



Amajuba District Municipality
Annual Financial Statements
for the year ended June 30, 2020

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

General Information

Nature of business and principal activities

The provision of services (water and sanitation) to communities in a sustainable manner; to promote social and economic development and to provide a safe and healthy environment

Executive committee

Mayor	MG Ngubane
Deputy Mayor	SE Nkosi
Speaker	P Mgcina
Exco Member	MM Mdlalose
Exco Member	ZC Msibi
Exco Member	AP Meiring
Councillors	MV Buhali
	MA Buthelezi
	SB Buthelezi
	XN Dladla
	NS Hlatshwayo
	NC Khabanyane
	BV Khumalo
	NP Khumalo
	MJ Madela
	HN Mkhwanazi
	MV Molefe
	VP Nzima
	TM Ndaba
	JA Vorster
	VC Ndlovu
	RN Ngcobo
	D Ngwenya
	M Msibi
	TM Nzuzi
	MN Ntshangase
Amakhosi	L M Zulu

SE Shabalala
M Mbatha
ZG Mabaso

Grading of local authority

Grade 3

Chief Finance Officer (CFO)

Mr WJM Mngomezulu (Resigned 25th September 2020)

Accounting Officer

Mr SR Zwane

Registered office

B9356 Section 1
Madadeni
Newcastle
2951

Business address

B9356 Section 1
Madadeni
Newcastle
2951

Auditors

Auditor General of South Africa
Registered Auditors

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

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

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Responsibilities and Approval

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

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

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

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

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

Accounting Officer
Designation

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Accounting officer's Report

The accounting officer submits his report for the year ended June 30, 2020.

1. Review of activities

Main business and operations

The municipality is engaged in the provision of services (water and sanitation) to communities in a sustainable manner; to promote social and economic development and to provide a safe and healthy environment and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at June 30, 2020, the municipality had an accumulated surplus (deficit) of 709,343,269 and that the municipality's total liabilities exceed its assets by 709,343,269.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

3. Subsequent events

The Chief Financial Officer of the Municipality resigned on the 25th of September 2020

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Accounting Officer
Designation

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Statement of Financial Position as at June 30, 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	7	876,503	77,854
Receivables from exchange transactions	8	10,500	1,162,666
VAT receivable	10	5,841,947	9,248,651
Consumer debtors	11	3,444,102	1,799,354
Cash and cash equivalents	12	89,221,740	70,435,290
		99,394,792	82,723,815
Non-Current Assets			
Property, plant and equipment	3	462,113,361	472,557,220
Intangible assets	4	(8,497,314)	2,998,756
Investments in associates	5	210,941,068	252,229,747
		664,557,115	727,785,723
Total Assets		763,951,907	810,509,538
Liabilities			
Current Liabilities			
Other financial liabilities	15	974,174	1,178,948
Finance lease obligation	13	202,555	42,930
Payables from exchange transactions	17	94,374,272	84,348,657
Post retirement medical liabilities	6	55,485	51,812
Unspent conditional grants and receipts	14	16,230,595	27,735,779
Provisions	16	14,605,604	12,934,579
		126,442,685	126,292,705
Non-Current Liabilities			
Other financial liabilities	15	5,298,964	6,048,687
Post retirement medical liabilities	6	520,865	562,268
Provisions	16	4,862,901	5,390,437
		10,682,730	12,001,392
Total Liabilities		137,125,415	138,294,097
Net Assets		626,826,492	672,215,441
Accumulated surplus		709,343,269	658,076,845

* See Note 42 & 41

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	28,047,899	28,524,258
Rental of facilities and equipment	20	25,025	85,250
Other income	22	932,771	1,763,406
Interest	23	13,285,269	11,834,627
Actuarial gains		1,297,216	1,901,413
Total revenue from exchange transactions		43,588,180	44,108,954
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	24	244,342,028	286,381,608
Public contributions and donations	25	12,318,485	1,430,000
Fines, Penalties and Forfeits		2,820,421	-
Total revenue from non-exchange transactions		259,480,934	287,811,608
Total revenue	18	303,069,114	331,920,562
Expenditure			
Employee related costs	26	(96,581,781)	(90,713,222)
Remuneration of councillors	27	(6,181,438)	(6,032,264)
Depreciation and amortisation	28	(22,659,175)	(25,258,142)
Impairments	29	(14,208,040)	(1,487,494)
Finance costs	30	(1,135,082)	(1,337,777)
Lease rentals on operating lease	21	-	(240,217)
Debt Impairment	31	(23,462,934)	(22,266,610)
Bulk purchases	32	(13,697,271)	(16,936,958)
Contracted services	33	(33,226,624)	(38,193,828)
General Expenses	34	(28,526,515)	(31,529,399)
Total expenditure		(239,678,860)	(233,995,911)
Surplus for the year from continuing operations		63,390,254	97,924,651
Share of loss from investment in associate		(27,150,081)	(28,328,483)
Surplus for the year		36,240,173	69,596,168

* See Note 42 & 41

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2018	588,480,677	588,480,677
Changes in net assets		
Surplus for the year	69,596,168	69,596,168
Total changes	69,596,168	69,596,168
Restated* Balance at July 1, 2019	673,103,096	673,103,096
Changes in net assets		
Surplus for the year	36,240,173	36,240,173
Total changes	36,240,173	36,240,173
Balance at June 30, 2020	709,343,269	709,343,269

Note(s)

* See Note 42 & 41

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		14,651,021	15,922,975
Grants		215,042,000	251,667,477
Interest income		13,285,269	5,840,113
		<u>242,978,290</u>	<u>273,430,565</u>
Payments			
Employee costs		(101,072,799)	(96,761,482)
Suppliers		(44,488,713)	(62,226,750)
Finance costs		(1,135,082)	(1,337,777)
Other payments		-	(8,275,654)
		<u>(146,696,594)</u>	<u>(168,601,663)</u>
Net cash flows from operating activities	36	<u>96,281,696</u>	<u>104,828,902</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(75,305,271)	(110,903,437)
Proceeds from sale of property, plant and equipment	3	48,517	-
Purchase of other asset 2		(133,778)	-
		<u>(75,390,532)</u>	<u>(110,903,437)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(954,497)	(875,428)
Unspent grant		-	27,735,779
Finance lease payments		159,625	(124,431)
		<u>(794,872)</u>	<u>26,735,920</u>
Net increase/(decrease) in cash and cash equivalents		18,786,450	16,356,170
Cash and cash equivalents at the beginning of the year		70,435,290	54,079,120
Cash and cash equivalents at the end of the year	12	<u>89,221,740</u>	<u>70,435,290</u>

* See Note 42 & 41

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	29,427,577	-	29,427,577	28,047,899	(1,379,678)
Rental of facilities and equipment	100,000	-	100,000	25,025	(74,975)
Other income 1	50,000	-	50,000	932,771	882,771
Other income - (rollup)	-	1,000	1,000	-	(1,000)
Interest received - investment	10,816,981	-	10,816,981	13,285,269	2,468,288
Total revenue from exchange transactions	40,394,558	1,000	40,395,558	42,290,964	1,895,406

Revenue from non-exchange transactions

Taxation revenue

Licences and Permits (Non-exchange)	300,000	-	300,000	-	(300,000)
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Transfer revenue

Government grants & subsidies	254,480,999	1,600,001	256,081,000	244,342,028	(11,738,972)
Public contributions and donations	-	-	-	12,318,485	12,318,485
Fines, Penalties and Forfeits	-	-	-	2,820,421	2,820,421

Total revenue from non-exchange transactions	254,780,999	1,600,001	256,381,000	259,480,934	3,099,934
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Total revenue	295,175,557	1,601,001	296,776,558	301,771,898	4,995,340
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Expenditure

Personnel	(97,058,807)	-	(97,058,807)	(96,581,781)	477,026
Remuneration of councillors	(6,121,449)	(46,626)	(6,168,075)	(6,181,438)	(13,363)
Depreciation and amortisation	(23,878,334)	(466,666)	(24,345,000)	(22,659,175)	1,685,825
Impairment loss/ Reversal of impairments	-	-	-	(14,208,040)	(14,208,040)
Finance costs	(764,000)	(500,000)	(1,264,000)	(1,135,082)	128,918
Debt Impairment	(13,000,000)	(9,000,000)	(22,000,000)	(23,462,934)	(1,462,934)
Bulk purchases	(18,041,590)	-	(18,041,590)	(13,697,271)	4,344,319
Contracted Services	(32,827,712)	(4,778,558)	(37,606,270)	(33,226,624)	4,379,646
General Expenses	(22,045,405)	(2,774,640)	(24,820,045)	(28,526,515)	(3,706,470)

Total expenditure	(213,737,297)	(17,566,490)	(231,303,787)	(239,678,860)	(8,375,073)
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Operating surplus	81,438,260	(15,965,489)	65,472,771	62,093,038	(3,379,733)
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Actuarial gains/losses	-	-	-	1,297,216	1,297,216
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Surplus before taxation	81,438,260	(15,965,489)	65,472,771	63,390,254	(2,082,517)
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Surplus for the year from continuing operations	81,438,260	(15,965,489)	65,472,771	63,390,254	(2,082,517)
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Discontinued operations	-	-	-	(27,150,081)	(27,150,081)
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Actual Amount on Comparable Basis as Presented in the Budget and Actual	81,438,260	(15,965,489)	65,472,771	36,240,173	(29,232,598)
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Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2020											
Financial Performance											
Service charges	29,427,577	-	29,427,577	-	-	29,427,577	28,047,899	-	(1,379,678)	95 %	95 %
Investment revenue	10,816,981	-	10,816,981	-	-	10,816,981	13,285,269	-	2,468,288	123 %	123 %
Transfers recognised - operational	167,441,999	1,600,001	169,042,000	-	-	169,042,000	172,861,217	-	3,819,217	102 %	103 %
Other own revenue	450,000	1,000	451,000	-	-	451,000	5,075,433	-	4,624,433	1,125 %	1,128 %
Total revenue (excluding capital transfers and contributions)	208,136,557	1,601,001	209,737,558	-	-	209,737,558	219,269,818	-	9,532,260	105 %	105 %
Employee costs	(97,058,807)	-	(97,058,807)	-	-	(97,058,807)	(96,581,781)	-	477,026	100 %	100 %
Remuneration of councillors	(6,121,449)	(46,626)	(6,168,075)	-	-	(6,168,075)	(6,181,438)	-	(13,363)	100 %	101 %
Debt impairment	(13,000,000)	(9,000,000)	(22,000,000)	-	-	(22,000,000)	(23,462,934)	-	(1,462,934)	107 %	180 %
Depreciation and asset impairment	(23,878,334)	(466,666)	(24,345,000)	-	-	(24,345,000)	(36,867,215)	-	(12,522,215)	151 %	154 %
Finance charges	(764,000)	(500,000)	(1,264,000)	-	-	(1,264,000)	(1,135,082)	-	128,918	90 %	149 %
Materials and bulk purchases	(18,041,590)	-	(18,041,590)	-	-	(18,041,590)	(13,697,271)	-	4,344,319	76 %	76 %
Other expenditure	(54,873,117)	(7,553,198)	(62,426,315)	-	-	(62,426,315)	(88,903,220)	-	(26,476,905)	142 %	162 %
Total expenditure	(213,737,297)	(17,566,490)	(231,303,787)	-	-	(231,303,787)	(266,828,941)	-	(35,525,154)	115 %	125 %
Surplus/(Deficit)	(5,600,740)	(15,965,489)	(21,566,229)	-	-	(21,566,229)	(47,559,123)	-	(25,992,894)	221 %	849 %

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	87,039,000	-	87,039,000	-		87,039,000	71,480,811		(15,558,189)	82 %	82 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	12,318,485		12,318,485	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	81,438,260	(15,965,489)	65,472,771	-		65,472,771	36,240,173		(29,232,598)	55 %	45 %
Surplus/(Deficit) for the year	81,438,260	(15,965,489)	65,472,771	-		65,472,771	36,240,173		(29,232,598)	55 %	45 %
Capital expenditure and funds sources											
Total capital expenditure	87,456,804	3,256,085	90,712,889	-		90,712,889	4,539,314		(86,173,575)	5 %	5 %

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

Figures in Rand	Note(s)	2020	2019
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1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as 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 annual financial statements.

Significant judgements that were applied by management include:

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- Trade and other receivable
- Fair value estimation
- Provisions estimations
- Useful lives of Infrastructure assetst
- Post-retirement liabilities valuations

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Insignificant judgements that were applied by management include

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the replacement costs higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

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.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

- (a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.
- (b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

- (a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or
- (b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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1.5 Property, plant and equipment (continued)

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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

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

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

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

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight-line	5-30 years
Plant and machinery	Straight-line	10-15 years
Furniture and fixtures	Straight-line	7-10 years
Motor vehicles	Straight-line	3-7 years
Office equipment	Straight-line	2-5 years
IT equipment	Straight-line	3 years
Infrastructure	Straight-line	10 -50 years
Park facilities	Straight-line	20-30 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements .

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

1.6 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

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

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1.6 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements .

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 arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised .

1.7 Investments in associates

An investment in an associate is carried at cost using the equity method.

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

1.8 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 or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

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

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Accounting Policies

1.8 Financial instruments (continued)

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 guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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.

1.9 Leases

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

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Accounting Policies

1.9 Leases (continued)

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

Finance leases - lessee

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

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

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

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

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

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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Accounting Policies

1.10 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumer or touse it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, borehole etc).

However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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 managed with the 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:

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

1.12 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or

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Accounting Policies

1.12 Employee benefits (continued)

- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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 cellphones) for current employees.

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity 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 benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity 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 entity 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.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects 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 obligation.

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Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

The entity account 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 entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity'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 entity 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 entity 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.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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.

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1.12 Employee benefits (continued)

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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1.13 Provisions and contingencies (continued)

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

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

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating surplus (deficit).

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.14 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service charges relating to water are based on consumption per serviced property or land when

- i. Meters are read on a monthly basis and are recognised as revenue when invoiced.
- ii. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on consumption history.
 - 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. These adjustments are recognised as revenue in the invoicing period.

There are rural and communal areas within the municipality, mainly that are situated on unserviced land and do not receive a service from the Municipality in form of water tanker deliveries and stand-still water tapes to a commune. Service charges relating to water are not invoiced in these instances as the amount cannot be measured reliably.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.18 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.

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.19 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Budget information

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

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

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2019 to 6/30/2020.

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

1.21 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 joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Accounting Policies

1.22 Events after reporting date

Events after 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 of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such 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.

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 7 (as revised 2010): Investments in AssociatesGRAP 20: Related partiesGRAP 109: Accounting by Principals and Agents	<ul style="list-style-type: none">April 1, 2019April 1, 2019April 1, 2019	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2020 or later periods:

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after April 1, 2020.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after April 1, 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after April 1, 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after April 1, 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2020 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 105: Transfers of functions between entities under common control	April 1, 2019	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	April 1, 2019	Unlikely there will be a material impact

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Building under construction	30,489,026	(4,364,235)	26,124,791	30,489,026	569,591	31,058,617
Plant and machinery	12,536,768	(5,807,137)	6,729,631	7,217,083	(5,772,713)	1,444,370
Furniture and fixtures	2,676,259	(3,202,952)	(526,693)	3,461,201	(3,070,739)	390,462
Motor vehicles	16,127,906	(8,314,019)	7,813,887	10,185,943	(6,804,715)	3,381,228
Office equipment	7,310,760	(6,209,522)	1,101,238	7,918,601	(5,779,350)	2,139,251
Leased assets	259,683	(126,234)	133,449	138,657	(126,234)	12,423
Recreational facilities	35,937,929	(29,115,860)	6,822,069	35,937,929	(18,552,774)	17,385,155
Buildings	21,828,987	(10,875,832)	10,953,155	26,318,391	(9,835,876)	16,482,515
Infrastructure Assets under construction	198,960,792	-	198,960,792	131,938,950	-	131,938,950
Wastewater network	75,889,999	(49,190,843)	26,699,156	76,547,261	(40,325,486)	36,221,775
Water network	295,226,813	(117,924,927)	177,301,886	337,216,790	(105,114,316)	232,102,474
Total	697,244,922	(235,131,561)	462,113,361	667,369,832	(194,812,612)	472,557,220

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Fair value	Disposals/ Write-offs	Depreciation	Impairment loss	Total
Land	569,591	-	-	-	-	-	569,591
Buildings under construction	30,489,026	-	-	-	-	(4,933,826)	25,555,200
Plant and machinery	1,444,370	-	6,236,707	-	(1,143,062)	(1,934)	6,729,631
Furniture and fixtures	390,462	20,000	56,549	(4,116)	(102,752)	-	(526,693)
Motor vehicles	3,381,228	-	6,151,215	(37,488)	(1,681,068)	-	7,813,887
Office equipment	2,139,251	671,320	47,510	-	(592,254)	-	1,101,238
Leased assets	12,423	263,563	-	(6,913)	(81,062)	-	133,449
Recreational facilities	17,385,155	-	-	-	(2,719,546)	(3,921,770)	6,822,069
Buildings	16,482,515	-	-	-	(866,614)	-	10,953,155
Infrastructure Assets under construction	131,938,950	61,858,407	-	-	-	-	198,960,792
Wastewater network	36,221,775	-	-	-	(3,610,540)	(3,094,523)	26,699,156
Water network	232,102,474	-	-	-	(17,745,592)	(7,154,397)	177,301,886
	472,557,220	62,813,290	12,491,981	(48,517)	(28,542,490)	(19,106,450)	462,113,361

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Fair value	Transfers received	Transfers	Reclassificatio ns	Fair value	Depreciation	Impairment loss	Total
Land	569,591	-	-	-	-	-	-	-	-	569,591
Buildings under construction	30,489,026	-	-	-	-	-	-	-	-	31,058,617
Plant and machinery	2,130,956	-	-	-	-	-	-	(686,586)	-	1,444,370
Furniture and fixtures	404,384	-	-	-	-	-	-	(13,922)	-	390,462
Motor vehicles	3,589,267	508,940	-	-	-	-	-	(716,979)	-	3,381,228
Office equipment	2,276,153	633,372	-	-	-	-	-	(768,340)	(1,934)	2,139,251
Leased assets	38,884	-	-	-	-	-	-	(26,461)	-	12,423
Recreational facilities	18,928,808	-	-	-	-	(280,373)	-	(1,263,280)	-	17,385,155
Buildings	16,011,747	-	-	-	-	-	-	(1,121,705)	-	16,482,515
Infrastructure Assets under construction	49,133,508	111,437,213	-	-	(28,631,771)	-	-	-	-	131,938,950
Wastewater network	35,898,596	-	926,697	-	-	3,911,687	-	(4,515,205)	-	36,221,775
Water network	222,193,298	-	-	28,631,771	-	(3,911,687)	1,400,000	(14,785,474)	(1,425,434)	232,102,474
	381,664,218	112,579,525	926,697	28,631,771	(28,631,771)	(280,373)	1,400,000	(23,897,952)	(1,427,368)	473,126,811

Assets subject to finance lease (Net carrying amount)

Amajuba District Municipality

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Notes to the Annual Financial Statements

Figures in Rand

2020 2019

3. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Buildings	30,489,026	30,489,426
Water network	194,092,980	-
	224,582,006	30,489,426

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Building under construction -Disaster Management Centre The completion of the disaster management building which mainly consists the electrification part was delayed as a result of the contractor being unable to complete the project .	25,555,200	30,849,026
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ADM has a pending claim of R8.2 million in form of guarantees from an insurance company that were associated with the construction and completion of the Disaster Management Centre Building .

Based on the latest estimate from the consulting engineerer , it would cost R12 Million inclusive of VAT (10 Million excluding VAT) to complete the building and a further R5 Million to complete the ICT infrastructure .

25,555,200 30,849,026

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Building under Construction	Total
Opening balance	131,938,946	30,489,026	162,427,972
Additions/capital expenditure	61,858,407	-	61,858,407
impairment loss	-	(4,933,826)	(4,933,826)
	193,797,353	25,555,200	219,352,553

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Building under construction	Included within Other PPE	Total
Opening balance	49,133,508	30,489,026	-	79,622,534
Additions/capital expenditure	111,437,209	-	3,771,442	115,208,651
Transferred to completed items	(28,631,771)	-	(3,771,442)	(32,403,213)
	131,938,946	30,489,026	-	162,427,972

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
3. Property, plant and equipment (continued)		
Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Maintenance of Pipelines and reticulation	3,231,378	4,051,722
Maintenance of Plant and Machinery	1,950,235	570,918
Maintenance of reservoirs	-	55,580
Maintenance of ponds	-	21,921
Maintenance of Vehicles	-	317,265
Maintenance of buildings and offices	86,215	369,564
Maintenance of boardroom devices	-	14,830
Maintenance of Fences	-	19,715
	5,267,828	5,421,515

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

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand

4. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer softwares	(8,497,314)	-	(8,497,314)	2,998,756	-	2,998,756

Reconciliation of intangible assets - 2020

	Opening balance	Difference	Amortisation	Impairment loss	Total
Computer software	2,998,756	(8,496,997)	(489)	(2,998,584)	(8,497,314)

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	3,474,251	(475,495)	2,998,756

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019		
4. Intangible assets (continued)				
Intangible assets in the process of being constructed or developed				
Cumulative expenditure recognised in the carrying value of Intangible assets				
Intangible assets under development	2,832,504	2,832,504		
Carrying value of Intangible assets where construction or development has been halted either during the current or previous reporting period(s)				
Disaster Management Centre Software	-	2,832,504		
The Municipality acquired softwares in the 2016 financial year year that are supposed to be installed after the completion of the Disaster Management building (also refer to note 3).				
The value to the municipality of the software the end of the financial year has been considered to be nil , due to uncertainties that will be confirmed in the future on the timing of the installation and compactibility of the software on the building				
	-	2,832,504		
5. Investments in associates				
Name of entity	Listed / Unlisted	% holding 2020 % holding 2019	Carrying amount 2020	Carrying amount 2019
Uthukela Water (Pty) Ltd		33.00 % 33.00 %	210,941,068	252,229,747
The carrying amounts of associates are shown net of impairment losses.				
Movements in carrying value				
Opening balance			252,229,747	266,419,632
Share of surplus/deficit			(41,288,679)	(14,189,885)
			210,941,068	252,229,747
Summary of controlled entity's interest in associate				
Total assets			1,019,212,208	1,055,232,644
Total liabilities			(379,996,850)	(290,900,077)
Revenue			150,539,715	145,386,514
Surplus (deficit)			(91,828,627)	(68,907,133)
6. Employee benefit obligations				
The amounts recognised in the statement of financial position are as follows:				
Carrying value				
Present value of the defined benefit obligation-wholly unfunded			(576,350)	(614,080)
Non-current liabilities			(520,865)	(562,268)
Current liabilities			(55,485)	(51,812)
			(576,350)	(614,080)

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
6. Employee benefit obligations (continued)		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	(614,080)	(1,449,550)
Benefits paid	51,812	116,314
Interest cost	(50,511)	(127,290)
Actuarial gain	36,429	846,446
	(576,350)	(614,080)
Net expense recognised in the statement of financial performance		
Interest cost	50,511	127,290
Actuarial (gains) losses	(36,429)	(846,446)
	14,082	(719,156)
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	9.57 %	8.58 %
Consumer price inflation	4.41 %	4.74 %
Healthcare costs Inflation	5.91 %	6.24 %
Net discount rate	3.46 %	2.20 %
7. Inventories		
Maintenance materials	721,473	-
Water for distribution	155,030	77,854
	876,503	77,854
8. Receivables from exchange transactions		
Employee costs in advance	-	1,152,166
Deposits	10,500	10,500
	10,500	1,162,666
Fair value of trade and other receivables		
Employee costs in advance	10,000	1,152,166
Trade and other receivables past due but not impaired		
Employee costs in advance	2,304,332	2,304,332
Deposits	10,000	10,000

Amajuba District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
8. Receivables from exchange transactions (continued)		
Trade and other receivables impaired		
Employee costs in advance	2,304,332	1,152,166
Included in trade and other receivables are employee costs in advance of R2.3 Million in form of standby allowances that were overpaid erroneously paid to the staff members of the municipality in the prior financial years..		
The municipality had initially entered into an arrangement in the previous financial with the municipal staff whereby monthly repayments were supposed to be deducted from the payroll from each individual staff that benefited on amounts that were overpaid.		
The collectibility of the amount due to the municipality is now in doubt after an industrial action that was undertaken by the municipal staff in March 2019 indicating that were no longer willing to continue making repayments as initially arrange.		
The collectibility of the amounts overpaid has been provided in full as doubtful in full (2019 50% was provided as doubtful) as at financial year-end period		
9. Receivables from non-exchange transactions		
10. VAT receivable		
VAT	5,841,947	9,248,651
11. Consumer debtors		
Gross balances		
Water and sanitation	105,588,376	81,632,860
Less: Allowance for impairment		
Water and sanitation	(102,144,274)	(79,833,506)
Net balance		
Water	3,444,102	1,799,354

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
11. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	2,776,972	2,084,489
31 - 60 days	3,229,588	2,390,928
61 - 90 days	477,527	1,707,211
91 - 120 days	1,871,244	1,602,099
121 - 180 days	3,954,012	1,735,711
> 180 days	80,345,042	62,424,509
	92,654,385	71,944,947
Industrial/ commercial		
Current (0 -30 days)	197,089	222,430
31 - 60 days	281,557	339,895
61 - 90 days	52,278	167,789
91 - 120 days	113,441	116,075
121 - 365 days	300,332	110,291
> 180 days	4,466,167	2,891,427
	5,410,864	3,847,907
National and provincial government		
Current (0 -30 days)	1,397,683	1,343,410
31 - 60 days	516,426	330,044
61 - 90 days	79,149	157,353
91 - 120 days	164,238	172,365
121 - 365 days	320,037	160,875
> 180 days	5,045,595	3,675,970
	7,523,128	5,840,017
Total		
Current (0 -30 days)	4,376,135	3,664,816
31 - 60 days	4,027,571	3,051,777
61 - 90 days	608,954	2,031,609
91 - 120 days	2,148,924	1,890,058
121 - 365 days	4,574,382	2,006,384
> 180 days	89,852,411	68,988,216
	105,588,377	81,632,860
Less: Allowance for impairment	(102,144,275)	(79,833,506)
	3,444,102	1,799,354
Reconciliation of allowance for impairment		
Balance at beginning of the year	(79,833,506)	(58,723,310)
Contributions to allowance	(22,310,769)	(21,110,196)
	(102,144,275)	(79,833,506)

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
12. Cash and cash equivalents (continued)		
Cash on hand	19	3,000
Bank balances	1,944,843	805,288
Short-term deposits	87,276,878	69,627,002
	89,221,740	70,435,290

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired.

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand				2020			2019
12. Cash and cash equivalents (continued)							
The municipality had the following bank accounts							
Account number/description	Bank statement balances			Cash book balances			
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2020	June 30, 2019	June 30, 2018	
Absa cheque account 405 347 259 3	1,944,843	805,288	1,984,150	1,944,843	805,288	1,984,150	
Standard bank call deposit 068 448 3090 02	2,510,054	72,965	685,068	2,510,054	72,965	685,068	
Standard bank call deposit 068 448 3090 03	2,767,259	2,611,486	2,446,709	2,767,259	2,611,486	2,446,709	
Standard bank call deposit 068 448 3090 04	1,016	431,186	403,979	1,016	431,186	403,979	
Standard bank call deposit 068 448 3090 05	807,301	761,857	1,018	807,301	761,857	1,018	
Standard bank call deposit 068 448 3090 06	-	384,187	359,945	-	384,187	359,945	
Standard bank call deposit 068 448 3090 07	-	1,659,618	189	-	1,659,618	189	
Standard bank call deposit 068 448 3090 08	5,848,207	2,825,720	-	5,848,207	2,825,720	-	
Standard bank call deposit 068 448 3090 09	126,853	65,646	61,607	126,853	65,646	61,607	
Standard bank call deposit 068 448 3090 11	-	494,654	463,443	-	494,654	463,443	
Standard bank call deposit 068 448 3090 12	54,193	52,804	51,113	54,193	52,804	51,113	
Standard bank call deposit 068 448 3090 13	24,417,274	35,497,273	14,760,126	24,417,274	35,497,273	14,760,126	
Standard bank call deposit 068 448 3090 14	1,315,635	1,241,576	1,163,236	1,315,635	1,241,576	1,163,236	
Standard bank call deposit 068 448 3090 15	601,421	675,744	1,500	601,421	675,744	1,500	
Standard bank call deposit 068 448 3090 16	24,229,391	7,482	4,840,260	24,229,391	7,482	4,840,260	
Standard bank call deposit 068 448 3090 17	2,553,176	2,409,454	2,257,424	2,553,176	2,409,454	2,257,424	
Standard bank call deposit 068 448 3090 18	93,883	89,083	302,772	93,883	89,083	302,772	
Standard bank call deposit 068 448 3090 19	560,963	-	-	560,963	-	-	

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand				2020	2019	
12. Cash and cash equivalents (continued)						
Standard bank call deposit 068 448 3090 20	2,344,547	-	-	2,344,547	-	-
Standard bank call deposit 068 448 3090 21	829,407	-	-	829,407	-	-
Fnb call deposit 62 797 8868 38	7,243,555	13,372,986	-	7,243,555	13,372,986	-
Investec call deposit 1100 501686 500	466,244	467,390	3,160,853	466,244	467,390	3,160,853
Investec call deposit 1100 501686 501	703,211	664,222	622,526	703,211	664,222	622,526
Investec call deposit 1100 501686 503	37,324	156,321	83,686	37,324	156,321	83,686
Investec call deposit 1100 501686 505	79,436	75,031	70,321	79,436	75,031	70,321
Investec call deposit 1100 501686 506	5,797	5,797	5,797	5,797	5,797	5,797
Investec call deposit 1100 501686 507	-	37,108	34,779	-	37,108	34,779
Investec call deposit 1100 501686 508	162,083	542,758	-	162,083	542,758	-
Investec call deposit 1100 501 686 509	-	11,681	-	-	11,681	-
Investec call deposit 1100 501 686 510	443,995	419,379	-	443,995	419,379	-
Investec call deposit 1100 501 686 511	303,987	287,133	271,251	303,987	287,133	271,251
Investec call deposit 1100 501 686 512	607,897	574,193	1,216,723	607,897	574,193	1,216,723
Investec call deposit 1100 501 686 513	1,741,579	3,732,269	18,842,478	1,741,579	3,732,269	18,842,478
Nedbank call deposit 03 7881121661 000002	127,895	-	-	127,895	-	-
Nedbank call deposit 03 7881124067 000002	6,293,295	-	-	6,293,295	-	-
Total	89,221,721	70,432,291	54,090,953	89,221,721	70,432,291	54,090,953

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Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
13. Finance lease obligation		
Minimum lease payments due		
- within one year	135,955	44,192
- in second to fifth year inclusive	38,852	-
	<u>174,807</u>	<u>44,192</u>
less: future finance charges	(15,070)	(1,263)
Present value of minimum lease payments	<u>159,737</u>	<u>42,929</u>
Present value of minimum lease payments due		
- within one year	138,542	42,929
- in second to fifth year inclusive	21,195	-
	<u>159,737</u>	<u>42,929</u>

It is municipality policy to lease computer equipment under finance leases.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	5,143,259	-
Water Services Infrastructure Grant	6,810,079	24,657,259
Road Asset Management Grant	1,570,222	1,237,216
KZN Cogta - Disaster Management Grant	1,771,141	1,771,141
Councillors Training Grant	70,163	70,163
KZN Cogta -Massification Grant	865,731	-
	<u>16,230,595</u>	<u>27,735,779</u>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 24 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

15. Other financial liabilities

At amortised cost		
DBSA loan	6,273,138	7,227,635
Terms and conditions		

The financial liability relates to DBSA loans transferred from uThukela Water Pty (LTD) which are now due and payables by Amajuba District Municipality as part of the transfer of the water and sanitation function to the municipality.

This loans has a fixed repayments of R764 306.92 bi-annually over a period of 10 years. The effective interest rate is 9% and the final repayment date is January 2025.

Non-current liabilities		
At amortised cost	<u>5,298,964</u>	<u>6,048,687</u>
Current liabilities		
At amortised cost	<u>974,174</u>	<u>1,178,948</u>

Amajuba District Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2020 2019

15. Other financial liabilities (continued)

Financial liabilities at amortised cost

16. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Actuarial gain	Total
Provision for leave days	8,248,072	1,304,395	(487,688)	-	9,064,779
Long service awards	5,832,491	1,066,930	(337,113)	(1,260,787)	5,301,521
Provision for workman compensation	4,244,453	857,752	-	-	5,102,205
	18,325,016	3,229,077	(824,801)	(1,260,787)	19,468,505

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	584,931	-	-	(584,931)	-
Provision for leave days	7,654,151	1,412,840	(818,919)	-	8,248,072
Long Service awards	5,029,708	1,096,905	(294,122)	-	5,832,491
Provision for workman compensation	3,444,982	799,471	-	-	4,244,453
	16,713,772	3,309,216	(1,113,041)	(584,931)	18,325,016

Non-current liabilities	4,862,901	5,390,437
Current liabilities	14,605,604	12,934,579
	19,468,505	18,325,016

17. Payables from exchange transactions

Trade payables	88,272,476	75,451,649
Payments received in advance	3,099,849	2,154,762
Retentions	4,502,354	6,742,246
Salaries suspense account	2,575	-
unallocated deposit account	(1,502,982)	-
	94,374,272	84,348,657

18. Revenue

Service charges	28,047,899	28,524,258
Rental of facilities and equipment	25,025	85,250
Other income	932,771	1,763,406
Interest income	13,285,269	11,834,627
Government grants & subsidies	244,342,028	286,381,608
Public contributions and donations	12,318,485	1,430,000
Fines, Penalties and Forfeits	2,820,421	-

Amajuba District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
18. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	28,047,899	28,524,258
Rental of facilities and equipment	25,025	85,250
Other income	932,771	1,763,406
Interest income	13,285,269	11,834,627
	42,290,964	42,207,541
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	244,342,028	286,381,608
Public contributions and donations	12,318,485	1,430,000
Fines, Penalties and Forfeits	2,820,421	-
	259,480,934	287,811,608
Basis on which fair value of inflowing resources was measured		
19. Service charges		
Sale of water	22,825,918	23,492,535
Sewerage and sanitation charges	5,221,981	5,031,723
	28,047,899	28,524,258
20. Rental of facilities and equipment		
Premises		
Premises	25,025	85,250
21. Lease rentals on operating lease		
Equipment		
Contractual amounts	-	240,217
22. Other revenue		
Other income	932,771	1,763,406
23. Investment revenue		
Interest revenue		
Bank	5,270,669	5,840,113
Interest charged on trade and other receivables	8,014,600	5,994,514
	13,285,269	11,834,627

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
24. Government grants and subsidies		
Operating grants		
Equitable share	161,095,475	148,743,234
Municipal Infrastructure Grant	2,888,955	177,525
Shared services Grant	550,000	400,000
Financial Management Grant	2,035,000	1,570,000
Skills Development Grant	-	182,022
Expanded Public Works Programme Integrated Grant	1,377,844	1,620,000
Water Services Infrastructure Grant	715,896	3,593,917
Rural Road Asset Management Systems Grant	766,778	967,784
Growth and Development Summit Grant	-	300,000
Councillors Training Grant	-	9,225
Covid 19 Disaster Fund Grant	387,000	-
KZN Cogta -Massification Grant	1,444,269	-
Energy efficient grant	1,600,000	-
	172,861,217	157,563,707
Capital grants		
Municipal infrastructure Grants	33,006,786	40,075,475
Water Services Infrastructure Grant	38,474,025	88,742,426
	71,480,811	128,817,901
	244,342,028	286,381,608
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Based on the StatsSA detailed statistics of 2011 , 27% and 19.5% of residents under Amajuba District Municipality namely Emadlangeni and Dannhauser have have access to piped water inside a dwelling. The rest of the population receive water mainly in form of standstill pipes and water tanker delivery services from the Municipality .		
Municipal infrastructure Grants		
Current-year receipts	41,039,000	40,253,000
Conditions met - transferred to revenue (capital)	(33,006,785)	(40,075,475)
Conditions met - transferred to revenue (operating)	(2,888,955)	(177,525)
	5,143,260	-
Conditions still to be met - remain liabilities (see note 14).		
Water Services Infrastructure Grant		
Balance unspent at beginning of year	24,657,259	32,593,602
Current-year receipts	46,000,000	84,400,000
Conditions met - transferred to revenue (capital)	(38,474,025)	(88,742,426)
Conditions met - transferred to revenue (operating)	(715,896)	(3,593,917)
Roll-overs applications not approved	(24,657,259)	-
	6,810,079	24,657,259
Conditions still to be met - remain liabilities (see note 14).		
Shared services grant		
Current-year receipts	550,000	400,000

Amajuba District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
24. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(550,000)	(400,000)
	-	-
Rural Road Asset Management Systems Grant		
Balance unspent at beginning of year	1,237,216	-
Current-year receipts	2,337,000	2,205,000
Conditions met - transferred to revenue (operating)	(766,778)	(967,784)
Roll-overs applications not approved	(1,237,216)	-
	1,570,222	1,237,216
Conditions still to be met - remain liabilities (see note 14).		
Cogta - Disaster Management Centre Grant		
Balance unspent at beginning of year	1,771,141	1,771,141
Conditions still to be met - remain liabilities (see note 14).		
Councillors grants		
Balance unspent at beginning of year	70,163	79,388
Conditions met - transferred to revenue (operating)	-	(9,225)
	70,163	70,163
Conditions still to be met - remain liabilities (see note 14).		
Energy sufficient grant		
Current-year receipts	1,600,000	-
Conditions met - transferred to revenue (operating)	(1,600,000)	-
	-	-
Grant 20		
Current-year receipts	2,310,000	-
Conditions met - transferred to revenue (operating)	(1,444,269)	-
	865,731	-
Conditions still to be met - remain liabilities (see note 14).		
Growth and Development Summit Grant		
Current-year receipts	-	300,000
Conditions met - transferred to revenue	-	(300,000)
	-	-
25. Public contributions and donations		
Public contributions and donations 1	12,318,485	1,430,000

Amajuba District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
26. Employee related costs		
Basic	60,040,131	57,177,392
Bonus	4,601,705	4,251,721
Medical aid - company contributions	3,946,033	3,837,422
UIF	313,837	319,592
WCA	861,179	872,639
SDL	604,976	812,520
Leave pay provision charge	1,304,395	1,412,839
Standby Allowance	3,162,099	1,764,767
Shift Allowance	263,206	213,192
Defined benefit plans	-	(92,850)
Overtime payments	6,854,727	6,044,109
Long-service awards	-	1,427,804
Car allowance	5,333,877	5,183,644
Housing benefits and other allowances	591,892	385,272
Bargaining council	18,342	34,566
Telephone and cellphone allowances	633,677	-
Group life insurance	350,127	325,669
Pension	7,701,578	6,742,924
	96,581,781	90,713,222

Remuneration of municipal manager

Annual Remuneration	985,303	985,303
Cellphone Allowance	18,000	18,000
	1,003,303	1,003,303

Remuneration of chief finance officer

Annual Remuneration	906,651	906,651
Cellphone Allowance	18,000	18,000
	924,651	924,651

Within the Budgetary and Treasury department there are other personnel that are being remunerated above the Chief Finance Officer for the 2020FY

Director Corporate and human resources (corporate services)

Annual Remuneration	811,416	473,326
Cellphone Allowance	18,000	10,500
	829,416	483,826

Within the Corporate services department there are other personnel that are being remunerated above the Director Corporate services for the 2020FY

Director of Community Services

Annual Remuneration	749,744	791,034
Cellphone Allowance	-	18,000
Annual Bonus	62,153	-
	811,897	809,034

Within the Department of Community Services there are other personnel that are being remunerated above the Director of Community Services Officer for the 2020FY

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand 2020 2019

26. Employee related costs (continued)

Director of Engineering Services

Annual Remuneration	676,180	473,226
Car Allowance	15,000	10,500
	691,180	483,726

The Director Engineering Services position was occupied for 10 Months in 2020FY and 5 Months for the 2019FY

Director of Development and Planning

Annual Remuneration	579,583	269,445
Car Allowance	193,194	115,477
Cellphone allowance	17,143	9,000
	789,920	393,922

The Office of Director of Development and Planning has been vacant for the 2020FY and 2019 FY. The office was occupied has occupied by an Acting Director

Within the department of Development and Planning there are other personnel that are being remunerated above the vacant position of the Director Development and Planning for the 2020FY

27. Remuneration of councillors

Executive Major	855,257	855,257
Deputy Executive Mayor	748,297	613,285
Mayoral Committee Members	1,669,256	1,326,259
Speaker	667,850	206,715
Councillors	2,240,818	3,030,748
	6,181,478	6,032,264

28. Depreciation and amortisation

Property, plant and equipment	22,658,686	24,257,426
Intangible assets	489	1,000,716
	22,659,175	25,258,142

29. Impairment of assets

Impairments

Property, plant and equipment	11,076,167	1,425,434
The impairment is due to the construction of a New infrastructure at Durnacol water Purification plant . Some assets of the old infrastructure are dismantled , some are of a permanent establishment and others were demolished when performing site clearings		
Intangible assets	2,998,095	-
The impairment loss is due to softwares that were obsolete and no longer in use		
Other asset 2	133,778	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
Inventories	-	62,060
The impairment loss is mainly due to the cost of inventory being above the net-realizable value.]		
	14,208,040	1,487,494

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
30. Finance costs		
Current borrowings	574,117	653,186
Other interest	560,965	684,591
	1,135,082	1,337,777
31. Debt impairment		
Debt impairment	23,462,934	22,266,610
32. Bulk purchases		
Water	13,697,271	16,936,958
33. Contracted services		
Presented previously		
Pest control and hygiene service	-	235,161
Outsourced Services		
Security Services	6,894,042	6,334,414
Sewerage Services	256,000	3,587,000
Water Takers	10,071,099	16,323,064
Consultants and Professional Services		
Business and Advisory	7,665,200	5,964,024
Infrastructure and Planning	351,759	-
Legal Cost	-	328,646
Contractors		
Maintenance of assets	7,988,524	5,421,519
	33,226,624	38,193,828

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
34. General expenses		
Advertising	1,356,603	105,080
Assessment rates & municipal charges	-	566,761
Auditors remuneration	4,213,442	4,126,672
Bank charges	561,274	247,879
Cleaning	-	76,345
Commission paid	-	319,224
Consumables	-	70,007
Debt collection	-	29,580
Entertainment	65,446	19,802
Hire	201,001	-
Insurance	1,077,441	900,652
Conferences and seminars	-	70,529
IT expenses	1,171,829	1,976,032
Incorporation costs	-	113,318
Marketing	-	85,385
Horticulture	-	183,491
Magazines, books and periodicals	-	44,839
Fuel and oil	-	2,759,451
Placement fees	-	18,962
Postage and courier	1,246,885	695,151
Printing and stationery	58,000	130,418
Promotions	-	946,066
Protective clothing	160,857	250,057
Royalties and license fees	-	877,265
Secretarial fees	-	7,608
Software expenses	-	118,770
Staff welfare	-	102,767
Subscriptions and membership fees	925,381	861,094
Telephone and fax	1,577,064	907,724
Training	265,698	312,056
Travel - local	1,628,759	1,741,875
Covid 19 expenditure	2,005,559	-
Electricity	6,773,753	6,470,104
Utilities - Other	378,007	-
Tourism development	-	567,931
Water Analysis	-	6,528
Project initiation	-	420,439
Environmental Management	-	493,700
Community assets	2,438,715	3,771,442
Disaster management programmes	-	101,363
Veterinary department	-	266,632
Chemicals	-	731,602
Convention bureau	-	34,798
Other expenses	2,420,801	-
	28,526,515	31,529,399
35. Auditors' remuneration		
Fees	4,213,442	4,126,672

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
36. Cash generated from operations		
Surplus	36,240,173	69,596,168
Adjustments for:		
Depreciation and amortisation	22,659,175	25,258,142
Share of loss in associate	18,660,725	28,847,863
Impairment deficit	14,208,040	1,487,494
Debt impairment	23,462,934	22,266,610
Movements in retirement benefit assets and liabilities	(37,730)	-
Movements in provisions	1,143,489	-
community assets transferred	-	3,771,442
Actuarial gains	-	(1,901,413)
Donated assets	-	1,400,000
Other non-cash items	(22,335,762)	(3,684,511)
Changes in working capital:		
Inventories	(798,649)	(15,546)
Receivables from exchange transactions	1,152,166	96,979
Consumer debtors	-	(18,798,694)
Payables from exchange transactions	10,025,615	7,833,905
VAT	3,406,704	(242,076)
Unspent conditional grants and receipts	(11,505,184)	(34,744,131)
Retentions	-	3,647,680
Movements in provisions	-	8,990
	96,281,696	104,828,902

37. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At fair value	At amortised cost	Total
Consumer debtors	-	3,444,102	3,444,102
Cash and cash equivalents	89,221,724	-	89,221,724
	89,221,724	3,444,102	92,665,826

Financial liabilities

	At fair value	At amortised cost	Total
Other financial liabilities	-	(6,273,139)	(6,273,139)
Trade and other payables from exchange transactions	(94,546,020)	-	(94,546,020)
Finance lease liability	-	(159,737)	(159,737)
	(94,546,020)	(6,432,876)	(100,978,896)

2019

Financial assets

	At fair value	At amortised cost	Total
Loans to shareholders	-	1,799,354	1,799,354
Consumer debtors	-	3,444,102	3,444,102
Cash and cash equivalents	70,432,291	-	70,432,291

Amajuba District Municipality

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37. Financial instruments disclosure (continued)

70,432,291 5,243,456 75,675,747

Financial liabilities

	At fair value	At amortised cost	Total
Other financial liabilities	-	(7,227,635)	(7,227,635)
Trade and other payables from exchange transactions	(84,348,657)	-	(84,348,657)
Finance lease liability	-	(42,930)	(42,930)
	(84,348,657)	(7,270,565)	(91,619,222)

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for

- Property, plant and equipment 21,953,957 18,182,878

Total capital commitments

Already contracted for but not provided for 21,953,957 18,182,878

Authorised operational expenditure

Already contracted for but not provided for

- General expenses 182,402 -

Total operational commitments

Already contracted for but not provided for 182,402 -

39. Contingencies

A pending claim of R9 million for damages against the municipality is arising out of injuries sustained by a member of the public while attending a June 16 celebration in 2016. Management consider the likelihood of the action against the municipality being successful as unlikely.

A pending claim from the vendor of R53 Million for cancellation of a tender contract per MFMA regulation 32 against the municipality. Management consider the likelihood of the action against the municipality being successful as unlikely.

A pending claim for over R1 Billion from the Department of Labour is arising from failure by the municipality to file annually returns for the workman compensation and pay assessment fees for workman compensation for the since the 2013 Financial year. Management consider the likelihood of the claim above the amount that has been provided for to be unlikely

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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40. Related parties

Relationships
Associates Refer to note 5

Related party balances

Amounts included in Trade receivable regarding related parties

uThukela Water (Pty) Limited	(37,051,356)	(28,604,890)
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Related party transactions

Purchases from (sales to) related parties

uThukela Water (Pty) Limited	18,639,673	16,825,018
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41. Prior period errors

1. Property, plant and equipment (Motor vehicles) for the 2019 Financial year were depreciated without consideration of the residual values

2. Property, plant and equipmet (sewage infrastructure assets); newly found assets that were not recorded in the assets register in the 2019FY were brought in at depreciated replacement cost.

3. Property, Plant and equipment (Buildings) newly found assets that were not recorded in the assets register in the 2019FY were brought in at depreciated replacement cost

4. Property, Plant and equipment (Buildings);duplicated assets that were recorded in the asset register for the 2019FY were written off

5. Workman compensation provision; A provision was raised based on management estimate of amounts liable to Department of Labour for workman compensation levy for the financial years 2013-2019

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

Statement of financial position

Property, plant and equipment- Motor Vehicles	-	911,913
Property , Plant and Equipment -(Sewage Infrastructure assets)	-	926,697
Property , Plant and equipment -Buildings	-	948,562
Property , Plant and equipment -Buildings	-	(343,123)
Workman compensation provision	-	(4,244,453)
Retained earnings opening balances	-	3,444,982

Statement of financial performance

Depreciation expense	-	911,913
Other income	-	1,875,259
Impairment	-	343,123
Employee costs -Workman compensation	-	799,471

42. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand			2020	2019	
42. Prior-year adjustments (continued)					
2019					
	Note	As previously reported	Correction of error	Re-classification	Restated
Property ,plant and equipment -Infrastructure assets		267,117,179	-	-	267,117,179
Water infrastructure assets		-	-	232,205,808	232,205,808
Sewage infrastructure assets		-	926,697	35,189,039	36,115,736
Movable assets		6,457,755	-	-	6,457,755
Furniture and fittings		-	-	390,462	390,462
Other machinery , plant and equipment		-	-	1,444,370	1,444,370
Office equipment		-	-	2,141,185	2,141,185
Motor Vehicles		-	911,913	2,469,314	3,381,227
Leased assets		-	-	12,423	12,423
Recreational facilities		17,665,528	-	(277,668)	17,385,155
Provision for workman compensation		-	(4,244,453)	-	(4,244,453)
Buildings		14,964,317	605,439	-	15,569,756
Retained earnings		(673,145,339)	-	-	(673,145,339)
Investment in associate		252,229,747	14,138,598	-	266,368,345
		(114,710,813)	12,338,194	273,574,933	171,199,609

Statement of financial performance

2019

	Note	As previously reported	Correction of error	Re-classification	Restated
Other Income		836,709	1,875,259	-	2,711,968
Impairment loss		(2,639,660)	(343,123)	-	(2,982,783)
Depreciation		(25,258,142)	911,913	-	(24,346,229)
General expenditure		(41,487,328)	-	(1,427,614)	(42,914,942)
Employee related costs		(91,341,365)	(799,471)	1,427,614	(90,713,222)
Share of loss		-	(14,138,598)	-	(14,138,598)
Surplus for the year		(159,889,786)	(12,494,020)	-	(172,383,806)

43. Risk management

Financial risk management

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

Liquidity risk

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

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

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43. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

44. Going concern

We draw attention to the fact that at June 30, 2020, the municipality had an accumulated surplus (deficit) of 709,343,269 and that the municipality's total liabilities exceed its assets by 709,343,269.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the Provincial and National Governments has neither the intention nor the need to liquidate or curtail materially the scale of the municipality..

45. Events after the reporting date

During the financial year, some of the maintenance materials were burnt during an incident of a veld fire that occurred at one of the water purification plants owned by the municipality.

- estimation of its financial effect of the incident is around R240 000.

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
46. Unauthorised expenditure		
Opening balance as previously reported	612,265,750	629,339,543
Opening balance as restated	612,265,750	629,339,543
Add: Expenditure identified - current	1,100,393	14,597,558
Less: Amount written off - current	(1,100,393)	(14,597,558)
Less: Amount written off - prior period (2018FY)	-	(17,073,793)
Closing balance	612,265,750	612,265,750

Analysed as follows

Employee related cost	-	5,905,419
Contracted servives	-	5,210,064
Remuneration of Councillors	-	1,019,764
Other expenditures	1,100,393	2,462,311
	1,100,393	14,597,558

After the council committee investigations, council adopted the council committee recommendation to write-off an cumulative amount of R 32 771 844 from the unauthorised expenditures within the financial years 2018 to 2020 as it was proven without reasonable doubt that the amount was not recoverab

Recoverability of unauthorised expenditure

47. Fruitless and wasteful expenditure

Opening balance as previously reported	1,926,271	2,131,447
Opening balance as restated	1,926,271	2,131,447
Add: Expenditure identified - current	50,672	142,277
Less: Amount written off - current	(50,672)	(142,277)
Less: Amount written off - prior period (2018FY)	-	(205,176)
Closing balance	1,926,271	1,926,271

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an cumulative amount of R39 expenditures within the financial years 2018 to 2020 as it was proven without reasonable doubt that the amount was not recoverable

48. Irregular expenditure

Opening balance as previously reported	50,896,237	64,233,643
Opening balance as restated	50,896,237	64,233,643
Add: Irregular Expenditure - current	28,395,504	15,455,654
Add: Irregular Expenditure - prior period	-	25,545,058
Less: Amount written off - current	(28,395,504)	(41,000,712)
Less: Amount written off - prior period (2018FY)	-	(13,337,406)
Closing balance	50,896,237	50,896,237

Amajuba District Municipality

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48. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

	Supplier or Vendor	Supplies/service provided		
Competitive bidding not invited	Royal Hoskinning DHV	Professional engineering services	17,846,959	-
Competitive bidding not invited	Nqabashe Consulting Engineers	Water conversation, demand and loss reduction program in 2016/17 financial year	-	10,348,794
Competitive bidding not invited	Mizana Engineering	Durnacol waste water treatment plant electrical and mechanical repairs	210,645	-
Competitive bidding not invited	Novubu Construction	Chelmsford raw water pump station electrical and mechanical pump repairs	216,445	-
Competitive bidding not invited-	M-charlie	Water tanker Delivery Services 2018/19 financial year	2,974,597	4,364,046
Competitive bidding not invited	Senzumusa	Water tanker Delivery Services 2018/19 financial year	3,122,814	5,904,106
Competitive bidding not invited	Ndimbas	Water tanker Delivery Services 2018/19 Financial year	2,377,183	4,928,112
Competitive bidding not invited	Sebenzani		237,909	-
Three written quotations not invited	Tesseng Technical Specialist	Utrecht raw water pump station electrical and mechanical repairs	63,813	-
Three written quotations not invited	Straibo Engineering	Dannhauser & Utrecht sewer pipelines unblocking	121,445	-
Three written quotations not invited	Manatty Trading	Utrecht septic tank repairs	67,169	-
Three written quotations not invited	Beehive Investment Group	Utrecht raw water pump station electrical and mechanical repairs	125,063	-
Three written quotations not invited	Kusile Engineering	Dannhauser water treatment works pump motor repairs	108,502	-
Three written quotations not invited	Kusile Engineering	Dannhauser water treatment works pump repairs	70,814	-
Three written quotations not invited	Kusile Engineering	Annandale pump station temporary power cable removal	182,939	-
Three written quotations not invited	Novubu Construction	Durnacol waste water treatment plant electrical and mechanical repairs	48,801	-
Three written quotations not invited	Kusile Engineering	repairs and maintainances	32,417	-
Three written quotations not invited	Kantech	Nyanyadu pump station pump repairs	27,933	-

Amajuba District Municipality

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Notes to the Annual Financial Statements

Figures in Rand		2020	2019	
48. Irregular expenditure (continued)				
Three written quotations not invited	Kusile Engineering	repairs and maintainances	22,725	-
Three written quotations not invited	Kantech	Dannhauser water treatment works pump repairs	62,360	-
Competitive bidding not invited	Kusile Engineering	repairs and maintainances	474,971	-
			28,395,504	25,545,058

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an cumulative amount of R 82,733,622 from the irregular expenditures within the financial years 2018 to 2020 as it was proven without reasonable doubt that the amount was not recoverable.

49. In-kind donations and assistance

During the financial year National and Provincial Treasury assigned resources to the municipality to provide financial management support, in form of a Senior Municipal Advisors for the implementation of the Municipal Finance Improvement programme (MFIP) Phase III

50. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	4,213,442	4,126,672
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PAYE and UIF

Current year subscription / fee	18,947,023	16,906,236
Amount paid - current year	(18,947,023)	(16,906,236)
	-	-

Amajuba District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Deductions		
Current year subscription / fee	11,417,686	10,580,346
Amount paid - current year	(11,417,686)	(10,580,346)
	<u>-</u>	<u>-</u>
VAT		
VAT receivable	<u>5,841,947</u>	<u>9,248,651</u>

VAT output payables and VAT input receivables are shown in note 10.

VAT returns for the period April to June 2020 were not submitted by the due date. This was due to the implementation of the national shut-down from the 27th of March as a result of the Covid 19 pandemic and the subsequent resignation of the key staff member within the finance division responsible for the filing of the VAT 201 returns.

Amajuba District Municipality

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Figures in Rand 2020 2019

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

Supply chain management regulations

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

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

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council.

Incident	Details	
Maintenance of Fire Trailer and Knapsack tank	Exceptional case where it is impractical to follow the official procurement processes: This process is impossible and risky to follow the normal procurement procedure because, it is strip and quote process which will have cost implication therefore, three quotations will not be sourced.	24,950
Security Services	Exceptional case where it is impractical to follow the official procurement processes: As a result of the termination of one Mayoral Body Guard/Driver employed directly by ADM there is a need to provide one additional Mayoral Temporary Replacement Body Guard/Driver for His Worship the Mayor until ADM appoint directly a Mayoral Body Guard/Driver to replace the terminated Mayoral Body Guard/Driver.	1,302,167
Provision of Asset Management System	Exceptional case where it is impractical to follow the official procurement processes: The MOU entered into between ADM and NT the municipality had to budget and pay for the additional license fees for the Asset Management System software up to 30 June 2019. In order to avoid disruptions in the compilation of the 2018/2019 FAR which will be finalized by a SP appointed to assist the municipality with the asset verification process, the compilation of the 2018/2019 FAR and to assist the municipality in resolving the queries that may be raised by AG until the 2018/2019 audit is completed by 30 November 2019, it is necessary that ADM enters into a Service Level Agreement with Market Demand from 1 July 2019 to 30 November 2019 when a new SP would have been appointed to provide the FAR software. The municipality will not require MD'S AMS from July 2019 for transacting from the MD AMS, except for viewing purposes only.	75,506
Maintenance Plant Machinery Equipment	Exceptional case where it is impractical to follow the official procurement processes: This process is impossible and risky to follow the normal procurement procedure because, it is strip and quote process which will have cost implication therefore, three quotations will not be sourced.	5,650
VIP Security Services	Exceptional case where it is impractical to follow the official procurement processes: As a result of Election of the new Honourable Speaker Cllr PS Mgcina on 08 March 2019 there is a need for the appointment of an accredited Security Service Provider registered with PSIRA to provide Speaker's VIP Protection Services for the duration of one year of the current Hon. Speaker and a Backup vehicle for the duration of six months as ADM had no Speaker's vehicle from 08 March 2019 which include accredited two armed Speaker's Body Guards/Drivers.	1,080,000

Amajuba District Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Data string alignment with financial management system (MSCOA)	The goods or services are produced or available from a single provider only: Payday software systems is appointed service provider for payroll system in the municipality. Payroll transactions need to be aligned with EMS ledger projects strings for correct transactions posting. Payday is in terms of the current master agreement, signed with the municipality, the only service provider offering ADM the payroll system.	37,168
Hiring of Motor Vehicles 6 Bakkies 4 Double cab and 2 single cab	Exceptional case where it is impractical to follow the official procurement processes. The municipality is currently not complying with fleet management policy. The department of Corporates services has submitted the specification for the required vehicles to be procured as per budget provision made. The Bid Specification committee resolved that new vehicles must be procured through NT Transversal contract	905,724
Security Services- VIP Security Services	Exceptional case where it is impractical to follow the official procurement processes: As a result of the decision by Council to provide Deputy Mayor with two Bodyguards/ Drivers, there is a need to appoint for the period of one year for current Honourable Deputy Mayor the accredited Security Service Provider registered with PSIRA	416,208
Installation new air conditioners at Council Chamber	Emergency: There is urgency to install air conditioners at Council Chamber because there is no proper circulation which might compromise the lives of people attending the meeting.	446,453
RRAMS Software licence renewal	The goods & services are produced or available from single provider only: Mobicap software is the software were are using on the Rural Road Assessment Management (RRAMS) project to assess roads (class 1-5). Rob Marguire Surveys CC is the developer of mobicap software in South Africa, any update or challenges we come across the software we must consult them. The software licence has to be renewed since it expired.	22,713
Completion of Buffalo Flats water supply scheme phase 3B	An emergency: Buffalo Flats Water Supply Scheme Phase 3B - The site was left unsafe by the contractor with open trenches and incomplete chambers which possess a safety hazard to the community, and there has been reports of cattle and children that has suffered injuries due to falling in the open trenches. There is also an urgent request for a service provider to foster due payments, that are 4+ months overdue, to local workers and subcontractors. These payments were supposed to have been made by the previous service provider whose contract has since been terminated, due to poor performance, and the lack of commitment.	4,604,241
Replace the damaged hardware on the telemetry system for Utrecht raw water and Hattingspruit pump stations	The goods & services are produced or available from single provider only: Replace the damaged hardware on the telemetry system for Utrecht raw water and Hattingspruit pump stations, as this was discovered on the site that was not only software was causing telemetry system fail to function. There was some of hardware's required to be replaced due to damaged found on site.	52,566
Provision o the fixed asset register and audit readiness and interim financial statements preparations	An Emergency: Amajuba District Municipality received a qualified opinion for the 2018/19 financial year. The main contributing factor to this audit opinion was the inadequate capacity due to vacancies within the BTO department. The vacancies remained unfilled, relying mainly on interns.	1,589,423

Amajuba District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Screening process for shortlisted candidates Director Planning Development Services	Exceptional case where it is impractical or impossible to follow the official procurement processes: ADM must appoint the Service Provider to conduct screening of shortlisted candidates for vacant re-advertised post of Director Planning & Development Services. Appointment of Senior Managers is regulated by Regulations on appointment and conditions of employment of Senior Managers Government Gazette no. 37245 of 17 January 2014. These Regulations stipulates that screening of shortlisted candidates must take place within 21 days of shortlisting process finalisation.	32,400
Maintenance of Pipelines to emergency 7 pipe burst in Utrecht	An Emergency: Kusile Engineering had to attend the emergency of 7 pipe burst repairs in Utrecht town when staff was on strike during May 2019. All the work was done by Kusile Engineering during the strike, we therefore required not to follow SCM processes.	579,282
Supply of gloves, masks, sanitizers, and walk-through sanitiser, disinfecting ADM office and sites	COVID 19 regulations compliance emergency procurement of PPE for municipality essential services staff and premises.	980,000
Refurbishment of existing handpumps boreholes in reticulation Infrastructure	Emergency: Water Intervention massification grant to rehabilitate boreholes on urgent basis and had to be used before the end of the 2019 2020 financial year to avoid it being taken back by COGTA	1,023,048
Supply jetting machine for unblocking sewer lines	Emergency: VIP Septic Tanks De-Sludging Costs - supply jetting machine for unblocking sewer lines at Utrecht and Dannhauser areas	294,400
Covid 19 Buffalo bulk Water Supply Intervention MIG Re-prioritisation - Supply, delivery and installation of elevated static water tanks x110 units	Emergency: Covid 19 Buffalo bulk Water Supply Intervention MIG Re-prioritisation - Supply, delivery and installation of elevated static water tanks x110 units	4,451,173
Refurbishments and upgrading of a Bulk water pipeline supply	The Emergency Water Bulk Pipeline Refurbishment and Upgrade project at Dannhauser Emadlangeni LM (Springboklaagte bulk water crossing)	1,095,816
Supply and delivery of ten laptop computers	Exceptional case where it is impractical or impossible to follow the official procurement processes: Bidders could not supply laptops due to under quoting. The laptops were required for staff working from home due lockdown regulations.	138,401
Advertise the post of Director Engineering Services	Exceptional case where it is impractical or impossible to follow the official procurement processes: The advertise for the post of Director Engineering Services on Business Times. The written quotation awarded exceeded the R30 000.00 maximum for informal quotes and deviation was requested due urgency of the advert.	36,294
Water Tanker Delivery Service	Emergency: Water Tanker Delivery Service - Emergency water supply with four water tankers during COVID-19 lockdown period .	2,160,006

Amajuba District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Transportation of static water tankers from Pietermaritzburg to Amajuba District municipality	Emergency: Transportation of COGTA donated water tankers from Pietermaritzburg to Amajuba District municipality	265,000
		21,618,589

51. Water Distribution losses

Water losses distribution losses were calculated as follows:

Units lost (Kilolitres)	2,599,062	2,674,549
Annual purified water purchased and produced (KI)	5,609,770	6,291,528
Water Losses as a percentage	46	43

Based on the latest Statistics (2011 from StatsSA) of the local Municipalities services by Amajuba District Municipality ; namely Emadlangeni and Dannhauser indicated that the percentage households that had access to piped water inside a dwelling were 27% and 19.5% respectively. 74% of the settlement type for Emadlangeni is based in a farming area and 82.1% settlement type for Dannhauser is based in the tribal area.

The higher water losses for the municipality are mainly attributable to the services that are extended to the less economically developed settlement areas within the district .

