b>15,698,481</b>	<b>6,542,063</b>	<b>15,566,238</b>	<b>181,248</b>

## 30. Grants and subsidies paid

Other subsidies					
Projects: ASPIRE	44,600,814	74,376,183	45,952,805	70,164,411	8,482,658
Comparative figures have been restated: Refer Note 46					

## 31. Government grants and subsidies

Operating grants					
Other grant income	1,486,873	6,029,743	-	-	1,486,873
Conditional grants: conditions met - transferred to revenue	5,174,845	5,301,605	5,174,845	5,301,605	
Other government grants and subsidies	707,310	4,949,758	707,310	4,949,758	
Levy replacement grant	329,456,382	315,022,025	329,456,382	315,022,025	
Equitable share	427,675,618	415,749,975	427,675,618	415,749,975	
	<b>764,501,028</b>	<b>747,053,107</b>	<b>763,014,155</b>	<b>741,023,364</b>	<b>1,486,873</b>
Capital grants					
Neighbourhood development grant	8,083,001	239,484	9,834,649	2,000,000	8,083,001
Water Services Infrastructure Grant (WSIG)	74,366,566	111,887,012	74,366,566	111,887,012	
Rural bulk infrastructure grant (RBIG)	50,295,776	18,275,245	50,295,776	18,275,245	
Municipal infrastructure grant (MIG)	384,406,852	291,744,002	384,406,852	291,744,002	
	<b>517,152,195</b>	<b>422,145,742</b>	<b>518,903,843</b>	<b>423,906,258</b>	<b>8,083,001</b>
	<b>1,281,653,223</b>	<b>1,169,198,849</b>	<b>1,281,917,998</b>	<b>1,164,929,622</b>	

## 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	427,675,618	415,749,975	
Conditions met - transferred to revenue	(427,675,618)	(415,749,975)	(427,675,618)	(415,749,975)	
	-	-	-	-	

## Levy grant replacement

Current year receipts	329,456,382	315,022,025	329,456,382	315,022,025	
Conditions met - transferred to revenue	(329,456,382)	(315,022,025)	(329,456,382)	(315,022,025)	
	-	-	-	-	

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

**Amathole District Municipality**

Consolidated Annual Financial Statements for the year ended 30 June 2018

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**Notes to the Consolidated Annual Financial Statements**

	Group		Municipality	
	2018	2017	2018	2017
		Restated		Restated
	R	R	R	R
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.				
<b>Conditional</b>				
<b>Municipal infrastructure grant (MIG)</b>				
Balance unspent at beginning of year	2,791,799	(192,615)	2,791,799	(192,615)
Current year receipts	436,439,000	447,736,000	436,439,000	447,736,000
Conditions met - transferred to revenue	(439,397,908)	(444,751,586)	(439,397,908)	(444,751,586)
	<b>(167,110)</b>	<b>2,791,799</b>	<b>(167,110)</b>	<b>2,791,799</b>
Conditions still to be met - remain liabilities ( see note 17)				
<b>Regional bulk infrastructure (RBIG)</b>				
Balance unspent at beginning of year	766,801	1,275,521	766,801	1,275,521
Current year receipts	59,954,352	22,117,845	59,954,352	22,117,845
Conditions met - transferred to revenue	(55,117,134)	(22,626,565)	(55,117,134)	(22,626,565)
	<b>5,604,019</b>	<b>766,801</b>	<b>5,604,019</b>	<b>766,801</b>
Conditions still to be met - remain liabilities ( see note 17)				
<b>Municipal system improvement grant (MSIG)</b>				
Balance unspent at beginning of year	-	4,026	-	4,026
Current year receipts	-	-	-	-
Unspent amount returned to funder	-	(4,026)	-	(4,026)
Conditions met - transferred to revenue	-	-	-	-
	-	-	-	-
Conditions still to be met - remain liabilities ( see note 17)				
<b>Expanded public works programme (EPWP)</b>				
Balance unspent at beginning of year	332,403	332,403	332,403	332,403
Current year receipts	1,527,000	2,297,000	1,527,000	2,297,000
Conditions met - transferred to revenue	(1,530,349)	(1,964,597)	(1,530,349)	(1,964,597)
Unspent amount returned to funder	-	(332,403)	-	(332,403)
	<b>329,054</b>	<b>332,403</b>	<b>329,054</b>	<b>332,403</b>
Conditions still to be met - remain liabilities ( see note 17)				
<b>Financial management (FMG)</b>				
Balance unspent at beginning of year	298,140	9,229	298,140	9,229
Current year receipts	1,250,000	1,250,000	1,250,000	1,250,000
Condition met - transferred to revenue	(1,640,768)	(961,089)	(1,640,768)	(961,089)
	<b>(92,628)</b>	<b>298,140</b>	<b>(92,628)</b>	<b>298,140</b>
Conditions still to be met - remain liabilities ( see note 17)				
<b>Rural Roads Asset Management Grant (RAMS)</b>				
Balance unspent at beginning of year	500,597	60,448	500,597	60,448
Current year receipts	2,933,000	2,806,000	2,933,000	2,806,000
Conditions met - transferred to revenue	(888,839)	(2,365,851)	(888,839)	(2,365,851)
	<b>2,544,758</b>	<b>500,597</b>	<b>2,544,758</b>	<b>500,597</b>
Conditions still to be met - remain liabilities ( see note 17)				
<b>Municipal Water Infrastructure (WSIG)</b>				
Balance unspent at beginning of year	3,249,377	(677,144)	3,249,377	(677,144)
Current year receipts	90,000,000	119,190,000	90,000,000	119,190,000
Conditions met - transferred to revenue	(84,678,865)	(115,263,479)	(84,678,865)	(115,263,479)
	<b>8,570,512</b>	<b>3,249,377</b>	<b>8,570,512</b>	<b>3,249,377</b>
Conditions still to be met - remain liabilities ( see note 17)				
<b>Neighbourhood Development Partnership Grant (NDPG)</b>				
Balance unspent at beginning of year	1,834,649	10,286,867	-	-
Current year receipts	8,282,955	2,248,973	9,834,649	2,000,000
Conditions met - transferred to revenue	(8,083,001)	(239,484)	(9,834,649)	(2,000,000)
Return of Unspent grant to National Treasury	(1,834,649)	(10,461,707)	-	-
	<b>199,954</b>	<b>1,834,649</b>	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities ( see note 17)				
<b>Industrial Development Corporation</b>				
Balance unspent at beginning of year	831,146	831,146	-	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>831,146</b>	<b>831,146</b>	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities ( see note 17)				
<b>Department of Rural Development and Agrarian Land Reform</b>				
Balance unspent at beginning of year	405	405	-	-
Conditions still to be met - remain liabilities ( see note 17)				
<b>DEDEAT/ECDC - Emthonjeni Arts</b>				
Balance unspent at beginning of year	21,275	21,275	-	-
Conditions still to be met - remain liabilities ( see note 17)				
<b>EC- Adopt a Spot</b>				
Balance unspent at beginning of year	1,000,749	1,480,932	-	-
Current year receipts	4,156	3,927,682	-	-
Conditions met - transferred to revenue	(978,702)	(4,407,865)	-	-
Return of unspent grant to DEA	(26,202)	-	-	-
	<b>1</b>	<b>1,000,749</b>	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities ( see note 17)				
<b>Natural Resources Management</b>				
Balance unspent at beginning of year	3,279,576	825,577	-	-
Current year receipts	-	4,275,592	-	-
Conditions met - transferred to revenue	(496,510)	(1,821,593)	-	-
	<b>2,783,066</b>	<b>3,279,576</b>	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities ( see note 17)				
<b>EC-BCM Waste Management</b>				
Balance unspent at beginning of year	753,191	754,961	-	-
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	(11,661)	(1,770)	-	-
Return of unspent grant to DEA	(41,530)	-	-	-
	<b>700,000</b>	<b>753,191</b>	<b>-</b>	<b>-</b>

**Amathole District Municipality**

Consolidated Annual Financial Statements for the year ended 30 June 2018

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**Notes to the Consolidated Annual Financial Statements**

	Group		Municipality		
	2018	2017	2018	2017	
	R	Restated R	R	Restated R	
Conditions still to be met - remain liabilities ( see note 17)					
<b>DBSA Drylands fund - Ndakana</b>					
Balance unspent at beginning of year	5,439	5,439	-	-	-
Current year receipts	-	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-	-
	<u>5,439</u>	<u>5,439</u>	<u>-</u>	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities ( see note 17)					
<b>32. Employee related costs</b>					
Employee related costs - Salaries and Wages	445,745,910	385,417,034	437,666,219	376,411,281	8,611,420
Bonus	34,826,070	28,069,224	34,826,070	28,069,224	
Medical aid - company contributions	59,139,171	33,719,007	59,139,171	33,719,007	
UIF	3,013,445	3,504,300	2,889,871	3,382,148	123,574
WCA	(31,725)	3,399,447	(36,556)	3,394,514	4,831
Leave pay provision charge	24,855,062	(7,676,041)	24,661,456	(7,926,958)	193,606
Contribution: Pension fund	69,198,626	64,775,143	68,508,996	63,959,323	689,630
Contribution: Group life	3,176,392	5,060,908	3,176,392	5,060,908	
Bargaining council	162,896	157,907	162,896	157,907	
Employee benefit contribution	8,131,704	22,145,937	8,131,704	22,145,937	
Travel, motor car, accommodation, subsistence and other allowances	34,928,191	33,623,920	34,928,191	33,623,920	
Overtime payments	28,872,311	28,323,422	28,872,311	28,323,422	
Car allowance	17,295,480	12,600,880	17,295,480	12,600,880	
Housing benefits and allowances	2,706,576	2,037,290	2,706,576	2,037,290	
Allowance: cell phone	10,084,993	9,692,110	10,084,993	9,692,110	
Allowance: shift	2,658,265	2,409,687	2,658,265	2,409,687	
Allowance: Standby, Night and Sunday	11,365,458	11,946,357	11,365,458	11,946,357	
Allowance: Dirt	-	640	-	640	
	<u>756,128,825</u>	<u>639,207,172</u>	<u>747,037,493</u>	<u>629,007,597</u>	<u>9,623,061</u>

**Amathole District Municipality**

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**Notes to the Consolidated Annual Financial Statements**

	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R
<b>Amounts expensed in respect of retirement benefit plans</b>				
Defined contribution funds	100,960,628	94,723,562	100,960,628	94,723,562
Defined benefits funds	2,819,714	2,780,658	2,819,714	2,780,658
	<b>103,780,342</b>	<b>97,504,219</b>	<b>103,780,342</b>	<b>97,504,219</b>
<b>Remuneration of Municipal Manager</b>				
Annual Remuneration	2,301,682	1,867,499	2,301,682	1,867,499
Performance bonuses	-	120,617	-	120,617
Contribution to UIF, Medical and Pension Funds	1,785	18,324	1,785	18,324
Leave encashment	-	-	-	-
Cell phone allowance	13,000	55,616	13,000	55,616
Travel allowance	-	176,000	-	176,000
	<b>2,316,467</b>	<b>2,238,056</b>	<b>2,316,467</b>	<b>2,238,056</b>
<b>Remuneration of Chief Financial Officer</b>				
Remuneration	1,061,984	278,226	1,061,984	278,226
Contribution to UIF, Medical and Pension Funds	206,027	34,408	206,027	34,408
Cell phone allowance	43,074	14,358	43,074	14,358
Travel allowance	135,000	45,000	135,000	45,000
Back Pay of Remuneration	154,440	-	154,440	-
	<b>1,600,525</b>	<b>371,992</b>	<b>1,600,525</b>	<b>371,992</b>
The previous Chief Financial Officer resigned on 1 April 2018. The new Chief Financial Officer was appointed from 2 July 2018				
<b>Remuneration of the Director :Engineering</b>				
Remuneration	-	915,890	-	915,890
Performance bonuses	-	100,694	-	100,694
Contribution to UIF, Medical and Pension Funds	-	201,785	-	201,785
Cell phone allowance	-	61,050	-	61,050
Travel allowance	-	222,000	-	222,000
Back pay of remuneration	-	-	-	-
Housing allowance	-	176,772	-	176,772
	-	<b>1,678,191</b>	-	<b>1,678,191</b>
<b>Remuneration of the Director: Engineering L. Govu</b>				
Remuneration	970,097	-	970,097	-
Performance bonuses	-	-	-	-
Contribution to UIF, Medical and Pension Funds	49,937	-	49,937	-
Cell phone allowance	-	-	-	-
Travel allowance	60,000	-	60,000	-
Back pay of remuneration	-	-	-	-
Housing allowance	39,999	-	39,999	-
	<b>1,120,033</b>	-	<b>1,120,033</b>	-
The new Director: Engineering was appointed November 2017				
<b>Remuneration of the Director: Strategic Management R.Links</b>				
Annual Remuneration	-	1,187,895	-	1,187,895
Performance bonuses	-	83,912	-	83,912
Contribution to UIF, Medical and Pension Funds	-	250,475	-	250,475
Leave encashment	-	-	-	-
Cell phone allowance	-	57,432	-	57,432
Travel allowance	-	198,000	-	198,000
Back pay of remuneration	-	66,000	-	66,000
Acting allowance	-	13,803	-	13,803
Housing allowance	-	-	-	-
	-	<b>1,857,517</b>	-	<b>1,857,517</b>
<b>Remuneration of the Director: Strategic Management A.Tinta</b>				
Remuneration	1,058,330	-	1,058,330	-
Performance bonuses	-	-	-	-
Contribution to UIF, Medical and Pension Funds	20,738	-	20,738	-
Cell phone allowance	4,786	-	4,786	-
Travel allowance	182,000	-	182,000	-
Back pay of remuneration	-	-	-	-
Acting allowance	-	-	-	-
	<b>1,265,854</b>	-	<b>1,265,854</b>	-
The new Director: Strategic Management was appointed November 2017				
<b>Remuneration of the Director : Corporate services</b>				
Annual Remuneration	-	1,118,212	-	1,118,212
Performance Bonuses	-	134,259	-	134,259
Contribution to UIF, Medical and Pension Funds	-	233,316	-	233,316
Leave Encashment	-	-	-	-
Cell phone Allowance	-	57,432	-	57,432
Travel Allowance	-	332,627	-	332,627
Back pay of Remuneration	-	-	-	-
Acting Allowance	-	9,969	-	9,969
	-	<b>1,885,815</b>	-	<b>1,885,815</b>

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R
<b>Remuneration of the Director: Corporate services M.Dliwayo</b>				
Remuneration	760,771	-	760,771	-
Performance Bonuses	-	-	-	-
Housing Allowance	138,000	-	138,000	-
Contribution to UIF, Medical and Pension Funds	165,374	-	165,374	-
Leave Encashment	-	-	-	-
Cell phone Allowance	4,786	-	4,786	-
Travel Allowance	147,720	-	147,720	-
Back pay of Remuneration	-	-	-	-
Acting Allowance	-	-	-	-
	<b>1,216,651</b>	<b>-</b>	<b>1,216,651</b>	<b>-</b>
The new Director: Corporate Services was appointed November 2017				
<b>Remuneration of the Director: Community Services</b>				
Annual Remuneration	1,278,364	1,142,187	1,278,364	1,142,187
Performance bonuses	-	107,687	-	107,687
Contribution to UIF, Medical and Pension Funds	251,066	260,921	251,066	260,921
Leave encashment	-	-	-	-
Cell phone allowance	57,432	57,432	57,432	57,432
Travel, motor car, accommodation, subsistence and other allowance	291,136	277,617	291,136	277,617
Back pay of remuneration	70,487	-	70,487	-
	<b>1,948,484</b>	<b>1,845,844</b>	<b>1,948,484</b>	<b>1,845,844</b>
<b>Remuneration of the Director : Legislative Executive Services</b>				
Annual Remuneration	1,151,314	1,386,232	1,151,314	1,386,232
Performance bonuses	-	151,042	-	151,042
Contribution to UIF, Medical and Pension Funds	11,327	76,602	11,327	76,602
Cell phone allowance	43,074	52,646	43,074	52,646
Travel allowance	260,005	260,004	260,005	260,004
Group Life	18,355	-	18,355	-
Housing allowance	70,487	-	70,487	-
	<b>1,554,562</b>	<b>1,926,526</b>	<b>1,554,562</b>	<b>1,926,526</b>
<b>Remuneration of the Director: Land, Human Settlements and Economic Development</b>				
Remuneration	-	901,983	-	901,983
Performance bonuses	-	83,912	-	83,912
Contribution to UIF, Medical and Pension Funds	-	211,248	-	211,248
Cell phone allowance	-	66,238	-	66,238
Travel allowance	-	252,000	-	252,000
Back pay of remuneration	-	-	-	-
Housing allowance	-	73,755	-	73,755
	<b>-</b>	<b>1,589,136</b>	<b>-</b>	<b>1,589,136</b>
<b>Remuneration of the Director: Land, Human Settlements and Economic Development S.Mnweba</b>				
Remuneration	710,886	-	710,886	-
Performance bonuses	-	-	-	-
Contribution to UIF, Medical and Pension Funds	129,149	-	129,149	-
Cell phone allowance	-	-	-	-
Travel allowance	120,000	-	120,000	-
Back pay of remuneration	-	-	-	-
Housing allowance	120,000	-	120,000	-
	<b>1,080,035</b>	<b>-</b>	<b>1,080,035</b>	<b>-</b>
The new Director: Land, Human settlements and Economic Development was appointed November 2017				
<b>Remuneration of Chief Executive Officer</b>				
Annual Remuneration	1,583,353	298,790	-	-
Relocation allowances	-	135,750	-	-
Contribution to UIF, Medical and Pension Funds	198,837	32,499	-	-
	<b>1,782,190</b>	<b>467,039</b>	<b>-</b>	<b>-</b>
<b>Remuneration of the Executive Manager Operations : Shenxane T V- Resigned 31 December 2016</b>				
Annual Remuneration	-	724,125	-	-
Acting allowance	-	179,295	-	-
Contribution to UIF, Medical and Pension Funds	-	23,031	-	-
	<b>-</b>	<b>926,451</b>	<b>-</b>	<b>-</b>
<b>Remuneration of Company Secretary : Kiviet Z - Resigned 31 December 2016</b>				
Annual Remuneration	-	419,382	-	-
Contributions to UIF, medical and provident funds	-	11,489	-	-
	<b>-</b>	<b>430,871</b>	<b>-</b>	<b>-</b>
<b>Remuneration of Company Secretary : Appointed 1 August 2017</b>				
Salaries	806,274	-	-	-
Company contributions to Provident fund	15,034	-	-	-
UIF and levies	9,699	-	-	-
	<b>831,007</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Remuneration of the Executive Manager of Corporate Services : Weppelman S</b>				
Annual Remuneration	1,064,475	981,696	-	-
Contribution to UIF, Medical and Pension Funds	134,569	124,974	-	-
	<b>1,199,044</b>	<b>1,106,670</b>	<b>-</b>	<b>-</b>
<b>Remuneration of the Chief Financial Officer</b>				
Annual Remuneration- Fokazi L	1,335,858	1,036,164	-	-
Contribution to UIF, Medical and Pension Funds- Fokazi L	39,519	30,604	-	-
Annual Allowance- (Acting one month as CEO)	34,250	-	-	-
	<b>1,409,627</b>	<b>1,066,768</b>	<b>-</b>	<b>-</b>
<b>33. Remuneration of councillors</b>				
Non Executive board members	966,812	841,763	-	-
Councillors 2017: (37) 2016: (37)	12,777,530	12,666,569	12,777,530	12,666,569
Councillors allowance	1,867,270	1,761,777	1,867,270	1,761,777
	<b>15,611,612</b>	<b>15,270,109</b>	<b>14,644,800</b>	<b>14,428,346</b>
<b>In - kind benefits</b>				
The Executive Mayor, Speaker and Mayoral Committee Members are full- time. Each is provided with an office and secretarial support at the cost of the Council				
The Executive Mayor has use of 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.				

**Amathole District Municipality**

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**Notes to the Consolidated Annual Financial Statements**

	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R
<b>Executive Mayor: NH Konza</b>				
Salary	-	179,181	-	179,181
Cell phone Allowances	-	5,217	-	5,217
Travel Allowance	-	4,108	-	4,108
Housing Allowance	-	32,258	-	32,258
3G Allowance	-	900	-	900
Back pay	-	-	-	-
	-	<b>221,664</b>	-	<b>221,664</b>
<b>Speaker: S. Janda</b>				
Salary	-	95,929	-	95,929
Cell phone Allowances	-	3,983	-	3,983
Travel Allowance	-	-	-	-
Housing Allowance	-	43,226	-	43,226
3G Allowance	-	687	-	687
Back pay	-	-	-	-
	-	<b>143,825</b>	-	<b>143,825</b>
<b>Executive Mayor: N.W Nxawe</b>				
Salary	968,008	921,912	968,008	921,912
Cell phone Allowances	40,800	29,461	40,800	29,461
3G Allowance	3,600	3,600	3,600	3,600
Travel Allowance	-	-	-	-
Contribution to UIF, Medical and Pension Funds	-	41,486	-	41,486
	<b>1,012,408</b>	<b>996,459</b>	<b>1,012,408</b>	<b>996,459</b>
<b>Speaker: N. Ndikinda</b>				
Salary	774,405	554,756	774,405	554,756
Cell phone Allowances	40,800	22,261	40,800	22,261
3G Allowance	3,600	2,700	3,600	2,700
	<b>818,805</b>	<b>579,717</b>	<b>818,805</b>	<b>579,717</b>
<b>Cllr Jacobs</b>				
Salary	544,504	500,232	544,504	500,232
Cell phone Allowances	40,800	22,478	40,800	22,478
Travel Allowance	181,501	166,745	181,501	166,745
3G Allowance	3,600	3,600	3,600	3,600
Back pay	-	-	-	-
	<b>770,405</b>	<b>693,055</b>	<b>770,405</b>	<b>693,055</b>
<b>Cllr EB Madikane</b>				
Salary	-	55,761	-	55,761
Cell phone Allowances	-	2,244	-	2,244
Travel Allowance	-	18,587	-	18,587
Housing Allowance	-	-	-	-
3G Allowance	-	387	-	387
Back pay	-	-	-	-
	-	<b>76,979</b>	-	<b>76,979</b>
<b>Cllr SB Mtintsilana</b>				
Salary	-	74,348	-	74,348
Cell phone Allowances	-	2,244	-	2,244
Travel Allowance	-	-	-	-
3G Allowance	-	387	-	387
Back pay	-	-	-	-
	-	<b>76,979</b>	-	<b>76,979</b>
<b>Cllr. B Melitafa</b>				
Salary	-	33,057	-	33,057
Cell phone Allowances	-	2,244	-	2,244
Travel Allowance	-	9,032	-	9,032
Housing Allowance	-	32,258	-	32,258
3G Allowance	-	387	-	387
Back pay	-	-	-	-
	-	<b>76,979</b>	-	<b>76,979</b>



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	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R
<b>Cllr. M Memani</b>				
Salary	-	55,761	-	55,761
Cell phone Allowances	-	2,244	-	2,244
Travel Allowance	-	18,587	-	18,587
3G Allowance	-	387	-	387
Back pay	-	-	-	-
	-	<b>76,979</b>	-	<b>76,979</b>
<b>Cllr. P Finca</b>				
Salary	-	55,761	-	55,761
Cell phone Allowances	-	2,244	-	2,244
Travel Allowance	-	18,587	-	18,587
3G Allowance	-	387	-	387
Back pay	-	-	-	-
	-	<b>76,979</b>	-	<b>76,979</b>
<b>Cllr. S Genu</b>				
Salary	-	36,928	-	36,928
Cell phone Allowances	-	2,244	-	2,244
Travel Allowance	-	11,613	-	11,613
Housing Allowance	-	25,806	-	25,806
3G Allowance	-	387	-	387
Back pay	-	-	-	-
	-	<b>76,979</b>	-	<b>76,979</b>
<b>Cllr. M Bikitsha</b>				
Salary	-	26,606	-	26,606
Cell phone Allowances	-	2,244	-	2,244
Travel Allowance	-	7,742	-	7,742
Housing Allowance	-	40,000	-	40,000
3G Allowance	-	387	-	387
Back pay	-	-	-	-
	-	<b>76,979</b>	-	<b>76,979</b>
<b>Cllr. N Mgidlana</b>				
Salary	546,000	501,420	546,000	501,420
Cell phone Allowances	40,800	22,478	40,800	22,478
Housing Allowance	94,288	22,695	94,288	22,695
3G Allowance	3,600	3,600	3,600	3,600
Contributions to UIF, Medical and Pension Funds	-	46,800	-	46,800
	<b>684,689</b>	<b>596,993</b>	<b>684,689</b>	<b>596,993</b>
<b>Cllr. Nyalambisa</b>				
Salary	-	59,878	-	59,878
Cell phone Allowances	-	3,113	-	3,113
Travel Allowance	-	18,587	-	18,587
3G Allowance	-	387	-	387
	-	<b>81,965</b>	-	<b>81,965</b>
<b>Cllr. SM Zuka</b>				
Salary	726,005	644,280	726,005	644,280
Cell phone Allowances	40,800	22,478	40,800	22,478
Travel Allowance	-	22,696	-	22,696
3G Allowance	3,600	3,600	3,600	3,600
Back pay	-	-	-	-
	<b>770,405</b>	<b>693,054</b>	<b>770,405</b>	<b>693,054</b>
<b>Cllr. B.M Ganjana</b>				
Salary	726,005	576,194	726,005	576,194
Cell phone Allowances	40,800	19,000	40,800	19,000
3G Allowance	3,600	3,000	3,600	3,000
	<b>770,405</b>	<b>598,194</b>	<b>770,405</b>	<b>598,194</b>
<b>Cllr. M.M Namba</b>				
Salary	726,003	576,193	726,003	576,193
Cell phone Allowances	40,800	19,000	40,800	19,000
3G Allowance	3,600	3,000	3,600	3,000
	<b>770,403</b>	<b>598,193</b>	<b>770,403</b>	<b>598,193</b>
<b>Cllr. N.W Kabane</b>				
Salary	577,173	496,515	577,173	496,515
Cell phone Allowances	40,800	22,478	40,800	22,478
Travel Allowance	83,491	87,719	83,491	87,719
3G Allowance	3,600	2,700	3,600	2,700
Contribution to UIF, Medical and Pension Funds	73,508	70,008	73,508	70,008
	<b>778,572</b>	<b>679,420</b>	<b>778,572</b>	<b>679,420</b>
<b>Cllr. N.W Tekile</b>				
Salary	726,003	576,193	726,003	576,193
Cell phone Allowances	40,800	19,000	40,800	19,000
Travel Allowance	-	6,344	-	6,344
3G Allowance	3,600	3,000	3,600	3,000
	<b>770,403</b>	<b>604,537</b>	<b>770,403</b>	<b>604,537</b>
<b>Cllr. N.A Bonga</b>				
Salary	726,003	576,193	726,003	576,193
Cell phone Allowances	40,800	19,000	40,800	19,000
3G Allowance	3,600	3,000	3,600	3,000
	<b>770,403</b>	<b>598,193</b>	<b>770,403</b>	<b>598,193</b>

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality		
	2018	2017	2018	2017	
	R	Restated R	R	Restated R	
<b>Cllr. N Plaatjie</b>					
Salary	726,005	580,178	726,005	580,178	
Cell phone Allowances	40,800	20,122	40,800	20,122	
3G Allowance	3,600	4,328	3,600	4,328	
	<b>770,405</b>	<b>604,628</b>	<b>770,405</b>	<b>604,628</b>	
<b>Agency's Directors' remuneration: Non - Executive</b>					
<b>Board Members</b>					
Mbende NE ( Chairperson appointed September 2016)	127,978	185,700	-	-	
July MM ( Deputy Chairperson)	99,152	126,377	-	-	
Buswana T	85,500	86,000	-	-	
Mushohwe F	153,250	139,500	-	-	
Mosehana MM	84,492	63,533	-	-	
Nkwentsha TW	81,888	81,150	-	-	
Qunta AT	83,000	66,500	-	-	
	<b>715,260</b>	<b>748,760</b>	-	-	
<b>34. Depreciation and amortisation</b>					
Property, plant and equipment	111,118,571	107,905,241	111,031,181	107,741,926	
Property, plant and equipment	101,335,139	100,764,652	101,249,871	100,609,348	85,268
Intangible assets	9,425,819	6,782,976	9,423,697	6,774,965	2,122
Investment property	357,613	357,613	357,613	357,613	
	<b>111,118,571</b>	<b>107,905,241</b>	<b>111,031,181</b>	<b>107,741,926</b>	<b>87,390</b>
Comparative figures have been restated: Refer Note 46					
<b>35. Finance costs</b>					
Total finance costs	26,680,044	24,708,815	26,608,885	24,634,956	71,159
Finance leases	39,191	267,128	39,191	267,128	
Employee benefit obligation	26,400,638	22,778,004	26,400,638	22,778,004	
VAT interest/SARS	-	1,462,412	-	1,462,412	
Interest overdue accounts	240,215	120,050	169,056	46,922	71,159
interest expense - external borrowings	-	80,491	-	80,491	
	<b>26,680,044</b>	<b>24,708,084</b>	<b>26,608,885</b>	<b>24,634,956</b>	
<b>36. Debt impairment</b>					
Contributions to debt impairment provision	91,755,544	128,945,383	91,755,544	128,945,383	
	<b>91,755,544</b>	<b>128,945,383</b>	<b>91,755,544</b>	<b>128,945,383</b>	
<b>37. Bulk purchases</b>					
Water	92,358,696	91,620,498	92,358,696	91,620,498	
<b>38. Contracted services</b>					
<b>Contractual amounts</b>					
Office equipment	2,323,833	(1,066,461)	2,283,789	(1,173,558)	40,044
Accommodation	38,142,096	38,937,380	37,604,197	38,274,800	537,899
	<b>40,465,930</b>	<b>37,870,919</b>	<b>39,887,987</b>	<b>37,101,242</b>	<b>577,943</b>
<b>39. General expense</b>					
Administration costs	294,014	1,003,634	294,014	1,003,634	
Advertising and Communication	524,167	1,136,579	497,040	1,103,789	27,127
Commission paid	18,384,982	-	18,384,982	-	
Amathole Economic Development Agency	-	-	13,500,000	12,521,350	
Audit committee	909,495	76,500	816,495	76,500	
Audit fees	6,731,999	4,167,664	6,247,810	3,577,555	577,189
Bank Charges	833,865	680,387	801,052	641,838	32,813
Chemicals	10,291,307	9,511,892	10,291,307	9,511,892	
Cleaning material	224,744	423,054	214,388	414,500	10,356
Community Based Organisation	5,852,764	6,561,209	5,852,764	6,561,209	
Conference expenses	1,146,387	748,724	1,146,387	748,724	
Legal fees and Litigation	4,199,214	1,479,791	4,199,214	1,479,791	
Photographs	-	3,908	-	3,908	
Consultants	11,897,639	29,110,999	11,353,621	28,453,987	544,018
Consumables	(253,459)	202,639	(253,639)	202,639	180
Database expenditure	98,036	182,678	98,036	182,678	
Disposal of the dead	-	15,200	-	15,200	
Municipal Utilities	40,018,625	42,221,037	40,018,625	42,221,037	
Emergency provisions (dm)	406,774	2,148,541	406,774	2,148,541	
Employee welfare	254,267	288,819	210,425	253,183	43,842
Entertainment expenses	11,904	27,647	11,904	27,647	
Hiring costs	393,762	1,463,732	393,762	1,463,732	
Housing inventory	6,334,796	(64,503)	6,334,796	(64,503)	
Insurance Premium Cost	3,585,302	3,298,209	3,466,622	3,140,096	118,680
Licenses and subscriptions	781,773	841,241	739,698	818,609	42,075
Membership fees	6,567,863	6,984,124	6,567,863	6,984,124	
Storage of Files	76,563	46,695	76,563	46,695	
Postage and courier	1,710,118	1,904,397	1,709,645	1,903,211	473
Printing and stationery	561,310	903,534	497,626	842,488	63,684
Protective clothing and uniforms	12,033	3,997,107	12,033	3,997,107	
Refreshments and Catering	1,484,174	1,292,333	1,484,174	1,292,333	
Telephone and data expenses	7,388,459	9,682,460	7,161,947	9,440,822	226,512
Recruitment expenditure	4,688	185,643	-	4,609	4,688
Sampling and testing	1,621,360	1,418,608	1,621,360	1,418,608	
Security services	27,215,264	26,618,570	27,190,209	26,598,384	25,055
Skills Development Levy	5,435,875	5,086,440	5,435,875	5,086,440	
Software and computer expenditure	11,887,847	8,783,464	11,753,452	8,646,378	134,395
Solid waste site eastern region costs	3,274,611	1,338,461	3,274,611	1,338,461	
Special programmes	6,566,501	21,131,049	6,566,501	21,131,049	
Subsistence and Travel	9,349,600	7,560,528	9,213,997	7,385,047	135,603
Training and workshops	-	51,478	-	-	51,478
Transport and freight	13,232,506	9,007,258	13,232,506	9,007,258	
Electricity, Water and refuse	55,321	52,496	-	-	55,321
	<b>209,366,450</b>	<b>211,574,227</b>	<b>220,824,439</b>	<b>221,630,551</b>	<b>2,093,489</b>
<b>40. Auditors' remuneration</b>					
Fees paid	6,731,999	4,167,664	6,247,810	3,577,555	

**Amathole District Municipality**

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**Notes to the Consolidated Annual Financial Statements**

	Group		Municipality		
	2018	2017	2018	2017	
		Restated		Restated	
	R	R	R	R	
<b>41. Cash generated from operations</b>					
Surplus	312,849,269	162,422,782	312,849,269	162,422,782	-
<b>Adjustments for:</b>					
Depreciation and amortisation	111,118,570	107,905,242	111,031,181	107,741,926	87,389
Gain (loss) on sale of asset and liabilities	906,695	5,326,141	845,942	5,326,141	60,753
Finance costs	26,680,044	24,708,084	26,608,885	24,634,956	71,159
Debt impairment	91,755,544	128,945,383	91,755,544	128,945,383	-
Movement in operating lease assets and accruals	(38,966)	26,435	-	-	-
Movement in retirement benefit assets and liabilities	(9,566,821)	24,356,791	(9,566,821)	24,356,791	-
Movement in provision	(3,491,526)	778,306	(3,491,526)	778,306	-
Actuarial gain and loss defined benefit	(61,992,848)	(17,577,099)	(61,992,848)	(17,577,099)	-
Movement in tax receivable and payable	290,926	291,620	-	-	290,926
<b>Changes in working capital:</b>					
Inventories	4,370,600	112,979	4,370,600	112,979	-
Receivables from exchange transactions	(58,418,801)	(19,051,051)	(58,418,801)	(19,051,051)	-
Consumer debtors	(92,080,602)	(128,865,826)	(91,755,544)	(128,945,383)	-325,058
Other receivables from non-exchange transactions	1,149,864	(367,072)	1,149,864	(367,072)	-
Payables from exchange transactions	(1,892,009)	119,809,776	(4,339,304)	120,104,800	2,447,295
VAT	(702,433)	7,819,408	-	7,589,622	-702,433
Taxes and transfers payable (non exchange)	4,463,893	7,392,370	4,463,893	818,264	-
Unspent conditional grants and receipts	19,489,184	(5,326,206)	20,906,401	8,887,261	-1,417,217
	<b>344,890,582</b>	<b>418,708,063</b>	<b>344,416,734</b>	<b>425,778,606</b>	
<b>42. Financial instruments disclosure</b>					
<b>Categories of financial instruments</b>					
<b>Group - 2018</b>					
<b>Financial assets</b>			<b>At amortised cost</b>	<b>Total</b>	
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			3,999,328	3,999,328	
Cash and cash equivalents			171,943,958	171,943,958	
Non - current investment			2,000,000	-	
			<b>369,665,302</b>	<b>367,665,302</b>	
<b>Financial liabilities</b>			<b>At amortised cost</b>	<b>Total</b>	
Trade and other payables from exchange transactions			469,284,052	469,284,052	
			<b>469,284,052</b>	<b>469,284,052</b>	
<b>Group - 2017</b>					
<b>Financial assets</b>			<b>At amortised cost</b>	<b>Total</b>	
Non - current receivables			1,710,906	1,710,906	
Trade and other receivables from exchange transactions			131,592,414	131,592,414	
Other receivables from non-exchange transactions			4,824,134	4,824,134	
Cash and cash equivalents			176,785,861	176,785,861	
			<b>314,913,315</b>	<b>314,913,315</b>	
<b>Financial liabilities</b>			<b>At amortised cost</b>	<b>Total</b>	
Trade and other payables from exchange transactions			387,121,118	387,121,118	
			<b>387,121,118</b>	<b>387,121,118</b>	
<b>Municipality - 2018</b>					
<b>Financial assets</b>			<b>At amortised cost</b>	<b>Total</b>	
Current portion of 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	-	
			<b>359,554,864</b>	<b>357,554,864</b>	
<b>Financial liabilities</b>			<b>At amortised cost</b>	<b>Total</b>	
Trade and other payables from exchange transactions			465,664,272	465,664,272	
			<b>465,664,272</b>	<b>465,664,272</b>	
<b>Municipality - 2017</b>					
<b>Financial assets</b>			<b>At amortised cost</b>	<b>Total</b>	
Non - current receivables			1,710,906	1,710,906	
Trade and other receivables from exchange transactions			4,754,424	4,754,424	
Other receivables from non-exchange transactions			131,592,414	131,592,414	
Cash and cash equivalents			167,557,250	167,557,250	
			<b>305,614,994</b>	<b>305,614,994</b>	
<b>Financial liabilities</b>			<b>At amortised cost</b>	<b>Total</b>	
Trade and other payables from exchange transactions			385,948,633	385,948,633	
			<b>385,948,633</b>	<b>385,948,633</b>	
<b>43. Commitments</b>					
<b>Authorised capital expenditure</b>					
<b>Already contracted for but not provided for</b>					
• Infrastructure	575,396,577	602,888,589	575,396,577	602,888,589	
• Community	3,786,175	22,644,124	3,786,175	22,644,124	
• Other - Land and Buildings	6,035,473	730,718	592,359	730,718	
	<b>585,218,225</b>	<b>626,263,431</b>	<b>579,775,111</b>	<b>626,263,431</b>	
<b>This expenditure will be financed from</b>					
• Government Grants	549,278,123	560,632,748	543,835,009	560,632,748	-
• Own Resources	35,940,102	65,630,683	35,940,102	65,630,683	-
	<b>585,218,225</b>	<b>626,263,431</b>	<b>579,775,111</b>	<b>626,263,431</b>	

The comparative amount for commitments has been restated refer to **Note 58**

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

**Amathole District Municipality**

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**Notes to the Consolidated Annual Financial Statements**

	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R
<b>Minimum lease payments due</b>				
- within one year	29,094,282	15,958,894	28,433,989	15,568,057
- in second to fifth year inclusive	49,343,189	2,698,894	48,958,625	2,525,752
	<b>78,437,471</b>	<b>18,657,788</b>	<b>77,392,614</b>	<b>18,093,809</b>

660,293

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)**

<b>Minimum lease payments due</b>				
- within one year	225,850	299,096	225,850	299,096
- in second to fifth year inclusive	241,839	418,234	241,839	418,234
- later than five years	-	-	-	-
	<b>467,689</b>	<b>717,331</b>	<b>467,689</b>	<b>717,331</b>

Operating Leases consists of the following:

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

No contingent rent is payable.

Leases are negotiated for an average of 5 years and rentals escalate by an average of 10% annually.

**44. Contingencies**

**Contingent liabilities**

**Legal claims**

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

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

Legal disputes relate to:

**Compensation for goods delivered by suppliers**

The municipality is disputing claims by suppliers for goods delivered	5,922,918	100,572,968	5,922,918	100,572,968
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The municipality has been sued in respect of a vehicle that was taken to the complainant to be repaired by Nkonkobe Local Municipality years ago and was never collected. There is uncertainty as to who actually owns the vehicle in question. The municipality is being sued for storage fees. Default judgement was granted against ADM and a Warrant of Execution was issued.

	19,094	19,094	19,094	19,094
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**Compensation for work performed by a contractor**

	1,323,586	1,323,586	1,323,586	1,323,586
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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.

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R
<b>Non payment of the balance of the contract price</b>	805,570	337,704	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.				
<b>Labour Dispute</b>				
Employee's claim	1,570,356	78,496	-	-
	1,570,356	78,496	-	-
In the current year, a former employee demanded payment for monies owed in respect of amounts originally deducted from a lumpsum payment including interest. The prior year claim of R78 496 relating to an employee's dismissal for misconduct was settled.				
<b>Supply of toilets pursuant to a cession agreement</b>				
Supply of toilets pursuant to a cession agreement with service provider	34,921,848	-	34,921,848	-
<b>Supply of VIP toilets structures</b>				
The service provider supplied VIP toilet structures to the ADM before its contract was terminated. It has claimed specific performance,	58,922,632	-	58,922,632	-
<b>Total contingent liabilities</b>	<b>103,486,004</b>	<b>102,331,848</b>	<b>101,915,648</b>	<b>102,253,352</b>
<b>Contingent Asset</b>				
<b>Non -performance on a contract</b>	500,595	500,595	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.				
<b>Compensation for work performed by contractor</b>	4,886,641	4,886,641	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.				
<b>Cancellation of contract</b>	-	1,400,000	-	1,400,000
Court application being launched to cancel portion of contract relating to TLB. Service provider has undertaken to provide substitute machine				
<b>Contract dispute</b>	-	222,576	-	222,576
Service provider brought application to compel ADM to go to arbitration on disputed contract. ADM brought application to set aside contract.				
<b>Fraudulent fuel purchase</b>	125,091	125,091	125,091	125,091
Claim for fraudulent fuel purchases				
<b>Tender award for new ADM offices</b>	225,840	225,840	225,840	225,840
Interdict to set aside tender award for new ADM offices				
<b>Breach of contract</b>	1,198,370	1,198,370	1,198,370	1,198,370
The municipality instituted legal action against a contractor for damages related to breach of contract as a result of the contractors abandonment of the project. The municipality and its lawyers are of the opinion that the litigation is likely to be in the municipality's favour. The timing of the legal proceedings regulating the above is uncertain.				
<b>Legal action to recover irregular expenditure</b>	88,092	-	88,092	-
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 .				
<b>Claims for RSC levies and Water and Sanitation</b>	73,513	73,513	73,513	73,513
	10,527	10,527	10,527	10,527
	35,169	35,169	35,169	35,169
	85,563	85,563	85,563	85,563
	15,627	15,627	15,627	15,627
	13,121	13,121	13,121	13,121
	100,828	100,828	100,828	100,828
	72,804	72,804	72,804	72,804
	<b>407,152</b>	<b>407,152</b>	<b>407,152</b>	<b>407,152</b>
<b>Total contingent assets</b>	<b>7,431,780</b>	<b>8,966,265</b>	<b>7,431,780</b>	<b>8,966,265</b>

**Amathole District Municipality**

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**Notes to the Consolidated Annual Financial Statements**

	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R
<b>45. Related parties</b>				
<b>Relationships</b>				
Controlled entities Refer to note 7				
<b>Related party transactions</b>				
<b>Shared internal audit services</b>	-	-	295,479	316,776
<b>Fees paid to Audit Committee Members</b>				
L. Smith	-	-	45,750	35,250
M. Sibam	-	-	30,750	27,000
P. Zitumane	-	-	63,750	30,750
T. Maqwati	-	-	20,000	-
E.G Duitwileng	-	-	10,000	-
V.Hlehliso	-	-	30,000	-
V.Ntsondo	-	-	36,000	-
<b>Administration fees paid to (received from) related parties</b>				
Amathole Economic Development Agency (ASPIRE)	-	-	15,390,000	14,274,339
<b>Neighbourhood Development Programme Grant</b>				
NDPG	-	-	8,000,000	2,280,000

**Co-operative Development Centre**

**Operational funds**

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 32

**46. 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.

**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.

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R

**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. Refer **Note 20**.

**ASPIRE**

**Property, plant and equipment and depreciation**

A correction was made in the current year to accumulated depreciation which had resulted in the understatement of property, plant and equipment and a corresponding overstatement of depreciation by R2 711. Refer **Note 4**.

**Receivables from non exchange transactions and lease rentals**

An adjustment was made relating to prior year prepayment of the rental expense of R64 998 which had not been reversed resulting in the overstatement of receivables and a corresponding understatement of the lease rental expense. Refer **Note 13**.

**Unspent conditional grants and project expenditure**

A correction was made for expenditure incurred in relation to the NRM project amounting to R197 901 that was not recorded properly. This resulted in the understatement of unspent conditional grants and project expenditure. Refer **Note 17**.

The error was corrected in the current financial year and was adjusted retrospectively by an amount R13 826 780.

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

**Statement of financial position**

Decrease in Receivables from exchange transaction	-	(1,830,529)
Property, plant and equipment	-	2,711
Unspent conditional grants	-	(197,901)
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 dpn)	-	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	-	(11,331,372)
<b>Total</b>	-	<b>93,739,059</b>

**Statement of Financial Performance**

Decrease in Transfers and grant expenditure	-	(99,522,968)
Increase in Depreciation	-	197,899
Depreciation and amortisation	-	(2,711)
Lease rentals	-	64,998
Project expenditure	-	197,901
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)
	-	<b>(103,726,997)</b>

**Cash flow**

Net decrease in operating activities	-	(98,904,147)
<b>Total</b>	-	<b>(98,904,147)</b>
Net decrease in the accumulated surplus	-	<b>(9,987,938)</b>

**47. Risk management**

**Financial risk management**

The group'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.

**Liquidity risk**

Liquidity risk is the risk that the group 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 group's risk to liquidity is a result of the funds available to cover future commitments. The group 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 group's exposure to liquidity risk, the approach of measurement or the objectives, policies and processes for managing this risk.

## Notes to the Consolidated Annual Financial Statements

	Group				Municipality	
	2018	2017	2018	2017		
	R	Restated R	R	Restated R		
	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	
<b>Group</b>						
<b>At 30 June 2018</b>						
Trade and other payables	324,493,423	-	144,790,629	-	469,284,052	1,394,348
Other	-	-	4,134,713	-	4,134,713	
Gross finance leases	12,772	38,316	102,175	470,566	623,829	
	<b>324,506,195</b>	<b>38,316</b>	<b>149,027,517</b>	<b>470,566</b>	<b>474,042,593</b>	
	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and later than five years	Total	
<b>At 30 June 2017</b>						
Trade and other payables	214,918,069	-	158,376,274	-	373,294,342	
Other	-	-	2,087,963	-	2,087,963	
Gross finance leases	58,376	175,127	467,004	157,529	858,035	
	<b>214,976,444</b>	<b>175,127</b>	<b>160,931,240</b>	<b>157,529</b>	<b>376,240,340</b>	
	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and later than five years	Total	
<b>Municipality</b>						
<b>At 30 June 2018</b>						
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	
	<b>324,506,195</b>	<b>38,316</b>	<b>145,407,737</b>	<b>4,267</b>	<b>469,956,514</b>	
	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and later than five years	Total	
<b>At 30 June 2017</b>						
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	
	<b>214,976,444</b>	<b>175,127</b>	<b>159,758,751</b>	<b>157,529</b>	<b>375,067,851</b>	

**Credit risk**

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

Financial assets that potentially subject the group 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 group'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 group determines concentrations of credit risk by reference to major counterparties. Counter-parties comprise larger South African banks with high quality credit ratings. Consequentially the municipality does not consider there to be any significant exposure to credit risk.

**Loans receivable**

Loans are granted and managed in accordance with policies and regulations as set out in Note 8. The associated interest rates and repayments are clearly defined and where appropriate, the municipality obtains certain suitable forms 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. Consequentially the municipality does not consider there to be any significant exposure to credit risk.



## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017	2018	2017
		Restated		Restated
	R	R	R	R

**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 group'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 group'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 Group**

Cash and cash equivalents	171,943,958	176,785,861	162,228,288	167,557,250	9,715,670
Receivables from exchange transactions	190,011,214	131,592,414	190,011,214	131,592,414	
Receivables from non - exchange transactions	3,999,328	4,824,134	3,604,560	9,641,064	
Other non- current financial assets	1,710,803	1,710,906	1,710,803	1,710,906	
Non-current investments	2,000,000	-	2,000,000	-	

**Guarantees**

Guarantees in lieu of projects	21,762,825	26,534,870	21,762,825	26,534,870	
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**Market risk****Interest rate risk**

The group'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 group has no significant interest-bearing assets, the group'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 group'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 15.

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.

**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 (2017: R1 336) with the opposite effect if the interest rate had been 50 basis points lower.

**Foreign exchange risk**

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

**48. Unauthorised expenditure**

Opening balance	67,400,024	9,811,438	66,971,804	7,035,968
Current year unauthorised expenditure	-	59,935,836	-	59,935,836
Unauthorised expenditure written off	(428,220)	(2,347,250)	-	-
	<b>66,971,804</b>	<b>67,400,024</b>	<b>66,971,804</b>	<b>66,971,804</b>

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.

**49. Fruitless and wasteful expenditure**

Opening balance	2,606,565	4,773,598	2,533,393	1,475,297
Fruitless and wasteful expenditure current year	975,566	2,305,346	904,408	2,232,174
Written off during the year	(73,172)	(4,472,379)	-	(1,174,078)
	<b>3,508,959</b>	<b>2,606,565</b>	<b>3,437,801</b>	<b>2,533,393</b>

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R

**Incident**

The current year fruitless and wasteful expenditure amounting to R71 158 relates to interest and penalties for the South African Revenue Services in lieu of the value added tax. The prior year balance of R73 172 was approved by the board for write-off during the year. These amounts have been reported to the board of directors.

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

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

LA Retirement Fund: Penalty Payment of R352,80 for third party payment for the month of November 2017. The payment was delayed as a

Municipal Workers Retirement Fund: Penalty Payment of R4 546,89 for third party payment for the month of November 2017. The payment

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

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 amount of R3 478. The official responsible for incurring this expenditure is no longer with the municipality and a request to write off the expenditure 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 of 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.

**50. Irregular expenditure**

Opening balance	22,438,757	6,483,672	17,682,475	2,085,201
Add: Irregular Expenditure	274,779,251	16,821,708	274,750,069	16,050,041
Less: Amounts written off by Council	(800,849)	(866,624)	-	(452,768)
	<b>296,417,159</b>	<b>22,438,757</b>	<b>292,432,544</b>	<b>17,682,475</b>

**Incident**

Payments were made to a service provider who was appointed without following the Supply chain management processes.

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.t.o. local production and content; CSD 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 R61 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 prequalification 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 amount of R20 250 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.

Notes to the Consolidated Annual Financial Statements

	Group			Municipality	
	2018	2017	2018	2017	
		Restated		Restated	
	R	R	R	R	

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 550 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 contract to 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 deviation 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

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 Liqhayiya SD Electrical, Ezinokhanyo Trading CC and Long Island Trading which are not listed on ADM's supplier database and it could not be ascertained whether they met the listing requirements as their application documentation could not be obtained from ADM during 14/15 Audit. 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.

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

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

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

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

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

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

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

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

During the 2010/11 financial year, breaches on contracts to the value of R546 238 were found. These were investigated and written off by Council on 22 August 2014. **The comparative figures have been restated. Refer to note 58**

51. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Amount paid - current year	6,731,999	4,167,664	6,247,810	3,577,555
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PAYE and UIF

Opening balance	8,210,634	7,392,370	8,210,634	7,392,370	
Current year subscription / fee	120,420,661	91,767,042	120,396,018	91,738,691	4,017,306
Amount paid - current year	(119,529,565)	(90,948,778)	(119,504,922)	(90,920,427)	-4,017,306
	<b>9,101,730</b>	<b>8,210,634</b>	<b>9,101,730</b>	<b>8,210,634</b>	

The balance represents PAYE and UIF deducted from the June 2018 payroll. The amount due was paid during July 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	164,077,530	154,021,889	1,813,658
Amount paid - current year	(149,595,699)	(154,021,889)	(149,595,699)	(154,021,889)	-1,812,991
	<b>14,481,831</b>	<b>-</b>	<b>14,481,831</b>	<b>-</b>	667

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.

VAT

VAT receivables	656,808	-	-	-	656,808
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Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30-Jun-18

	Outstanding more than 90 days	Total
	R	R
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	13,816
	<b>67,847</b>	<b>67,847</b>

Outstanding more than 90 days	Total
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**Amathole District Municipality**

Consolidated Annual Financial Statements for the year ended 30 June 2018

AFS ASPIRE 1718

**Notes to the Consolidated Annual Financial Statements**

	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R
<b>30-Jun-17</b>			R	R
Councillor P. A Finca			651	651
Councillor C. Genyane			1,408	1,408
Councillor N. Sekelenge			15,293	15,293
Councillor N. Tshona			4,948	4,948
Councillor C. A Auld			21,823	21,823
Councillor N. A Bonga			1,048	1,048
Councillor X. C Badi			29,419	29,419
Councillor L. D Penisi			14,736	14,736
Councillor S. Zuka			3,158	3,158
			<b>92,485</b>	<b>92,485</b>

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

	Highest outstanding amount	Aging (in days)
<b>30-Jun-18</b>		
Councillor LD Penisi	17,698	90
Councillor CA Auld	13,816	90
Councillor B.M Ganjana	10,602	90
Councillor XC Badi	8,578	90
Councillor S Zuka	7,060	90
Councillor N Tshona	6,582	90
Councillor N.H Konza	2,173	90
Councillor S & SE Ndwayana	1,337	90
	<b>67,847</b>	

	Highest outstanding amount	Aging (in days)
<b>30-Jun-17</b>		
Councillor X. C Badi	29,419	90
Councillor C. A Auld	21,823	90
Councillor N. Sekelenge	15,293	90
Councillor L. D Penisi	14,736	90
Councillor N. Tshona	4,948	90
Councillor S. Zuka	3,158	90
Councillor C. Genyane	1,408	90
Councillor N. A Bonga	1,048	90
Councillor P. A Finca	651	90
	<b>92,485</b>	

**Supply chain management regulations**

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

Incident					
Deviations	109,936,256	77,240,822	109,905,848	77,042,690	2,766,327
Breaches	915,639	826,322	915,639	826,322	
	<b>110,851,896</b>	<b>78,067,144</b>	<b>110,821,488</b>	<b>77,869,012</b>	

**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	974,146	-	974,146	
T. Qwasha - Principle clerk	321,073	-	321,073	-
T. Mbali - Senior Manager: Disaster Management Officer	9,500	-	9,500	-
Z.Gladile - Senior clerk Leave Records	30,000	50,060	30,000	50,060
N. Tami - Contracts officer: SCM	-	120,000	-	120,000
N. Jacobs - Councillor	-	48,750	-	48,750
T. Hoyana	-	41,104	-	41,104
F. Nondwangu - Senior Manager: LHSED	-	24,760	-	24,760
Z. Qwasha - Engineering Services	-	29,950	-	29,950
Y. Ntshanga - Chief Financial Officer	-	408,652	-	408,652
F. Nondwangu - Senior Manager: LHSED	-	205,200	-	205,200
	<b>1,334,718</b>	<b>928,475</b>	<b>1,334,718</b>	<b>928,475</b>

**52. 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.

**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 kick-starting of the project. The application for rollover will be made to the funder to utilise the funds in the 2018/19 financial year.

**Notes to the Consolidated Annual Financial Statements**

	Group		Municipality	
	2018	2017	2018	2017
		Restated		Restated
	R	R	R	R

**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 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. ACIP - 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**

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**

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**

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**

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**

**28. Nkonkobe Survey**

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017	2018	2017
	R	Restated R	R	Restated R
29. Lewis Survey				
30. Prudoe Engineering Design				
31. Dongwe Engineering Design				
32. Kubusie Establishment Grant				
33. Ndlovini Establishment Grant				
34. Ducats Establishment Grant				
35. Macleantown Establishment Grant				
36. Prudoe Establishment Grant				
37. Dongwe Establishment Grant				
38. Teko Spring Establishment Grant				
39. Needs Camp Establishment Grant				
40. Teko Spring Top Structure				
41. Prudoe Top Structure				
42. Dongwe Top Structure				
43. Needscamp Top Structure				
44. Ducats Top Structure Subsidy				
45. Kubusi Top Structure				
46. Lilyvale Kaysers Beach Establishment Grant				
47. Kaysers Beach Housing Project				
48. Lillyvale Eng Designs				
49. Planning Grant DLA				
50. Restitutional Award (DLA)				
51. Beneficiary Administration (Breaking new ground )				
52. Environmental Impact Assessment				
53. Geo Hydrology				
54. Bawa Falls Led				
55. Elliotdale Brick Making				
56. EC Information Initiative Support				
57. ECDOT: Butterworth Interchange				
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. Siwindlala 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 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)				

## Notes to the Consolidated Annual Financial Statements

	Group		Municipality		
	2018	2017	2018	2017	
	R	Restated R	R	Restated R	
<b>76. Tourism Survey Project</b> will be completed in the next financial year (Multi-year).					
<b>77. Nxuba Dam Chalets Development Project</b> will be completed in the next financial year (Multi-year)					
<b>78. SETA</b>					
<b>79. Ploughing Contactors-ward 10 Project</b> will be completed in the next financial year (Multi-year)					
<b>80. Ploughing Contactor- NGXAKAXA Project</b> will be completed in the next financial year (Multi-year)					
<b>81. Ploughing Contactor- Ward 15 Project</b> will be completed in the next financial year (Multi-year).					
<b>82. Vuna Awards Funds</b> will be utilised for stationery.					
<b>83. Public Awareness Savings</b> Technical Assistance to Develop District Dec Profile: the application for rollover has been done to COGTA.					
<b>84. Shixhini Water Supply</b> The remaining amount is savings					
<b>85. Communal Water Stations</b> 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.					
<b>86. Technical Assistance to Develop District Development Profile</b> Project complete.					
<b>87. Municipal Disaster Grant: Drill borehole Dutywa</b> Fund only received at the end of March 2018. Drilling has commenced in Nqabarna and Dwesa					
<b>88. Municipal Disaster Grant: Drill borehole Dutywa</b> Fund only received at the end of March 2018. Drilling has commenced in Nqabarna and Dwesa					
<b>89. Municipal Disaster Grant: Drill borehole Dutywa</b> Fund only received at the end of March 2018. Drilling has commenced in Nqabarna and Dwesa					
<b>53. Interest earned - outstanding receivables</b>					
Receivables - service charges	40,792,184	32,914,767	40,792,184	32,914,767	
Financial assets	-	-	-	-	
	<b>40,792,184</b>	<b>32,914,767</b>	<b>40,792,184</b>	<b>32,914,767</b>	
<b>54. Gain/(Loss) on disposal of asset</b>	(906,515)	(5,326,141)	(845,942)	(5,326,141)	
The loss relates to other assets such as machinery, computer equipment, furniture and fittings and motor vehicles.					
<b>55. Repairs and maintenance</b>					
Water and sanitation	16,374,477	11,747,282	16,374,477	11,747,282	
Buildings	56,560	3,510,626	45,470	3,510,626	11,090
Vehicles	-	5,457,296	-	5,457,296	-
Tools and equipment	-	-	-	-	-
Office furniture and equipment	88,690	-	88,690	-	-
Computers	4,764	1,245	-	-	4,764
Others	-	-	-	-	-
	<b>16,524,491</b>	<b>20,716,448</b>	<b>16,508,637</b>	<b>20,715,203</b>	<b>15,854</b>
<b>56. Water distribution losses</b>					
Water distribution losses	10,827,880	17,104,822	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.					
<b>57. Events after reporting date</b>					
Certain Mayoral Committee members were reshuffled at the Council meeting held in July 2018.					
<b>58. Comparatives</b>					
<b>Capital Commitments</b>					
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 <b>note 40</b>					
The figures have been restated as follows :					
Decrease in Capital commitments - Infrastructure assets	-	57,542,285	-	57,542,285	
Decrease in Capital commitments - Community assets	-	13,854,626	-	13,854,626	
Decrease in Capital commitments - Other	-	7,406,127	-	7,406,127	
	-	<b>78,803,038</b>	-	<b>78,803,038</b>	
<b>59. Financial sustainability</b>					
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"> <li>- inability to pay creditors within due dates</li> <li>- inability to collect revenue billed</li> <li>- net current liability position etc</li> </ul>					

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017	2018	2017
		Restated		Restated
	R	R	R	R

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 rental and the existing organogram with a view to reduce financial liability and costs.

60. 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.

7. VAT on MIG

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

8. VAT other grant

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

Expenditure

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.

The depreciation expense is more than the budget as the amount anticipated for new schemes commissioned during the year was greater.

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

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.

The under expenditure due to non-implementation of the DEA projects as they have been transferred back to the department  
Under expenditure due to non implementation of the mSCOA project by the municipal entity

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

1. Inventory

Less inventory on had 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.

4. Vat Receivable

5. Cash and cash equivalents



Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2018	2017	2018	2017
		Restated		Restated
	R	R	R	R

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.

**8. Intangible assets**

**9. Non-current investments**

The increase is due to funds that has been reserved for five years to earn interest.

**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.

**13. Consumer deposits**

**14. Unspent conditional grants and receipts**

Increased spending of the grant allocations by the municipality. With almost all the Dora gazetted grants being fully spent.

**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

**16. Finance lease obligation (non-current)**

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

**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**  
**Consolidated 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
<b>CURRENT PORTION</b>						
				-	-	-
				-	-	-
				-	-	-
<b>Total long-term loans</b>				-	-	-

Amathole District Municipality  
 Consolidated 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	
<b>INFRASTRUCTURE</b>	<b>2,735,144,918</b>	<b>628,523</b>	-	<b>2,735,773,441</b>	<b>690,051,571</b>	<b>57,957,023</b>	-	<b>748,008,594</b>	<b>1,987,764,847</b>
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	85,566,369	-	-	85,566,369	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	413,422,261	43,591,161	-	457,013,422	1,314,060,447
<b>SANITATION</b>	<b>261,042,623</b>	<b>65,849</b>	-	<b>261,108,472</b>	<b>72,506,479</b>	<b>6,917,108</b>	<b>-1,788,196</b>	<b>77,635,391</b>	<b>183,473,081</b>
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	11,580
Pipe	167,056,740	-	-	167,056,740	35,840,191	3,673,860	-	39,514,052	127,542,688
<b>COMMUNITY ASSETS</b>	<b>2,429,355,024</b>	<b>424,461,911</b>	<b>-6,500,000</b>	<b>2,847,316,935</b>	<b>8,221,962</b>	<b>2,065,603</b>	<b>-866,664</b>	<b>9,420,901</b>	<b>2,837,896,034</b>
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
<b>INVESTMENT PROPERTY</b>	<b>155,210,848</b>	-	-	<b>155,210,848</b>	<b>3,089,074</b>	<b>357,613</b>	-	<b>3,446,687</b>	<b>151,764,161</b>
<b>LAND BUILDINGS</b>	<b>25,110,480</b>	-	-	<b>25,110,480</b>	<b>4,819,710</b>	<b>725,479</b>	-	<b>5,545,189</b>	<b>19,565,291</b>
<b>Office Equipment</b>	<b>88,127,134</b>	<b>14,488,947</b>	<b>-1,534,414</b>	<b>101,081,667</b>	<b>27,165,726</b>	<b>14,324,611</b>	<b>-339,660</b>	<b>41,150,678</b>	<b>59,930,990</b>
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	-	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
<b>Furniture and Fittings</b>	<b>21,689,232</b>	<b>3,272</b>	<b>-26,281</b>	<b>21,666,223</b>	<b>10,103,325</b>	<b>1,706,257</b>	<b>-3,258</b>	<b>11,806,324</b>	<b>9,859,899</b>
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
<b>Plant and Equipment</b>	<b>10,782,476</b>	<b>134,444</b>	-	<b>10,916,920</b>	<b>6,655,200</b>	<b>807,010</b>	-	<b>7,462,210</b>	<b>3,454,710</b>
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	595,138
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
<b>Motor Vehicles</b>	<b>76,727,667</b>	-	<b>-1,404,291</b>	<b>75,323,376</b>	<b>41,947,064</b>	<b>5,643,918</b>	<b>-455,553</b>	<b>47,135,429</b>	<b>28,177,946</b>
Motor Vehicles	4,559,888	-	-	4,559,888	2,680,845	371,822	-	3,052,668	1,547,130
Fire Engines	8,114,137	-	-1,096,768	7,017,369	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	21,754,110
<b>Total</b>	<b>5,803,180,402</b>	<b>439,782,946</b>	<b>-9,464,986</b>	<b>6,233,498,361</b>	<b>864,560,110</b>	<b>90,504,623</b>	<b>-3,453,330</b>	<b>951,611,402</b>	<b>5,281,886,959</b>
ASPIRE	1,136,522	-	-243,305	893,217	-	522,424	-84,252	838,172	55,045
<b>Group Total</b>	<b>5,804,316,924</b>	-	<b>-9,708,291</b>	<b>6,234,391,578</b>	<b>864,560,110</b>	<b>91,427,047</b>	<b>-3,537,582</b>	<b>952,449,574</b>	<b>5,281,942,004</b>

Amathole District Municipality  
**Consolidated 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	
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
<b>Total</b>	<b>5,664,983,376</b>	<b>439,732,700</b>	<b>(9,464,986)</b>	<b>6,095,251,090</b>	<b>862,709,222</b>	<b>90,156,454</b>	<b>(3,452,795)</b>	<b>949,412,880</b>	<b>5,145,838,210</b>
ASPIRE	1,136,522	-	(243,305)	893,217	922,424	85,268	(169,520)	838,172	55,045
<b>Group Total</b>	<b>5,666,119,898</b>	<b>439,732,700</b>	<b>(9,708,291)</b>	<b>6,096,144,307</b>	<b>863,631,646</b>	<b>90,241,722</b>	<b>(3,622,315)</b>	<b>950,251,052</b>	<b>5,145,893,255</b>





Annexure 1  
**Consolidated 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
<b>NATIONAL GOVERNMENT GRANTS</b>					
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 BOREHOLENGOABANE	-	(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)
MQUMA 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)
<b>TOTAL NATIONAL GOVERNMENT GRANTS</b>	<b>-9,724,300</b>	<b>-601,483,352</b>	<b>-1,834,649</b>	<b>593,901,920</b>	<b>-19,140,380</b>
<b>PROVINCIAL GOVERNMENT GRANTS</b>					
<b>PLANNING GRANT DLA</b>	(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)
MQUMA PLANNING FUNDS	(110,000)	-	-	-	(110,000)
NGQUSHWA PLANNING FUNDS	(46,667)	-	-	-	(46,667)
NKONKOBÉ PLANNING FUNDS	(53,063)	-	-	-	(53,063)
MQUMA 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)
LILLYVALE 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)
ENVIRONMENTAL IMPACT ASSESSMENT	(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)
NGQISI RAIN WATER HARVESTING	(5,700)	-	-	-	(5,700)
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 LMs	(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 CHALETS DEVELOPMENT	(6,264)	-	-	-	(6,264)
VUNA AWARDS	(9,280)	-	-	-	(9,280)
PUBLIC AWARENESS	(365)	-	-	-	(365)
TECHNICAL ASSISTANCE TO DEVELOP DISTRICT DEV PROFILE	(18,338)	-	-	-	(18,338)
<b>PROVINCIAL GOVERNMENT GRANTS</b>	<b>-38,500,199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-38,500,199</b>
<b>OTHER GRANT PROVIDERS</b>					
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)
<b>TOTAL OTHER GRANT PROVIDERS</b>	<b>-2,577,188</b>	<b>-1,390,577</b>	<b>-</b>	<b>1,222,532</b>	<b>-2,745,234</b>
<b>TOTAL GRANTS</b>	<b>-50,801,687</b>	<b>-602,873,929</b>	<b>-1,834,649</b>	<b>595,124,452</b>	<b>-60,385,813</b>

Amathole District Municipality  
 Consolidated 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	2017/2018											2016/2017			
	Original Budget	Budget Adjustments (1 to 128 and 131 of the MFMA)	Final adjustments budget	Shifting of funds (1 to 131 of the MFMA)	Virement (i.e. 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	Restricted Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Revenue - Standard</b>															
<b>Government and administration</b>	985,484	(244,012)	741,472	-	132,418	873,890	322,014	-	551,876	0	0	-	-	-	336,183
Executive and council	903,254	(246,014)	657,240	-	132,418	789,658	322,014	-	467,644	41%	36%	-	-	-	331,944
Finance and administration	82,307	2,002	84,309	-	-	84,309	-	-	84,309	0%	0%	-	-	-	2,239
Internal audit	63	-	63	-	-	63	-	-	63	0%	0%	-	-	-	-
<b>Community and public safety</b>	6,790	31,732	38,522	-	-	38,522	1,333	-	37,189	0	0	-	-	-	8,615
Community and social services	443	153	596	-	-	596	-	-	596	0%	0%	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	RDV/01	RDV/01	-	-	-	-
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%	-	-	-	4,582
<b>Economic and environmental services</b>	41,797	(1,681)	40,116	-	-	37,433	-	-	37,433	-	-	-	-	-	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%	-	-	-	-
<b>Trading services</b>	992,450	(97,187)	895,263	-	-	895,263	83,097	-	712,166	0	0	-	-	-	1,175,650
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
<b>Total Revenue - Standard</b>	1,927,451	(811,148)	1,116,303	-	132,418	1,248,721	406,443	-	2,645,122	RDV/01	RDV/01	-	-	-	1,520,420
<b>Expenditure - Standard</b>															
<b>Government and administration</b>	529,204	66,489	595,693	-	664,241	1,260,234	162,328	-	1,098,206	0	0	(12,022)	(12,022)	-	914,391
Executive and council	145,057	(6,021)	139,036	-	602,664	741,701	33,028	-	708,673	4%	2%	(7,362)	(7,362)	-	631,023
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	-	(241)	10,307	3,268	-	7,039	31%	31%	(4,600)	(4,600)	-	-
<b>Community and public safety</b>	88,494	31,469	119,963	-	1,279	121,242	28,595	-	92,647	0	0	-	-	-	215,316
Community and social services	7,895	-	7,895	-	209	8,104	-	-	8,104	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	31,633	33,677	-	456	34,133	408	-	33,725	1%	20%	-	-	-	31,242
Health	38,742	-	38,742	-	(1,249)	37,493	10,278	-	27,215	27%	27%	-	-	-	130,713
<b>Economic and environmental services</b>	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)	60,313	48,720	-	11,592	81%	66%	-	-	-	54,150
Road transport	3,286	-	3,286	-	28	3,314	245	-	3,069	8%	7%	-	-	-	-
<b>Trading services</b>	694,282	3,717	697,999	-	(119,213)	578,786	430,135	-	138,651	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	(275)	139,205	-	(14,555)	124,700	24,115	-	100,585	39%	17%	-	-	-	33,094
Waste management	5,089	1,200	6,289	-	627	6,916	3,065	-	3,851	40%	65%	-	-	-	-
<b>Total Expenditure - Standard</b>	1,889,930	98,279	1,988,208	-	535,004	2,024,112	679,423	-	1,344,689	0	0	(12,022)	(12,022)	-	1,473,325
<b>Surplus/(Deficit) for the year</b>	537,521	(405,426)	132,095	-	(402,686)	(775,391)	(272,979)	-	1,300,433	RDV/01	RDV/01	12,022	12,022	-	47,095



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

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
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Revenue</b>															
<b>Revenue by Vote</b>															
Vote 01 - Legislative & Executive Support Services	482	-	482	-	-	482	12	0	470	3%	3%	-	-	-	2
Vote 02 - Strategic Management	2,481	0	2,481	-	-	2,481	-	0	2,481	0%	0%	-	-	-	10
Vote 3 - Corporate Services	65,096	1,993	67,089	-	-	67,089	229	0	66,860	0%	100%	-	-	-	250
Vote 4 - Budget & Treasury	14,956	9	14,965	-	-	14,965	6,804	0	8,161	45%	45%	-	-	-	19,667
Vote 5 - Engineering Department	594,918	11,045	605,963	-	-	605,963	891	0	605,072	0%	0%	-	-	-	479,202
Vote 6 - Health & Protection Department	6,896	153	7,049	-	-	7,049	1,215	0	5,834	18%	18%	-	-	-	8,615
Vote 7 - Water & Sanitation Management	430,858	-	430,858	-	-	430,858	182,101	0	248,757	42%	42%	-	-	-	415,773
Vote 8 - Water Services	320,120	(68,076)	252,044	-	-	252,044	55,802	0	196,242	22%	17%	-	-	-	267,874
Vote 9 - Sanitation Services	141,428	(30,076)	111,353	-	-	111,353	22,375	0	88,977	20%	16%	-	-	-	-
Vote 10 - Land Human Settlement & Economic Development	17,623	29,898	47,521	-	-	47,521	-	0	47,521	0%	0%	-	-	-	-
Vote 11 - Municipal Management	332,792	(256,094)	76,697	-	-	76,697	137,013	(60,315)	(60,315)	179%	41%	-	-	-	329,027
										#DIV/0!	#DIV/0!				
<b>Total Revenue by Vote</b>	<b>1,927,451</b>	<b>(311,148)</b>	<b>1,616,303</b>			<b>1,616,303</b>	<b>406,443</b>	<b>(60,315)</b>	<b>1,209,860</b>						<b>1,520,420</b>
<b>Expenditure</b>															
<b>Expenditure by Vote to be appropriated</b>															
Vote 1 - Legislative & Executive Support Services	60,703	252	60,955	-	-	60,955	25,052	0	35,903	41%	41%	-	-	-	56,563
Vote 2 - Strategic Management	61,324	1,131	62,455	-	-	62,455	37,405	0	25,050	60%	61%	-	-	-	54,233
Vote 3 - Corporate Services	205,096	42,012	247,108	-	-	247,108	76,091	0	171,016	31%	100%	-	-	-	145,096
Vote 4 - Budget & Treasury	125,303	23,209	148,512	-	-	148,512	74,695	0	73,817	50%	60%	-	-	-	117,722
Vote 5 - Engineering Department	51,964	4,770	56,734	-	-	56,734	200,841	(144,107)	(144,107)	354%	386%	(144,107)	(144,107)	-	465,851
Vote 6 - Health & Protection Department	86,449	149	86,599	-	-	86,599	35,338	0	51,261	41%	41%	-	-	-	76,604
Vote 7 - Water & Sanitation Management	198,900	2,598	201,498	-	-	201,498	161,193	0	185,305	8%	8%	-	-	-	23,391
Vote 8 - Water Services	344,663	(14,107)	330,556	-	-	330,556	139,628	0	190,928	42%	41%	-	-	-	428,024
Vote 9 - Sanitation Services	139,480	26	139,507	-	-	139,507	34,426	0	105,080	25%	25%	-	-	-	-
Vote 10 - Land Human Settlement & Economic Development	74,304	26,898	101,202	-	-	101,202	25,916	0	75,286	26%	35%	-	-	-	49,754
Vote 11 - Municipal Management	41,743	13,258	55,001	-	-	55,001	13,838	-	41,163	25%	33%	-	-	-	56,087
										#DIV/0!	#DIV/0!				
<b>Total Expenditure by Vote</b>	<b>1,389,930</b>	<b>100,197</b>	<b>1,490,126</b>			<b>1,490,126</b>	<b>679,423</b>	<b>(144,107)</b>	<b>810,704</b>			<b>(144,107)</b>	<b>(144,107)</b>		<b>1,473,325</b>
<b>Surplus/(Deficit) for the year</b>	<b>537,521</b>	<b>(411,344)</b>	<b>126,177</b>			<b>126,177</b>	<b>(272,979)</b>	<b>83,792</b>	<b>399,156</b>			<b>144,107</b>	<b>144,107</b>		<b>47,095</b>

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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
<b>Revenue By Source</b>											
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	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,429,558</b>	<b>(317,956)</b>	<b>1,111,602</b>	<b>-</b>	<b>-</b>	<b>1,111,602</b>	<b>1,134,050</b>	<b>-</b>	<b>(22,448)</b>	<b>-</b>	<b>1,073,199</b>
<b>Expenditure By Type</b>											
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
<b>Total Expenditure</b>	<b>1,389,930</b>	<b>(100,197)</b>	<b>1,488,208</b>	<b>-</b>	<b>(10,402)</b>	<b>1,477,806</b>	<b>1,407,986</b>	<b>(6,603)</b>	<b>69,820</b>	<b>-</b>	<b>1,368,792</b>
<b>Surplus/(Deficit)</b>	<b>39,628</b>	<b>(418,152)</b>	<b>(376,606)</b>	<b>-</b>	<b>10,402</b>	<b>(366,204)</b>	<b>(273,936)</b>	<b>6,603</b>	<b>(92,268)</b>	<b>-</b>	<b>(295,592)</b>
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	36,829	-	423,906
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>537,521</b>	<b>3,206</b>	<b>540,727</b>	<b>-</b>	<b>-</b>	<b>540,727</b>	<b>518,904</b>	<b>21,824</b>	<b>21,824</b>	<b>-</b>	<b>423,906</b>
Taxation	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>	<b>537,521</b>	<b>3,206</b>	<b>540,727</b>	<b>-</b>	<b>-</b>	<b>540,727</b>	<b>518,904</b>	<b>21,824</b>	<b>21,824</b>	<b>-</b>	<b>423,906</b>
Attributable to minorities	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>537,521</b>	<b>3,206</b>	<b>540,727</b>	<b>-</b>	<b>-</b>	<b>540,727</b>	<b>518,904</b>	<b>21,824</b>	<b>21,824</b>	<b>-</b>	<b>423,906</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>537,521</b>	<b>3,206</b>	<b>540,727</b>	<b>-</b>	<b>-</b>	<b>540,727</b>	<b>518,904</b>	<b>21,824</b>	<b>21,824</b>	<b>-</b>	<b>423,906</b>



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Reconciliation of Table A7 Budgeted Cash Flows

Description	2017/2018							2016/2017	
	Original Budget	Budget Adjustments (i.l.o. s28)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
R thousand	1	2	3	6	7	9	10	11	12
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>	<b>1,714,100</b>	<b>–</b>	<b>1,714,100</b>	<b>1,714,100</b>	<b>1,488,883</b>	<b>225,217</b>	<b>0</b>	<b>0</b>	<b>1,360,815</b>
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
<b>Payments</b>	<b>(1,176,579)</b>	<b>–</b>	<b>(1,176,579)</b>	<b>(1,176,579)</b>	<b>(1,144,467)</b>	<b>(1,079,861)</b>	<b>0</b>	<b>0</b>	<b>(935,037)</b>
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)	(15,080)	100%	100%	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>537,521</b>	<b>–</b>	<b>537,521</b>	<b>537,521</b>	<b>344,417</b>	<b>(854,644)</b>	<b>0</b>	<b>0</b>	<b>425,779</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>	<b>55,470</b>	<b>–</b>	<b>55,470</b>	<b>55,470</b>	<b>(1,979)</b>	<b>57,450</b>	<b>0</b>	<b>0</b>	<b>125,864</b>
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%	
<b>Payments</b>	<b>(537,521)</b>	<b>–</b>	<b>(537,521)</b>	<b>(537,521)</b>	<b>(347,139)</b>	<b>(190,382)</b>	<b>0</b>	<b>0</b>	<b>(380,602)</b>
Capital assets	(537,521)		(537,521)	(537,521)	(347,139)	(190,382)	65%	65%	(380,602)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(482,051)</b>	<b>–</b>	<b>(482,051)</b>	<b>(482,051)</b>	<b>(349,118)</b>	<b>(132,932)</b>	<b>0</b>	<b>0</b>	<b>(254,738)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(627)</b>	<b>627</b>			<b>(134,848)</b>
Borrowing long term/refinancing									(132,684)
Finance lease payments					(656)	656			(2,395)
Increase (decrease) in consumer deposits					28	(28)	100%	100%	232
<b>Payments</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0</b>	<b>0</b>	<b>–</b>
Repayment of borrowing							100%	100%	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(627)</b>	<b>627</b>			<b>(134,848)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>55,470</b>	<b>–</b>	<b>55,470</b>	<b>55,470</b>	<b>(5,329)</b>	<b>(986,949)</b>	<b>0</b>	<b>0</b>	<b>36,193</b>
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