



Amathole District Municipality  
Consolidated Annual Financial Statements  
for the year ended 30 June 2015

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## General Information

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### Mayoral committee

Executive Mayor

Konza, N

Councillors

Janda, S ( Speaker )

Mtintsilana, S ( Chief Whip

Madikane, E (Corporate Services Human Resources & Admin)

Mgidlana, N ( Community Safety)

Memani, M (Land and Housing)

Finca, P (Local Economic Development)

Bikisha, M (Strategic Planning)

Jacobs, L.E.V (Budget and Treasury)

Genu, S (Water and Sanitation)

Melitafa, B (Engineering and Infrastructure)

Zuka, S (Community Services)

Nyalambisa, N (Community Liason and Participation)

### Grading and jurisdiction

Grade 7

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

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

### Provincial Administration areas

The Amathole District Municipality's demarcated area is made up of seven (7) local municipalities namely:

Amahlathi Municipality

Great Kei Municipality

Mbhashe Municipality

Mnquma Municipality

Ngqushwa Municipality

Nkonkobe Municipality

Nxuba Municipality

# Amathole District Municipality

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## General Information

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### LEGISLATION

The ADM complies with the following:

Municipal Finance Management Act 56 of 2003

Municipal Demarcation Act 27 of 1998

Municipal Structures Act 117 of 1998,

Laws Amendment Act 51 of 2002

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

Municipal Systems Act 32 of 2000

Water Service Act 108 of 1997t

Basic Conditions of Employment Act 75 of 1997,

Labour Relations Act 66 of 1995,

Remuneration of the Public Office Bearers Act 20 of 1998,

Division of Revenue Act 10 of 2004

Housing Act 107 of 1997,

Local government transitions Act 209 of 1993,

Local government transitions Act Second Amendment Act 97 of 1996

Local government: Municipal Planning and Performance Management Regulations 2001,

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

Supply Chain Management Regulations 2005,

Value Added Tax Act 89 of 1991, and

Unemployment Insurance Act 30 of 1996

### Municipal Manager

Mr C. Magwangqana

### Business address

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

### Postal address

PO BOX 320  
East London  
5200

### Bankers

Standard Bank, East London

### Auditors

Auditor General of South Africa  
Registered Auditors

# Amathole District Municipality

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## General Information

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### Councillors

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

### Directors ASPIRE

Dr V Mkosana - contract expired 30 June 2015 (Non - Executive)  
Ms. NEP Loyilane - contract expired 30 June 2015 (Non- Executive)  
Mr. S Mpambani - contract expired 30 June 2015 (Non executive)  
Mr. A Qunta - contract expired 30 June 2015 (Non - Executive)  
Ms. S Madala - contract expired (Non - Executive)  
Mr. S Mabandla - contract expired (Non - Executive)

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

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

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### Abbreviations

GRAP	Generally Recognised Accounting Practice
ADM	Amathole District Municipality
DBSA	Development Bank of South Africa
NT	National Treasury
PT	Eastern Cape Provincial Treasury
DWAS	Department of Water and Sanitation
AEDA	Amathole Economic Development Agency (Proprietary)
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)
EPWP	Expanded Public Works Programme

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Responsibilities and Approval

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

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

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

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers 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 officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The consolidated annual financial statements set out on pages 6 to 151, which have been prepared on the going concern basis, were approved on 30 September 2015 and were signed on its behalf by:

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**C Magwangqana**  
Municipal Manager

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**S Kieck**  
Acting Chief Financial Officer

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	Group		Municipality	
		2015	2014 Restated Restated*	2015	2014 Restated Restated*
<b>Assets</b>					
Current Assets					
Inventories	12	6 991 453	4 371 609	6 991 453	4 371 609
Current Investments	9	-	387 616 947	-	387 616 947
Current tax receivable	22	538 219	3 211	-	-
Receivables from exchange transactions	13	95 299 341	71 607 980	95 299 341	71 607 980
Receivables from non-exchange transactions	14	20 720 674	8 314 870	20 140 735	7 763 149
VAT receivable	15	106 746 502	42 441 266	105 889 959	41 885 190
Current portion of receivables transferred from non current assets		159 001 792	3 215	159 001 792	3 215
Cash and cash equivalents	16	220 484 982	121 416 678	205 045 740	116 150 039
		<b>609 782 963</b>	<b>635 775 776</b>	<b>592 369 020</b>	<b>629 398 129</b>
Non-Current Assets					
Investment property	3	92 955 487	92 886 148	92 955 487	92 886 148
Property, plant and equipment	4	4 132 744 560	3 499 703 634	4 132 351 480	3 499 361 501
Intangible assets	5	5 783 639	1 182 223	5 761 461	1 142 192
Heritage assets	6	400 000	400 000	400 000	400 000
Investments in controlled entities	7	-	-	1 000	1 000
Non current receivables	8	128 859 696	1 310 847	128 859 696	1 310 847
		<b>4 360 743 382</b>	<b>3 595 482 852</b>	<b>4 360 329 124</b>	<b>3 595 101 688</b>
<b>Total Assets</b>		<b>4 970 526 345</b>	<b>4 231 258 628</b>	<b>4 952 698 144</b>	<b>4 224 499 817</b>
<b>Liabilities</b>					
Current Liabilities					
Current portion: Interest bearing borrowings- DBSA	20	172 351 148	-	172 351 148	-
Finance lease obligation	18	199 693	669 829	199 693	669 829
Payables from exchange transactions	23	347 465 507	185 137 739	343 744 290	184 511 349
Taxes and transfers payable (non-exchange)	24	-	5 651 074	-	5 651 074
Consumer deposits	25	2 457 622	2 114 008	2 457 622	2 114 008
Unspent conditional grants and receipts	19	59 871 626	56 223 076	45 239 540	51 030 246
Provisions	21	6 154 999	8 478 041	6 154 999	8 478 041
		<b>588 500 595</b>	<b>258 273 767</b>	<b>570 147 292</b>	<b>252 454 547</b>
Non-Current Liabilities					
Interest bearing borrowings DBSA	20	127 320 150	-	127 320 150	-
Finance lease obligation	18	97 340	297 033	97 340	297 033
Operating lease liability	10	1 851 816	363 235	1 788 161	324 731
Employee benefit obligation	11	213 629 904	187 496 157	213 629 904	187 496 157
		<b>342 899 210</b>	<b>188 156 425</b>	<b>342 835 555</b>	<b>188 117 921</b>
<b>Total Liabilities</b>		<b>931 399 805</b>	<b>446 430 192</b>	<b>912 982 847</b>	<b>440 572 468</b>
<b>Net Assets</b>		<b>4 039 126 540</b>	<b>3 784 828 436</b>	<b>4 039 715 297</b>	<b>3 783 927 349</b>
Reserves					
Revaluation reserve	17	37 816 513	30 146 046	37 816 513	30 146 046
Accumulated surplus		4 001 310 027	3 754 682 397	4 001 898 784	3 753 781 303
<b>Total Net Assets</b>		<b>4 039 126 540</b>	<b>3 784 828 443</b>	<b>4 039 715 297</b>	<b>3 783 927 349</b>

\* See Note 50

# Amathole District Municipality

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## Statement of Financial Performance

Figures in Rand	Note(s)	Group		Municipality	
		2015	2014 Restated Restated*	2015	2014 Restated Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	27	242 418 884	200 458 056	242 418 884	200 458 056
Rental of facilities and equipment	28	315 510	396 046	315 510	396 046
Interest earned outstanding receivables	59	35 223 104	31 908 697	35 223 104	31 908 697
Other income	30	20 069 043	8 322 887	20 017 036	8 233 315
Interest received - investment	31	27 814 066	32 736 734	27 381 848	32 462 038
<b>Total revenue from exchange transactions</b>		<b>325 840 607</b>	<b>273 822 420</b>	<b>325 356 382</b>	<b>273 458 152</b>
<b>Revenue from non-exchange transactions</b>					
<b>Transfer revenue</b>					
Government grants & subsidies	33	1 533 485 727	1 145 559 240	1 525 719 110	1 124 974 361
Own revenue - VAT on MIG		47 466 413	46 561 234	47 466 413	46 561 234
Own revenue VAT on MIG		48 503 349	7 117 523	48 503 349	7 117 523
<b>Total revenue from non-exchange transactions</b>		<b>1 629 455 489</b>	<b>1 199 237 997</b>	<b>1 621 688 872</b>	<b>1 178 653 118</b>
<b>Total revenue</b>	26	<b>1 955 296 096</b>	<b>1 473 060 417</b>	<b>1 947 045 254</b>	<b>1 452 111 270</b>
<b>Expenditure</b>					
Employee related costs	34	(583 400 730)	(472 490 115)	(569 950 775)	(464 158 302)
Remuneration of councillors	35	(14 145 097)	(13 092 621)	(13 029 867)	(12 252 661)
Depreciation and amortisation	36	(91 102 796)	(106 509 732)	(90 856 216)	(106 308 633)
Finance costs	37	(31 028 407)	(14 476 675)	(31 001 620)	(14 476 675)
Debt Impairment	38	(154 873 868)	(116 309 046)	(154 873 868)	(116 309 046)
Collection costs		(1 968 610)	(1 707 699)	(1 968 610)	(1 707 699)
Repairs and maintenance		(54 089 561)	(48 497 256)	(54 079 293)	(48 485 952)
Bulk purchases	39	(57 572 563)	(62 048 818)	(57 572 563)	(62 048 818)
Contracted services	40	(28 038 566)	(19 273 444)	(28 038 566)	(19 273 444)
Grant and subsidies paid	32	(8 680 373)	(20 598 990)	-	-
General Expenses	41	(673 719 118)	(423 090 583)	(691 858 283)	(432 288 058)
<b>Total expenditure</b>		<b>(1 698 619 689)</b>	<b>(1 298 094 979)</b>	<b>(1 693 229 661)</b>	<b>(1 277 309 288)</b>
<b>Operating surplus</b>		<b>251 163 942</b>	<b>174 973 056</b>	<b>253 815 593</b>	<b>174 801 982</b>
(Loss) gain on disposal of assets		(5 679 773)	1 369 721	(5 698 121)	1 362 103
<b>Surplus before taxation</b>		<b>245 484 169</b>	<b>176 342 777</b>	<b>248 117 472</b>	<b>176 164 085</b>
Taxation		-	283 397	-	-
<b>Surplus for the year</b>		<b>245 484 169</b>	<b>176 059 380</b>	<b>248 117 472</b>	<b>176 164 085</b>

\* See Note 50



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## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Group</b>			
Opening balance as previously reported	30 146 046	3 689 577 372	3 719 723 418
Adjustments			
Prior year adjustments		- (111 987 795)	(111 987 795)
<b>Balance at 01 July 2013 as restated*</b>	<b>30 146 046</b>	<b>3 577 589 577</b>	<b>3 607 735 623</b>
Changes in net assets			
Surplus for the year		- 177 092 820	177 092 820
Total changes		- 177 092 820	177 092 820
<b>Restated* Balance at 01 July 2014</b>	<b>30 146 046</b>	<b>3 755 383 483</b>	<b>3 785 529 529</b>
Changes in net assets			
Fair value gains: Land and buildings	7 670 467	-	7 670 467
Net income (losses) recognised directly in net assets	7 670 467	-	7 670 467
Surplus for the year		- 246 827 631	246 827 631
Total recognised income and expenses for the year	7 670 467	246 827 631	254 498 098
Total changes	7 670 467	246 827 631	254 498 098
<b>Balance at 30 June 2015</b>	<b>37 816 513</b>	<b>4 002 211 114</b>	<b>4 040 027 627</b>
Note(s)	17		
<b>Municipality</b>			
Opening balance as previously reported	30 146 046	3 689 605 019	3 719 751 065
Adjustments			
Prior year adjustments (Note 45)		- (111 987 795)	(111 987 795)
<b>Balance at 01 July 2013 as restated*</b>	<b>30 146 046</b>	<b>3 577 617 224</b>	<b>3 607 763 270</b>
Changes in net assets			
Surplus for the year		- 176 164 086	176 164 086
Total changes		- 176 164 086	176 164 086
<b>Restated* Balance at 01 July 2014</b>	<b>30 146 046</b>	<b>3 753 781 309</b>	<b>3 783 927 355</b>
Changes in net assets			
Fair value gains: Land and buildings	7 670 467	-	7 670 467
Net income (losses) recognised directly in net assets	7 670 467	-	7 670 467
Surplus for the year		- 248 117 472	248 117 472
Total recognised income and expenses for the year	7 670 467	248 117 472	255 787 939
Total changes	7 670 467	248 117 472	255 787 939
<b>Balance at 30 June 2015</b>	<b>37 816 513</b>	<b>4 001 898 781</b>	<b>4 039 715 294</b>
Note(s)	17		

\* See Note 50

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## Cash Flow Statement

Figures in Rand	Note(s)	Group		Municipality	
		2015	2014 Restated Restated*	2015	2014 Restated Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Service charges		97 258 021	75 052 094	97 258 021	75 052 094
Grants		1 260 457 622	1 093 368 675	1 222 351 254	1 087 500 924
Interest income		29 919 451	64 645 431	29 507 012	64 766 780
Other receipts		103 768 647	84 500 848	103 744 858	58 518 029
		<b>1 491 403 741</b>	<b>1 317 567 048</b>	<b>1 452 861 145</b>	<b>1 285 837 827</b>
<b>Payments</b>					
Employee costs		(572 591 020)	(443 559 889)	(558 995 811)	(434 902 675)
Suppliers		(747 897 118)	(564 597 962)	(736 135 406)	(519 439 971)
Finance costs		(17 677 259)	(14 476 675)	(17 650 471)	(14 476 675)
Taxation	44	535 008	(60 605)	-	-
		<b>(1 337 630 389)</b>	<b>(1 022 695 131)</b>	<b>(1 312 781 688)</b>	<b>(968 819 321)</b>
<b>Net cash flows from operating activities</b>	<b>43</b>	<b>153 773 352</b>	<b>294 871 917</b>	<b>140 079 457</b>	<b>317 018 506</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	4	(721 340 760)	(480 272 743)	(721 134 355)	(480 172 896)
Proceeds from sale of property, plant and equipment	4	1 598 848	4 705 293	1 566 995	4 690 011
Purchase of other intangible assets	5	(5 015 945)	(1 158 020)	(5 000 000)	(1 142 192)
Decrease/(Increase) in current investment		387 616 947	84 468 255	387 616 947	84 468 255
Increase in non- current receivables		(227 276)	(311 260)	(227 276)	(311 260)
Movement in current portion of non-current receivables		-	5 307	-	5 307
<b>Net cash flows from investing activities</b>		<b>(337 368 186)</b>	<b>(392 563 168)</b>	<b>(337 177 689)</b>	<b>(392 462 775)</b>
<b>Cash flows from financing activities</b>					
Movement in interest bearing borrowings DBSA		286 320 150	-	286 320 150	-
Proceeds from consumer deposits		343 614	170 358	343 614	170 355
Finance lease payments		(669 828)	360 499	(669 828)	360 498
<b>Net cash flows from financing activities</b>		<b>285 993 936</b>	<b>530 857</b>	<b>285 993 936</b>	<b>530 853</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>102 399 102</b>	<b>(97 160 394)</b>	<b>88 895 704</b>	<b>(74 913 416)</b>
Cash and cash equivalents at the beginning of the year		121 416 678	218 577 072	116 150 039	191 063 454
<b>Cash and cash equivalents at the end of the year</b>	<b>16</b>	<b>223 815 780</b>	<b>121 416 678</b>	<b>205 045 743</b>	<b>116 150 038</b>

\* See Note 50

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## 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						
<b>Group</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	143 255 212	-	143 255 212	242 418 884	99 163 672	
Rental of facilities and equipment	737 583	-	737 583	315 510	(422 073)	
Interest received (trading)	30 783 330	-	30 783 330	35 223 104	4 439 774	
Other income	52 805 016	-	52 805 016	20 069 043	(32 735 973)	
Interest received - investments	26 450 363	-	26 450 363	27 814 067	1 363 704	
<b>Total revenue from exchange transactions</b>	<b>254 031 504</b>	<b>-</b>	<b>254 031 504</b>	<b>325 840 608</b>	<b>71 809 104</b>	
<b>Revenue from non-exchange transactions</b>						
Government grants & subsidies	886 306 990	-	886 306 990	1 533 485 727	647 178 737	
Own revenue - Vat on MIG	-	-	-	47 466 413	47 466 413	
Own revenue - VAT other grants	-	-	-	48 503 349	48 503 349	
<b>Total revenue from non-exchange transactions</b>	<b>886 306 990</b>	<b>-</b>	<b>886 306 990</b>	<b>1 629 455 489</b>	<b>743 148 499</b>	
<b>Total revenue</b>	<b>1 140 338 494</b>	<b>-</b>	<b>1 140 338 494</b>	<b>1 955 296 097</b>	<b>814 957 603</b>	
<b>Expenditure</b>						
Personnel	(520 905 566)	-	(520 905 566)	(583 400 730)	(62 495 164)	
Remuneration of councillors	(15 584 284)	-	(15 584 284)	(14 145 097)	1 439 187	
Depreciation and amortisation	(153 349 033)	-	(153 349 033)	(91 102 796)	62 246 237	
Finance costs	(15 781 918)	-	(15 781 918)	(31 028 407)	(15 246 489)	
Bad debts written off	(83 000 000)	-	(83 000 000)	(154 873 868)	(71 873 868)	
Collection costs	(2 790 000)	-	(2 790 000)	(1 968 610)	821 390	
Repairs and maintenance	(43 629 750)	-	(43 629 750)	(54 089 561)	(10 459 811)	
Bulk purchases	(69 797 501)	-	(69 797 501)	(57 572 563)	12 224 938	
Contracted Services	(23 061 289)	-	(23 061 289)	(28 038 566)	(4 977 277)	
Grants and subsidies paid	-	-	-	(8 680 373)	(8 680 373)	
General Expenses	(267 986 335)	1 195 885 676	927 899 341	(679 231 584)	(1 607 130 925)	
<b>Total expenditure</b>	<b>(1 195 885 676)</b>	<b>1 195 885 676</b>	<b>-</b>	<b>(1 704 132 155)</b>	<b>(1 704 132 155)</b>	
<b>Operating surplus</b>	<b>(55 547 182)</b>	<b>1 195 885 676</b>	<b>1 140 338 494</b>	<b>251 163 942</b>	<b>(889 174 552)</b>	
Loss on disposal of assets	-	-	-	(5 679 773)	(5 679 773)	
<b>Surplus before taxation</b>	<b>(55 547 182)</b>	<b>1 195 885 676</b>	<b>1 140 338 494</b>	<b>245 484 169</b>	<b>(894 854 325)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(55 547 182)</b>	<b>1 195 885 676</b>	<b>1 140 338 494</b>	<b>245 767 566</b>	<b>(894 570 928)</b>	

### Reconciliation

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## 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						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	3 715 980	-	<b>3 715 980</b>	6 991 453	<b>3 275 473</b>	
Current Investments	460 000 000	-	<b>460 000 000</b>	-	<b>(460 000 000)</b>	
Current tax receivable	-	-	-	538 219	<b>538 219</b>	
Receivables from exchange transactions	560 649 583	-	<b>560 649 583</b>	95 299 341	<b>(465 350 242)</b>	
Receivables from non-exchange transactions	55 760 053	-	<b>55 760 053</b>	20 720 674	<b>(35 039 379)</b>	
VAT receivable	-	-	-	106 746 502	<b>106 746 502</b>	
Current portion of receivables transferred from non-current assets	-	-	-	159 001 792	<b>159 001 792</b>	
Cash and cash equivalents	635 210 942	-	<b>635 210 942</b>	220 484 982	<b>(414 725 960)</b>	
	<b>1 715 336 558</b>	-	<b>1 715 336 558</b>	<b>609 782 963</b>	<b>(1 105 553 595)</b>	
<b>Non-Current Assets</b>						
Investment property	68 785 633	-	<b>68 785 633</b>	92 955 487	<b>24 169 854</b>	
Property, plant and equipment	2 364 639 871	-	<b>2 364 639 871</b>	4 132 744 560	<b>1 768 104 689</b>	
Intangible assets	-	-	-	5 783 639	<b>5 783 639</b>	
Heritage assets	-	-	-	400 000	<b>400 000</b>	
Investments in controlled entities	-	-	-	-	-	
Non-current receivables	905 728	-	<b>905 728</b>	128 859 696	<b>127 953 968</b>	
	<b>2 434 331 232</b>	-	<b>2 434 331 232</b>	<b>4 360 743 382</b>	<b>1 926 412 150</b>	
<b>Total Assets</b>	<b>4 149 667 790</b>	-	<b>4 149 667 790</b>	<b>4 970 526 345</b>	<b>820 858 555</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Current portion of interest bearing borrowings: DBSA	-	-	-	172 351 148	<b>172 351 148</b>	
Finance lease obligation	275 482	-	<b>275 482</b>	199 693	<b>(75 789)</b>	
Payables from exchange transactions	327 994 141	-	<b>327 994 141</b>	347 465 507	<b>19 471 366</b>	
Consumer deposits	2 113 329	-	<b>2 113 329</b>	2 457 622	<b>344 293</b>	
Unspent conditional grants and receipts	-	-	-	59 871 626	<b>59 871 626</b>	
Provisions	224 818 056	-	<b>224 818 056</b>	6 154 999	<b>(218 663 057)</b>	
	<b>555 201 008</b>	-	<b>555 201 008</b>	<b>588 500 595</b>	<b>33 299 587</b>	
<b>Non-Current Liabilities</b>						
Finance lease obligation	498 609	-	<b>498 609</b>	97 340	<b>(401 269)</b>	
Operating lease liability	-	-	-	1 851 816	<b>1 851 816</b>	
Employee benefit obligation	-	-	-	213 629 904	<b>213 629 904</b>	
Interest bearing borrowings: DBSA	-	-	-	127 320 150	<b>127 320 150</b>	
	<b>498 609</b>	-	<b>498 609</b>	<b>342 899 210</b>	<b>342 400 601</b>	
<b>Total Liabilities</b>	<b>555 699 617</b>	-	<b>555 699 617</b>	<b>931 399 805</b>	<b>375 700 188</b>	

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## 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						
<b>Net Assets</b>	<b>3 593 968 173</b>		<b>- 3 593 968 173</b>	<b>4 039 126 540</b>	<b>445 158 367</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Revaluation reserve	18 665 018	-	<b>18 665 018</b>	37 816 513	<b>19 151 495</b>	
Accumulated surplus	3 575 304 155	-	<b>3 575 304 155</b>	4 001 310 027	<b>426 005 872</b>	
<b>Total Net Assets</b>	<b>3 593 969 173</b>		<b>- 3 593 969 173</b>	<b>4 039 126 540</b>	<b>445 157 367</b>	

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## 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						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Service Charges	661 246 126	-	<b>661 246 126</b>	97 258 021	<b>(563 988 105)</b>	
Grants	1 152 246 981	-	<b>1 152 246 981</b>	1 260 457 622	<b>108 210 641</b>	
Interest income	57 233 693	-	<b>57 233 693</b>	29 919 451	<b>(27 314 242)</b>	
Other receipts	-	-	-	103 768 647	<b>103 768 647</b>	
	<b>1 870 726 800</b>	-	<b>1 870 726 800</b>	<b>1 491 403 741</b>	<b>(379 323 059)</b>	
<b>Payments</b>						
Employee costs	(1 341 896 659)	-	<b>(1 341 896 659)</b>	(572 591 020)	<b>769 305 639</b>	
Suppliers	-	-	-	(747 897 118)	<b>(747 897 118)</b>	
Finance costs	(15 790 339)	-	<b>(15 790 339)</b>	(17 677 259)	<b>(1 886 920)</b>	
Taxation	-	-	-	535 008	<b>535 008</b>	
	<b>(1 357 686 998)</b>	-	<b>(1 357 686 998)</b>	<b>(1 337 630 389)</b>	<b>20 056 609</b>	
<b>Net cash flows from operating activities</b>	<b>513 039 802</b>	-	<b>513 039 802</b>	<b>153 773 352</b>	<b>(359 266 450)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(513 039 813)	-	<b>(513 039 813)</b>	(721 340 760)	<b>(208 300 947)</b>	
Proceeds from sale of property, plant and equipment	-	-	-	1 598 848	<b>1 598 848</b>	
Decrease in current investment	-	-	-	387 616 947	<b>387 616 947</b>	
Increase in non current receivables	-	-	-	(227 276)	<b>(227 276)</b>	
Purchase of other intangible assets	-	-	-	(5 015 945)	<b>(5 015 945)</b>	
<b>Net cash flows from investing activities</b>	<b>(513 039 813)</b>	-	<b>(513 039 813)</b>	<b>(337 368 186)</b>	<b>175 671 627</b>	
<b>Cash flows from financing activities</b>						
Movement in interest bearing borrowings DBSA	-	-	-	286 320 150	<b>286 320 150</b>	
Repayment of other financial liabilities	-	-	-	(669 828)	<b>(669 828)</b>	
Proceeds from consumer deposit	-	-	-	343 614	<b>343 614</b>	
<b>Net cash flows from financing activities</b>	-	-	-	<b>285 993 936</b>	<b>285 993 936</b>	
Net increase/(decrease) in cash and cash equivalents	(11)	-	<b>(11)</b>	102 399 102	<b>102 399 113</b>	
Cash and cash equivalents at the beginning of the year	374 136 406	-	<b>374 136 406</b>	121 416 678	<b>(252 719 728)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>374 136 395</b>	-	<b>374 136 395</b>	<b>223 815 780</b>	<b>(150 320 615)</b>	
<b>Reconciliation</b>						

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## 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						
<b>Municipality</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	156 197 913	-	156 197 913	242 418 883	86 220 970	1
Rental of facilities and equipment	737 583	-	737 583	315 510	(422 073)	2
Interest earned - outstanding receivables	30 783 330	-	30 783 330	35 223 104	4 439 774	3
Other income	504 310 630	868 345 514	1 372 656 144	20 017 036	(1 352 639 108)	4
Interest received - investment	26 450 363	-	26 450 363	27 381 848	931 485	
<b>Total revenue from exchange transactions</b>	<b>718 479 819</b>	<b>868 345 514</b>	<b>1 586 825 333</b>	<b>325 356 381</b>	<b>(1 261 468 952)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	1 152 246 981	51 030 247	1 203 277 228	1 525 719 110	322 441 882	5
<b>Transfer revenue</b>						
Own revenue - VAT on MIG	-	-	-	47 466 413	47 466 413	7
Own revenue - VAT other grants	-	-	-	48 503 349	48 503 349	8
<b>Total revenue from non-exchange transactions</b>	<b>1 152 246 981</b>	<b>51 030 247</b>	<b>1 203 277 228</b>	<b>1 621 688 872</b>	<b>418 411 644</b>	
<b>Total revenue</b>	<b>1 870 726 800</b>	<b>919 375 761</b>	<b>2 790 102 561</b>	<b>1 947 045 253</b>	<b>(843 057 308)</b>	
<b>Expenditure</b>						
Personnel	(521 705 056)	(70 554 678)	(592 259 734)	(569 950 775)	22 308 959	9
Remuneration of councillors	(15 659 101)	2 175 503	(13 483 598)	(13 029 867)	453 731	10
Depreciation and amortisation	(153 349 033)	(1 690 135)	(155 039 168)	(90 856 216)	64 182 952	11
Finance costs	(15 790 339)	(47 281 876)	(63 072 215)	(31 001 620)	32 070 595	12
Bad debts written off	(83 000 000)	(78 888 280)	(161 888 280)	(154 873 868)	7 014 412	13
Collection costs	(810 000)	4 647	(805 353)	(1 968 610)	(1 163 257)	14
Repairs and maintenance	(53 543 641)	23 504 781	(30 038 860)	(54 079 293)	(24 040 433)	15
Bulk purchases	(69 917 501)	10 163 172	(59 754 329)	(57 572 563)	2 181 766	
Contracted Services	(25 687 104)	(2 086 677)	(27 773 781)	(28 038 566)	(264 785)	16
General Expenses	(418 225 223)	(107 439 511)	(525 664 734)	(691 858 282)	(166 193 548)	17
<b>Total expenditure</b>	<b>(1 357 686 998)</b>	<b>(272 093 054)</b>	<b>(1 629 780 052)</b>	<b>(1 693 229 660)</b>	<b>(63 449 608)</b>	
<b>Operating surplus</b>	<b>513 039 802</b>	<b>647 282 707</b>	<b>1 160 322 509</b>	<b>253 815 593</b>	<b>(906 506 916)</b>	
Loss on disposal of assets	-	-	-	(5 698 121)	(5 698 121)	18
<b>Surplus before taxation</b>	<b>513 039 802</b>	<b>647 282 707</b>	<b>1 160 322 509</b>	<b>248 117 472</b>	<b>(912 205 037)</b>	
<b>Actual Amount on Comparable</b>	<b>513 039 802</b>	<b>647 282 707</b>	<b>1 160 322 509</b>	<b>248 400 869</b>	<b>(911 921 640)</b>	

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## 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						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	3 715 980	-	<b>3 715 980</b>	6 991 453	<b>3 275 473</b>	
Current Investments	460 000 000	-	<b>460 000 000</b>	-	<b>(460 000 000)</b>	
Receivables from exchange transactions	560 649 583	-	<b>560 649 583</b>	95 299 339	<b>(465 350 244)</b>	
Receivables from non-exchange transactions	55 760 053	-	<b>55 760 053</b>	20 140 735	<b>(35 619 318)</b>	
VAT receivable	-	-	-	105 889 959	<b>105 889 959</b>	
Other asset 3	-	-	-	159 001 792	<b>159 001 792</b>	
Cash and cash equivalents	635 210 942	-	<b>635 210 942</b>	205 045 740	<b>(430 165 202)</b>	
	<b>1 715 336 558</b>	-	<b>1 715 336 558</b>	<b>592 369 018</b>	<b>(1 122 967 540)</b>	
<b>Non-Current Assets</b>						
Investment property	68 785 633	-	<b>68 785 633</b>	93 234 247	<b>24 448 614</b>	
Property, plant and equipment	2 364 639 871	-	<b>2 364 639 871</b>	4 132 072 719	<b>1 767 432 848</b>	
Intangible assets	-	-	-	5 761 461	<b>5 761 461</b>	
Investments in controlled entities	1 000	-	<b>1 000</b>	1 000	-	
Non - current receivables	905 728	-	<b>905 728</b>	128 859 696	<b>127 953 968</b>	
	<b>2 434 332 232</b>	-	<b>2 434 332 232</b>	<b>4 359 929 123</b>	<b>1 925 596 891</b>	
<b>Total Assets</b>	<b>4 149 668 790</b>	-	<b>4 149 668 790</b>	<b>4 952 298 141</b>	<b>802 629 351</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	-	-	-	172 351 148	<b>172 351 148</b>	
Finance lease obligation	275 482	-	<b>275 482</b>	199 693	<b>(75 789)</b>	
Payables from exchange transactions	327 994 141	-	<b>327 994 141</b>	343 744 290	<b>15 750 149</b>	
Consumer deposits	2 113 329	-	<b>2 113 329</b>	2 457 622	<b>344 293</b>	
Unspent conditional grants and receipts	-	-	-	45 239 540	<b>45 239 540</b>	
Provisions	224 818 056	-	<b>224 818 056</b>	6 154 999	<b>(218 663 057)</b>	
	<b>555 201 008</b>	-	<b>555 201 008</b>	<b>570 147 292</b>	<b>14 946 284</b>	
<b>Non-Current Liabilities</b>						
Finance lease obligation	498 609	-	<b>498 609</b>	97 340	<b>(401 269)</b>	
Operating lease liability	-	-	-	1 788 161	<b>1 788 161</b>	
Employee benefit obligation	-	-	-	213 629 904	<b>213 629 904</b>	
Other liability 1	-	-	-	127 320 150	<b>127 320 150</b>	
	<b>498 609</b>	-	<b>498 609</b>	<b>342 835 555</b>	<b>342 336 946</b>	
<b>Total Liabilities</b>	<b>555 699 617</b>	-	<b>555 699 617</b>	<b>912 982 847</b>	<b>357 283 230</b>	
<b>Net Assets</b>	<b>3 593 969 173</b>	-	<b>3 593 969 173</b>	<b>4 039 315 294</b>	<b>445 346 121</b>	



# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## 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						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Revaluation reserve	18 665 018	-	<b>18 665 018</b>	37 816 513	<b>19 151 495</b>	
Accumulated surplus	3 575 304 155	-	<b>3 575 304 155</b>	4 001 898 782	<b>426 594 627</b>	
<b>Total Net Assets</b>	<b>3 593 969 173</b>	-	<b>3 593 969 173</b>	<b>4 039 715 295</b>	<b>445 746 122</b>	

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## 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						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Service charges	661 246 126	-	<b>661 246 126</b>	97 258 021	<b>(563 988 105)</b>	
Grants	1 152 246 981	-	<b>1 152 246 981</b>	1 222 351 254	<b>70 104 273</b>	
Interest income	57 233 693	-	<b>57 233 693</b>	29 507 012	<b>(27 726 681)</b>	
Other receipts	-	-	-	103 744 858	<b>103 744 858</b>	
	<b>1 870 726 800</b>	-	<b>1 870 726 800</b>	<b>1 452 861 145</b>	<b>(417 865 655)</b>	
<b>Payments</b>						
Employee costs	(1 341 896 659)	-	<b>(1 341 896 659)</b>	(558 995 811)	<b>782 900 848</b>	
Suppliers	-	-	-	(736 135 406)	<b>(736 135 406)</b>	
Finance costs	(15 790 339)	-	<b>(15 790 339)</b>	(17 650 472)	<b>(1 860 133)</b>	
	<b>(1 357 686 998)</b>	-	<b>(1 357 686 998)</b>	<b>(1 312 781 689)</b>	<b>44 905 309</b>	
<b>Net cash flows from operating activities</b>	<b>513 039 802</b>	-	<b>513 039 802</b>	<b>140 079 456</b>	<b>(372 960 346)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(513 039 813)	-	<b>(513 039 813)</b>	(721 134 355)	<b>(208 094 542)</b>	
Proceeds from sale of property, plant and equipment	-	-	-	1 566 995	<b>1 566 995</b>	
Purchase of other intangible assets	-	-	-	(5 000 000)	<b>(5 000 000)</b>	
Decrease in current investments	-	-	-	387 616 947	<b>387 616 947</b>	
Increase in non current receivables	-	-	-	(227 276)	<b>(227 276)</b>	
<b>Net cash flows from investing activities</b>	<b>(513 039 813)</b>	-	<b>(513 039 813)</b>	<b>(337 177 689)</b>	<b>175 862 124</b>	
<b>Cash flows from financing activities</b>						
Movement in interest bearing borrowings	-	-	-	286 320 150	<b>286 320 150</b>	
Proceeds from consumer deposits	-	-	-	343 614	<b>343 614</b>	
Finance lease payments	-	-	-	(669 829)	<b>(669 829)</b>	
Finance lease payments	-	-	-	(1)	<b>(1)</b>	
<b>Net cash flows from financing activities</b>	-	-	-	<b>285 993 934</b>	<b>285 993 934</b>	
Net increase/(decrease) in cash and cash equivalents	(11)	-	<b>(11)</b>	88 895 701	<b>88 895 712</b>	
Cash and cash equivalents at the beginning of the year	374 136 406	-	<b>374 136 406</b>	116 150 039	<b>(257 986 367)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>374 136 395</b>	-	<b>374 136 395</b>	<b>205 045 740</b>	<b>(169 090 655)</b>	

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## 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
<b>Group - 2015</b>											
<b>Financial Performance</b>											
Service charges	143 255 212	-	143 255 212	-		143 255 212	242 418 884		99 163 672	169 %	169 %
Investment revenue	26 450 363	-	26 450 363	-		26 450 363	27 814 066		1 363 703	105 %	105 %
Transfers recognised - operational	681 219 788	-	681 219 788	-		681 219 788	703 769 265		22 549 477	103 %	103 %
Other own revenue	84 325 929	-	84 325 929	-		84 325 929	151 577 419		67 251 490	180 %	180 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>935 251 292</b>	<b>-</b>	<b>935 251 292</b>	<b>-</b>		<b>935 251 292</b>	<b>1 125 579 634</b>		<b>190 328 342</b>	<b>120 %</b>	<b>120 %</b>
Employee costs	(520 905 566)	-	(520 905 566)	-		(520 905 566)	(583 400 730)		(62 495 164)	112 %	112 %
Remuneration of councillors	(15 584 284)	-	(15 584 284)	-		(15 584 284)	(14 145 097)		1 439 187	91 %	91 %
Debt impairment	(83 000 000)	-	(83 000 000)			(83 000 000)	(154 873 868)		(71 873 868)	187 %	187 %
Depreciation and asset impairment	(153 349 033)	-	(153 349 033)			(153 349 033)	(91 102 796)		62 246 237	59 %	59 %
Finance charges	(15 781 918)	-	(15 781 918)	-		(15 781 918)	(31 028 407)		(15 246 489)	197 %	197 %
Materials and bulk purchases	(69 797 501)	-	(69 797 501)	-		(69 797 501)	(57 572 563)		12 224 938	82 %	82 %
Transfers and grants	-	-	-	-		-	(8 680 373)		(8 680 373)	DIV/0 %	DIV/0 %
Other expenditure	(337 467 374)	-	(337 467 374)	-		(337 467 374)	(756 001 958)		(418 534 584)	224 %	224 %
<b>Total expenditure</b>	<b>(1 195 885 676)</b>	<b>-</b>	<b>(1 195 885 676)</b>	<b>-</b>		<b>(1 195 885 676)</b>	<b>(1 696 805 792)</b>		<b>(500 920 116)</b>	<b>142 %</b>	<b>142 %</b>
<b>Surplus/(Deficit)</b>	<b>(260 634 384)</b>	<b>-</b>	<b>(260 634 384)</b>	<b>-</b>		<b>(260 634 384)</b>	<b>(571 226 158)</b>		<b>(310 591 774)</b>	<b>219 %</b>	<b>219 %</b>

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## 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	205 087 202	-	205 087 202	-		205 087 202	822 390 100		617 302 898	401 %	401 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(55 547 182)</b>	<b>-</b>	<b>(55 547 182)</b>	<b>-</b>		<b>(55 547 182)</b>	<b>251 163 942</b>		<b>306 711 124</b>	<b>(452)%</b>	<b>(452)%</b>
Gain /(loss) on disposal of assets	-	-	-	-		-	5 679 773		5 679 773	DIV/0 %	DIV/0 %
<b>Surplus/(Deficit) for the year</b>	<b>(55 547 182)</b>	<b>-</b>	<b>(55 547 182)</b>	<b>-</b>		<b>(55 547 182)</b>	<b>245 484 169</b>		<b>301 031 351</b>	<b>(442)%</b>	<b>(442)%</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	27 624 658	-	27 624 658	-		27 624 658	829 716 462		802 091 804	3 004 %	3 004 %

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## 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
<b>Cash flows</b>											
Net cash from (used) operating	-	-	-	-	-	-	153 773 352	-	153 773 352	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-	-	-	(337 368 186)	-	(337 368 186)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-	-	-	285 993 936	-	285 993 936	DIV/0 %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	-	-	-	-	-	-	<b>102 399 102</b>	-	<b>102 399 102</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	121 416 678	-	121 416 678	DIV/0 %	DIV/0 %
<b>Cash and cash equivalents at year end</b>	-	-	-	-	-	-	<b>223 815 780</b>	-	<b>223 815 780</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>Group - 2014</b>				
<b>Financial Performance</b>				
Service charges				200 458 056
Investment revenue				32 736 734
Transfers recognised - operational				685 603 679
Other own revenue				95 676 109
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>1 014 474 578</b>
Employee costs	-	-	-	(472 490 115)
Remuneration of councillors	-	-	-	(12 252 661)
Debt impairment	-	-	-	(116 309 046)
Depreciation and asset impairment	-	-	-	(106 509 733)
Finance charges	-	-	-	(14 476 675)
Materials and bulk purchases	-	-	-	(62 048 818)
Transfers and grants	-	-	-	(20 598 990)
Other expenditure	-	-	-	(492 367 882)
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-(1 297 053 920)</b>
<b>Surplus/(Deficit)</b>				<b>(282 579 342)</b>
Transfers recognised - capital				459 955 561
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>177 376 219</b>
Taxation				(283 397)
<b>Surplus/(Deficit) for the year</b>				<b>177 659 616</b>
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				598 161 580

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>Cash flows</b>				
Net cash from (used) operating				294 871 917
Net cash from (used) investing				(392 563 168)
Net cash from (used) financing				530 857
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>(97 160 394)</b>
Cash and cash equivalents at the beginning of the year				-
<b>Cash and cash equivalents at year end</b>				<b>(97 160 394)</b>

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## 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
<b>Municipality - 2015</b>											
<b>Financial Performance</b>											
Service charges	143 255 212	(143 255 212)	-	-	-	-	242 418 884	-	242 418 884	DIV/0 %	169 %
Investment revenue	26 450 363	(26 450 363)	-	-	-	-	27 381 848	-	27 381 848	DIV/0 %	104 %
Transfers recognised - operational	681 219 788	(681 219 788)	-	-	-	-	703 329 011	-	703 329 011	DIV/0 %	103 %
Other own revenue	84 325 929	(84 325 929)	-	-	-	-	151 525 412	-	151 525 412	DIV/0 %	180 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>935 251 292</b>	<b>(935 251 292)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 124 655 155</b>	<b>-</b>	<b>1 124 655 155</b>	<b>DIV/0 %</b>	<b>120 %</b>
Employee costs	(520 905 566)	520 905 566	-	-	-	-	(569 950 775)	-	(569 950 775)	DIV/0 %	109 %
Remuneration of councillors	(15 584 284)	15 584 284	-	-	-	-	(13 029 867)	-	(13 029 867)	DIV/0 %	84 %
Debt impairment	(83 000 000)	83 000 000	-	-	-	-	(154 873 868)	-	(154 873 868)	DIV/0 %	187 %
Depreciation and asset impairment	(153 349 033)	153 349 033	-	-	-	-	(90 856 216)	-	(90 856 216)	DIV/0 %	59 %
Finance charges	(15 781 918)	15 781 918	-	-	-	-	(31 001 620)	-	(31 001 620)	DIV/0 %	196 %
Materials and bulk purchases	(69 797 501)	69 797 501	-	-	-	-	(57 572 563)	-	(57 572 563)	DIV/0 %	82 %
Other expenditure	(337 467 374)	337 467 374	-	-	-	-	(775 944 752)	-	(775 944 752)	DIV/0 %	230 %
<b>Total expenditure</b>	<b>(1 195 885 676)</b>	<b>1 195 885 676</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 693 229 661)</b>	<b>-</b>	<b>(1 693 229 661)</b>	<b>DIV/0 %</b>	<b>142 %</b>
<b>Surplus/(Deficit)</b>	<b>(260 634 384)</b>	<b>260 634 384</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(568 574 506)</b>	<b>-</b>	<b>(568 574 506)</b>	<b>DIV/0 %</b>	<b>218 %</b>



# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## 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	205 087 202	(205 087 202)	-	-		-	822 390 099		822 390 099	DIV/0 %	401 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>(55 547 182)</b>	<b>55 547 182</b>	-	-		-	<b>253 815 593</b>		<b>253 815 593</b>	<b>DIV/0 %</b>	<b>(457)%</b>
Gain/(loss) on disposal of assets	-	-	-	-		-	5 698 121		5 698 121	DIV/0 %	DIV/0 %
<b>Surplus/(Deficit) for the year</b>	<b>(55 547 182)</b>	<b>55 547 182</b>	-	-		-	<b>248 117 472</b>		<b>248 117 472</b>	<b>DIV/0 %</b>	<b>(447)%</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	27 624 658	(27 624 658)	-	-		-	829 716 462		829 716 462	DIV/0 %	3 004 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	470 727 193	-	470 727 193	-		470 727 193	-		(470 727 193)	- %	- %
Borrowing	-	631 835 837	631 835 837	-		631 835 837	-		(631 835 837)	- %	DIV/0 %
Internally generated funds	42 312 620	(14 042 816)	28 269 804	-		28 269 804	-		(28 269 804)	- %	- %
<b>Total sources of capital funds</b>	<b>513 039 813</b>	<b>617 793 021</b>	<b>1 130 832 834</b>	-		<b>1 130 832 834</b>	-		<b>(1 130 832 834)</b>	<b>- %</b>	<b>- %</b>

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## 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
<b>Cash flows</b>											
Net cash from (used) operating	513 039 802	-	513 039 802	-		513 039 802	140 079 457		(372 960 345)	27 %	27 %
Net cash from (used) investing	(513 039 813)	-	(513 039 813)	-		(513 039 813)	(337 177 689)		175 862 124	66 %	66 %
Net cash from (used) financing	-	-	-	-		-	285 993 936		285 993 936	DIV/0 %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(11)</b>	<b>-</b>	<b>(11)</b>	<b>-</b>		<b>(11)</b>	<b>88 895 704</b>		<b>88 895 715 142 764)</b>	<b>142 764)</b>	<b>%</b>
Cash and cash equivalents at the beginning of the year	116 150 039	-	116 150 039	-		116 150 039	116 150 039		-	100 %	100 %
<b>Cash and cash equivalents at year end</b>	<b>116 150 028</b>	<b>-</b>	<b>116 150 028</b>	<b>-</b>		<b>116 150 028</b>	<b>205 045 743</b>		<b>(88 895 715)</b>	<b>177 %</b>	<b>177 %</b>

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>Municipality - 2014</b>				
<b>Financial Performance</b>				
Service charges				200 458 056
Investment revenue				32 462 038
Transfers recognised - operational				665 018 800
Other own revenue				95 578 919
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>993 517 813</b>
Employee costs	-	-	-	(464 158 302)
Remuneration of councillors	-	-	-	(12 252 661)
Debt impairment	-	-	-	(116 309 046)
Depreciation and asset impairment	-	-	-	(106 308 633)
Finance charges	-	-	-	(14 476 675)
Materials and bulk purchases	-	-	-	(62 048 818)
Other expenditure	-	-	-	(501 755 152)
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-(1 277 309 287)</b>
<b>Surplus/(Deficit)</b>				<b>(283 791 474)</b>
Transfers recognised - capital				459 955 561
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>176 164 087</b>
<b>Surplus/(Deficit) for the year</b>				<b>176 164 087</b>
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				598 161 580

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>Cash flows</b>				
Net cash from (used) operating				317 018 506
Net cash from (used) investing				(392 462 775)
Net cash from (used) financing				530 853
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>(74 913 416)</b>
Cash and cash equivalents at the beginning of the year				191 063 454
<b>Cash and cash equivalents at year end</b>				<b>116 150 038</b>

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1. Basis of presentation

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

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

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

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Consolidation

##### Basis of consolidation

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

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

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

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

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

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

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

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

##### Estimates

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Pension and other post - employment benefits

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

For key actuarial assumptions, refer to note 11 "Employee Benefit obligations"

#### Operating lease commitments - Municipality as lesser

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

#### Depreciation and amortisation

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

#### Infrastructure assets

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

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

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

#### Allowance for doubtful debts

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Fair value determination of investment properties

In determining the fair value of investment property and property, plant and equipment the municipality applies a valuation methodology to determine the fair value of the properties based on any one of, or a combination of the following factors:

- The market related selling price of the property; or
- The market related rental that can be earned for the property; or
- The market related selling price of similar properties in the area; or
- The rentals currently or previously earned by The property.

#### Inventory - Water Stock

The estimation of the water stock in the reservoirs and pipelines is based on an assumption of the network reticulation capacity at year end. Any existing drought conditions are also taken into consideration where applicable.

The water stock on hand has been estimated using engineering best practice and industry norms and standards.

#### Impairments of non-financial assets

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

#### Provisions and contingent liabilities

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

#### Taxation

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

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

#### Useful lives of waste and water network and other assets

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.5 Investment property

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment property is initially recognised when future benefits are probable and the cost or fair value can be determined reliably.

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

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

#### Cost model

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

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

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

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

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

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

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

#### Impairments

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

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

### 1.6 Property, plant and equipment

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



# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

### Subsequent measurement

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land and Building which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Land and buildings is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

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

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

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

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:

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

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

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

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

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

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

#### Impairments

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

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

### 1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.7 Intangible assets (continued)

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

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

#### Subsequent Measurement

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

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

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

Item	Useful life
Computer software	3 years

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

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

The amortisation period, the amortisation method and the residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance. The residual value of intangible assets is estimated to be nil.

#### Impairments

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

Intangible assets are derecognised:

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

### 1.8 Heritage assets

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

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

#### Recognition

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.8 Heritage assets (continued)

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

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

#### Impairment

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

#### Derecognition

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

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

### 1.9 Investments in controlled entities

#### Group consolidated annual financial statements

Subsidiaries are all controlled entities over which the municipality has ownership control or effective control to govern the financial and operating policies of such control entities so as to benefit form its activities.

Controlled entities are fully consolidated from the date on which control is transferred to the Municipality, and are carried at cost. Investments in municipal entities under the ownership control of the Municipality are carried at cost. Separate consolidated financial statements are prepared to account for the Municipality's share of net assets and post acquisition results of these investments.

The municipality commences accounting for an investment in a subsidiary from the date that control exists and discontinues the application when it no longer has control over the subsidiary.

#### Municipality consolidated annual financial statements

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

### 1.10 Financial instruments

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

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

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.

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.10 Financial instruments (continued)

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.10 Financial instruments (continued)

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

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

#### Classification

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

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

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

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

#### Initial recognition

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

The group recognises financial assets using trade date accounting.

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

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

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

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

#### Fair value measurement considerations

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

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

#### Reclassification

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

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

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

#### Offsetting

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

#### Gains and losses

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

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

#### Impairment of financial assets

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

Financial assets measured at amortised cost:



# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.10 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

### Receivables

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

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

##### Financial liabilities

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

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Presentation

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

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

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.10 Financial instruments (continued)

Policies relating to specific financial instruments

#### Investment at amortised cost

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

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

#### Investment at cost

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

#### Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

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

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

#### Trade and other receivables

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

#### Trade and other payables

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

#### Borrowings and other financial liabilities

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

#### Loans and Receivables

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

### 1.11 VAT

#### VAT

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.12 Leases

#### Finance leases -municipality as a lessee

##### Recognition

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

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

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

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

##### Measurement

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

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

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

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

##### Derecognition

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

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

##### Subsequent measurement

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.12 Leases (continued)

#### Operating leases - municipality as a lessor

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

#### Recognition

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

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

#### Measurement

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

#### Derecognition

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

#### Operating leases - municipality as a lessee

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

# Amathole District Municipality

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## Accounting Policies

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### 1.13 Inventories

#### Initial recognition

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

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

#### Subsequent measurement

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

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

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

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

Housing development inventory is measured at cost on the first-in, first-out basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs. The carrying amount of these inventories held for distribution is recognised as an expense when beneficiaries take occupation of the houses.

Housing development funding received is recognised as revenue and expenditure on the Statement of Financial Performance to the extent that the Municipality has complied with any of the criteria, obligations or conditions of the grant.

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

#### Derecognition

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

### 1.14 Impairment of cash-generating assets

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

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

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

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

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

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

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

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

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

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

#### Identification

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

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

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

#### Value in use

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

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

#### Basis for estimates of future cash flows

In measuring value in use the group:

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



# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

#### Cash-generating units

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

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

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

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

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

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

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

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

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

#### Redesignation

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

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

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

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

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

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

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

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.15 Impairment of non-cash-generating assets (continued)

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

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

Useful life is either:

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

#### Identification

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

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

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

#### Value in use

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

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

#### Depreciated replacement cost approach

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

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

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

# Amathole District Municipality

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## Accounting Policies

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### 1.15 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

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

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

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

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

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

#### Redesignation

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

### 1.16 Share capital / contributed capital

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

### 1.17 Employee benefits

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

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

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure 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 recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the 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 municipality provides post-employment benefits for one or more employees.

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

#### Multi-employer plans

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

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

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognise 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 municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

# Amathole District Municipality

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## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

The municipality 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 municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

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

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

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

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

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

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



# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.17 Employee benefits (continued)

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

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

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Other post retirement obligations

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

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

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

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

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

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

#### Medical Aid: Continued Members

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

Actuaries are used to determine the obligation on an annual basis.

The actuarial gain or loss is recognised in surplus or deficit.

#### Other Long Term Employee Benefits

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

### 1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.18 Provisions and contingencies (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

Gains from the expected disposal of assets are not taken into account in measuring a provision.

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

Provisions are not recognised for future operating deficits

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

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

#### Rendering of services

Service income is recognised on an invoice basis. Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. The adjustments are recognised as revenue in the invoicing period.

Revenue arising from consumption of water and sanitation in the month of June is fully accounted for whether invoiced or not. Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered. Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from the council and are levied monthly.

Revenue arising from fire services is based on set basic tariffs

#### Interest, rentals and agency services

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.20 Revenue from non-exchange transactions

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

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

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

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

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

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

#### Recognition

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

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

#### Measurement

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

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

#### Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria, conditions and obligations embodied in the agreement. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional and funds are invested until utilised.

Grants without any conditions attached are recognised as revenue when the asset is recognised.

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

#### Gifts and donations, including goods in-kind

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.21 Turnover

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

### 1.22 Investment income

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

### 1.23 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

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

### 1.24 Translation of foreign currencies

#### Foreign currency transactions

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

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

### 1.25 Surplus/deficit

#### Gains and Losses

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

### 1.26 Comparative figures

#### Current year comparatives (budget)

Budget information in accordance with GRAP 1 and 24, has been provided as separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanations and comments to material differences are provided in the notes to the annual financial statements.

In addition a note has been added to the annual financial statements, for the current financial year only. The annual budget figures included in the annual financial statements are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan (IDP). The approved budget covers the fiscal period from 01/07/2014 to 30/06/2015. The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of budget and actual amounts. Comparative information is not required.

#### Prior year comparatives

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.27 Unauthorised expenditure

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

### 1.28 Fruitless and wasteful expenditure

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

### 1.29 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act ( Act No. 20 of 1998) or is in contravention of municipality's Supply Chain Management Policy.

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

### 1.30 Use of estimates

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

### 1.31 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance

The surplus arising from the revaluation of land and buildings is credited directly to equity in the revaluation reserve. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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

Depreciation on re-valued buildings is charged to surplus or deficit. On the subsequent sale or retirement of a re-valued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to accumulated surplus/(deficit).

### 1.32 Investments

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.33 Conditional grants and receipts

Government grants and other grants are recognised as revenue when:

(a) it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,

(b) the amount of the revenue can be measured reliably, and

(c) to the extent that there has been compliance with any restrictions associated with the grant

Income received from conditional grants, donations and subsidies are recognised to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised and funds invested until it is utilised.

Interest earned on the investment is treated in accordance with the grant conditions. If it is payable to the funder it is recorded as part of the creditor.

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

### 1.34 Related parties

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

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

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

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

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

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

### 1.35 Commitments

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

The municipality is committed under obligations for goods and services, which have been contracted for on or before the reporting date, but not yet received or completed at year end.

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

Approved and contracted commitments represent expenditure that has been approved and the contract has been awarded at the reporting date.

### 1.36 Post balance sheet events

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

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

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

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 2. New standards and interpretations

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

The group has not applied the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>GRAP 18: Segment Reporting</li> </ul>	01 April 2015	No effective date has been determined by the Minister of Finance. The Standard requires the identification and aggregation of the operating segments of the municipality into reportable segments. For each of the reportable segments identified details of the financial performance will be disclosed. The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting.
<ul style="list-style-type: none"> <li>GRAP 105: Transfers of functions between entities under common control</li> </ul>	01 April 2015	It is unlikely that the standard will have a material impact on the annual financial statements as the municipality has not had any transfer of functions.
<ul style="list-style-type: none"> <li>GRAP 106: Transfers of functions between entities not under common control</li> </ul>	01 April 2015	It is unlikely that the standard will have a material impact on annual financial statements as the municipality has not had any transfers of functions.
<ul style="list-style-type: none"> <li>GRAP 107: Mergers</li> </ul>	01 April 2015	It is unlikely that the standard will have a material impact on the annual financial statements as the municipality has not had any mergers.
<ul style="list-style-type: none"> <li>GRAP 20: Related parties</li> </ul>	01 April 2015	The municipality has based its accounting policy on this standard, hence it is unlikely that the standard will have a material impact on the annual financial statements



# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

### 2. New standards and interpretations (continued)

- GRAP32: Service Concession Arrangements: Grantor 01 April 2015 No effective date has been determined by the Minister of Finance
- GRAP108: Statutory Receivables 01 April 2015 No effective date has been determined by the Minister of Finance.

### 3. Investment property

Group	2015			2014 Restated		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	93 220 048	(264 561)	92 955 487	93 220 048	(333 900)	92 886 148

  

Municipality	2015			2014 Restated		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	93 220 048	(264 561)	92 955 487	93 220 048	(333 900)	92 886 148

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

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Figures in Rand

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### 3. Investment property (continued)

#### Reconciliation of investment property - Group - 2015

	Opening balance	Depreciation	Total
Investment property	92 886 148	69 339	92 955 487

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# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

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Figures in Rand

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### 3. Investment property (continued)

#### Reconciliation of investment property - Group - 2014

	Opening balance	Depreciation	Total
Investment property	92 956 981	(70 833)	92 886 148

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#### Reconciliation of investment property - Municipality - 2015

	Opening balance	Depreciation	Total
Investment property	92 886 148	69 339	92 955 487

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# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

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Figures in Rand

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### 3. Investment property (continued)

#### Reconciliation of investment property - Municipality - 2014

	Opening balance	Depreciation	Total
Investment property	92 956 981	(70 833)	92 886 148

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#### Pledged as security

There was no properties pledged as security:

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

The comparative figure was restated. Refer to note 49

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 3. Investment property (continued)

#### Details of valuation

##### Investment property carried at cost:

The municipality applies the cost model to recognize its investment properties

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

Effective date of valuation June 2015

The fair value of the investment property was determined based on current prices in an active market for similar property in the same location and condition. Although these are investment properties, not all properties have leases attached to these properties, ownership of these properties was confirmed in the current financial year.

The carrying amount of the investment property if carried under the fair value model: 92 860 000    80 448 677

Rental income from investment property 171 936    213 640

Refer to Note for 46 lease commitments

### 4. Property, plant and equipment

Group	2015			2014 Restated		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	10 193 977	-	10 193 977	7 699 097	-	7 699 097
Buildings	27 912 821	(4 610 322)	23 302 499	22 161 300	(3 482 067)	18 679 233
Furniture and fixtures	442 594	(237 165)	205 429	412 782	(187 385)	225 397
Office equipment	82 252	(43 460)	38 792	69 299	(43 635)	25 664
IT equipment	467 058	(318 199)	148 859	455 695	(364 623)	91 072
Infrastructure	4 531 395 361	(585 793 164)	3 945 602 197	3 826 289 797	(514 126 114)	3 312 163 683
Community	61 590 815	(4 723 181)	56 867 634	61 590 815	(2 616 960)	58 973 855
Finance leased Assets	1 121 190	(761 354)	359 836	1 121 190	(154 322)	966 868
Other assets	164 575 122	(68 549 785)	96 025 337	154 795 613	(53 916 848)	100 878 765
<b>Total</b>	<b>4 797 781 190</b>	<b>(665 036 630)</b>	<b>4 132 744 560</b>	<b>4 074 595 588</b>	<b>(574 891 954)</b>	<b>3 499 703 634</b>

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 4. Property, plant and equipment (continued)

Municipality	2015			2014 Restated		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	10 193 977	-	10 193 977	7 699 097	-	7 699 097
Buildings	27 912 821	(4 610 322)	23 302 499	22 161 300	(3 482 067)	18 679 233
Infrastructure	4 531 395 361	(585 793 164)	3 945 602 197	3 826 289 797	(514 126 114)	3 312 163 683
Community	61 590 815	(4 723 181)	56 867 634	61 590 815	(2 616 960)	58 973 855
Finance leased Assets	1 121 190	(761 354)	359 836	1 121 190	(154 322)	966 868
Other assets	164 575 122	(68 549 785)	96 025 337	154 795 613	(53 916 848)	100 878 765
<b>Total</b>	<b>4 796 789 286</b>	<b>(664 437 806)</b>	<b>4 132 351 480</b>	<b>4 073 657 812</b>	<b>(574 296 311)</b>	<b>3 499 361 501</b>

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Group - 2015

	Opening balance	Additions	Disposals	Transfers	Revaluations	Under constructions: WIP	Depreciation	Total
Land	7 699 100	-	-	-	2 494 880	-	-	10 193 980
Buildings	18 679 234	575 933	-	-	5 175 587	-	(1 128 255)	23 302 499
Furniture and fixtures	225 397	38 344	(8 531)	-	-	-	(58 166)	197 044
Office equipment	25 664	27 270	(14 316)	-	-	-	(14 142)	24 476
IT equipment	91 071	140 790	(129 426)	-	-	-	(69 642)	32 793
Infrastructure	3 312 911 736	11 113 000	(3 295 738)	(293 370 483)	-	991 062 117	(72 818 435)	3 945 602 197
Community	58 973 859	-	-	-	-	-	(2 106 220)	56 867 639
Finance leased assets	966 868	-	-	-	-	-	(607 032)	359 836
Other assets	100 878 765	12 485 099	(2 705 591)	-	-	-	(14 632 937)	96 025 336
	<b>3 500 451 694</b>	<b>24 380 436</b>	<b>(6 153 602)</b>	<b>(293 370 483)</b>	<b>7 670 467</b>	<b>991 062 117</b>	<b>(91 434 829)</b>	<b>4 132 605 800</b>

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Group - 2014

	Opening balance	Additions	Disposals	Under construction: WIP	Depreciation	Total
Land	7 556 100	143 000	-	-	-	7 699 100
Buildings	13 174 303	6 500 000	-	-	(995 070)	18 679 233
Furniture and fixtures	247 317	33 408	-	-	(55 329)	225 396
Office equipment	28 159	7 190	-	-	(9 685)	25 664
IT equipment	102 579	59 249	(6 793)	-	(63 963)	91 072
Infrastructure	2 932 100 702	123 043 171	-	339 292 511	(82 272 708)	3 312 163 676
Community	61 184 079	-	-	-	(2 210 220)	58 973 859
Finance leased assets	173 122	991 257	-	-	(197 511)	966 868
Other assets	114 565 608	8 234 223	(975 401)	-	(20 945 665)	100 878 765
	<b>3 129 131 969</b>	<b>139 011 498</b>	<b>(982 194)</b>	<b>339 292 511</b>	<b>(106 750 151)</b>	<b>3 499 703 633</b>



## Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

### Notes to the Consolidated Annual Financial Statements

Figures in Rand

#### 4. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - Municipality - 2015

	Opening balance	Additions	Disposals	Transfers	Revaluations	Underconstru ction WIP	Depreciation	Total
Land	7 699 100	-	-	-	2 494 880	-	-	10 193 980
Buildings	18 679 234	575 933	-	-	5 175 587	-	(1 128 255)	23 302 499
Infrastructure	3 312 911 736	11 113 000	(3 295 738)	(293 370 483)	-	991 062 117	(72 818 435)	3 945 602 197
Community	58 973 859	-	-	-	-	-	(2 106 220)	56 867 639
Finance leased Assets	966 868	-	-	-	-	-	(607 032)	359 836
Other assets	100 878 765	12 485 099	(2 705 591)	-	-	-	(14 632 937)	96 025 336
	<b>3 500 109 562</b>	<b>24 174 032</b>	<b>(6 001 329)</b>	<b>(293 370 483)</b>	<b>7 670 467</b>	<b>991 062 117</b>	<b>(91 292 879)</b>	<b>4 132 351 487</b>

## Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

### Notes to the Consolidated Annual Financial Statements

Figures in Rand

#### 4. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - Municipality - 2014

	Opening balance	Additions	Disposals	Underconstru ction: WIP	Depreciation	Total
Land	7 556 100	143 000	-	-	-	7 699 100
Buildings	13 174 303	6 500 000	-	-	(995 070)	18 679 233
Infrastructure	2 932 100 702	123 043 171	-	339 292 511	(82 272 708)	3 312 163 676
Community	61 184 079	-	-	-	(2 210 220)	58 973 859
Finance leased Assets	173 122	991 257	-	-	(197 511)	966 868
Other assets	114 565 608	8 234 223	(975 401)	-	(20 945 665)	100 878 765
	<b>3 128 753 914</b>	<b>138 911 651</b>	<b>(975 401)</b>	<b>339 292 511</b>	<b>(106 621 174)</b>	<b>3 499 361 501</b>

##### Pledged as security

Carrying value of assets pledged as security in the year under review.

There was a change in estimate due to the review of useful lives Refer Note 48

Comparative figures have been restated refer to note 49

##### Capitalised expenditure (excluding borrowing costs)

Land and Buildings	575 933	6 643 000	575 933	6 643 000
Furniture and fixtures	38 344	33 408	-	-
Office equipment	27 270	7 190	-	-
IT equipment	140 790	59 249	-	-
Infrastructure	991 062 117	462 335 682	991 062 117	462 335 682
Finance Leased Assets	-	991 257	-	991 257
Other	12 485 099	8 234 223	12 485 099	8 234 223
	<b>1 004 329 553</b>	<b>478 304 009</b>	<b>1 004 123 149</b>	<b>478 204 162</b>

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

#### 4. Property, plant and equipment (continued)

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

Motor vehicles	707 618	401 405	707 618	401 405
Office equipment	105 877	89 430	105 877	89 430
Infrastructure	-	1 329 677	-	1 329 677
	<b>813 495</b>	<b>1 820 512</b>	<b>813 495</b>	<b>1 820 512</b>

##### Assets subject to finance lease (Net carrying amount)

Office equipment	1 328 557	1 489 916	1 328 557	1 489 916
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#### Revaluations

The effective date of the revaluations was 30 June 2015. Revaluations were performed by independent valuer, Mrs Penelope Jean Lindstrom [Board Member of South African Institute of Valuers], and currently the chairman. Messrs Penny Lindstrom Valuations CC are not connected to the municipality.

Land and buildings are re-valued independently every 3-5 years.

The valuation was performed using depreciation replacement values.

#### Other information

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

Other assets	-	33 269 559	-	33 269 559
Infrastructure	2 548 838	1 124 114	2 548 838	1 124 114
Computer equipment	214 449	233 660	-	-
Office equipment	2 975	2 975	-	-
Furniture and Fittings	21 641	17 576	-	-
	<b>2 787 903</b>	<b>34 647 884</b>	<b>2 548 838</b>	<b>34 393 673</b>

#### Reconciliation of Work-in-Progress Group - 2015

	Included within Infrastructure	Total
Opening balance	1 074 469 927	1 074 469 927
Additions/capital expenditure	991 062 117	991 062 117
Transferred to completed items	(293 370 483)	(293 370 483)
	<b>1 772 161 561</b>	<b>1 772 161 561</b>

#### Reconciliation of Work-in-Progress Group - 2014

	Included within Infrastructure	Total
Opening balance	752 066 998	752 066 998
Additions/capital expenditure	443 344 548	443 344 548
Transferred to completed items	(120 941 619)	(120 941 619)
	<b>1 074 469 927</b>	<b>1 074 469 927</b>

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 4. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress Municipality - 2015

	Included within Infrastructure	Total
Opening balance	1 074 469 927	1 074 469 927
Additions/capital expenditure	991 062 117	991 062 117
Transferred to completed items	(293 370 483)	(293 370 483)
	<b>1 772 161 561</b>	<b>1 772 161 561</b>

#### Reconciliation of Work-in-Progress Municipality - 2014

	Included within Infrastructure	Total
Opening balance	752 066 998	752 066 998
Additions/capital expenditure	443 344 548	443 344 548
Transferred to completed items	(120 941 619)	(120 941 619)
	<b>1 074 469 927</b>	<b>1 074 469 927</b>

No assets were pledged as security during the year under review.

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.

### 5. Intangible assets

Group	2015			2014 Restated		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, licences	8 233 560	(2 472 099)	5 761 461	3 234 164	(2 091 972)	1 142 192
Computer software	271 672	(249 494)	22 178	255 727	(215 696)	40 031
<b>Total</b>	<b>8 505 232</b>	<b>(2 721 593)</b>	<b>5 783 639</b>	<b>3 489 891</b>	<b>(2 307 668)</b>	<b>1 182 223</b>

Municipality	2015			2014 Restated		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	8 233 560	(2 472 099)	5 761 461	3 234 164	(2 091 972)	1 142 192

#### Reconciliation of intangible assets - Group - 2015

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 5. Intangible assets (continued)

	Opening balance	Additions	Amortisation	Total
Computer software, licences	1 142 192	5 000 000	(380 731)	5 761 461
Computer software	40 031	15 945	(33 797)	22 179
	<b>1 182 223</b>	<b>5 015 945</b>	<b>(414 528)</b>	<b>5 783 640</b>

#### Reconciliation of intangible assets - Group - 2014

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, licences	402	1 142 192	-	(402)	1 142 192
Computer software	97 196	15 828	(871)	(72 122)	40 031
	<b>97 598</b>	<b>1 158 020</b>	<b>(871)</b>	<b>(72 524)</b>	<b>1 182 223</b>

#### Reconciliation of intangible assets - Municipality - 2015

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

#### Reconciliation of intangible assets - Municipality - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	402	1 142 192	(402)	1 142 192

#### Pledged as security

Carrying value of intangible assets is not pledged as security.

#### Restricted title

Carrying value of intangible assets whole title is not restricted.

#### Other information

Fully amortised intangible assets still in use	2 315 301	2 138 321	2 091 972	2 091 972
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The amortisation expense has been included in the line item depreciation on the Statement of Financial Performance. A useful life of 3 years has been used in the calculation of amortisation. Software was fully depreciated at year end although still in use by the entity.

### 6. Heritage assets

Group	2015			2014 Restated		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Collections of historical implements	400 000	-	400 000	400 000	-	400 000

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 6. Heritage assets (continued)

Municipality	2015			2014 Restated		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Collections of historical implements	400 000	-	400 000	400 000	-	400 000

#### Reconciliation of heritage assets Group - 2015

	Opening balance	Total
Collections of historical implements	400 000	400 000

#### Reconciliation of heritage assets Group - 2014

	Opening balance	Total
Collections of historical implements	400 000	400 000

#### Reconciliation of heritage assets Municipality - 2015

	Opening balance	Total
Collections of historical implements	400 000	400 000

#### Reconciliation of heritage assets Municipality - 2014

	Opening balance	Total
Collections of historical implements	400 000	400 000

#### Pledged as security

Carrying value of heritage assets is not pledged as security.

Methods and assumption used

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 7. Investments in controlled entities

Name of company	Held by	% holding 2015	% holding 2014	Carrying amount 2015	Carrying amount 2014
Amathole Economic Development Agency (Pty) Ltd t/a ASPIRE	ADM	100,00 %	100,00 %	1 000	1 000

Investment in Municipal Entity.

Amathole Economic Development Agency (Pty) Ltd t/a ASPIRE

Issued share capital (1000 ordinary shares of R1,00 each)

100 Percentage owned by ADM Council

The Amathole Economic Development Agency was established 1 September 2005

**Place of Incorporation:** South Africa

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

The municipality transfer funds to the entity for operating purposes. Refer note 47 for related party transactions

Both the ADM and ASPIRE management agree that uncertainty exists in respect of the ability of the Municipal Entity to meet its financial obligations as they fall due. Accordingly it is the intention of the ASPIRE and ADM management to further identify the root cause of the current situation by way of investigation and to impose a financial recovery plan as envisaged in Section 109.

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>8. Non current receivables</b>				
Long term debtor -National Treasury (MIG)	127 320 150	-	127 320 150	-
National Treasury approved the pledging of the Municipal Infrastructure Grant (MIG) for the two outer years in order to fast track Sanitation backlogs.It will be received over the next two financial years.				
Long term receivable	1 539 546	1 310 847	1 539 546	1 310 847
Non-current receivables are financial assets which are categorised at amortised cost The fair values of the loans are estimated to approximate their carrying amounts				
<b>Loans to sport clubs in the District</b>				
The loans to the local municipalities represents loans to Winterstrand and Kei Road Sports Club. The loans currently attract interest at 4% per annum and are repayable in 40 instalments over 20 years.				
<b>Deposits</b>				
The deposits relates to the amount paid when the municipality enters into the leases for buildings and utilities.				
	<b>128 859 696</b>	<b>1 310 847</b>	<b>128 859 696</b>	<b>1 310 847</b>
<b>Non current receivables</b>				
Deposits			1 539 546	1 310 847
Loans to sport clubs in the District			1 792	3 215
Long term debtor - National Treasury (MIG)			286 320 150	-
Subtotal			287 861 488	1 314 062
Less: Current portion transfered to current receivables			(159 001 792)	(3 215)
			<b>128 859 696</b>	<b>1 310 847</b>
<b>Long term debtor - NT(MIG)</b>				
Current asset	-	-	159 000 000	-
Non current asset	-	-	127 320 150	-
	-	-	<b>286 320 150</b>	-
<b>9. Current Investments</b>				
<b>At amortised cost</b>				
Call investments deposits	-	387 616 947	-	387 616 947
<b>Current assets</b>				
Call investment deposit	-	387 616 947	-	387 616 947



# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 9. Current Investments (continued)

#### Financial Assets at amortised cost

Call Accounts	125 507 039	387 616 947	125 507 039	387 616 947
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The following fixed deposit accounts have been classified at amortised cost in accordance with GRAP104: Financial Instruments.

Maturity periods are fixed and range between 1 - 6 months. Average rate of return on investments 6.04 % (2014: 5.90%).

In accordance with the Municipality's risk management policy deposits are only made with major banks with quality credit standing and limits exposure to any one counter party.

The Municipal Structures Act, Act 117 of 1998, requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

No investments were written off during the year.

The value of the financial assets disclosed in the above note have not been disclosed as cash and cash equivalents due to its maturity period of 3 months or more as at Statement of Financial Position date.

### 10. Operating lease asset (accrual)

Operating lease accrual	(1 851 816)	(363 235)	(1 788 161)	(324 731)
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Operating lease income and expenses have been recognised on a straight line basis over the lease term. The effect of accounting for operating leases on the straight line basis had the above effect.

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 11. Employee benefit obligation

#### Defined contribution plan

Provision for post employment health care benefits			195 444 834	177 172 143
Provision for ex-gratia benefits			113 772	158 901
Provision for long service benefits			18 071 299	10 165 113
			<b>213 629 905</b>	<b>187 496 157</b>

#### Statement of Financial Performance

Current service cost			21 899 487	11 943 918
Interest cost			17 437 189	13 900 021
Actuarial gain recognised			15 274 468	-
Actuarial loss recognised			(1 691 881)	15 507 604
			<b>52 919 263</b>	<b>41 351 543</b>

#### Post retirement medical aid plan

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

- In-service (employee) members			1 354	1 229
- Continuation (retiree, widow / er and orphan) members			395	487
- In-service ( employee) non-members			82	84
			<b>1 831</b>	<b>1 800</b>

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

- In-service (employee) members			142 122 822	123 190 637
- In-service (employee) non-members			25 871 814	25 987 679
- Continuation (retiree and widow) members			27 450 198	27 993 827
			<b>195 444 834</b>	<b>177 172 143</b>

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

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed
- Gems

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

#### Reconciliation of assets and liabilities recognised in the balance sheet

Present value of fund obligations			-	-
Fair value on plan assets			-	-
<b>Present value of unfunded obligations</b>			<b>195 444 834</b>	<b>177 172 143</b>

Present Value of Obligations in excess of Plan Assets			195 444 834	177 172 143
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# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>11. Employee benefit obligation (continued)</b>				
Unrecognised past service cost			-	-
Unrecognised actuarial (gains) / losses			-	-
Unrecognised transitional liability			-	-
<b>Net liability in Balance Sheet</b>			<b>195 444 834</b>	<b>177 172 143</b>

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

### Reconciliation of present value of fund obligation :

Present value of fund obligation at the beginning of the year	177 172 143	139 627 863
Current service costs	18 758 177	13 990 344
Expected benefits paid	(1 608 191)	(2 432 724)
Interest cost	16 375 268	13 014 837
Past service costs	-	-
Actuarial gains / (losses)	(15 252 564)	12 971 823
Contributions	-	-
<b>Present value of fund obligation at the end of the year</b>	<b>195 444 833</b>	<b>177 172 143</b>

Total unfunded liability	R millions	R millions
In-service members	142 123	123 191
In-service non-members	25 872	25 988
Continuation members	27 450	27 994
<b>All eligible individuals</b>	<b>195 445</b>	<b>177 173</b>

### Average liability per individual

In-service members	104 965	100 236
In-service non-member	65 498	53 363
Continuation members	334 759	333 260
<b>All Eligible Individuals</b>	<b>106 742</b>	<b>98 429</b>

The total liability has increased by 16% (or R28.497 million) since the last valuation. A numerical analysis of the unexpected movement ( actuarial gain /loss ) is provided in the next section . The main reasons for the actual movement in the liability are listed next .

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 11. Employee benefit obligation (continued)

#### Eligible employees

The average in-service member liability has increased by 5% since the last valuation due to the following factors :

- an increase in the average which means members are closer to retirement
- an increase in the average past service and
- an increase in the average future employer contribution

These impacts have been offset by :

- an increase in the net discount rate

The total in-service member liability has increased by 15% due to the above, combined with the increase in the number of members.

The average in-service non-member liability has increased by 23% since the last valuation for similar reasons to those described above for in-service members.

The total in-service non-members liability has increased by less than 15% due to the above, offset by decrease in the number of non-members.

#### Continuation members

The average continuation member liability has increased by less than 1% due to an increase in the average employer contribution offset by an increase in the average age and an increase in the discount rate.

The total continuation member liability has decreased by 2% due to the above, being more than offset by a decrease in the number of members

#### Analysis of the Unexpected Movement in the Liability

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

#### **Actuarial Gains and Losses**

Actuarial (Gain)/Loss for the period	(15 252 564)	12 971 823
Contribution to Actuarial Loss:	-	-
Basis Changes : in net discount rate	(1 624 701)	13 250 182
Contribution increases higher than assumed	898 946	4 754 868
Changes to membership profile different from assumed	(13 652 164)	(5 033 227)
Actual benefits vesting, lower than expected	(874 645)	-
	-	-

#### **Net liability in the balance sheet**

Opening balance	177 172 143	139 627 863
Current service cost	18 758 177	13 990 344
Interest cost	16 375 268	13 014 837
Expected return on plan assets	-	-
Transitional liability recognised	-	-
Actuarial (gain) / losses	(15 252 564)	12 971 823
Past service costs	-	-
Net periodic cost recognised in surplus and deficit	19 880 881	39 977 004
Expected employee benefit payments	(1 608 191)	(2 432 724)

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>11. Employee benefit obligation (continued)</b>				
Transitional liability recognised outside surplus and deficit			-	-
<b>Closing balance</b>			<b>195 444 833</b>	<b>177 172 143</b>

Current portion of Liability ( due in next 12 months)			2 561 700	2 482 836
Non-current portion of Liability			192 883 134	174 689 307
			<b>195 444 834</b>	<b>177 172 143</b>

### Reconciliation of fair value of plans assets :

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

### Trend information

	2015	2014	2013	2012
Present Value of Obligation	195 444 834	177 172 143	139 627 863	126 837 070
Fair value of Plan Assets	-	-	-	-
	<b>195 444 834</b>	<b>177 172 143</b>	<b>139 627 863</b>	<b>126 837 070</b>

### Experience adjustments

Actuarial Gain (Loss) before changes in Assumptions			-	-
In respect of Present Value of Obligations			15 252 564	(12 971 823)
In respect of Fair Value of Plan Assets			-	-
			<b>15 252 564</b>	<b>(12 971 823)</b>

### Sensitivity results

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

- A 1% increase and decrease in the assumed rate of health care cost inflation ;
- A 1% increase and decrease in the discount rate;
- A one-year age reduction in the assumed rates of post-retirement mortality;
- A one-year decrease in the assumed average retirement age; and
- A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

### Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service	Continuation	Total	Percentage change
Central assumption	-	167 995	27 450	195 445	-
Health care inflation	1 %	185 839	28 822	214 660	10 %
	(1)%	146 062	25 868	171 930	(12)%
Discount Rate	1 %	140 093	25 485	165 578	(15)%
	-1 %	204 306	29 702	234 008	20 %
Post-retirement mortality	-1 yr	172 663	28 675	201 337	3 %
Average retirement age	-1 yr	183 091	27 450	210 541	8 %
Continuation of membership at retirement	(10)%	148 160	27 450	175 610	(10)%
	- %	-	-	-	- %

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 11. Employee benefit obligation (continued)

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

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 10% higher than that shown.

#### Sensitivity Analysis on the Current-service and Interest Cost

Assumption	Change	Current Service	Interest Cost	Total	% Change
Average retirement age (59 for males, 56 for females)	-	-	-	-	-
Central assumption	-	18 758 200	16 375 300	35 133 500	-
Health care inflation	1 %	22 527 700	19 094 100	41 621 800	18 %
	(1)%	15 431 700	14 039 600	29 471 300	(16)%
Discount rate	1 %	15 189 700	15 378 800	30 568 500	(13)%
	(1)%	23 517 400	17 481 100	40 998 500	17 %
Post-retirement mortality	-1 yr	19 336 300	16 934 800	36 271 100	3 %
Average retirement age	-1 yr	19 802 800	17 640 700	37 443 500	7 %
Continuation of membership at retirement	(10)%	16 528 800	14 730 500	31 259 300	(11)%

Key actuarial assumptions used

Assumption	Value p.a	Value p.a
Health Care Cost Inflation rate	9,22 %	8,44 %
Discount Rate	8,22 %	9,31 %
Net effective discount rate	0,87 %	0,80 %
	- %	- %

Assumption	Value	Value
Average retirement age	-	-
Continuation of membership at retirement	95 %	95 %
Proportional assumed married at retirement	95 %	95 %
Proportional eligible non-members joining the scheme by retirement	50 %	50 %
Mortality during employment	SA 85-90	SA 85-90
Mortality post-retirement	PA 90-2	PA 90-2
Withdrawal from service	-	-
	- %	- %

Withdrawal from service	Age	2015 Females	2015 Male	2014 Females	2014 Males
	20	10 %	15 %	10 %	15 %
	30	10 %	7 %	10 %	7 %
	40	7 %	4 %	7 %	4 %
	50	3 %	1 %	3 %	1 %
	> 55	1 %	- %	1 %	- %
	-	- %	- %	- %	- %

#### Provision for retirement gratuity benefits

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 11. Employee benefit obligation (continued)

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

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

#### Multi-employer funds

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

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

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

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

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

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

#### Defined contribution (DC) Multi-employer plans

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

Full Name of Multi-Employer Plan	Number of the Municipality's employees belongings to the plan	Amount of contributions paid by the Municipality for the year ending 30 June 2015
Cape Retirement Fund (CRF)	1 496	48 662 943
SAMWU National Provident Fund (SNPF)	151	3 202 049
National Fund for Municipal Workers	11	246 550
Cape Joint Pension Fund	7	2 444 223
Easter Cape Gratuity Fund	2	22 085
Eastern Cape Municipal Pension Fund	2	57 420
	-	-

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 11. Employee benefit obligation (continued)

#### Defined benefits (DB) Multi-employer plans

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

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

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

Multi-Employer Plan	Number of the Municipality's employees belonging to the plan	Total number of active members per the Plan's most recent valuation report	Amount of contributions paid by the Municipality for the year ending 30 June 2015	Date of most recently available actuarial valuation report	Funding level
GEPF	64	1 235 064	1 044 126	31 March 2012	100,0 %
SALA PF	6	17 382	251 433	01 July 2014	100,0 %
	-	-	-		- %

Key Assumptions Multi-Employer Plan	Gross discount rate	Salary inflation	Net post-ret discount rate
GEPF	10,70 %	6,70 %	5,80 %
SALA PF	10,75 %	8,00 %	5,75 %
	- %	- %	- %

Further information for each plan follows below :

#### GEPF ( Government Employees Pension Fund )

The funding level of the GEPF remained at 100% as at the 31 March 2012 valuation date compared with the 100% funding level as at the 31 March 2010. The plan is holding reserves at 5.9% of what would be in line with the long-term funding level per the Board of Trustees adopted GEPF Funding Policy.

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



# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 11. Employee benefit obligation (continued)

#### Defined contribution plan

##### SALA PF(South African Local Authorities Pension Fund)

There is a defined contribution section in this Plan (23% of the active membership). The valuation actuary recommended that the prevailing employer contribution rate at 1 July 2014 be maintained at 19.18%. This includes a margin of 1.65% over and above the contribution rate required to fund the Projected Unit Method future service benefits and associated costs. The valuation actuary stated that the margin in the contribution rate remains necessary to build up a solvency reserve and further because the 19.18% is lower than the 19.76% required contribution rate calculated using the Attained Age method, which is more appropriate for a scheme closed to new (often younger) entrants.

##### CJPF (Cape Joint Pension Fund)

The funding level of the CJPF Defined Benefit section was 99.7% as at the 30 June 2013 valuation date compared with a 99.4% funding level as at 30 June 2012. The valuation actuary recommended a total contribution rate of 26.77% which was in excess of the then 23.06% contribution of salaries in the Defined Benefit section. The valuator further stated that although the Defined Benefit section funding level was slightly below 100% at 30 June 2013, he is confident that the Fund has since returned to sound financial condition. He also put forward that once the Financial Services Board approves the imminent conversion of the Defined Benefit section to a Defined Contribution basis the fund will have achieved an important milestone in ensuring its sound financial management.

#### Provision for Ex-Gratia Benefits

Eligible employees

	Male	Total
Number of Pensioners	5	5
Pension - weighted Average Age	6 701	6 701
	89,3	89,3
	-	-

Reconciliation of assets and liabilities recognised in the balance sheet

Total value of liabilities	113 772	158 901
Value of assets	-	-
<b>Unfunded Accrued Liability</b>	<b>113 772</b>	<b>158 901</b>
Unfunded accrued liability	113 772	158 901
Unrecognised actuarial gain	-	-
Unrecognised past service cost	-	-
<b>Net liability in balance sheet</b>	<b>113 772</b>	<b>158 901</b>
Total unfunded liability	113 772	158 901
Average liability per retiree	22 754	19 863
	-	-

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 11. Employee benefit obligation (continued)

The average liability has increased by 15% due to an increase in the average pension and a decrease in the discount rate, partially offset by an increase in the average age.

The total liability has decreased by 28% (or R45,129) since the last valuation due to the above being more than offset by a decrease in the number of pensioners. A numerical analysis of this movement is provided in the next section.

#### Analysis of the unexpected movement in the liability

Actuarial Gain for the period		(21 904)	9 440
Contribution to Actuarial Loss:		-	-
Basis Changes		893	(5 823)
Changes to membership profile different from assumed		(16 355)	15 264
Actual pensions paid lower than expected		(6 442)	-
		-	-

#### Trend Information

Present Value of Obligations	113 772	158 901	181 228
Fair Value of Plan Assets	-	-	-
	<b>113 772</b>	<b>158 901</b>	<b>181 228</b>

#### Experience adjustments

##### Actuarial Gain / (Loss) before in Assumptions

In respect of Present Value of Obligations	(22 797)	15 264	22 880
In respect of Fair Value of Plan Assets	-	-	-
	<b>(22 797)</b>	<b>15 264</b>	<b>22 880</b>

#### Experience Adjustments

Present value of fund obligation at the beginning of the year	158 900	181 228
Current service costs	-	-
Interest cost	10 279	10 249
Past service cost	-	-
Actuarial (losses)/gain	(21 904)	9 440
Expected Benefit payments	(33 504)	(42 017)
	<b>113 771</b>	<b>158 900</b>

#### Reconciliation of fair value of plan assets :

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

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>11. Employee benefit obligation (continued)</b>				
Benefits paid			-	-
<b>Fair value of plan assets at the end of the year</b>			-	-
Current service costs and interest costs				
Total cost			10 279	10 249

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

### Net liability in the balance sheet

Opening balance	158 900	181 228
Current-service cost	-	-
Interest Cost	10 279	10 249
Expected Return on Plan Assets	-	-
Transitional Liability Recognised	-	-
Actuarial (Gain) / Loss	(21 904)	9 440
Net Periodic Cost Recognised in surplus and deficit	(11 625)	19 689
Expected Employer Benefit Payments	(33 504)	(42 017)
Transitional Liability Recognised outside surplus and deficit	-	-
<b>Closing balance</b>	<b>113 771</b>	<b>158 900</b>
Current portion	33 506	39 946
Non-current portion	80 266	118 955
	-	-

### Sensitivity analysis on the unfunded accrued liability

Assumption	Change	Liability	% Change
Central assumptions	- %	113 772	- %
Discount rate	1 %	110 691	(3)%
	(1)%	117 056	3 %
Post-retirement mortality	(1)%	119 446	5 %
	- %	-	- %

The table above indicates, for example, that if the discount rate is 1% greater than the long-term assumption made, the liability will be 3% lower .

### Sensitivity analysis on the interest cost for year

Assumption	Change	Liability	% Change
Central assumptions	- %	10 279	- %
Discount rate	1 %	11 226	9 %
	(1)%	9 255	(10)%
Post-retirement mortality	(1)%	10 809	5 %
	- %	-	- %

# Amathole District Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 11. Employee benefit obligation (continued)

Key actuarial assumptions used	Value p.a	Value p.a
<b>Assumption</b>		
Discount Rate	7,10 %	7,38 %
Mortality in retirement	PA(90)-1	PA(90)-1
	- %	- %

### Provision for Long Service Benefits

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

Summary of eligible employees	Female	Male	Total
Number of eligible employees	- 684	1 064	1 748
Average annual salary	- 212 098	180 380	192 792
Salary-weighted average age	- 38,0	42,5	40,6
Salary-weighted average past service	- 6,2	7,6	7,0
	-	-	-

Long Service Awards for levels of past service

Description	Completed Service (in years)	Long Service Bonuses ( % of Annual Salary )
(5/260+2%) x annual salary	5	3,9 %
(10/260+3%) x annual salary	10	6,8 %
(15/260+4%) x annual salary	15	9,8 %
(15/260+5%) x annual salary	20	10,8 %
(15/260+6%)x annual salary	2 530 354 045	11,8 %
	-	- %

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

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

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

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

R 1,977 for employees with under twelve years of total service at retirement  
R3,404 for employees with twelve or more years of total service at retirement

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

Employee related costs		
Current service cost	3 141 310	2 548 555
Interest cost	1 051 642	874 935
	-	-

# Amathole District Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 11. Employee benefit obligation (continued)

i) The Current-service Cost reflects the additional liability that is expected to accrue in respect of in-service members service over the corresponding year.

ii) The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefit vestings, over the corresponding year. This arises because all future LSA benefits are one year closer to payment.

#### Provision for long service award liability

Opening accrued liability			17 291 009	13 461 418
Current service cost			3 141 310	2 548 555
Interest cost			1 051 642	874 935
Benefit Vestings			(1 382 142)	(2 120 240)
Total annual expense			2 810 810	1 303 250
Actuarial Loss			1 691 881	2 526 341
			<b>21 793 700</b>	<b>17 291 009</b>

Reconciliation of assets and liabilities recognised in the balance sheet

Present value of accrued liability			21 793 700	17 291 009
Fair value of plan assets			-	-
			<b>21 793 700</b>	<b>17 291 009</b>

Unrecognised transitional liability			-	-
Unrecognised actuarial gains/(losses)			-	-
Unrecognised past service cost			-	-
<b>Net liability in Balance sheet</b>			<b>21 793 700</b>	<b>17 291 009</b>

The average liability has increased by 32% due to a 21% increase in the average salary and an increase in average past service, partially offset by an increase in the net discount rate.

The total liability has increased by 26%(or R4,502,691) due to the above partially offset by the fact that there are 87 fewer eligible employees than at the last valuation.

#### Net liability to reflect in balance sheet

Opening balance			17 291 009	13 461 418
Current service costs			3 141 310	2 548 555
Interest cost			1 051 642	874 935
Expected return on plan assets			-	-
Transitional liability recognised			-	-
Actuarial gains recognised in surplus and deficit			1 691 881	2 526 341
Past service cost			-	-
Net periodic cost recognised in surplus and deficit			5 884 833	5 949 831
Expected employer benefit vestings			(1 382 142)	(2 120 240)
			<b>21 793 700</b>	<b>17 291 009</b>

Current portion of liability (due in the next 12 months) refer note 20			3 722 401	7 125 896
Non current portion of liability			18 071 299	10 165 113

			-	-
			-	-

# Amathole District Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>11. Employee benefit obligation (continued)</b>				
<b>Reconciliation of present value of accrued liability</b>				
Present value of accrued liability at the beginning of the year			17 291 009	13 461 418
Current service costs			3 141 310	2 548 555
Expected return on plan assets			-	-
Interest cost			1 051 642	874 935
Past service cost			-	-
Actuarial gains			1 691 881	2 526 341
Expected employer benefit vestings			(1 382 142)	(2 120 240)
<b>Closing Balance</b>			<b>21 793 700</b>	<b>17 291 009</b>

Total unfunded liability			21 793 700	17 291 009
Average liability per member			12 468	9 423

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

Key actuarial assumptions used

### Financial assumptions

Discount rate			7,81 %	7,79 %
General Salary Inflation (long-term)			6,97 %	7,03 %
Net effective discount rate			0,79 %	0,71 %
			- %	- %

The general salaries inflation rate of 6.97% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. this assumption reflects a net discount rate of 0.79%.

It has been assumed that the next salary increase will take place 1 July 2016.

### Demographic assumption

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

Withdrawal from service	Age	Rate		
		- Female	Males	
	20	24 %		16 %
	30	15 %		10 %
	40	6 %		6 %
	50	2 %		2 %
	55	- %		- %
	-	- %		- %

Sensitivity analysis assumption Accrued liability	Change	Liability R Millions	% change
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# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>11. Employee benefit obligation (continued)</b>				
Central assumptions		- %	21 794	- %
General salary inflation		1 %	23 011	6 %
		(1)%	20 681	(5)%
Discount Rate		1 %	20 609	(5)%
		(1)%	23 115	6 %
Average retirement age	-2 yrs		19 865	(9)%
	2 yrs		23 877	10 %
Withdrawal rates		(50)%	26 852	23 %
		- %	-	- %

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6% higher.

### Current service and interest costs

Assumptions	Change	Current service cost	Interest cost	Total	% change
Central assumptions	- %	3 141 300	1 051 600	4 192 900	- %
General salary inflation	1 %	3 351 300	1 125 900	4 477 200	7 %
	(1)%	2 951 000	983 800	3 934 800	(6)%
Discount Rate	1 %	2 937 600	1 105 200	4 042 800	(4)%
	(1)%	3 370 700	986 900	4 357 600	4 %
Average retirement age	-2 yrs	2 903 200	845 300	3 748 500	(11)%
	2 yrs	3 376 300	1 244 800	4 621 100	10 %
Withdrawal rates	50 %	4 243 700	1 370 300	5 614 000	34 %
	- %	-	-	-	- %

### 12. Inventories

Housing projects	1 068 427	1 149 355	1 068 427	1 149 355
Consumable stores	490 330	520 205	490 330	520 205
Water	5 432 696	2 702 048	5 432 696	2 702 048
	<b>6 991 453</b>	<b>4 371 609</b>	<b>6 991 453</b>	<b>4 371 609</b>

### Housing Projects

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

### Water Inventory

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

### Write down of inventory

Raw materials of 2014: (R44 015) on site for the housing projects were found to be damaged and were not suitable for construction.

No inventory pledged as security.

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>13. Receivables from exchange transactions</b>				
Trade receivables	95 299 341	71 607 980	95 299 341	71 607 980



# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 13. Receivables from exchange transactions (continued)

#### Trade and other receivables

Balance as at 30 June 2015	Gross balances	Allowance for impairment	Total
Water	289 491 731	(236 427 964)	53 063 767
Sanitation	200 377 317	(173 407 849)	26 969 468
Interest on arrears component	109 092 143	(93 826 037)	15 266 106
	<b>598 961 191</b>	<b>(503 661 850)</b>	<b>95 299 339</b>

Balance as at 30 June 2014	Gross balances	Allowance for impairment	Total
Water	227 487 078	(186 566 106)	40 920 972
Sanitation	149 510 935	(129 997 131)	19 513 804
Interest on arrears component	85 600 389	(74 427 185)	11 173 204
	<b>462 598 402</b>	<b>(390 990 422)</b>	<b>71 607 980</b>

#### Water and sanitation - Debtors ageing

Current (0 - 30 days)	48 149 534	46 858 159	48 149 534	46 858 159
30 - 60 days	18 549 634	17 544 996	18 549 634	17 544 996
60 - 90 days	17 351 782	17 343 452	17 351 782	17 343 452
90 - 120 days	23 256 378	15 731 456	23 256 378	15 731 456
120 - 330 days	109 033 013	132 385 618	109 033 013	132 385 618
+330 days	382 620 850	232 734 721	382 620 850	232 734 721
	<b>598 961 191</b>	<b>462 598 402</b>	<b>598 961 191</b>	<b>462 598 402</b>

#### Summary of Debtors by Customer Classification - 30 June 2015

	Domestic	Industrial/ Commercial	National and Provincial Government	Total
Current (0-30days)	31 959 779	3 972 303	12 217 452	48 149 534
30-60days	13 800 414	1 121 890	3 627 330	18 549 634
60-90days	12 881 417	1 220 373	3 249 992	17 351 782
90-120days	19 215 189	912 736	3 128 452	23 256 377
120-330days	81 734 098	5 754 661	21 544 254	109 033 013
+330days	303 043 989	12 691 777	66 885 083	382 620 849
Subtotal	462 634 886	25 673 740	110 652 563	598 961 189
Less: Allowance for impairment	(389 605 692)	(21 479 700)	(92 576 459)	(503 661 851)
	<b>73 029 194</b>	<b>4 194 040</b>	<b>18 076 104</b>	<b>95 299 338</b>

#### Summary of Debtors by Customer Classification - 30 June 2014

	Domestic	Industrial/ Commercial	National and Provincial Government	Total
Current (0-30days)	31 551 043	4 244 516	11 062 598	46 858 157
30-60days	12 443 385	986 218	4 115 393	17 544 996
60-90days	12 578 692	1 049 648	3 715 111	17 343 451
90-120days	12 019 066	708 155	3 004 234	15 731 455
120-330days	103 808 625	5 749 206	26 098 342	135 656 173
+330days	183 078 807	8 254 541	38 130 820	229 464 168
Subtotal	355 479 618	20 992 284	86 126 498	462 598 400
Less: Allowance for impairment	(297 152 719)	(15 639 617)	(78 198 084)	(390 990 420)
	<b>58 326 899</b>	<b>5 352 667</b>	<b>7 928 414</b>	<b>71 607 980</b>

# Amathole District Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 13. Receivables from exchange transactions (continued)

The comparative figure was restated refer to note50

#### Credit quality of trade and other receivables

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

#### Trade receivables

##### Counterparties without external credit rating

A - Government	19	10	19	10
B - Businesses	5	7	5	7
C - Domestic and other	76	83	76	83
	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

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

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

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

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

The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness.

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

The municipality has determined the above credit ratings internally through the consideration of previous payment trends per debtor type

Interest is raised at prime on overdue accounts.

#### Trade and other receivables past due but not impaired

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

1 month past due	28 889 720	28 114 894	28 889 720	28 114 894
2 months past due	3 709 927	3 508 999	3 709 927	3 508 999
3 months past due	3 470 356	3 468 690	3 470 356	3 468 690
4 months past due	4 651 275	3 146 291	4 651 275	3 146 291
greater than 4 months	57 621 698	38 015 054	57 621 698	38 015 054

#### Trade and other receivables impaired

The amount of the provision was R 503 661 852 as at 30 June 2015 (2014: R 390 990 422).

The ageing of these receivables is as follows:

3 to 6 months	19 259 814	18 743 263	19 259 814	18 743 263
Over 6 months	14 839 707	14 035 997	14 839 707	14 035 997
6 to 9 months	13 881 426	13 874 761	13 881 426	13 874 761
more than 9 months past due	554 023 881	344 336 401	554 023 881	344 336 401

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 13. Receivables from exchange transactions (continued)

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

Opening balance	400 891 915	303 835 988	400 891 915	303 835 988
Provision for impairment	154 873 868	116 309 046	154 873 868	116 309 046
Amounts written off as uncollectible	(38 004 137)	(19 253 119)	(38 004 137)	(19 253 119)
	<b>517 761 646</b>	<b>400 891 915</b>	<b>517 761 646</b>	<b>400 891 915</b>

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments (more than 30 days overdue) are considered indicators that the consumer debtor is impaired. Total bad debts of R38 004 137 were written off during the year.

### 14. Receivables from non-exchange transactions

Total other debtors	20 140 735	7 763 149	20 140 735	7 763 149
Deposits	44 000	44 000	-	-
Prepayments	75 858	68 400	-	-
Sundry receivables	460 081	439 321	-	-
	<b>20 720 674</b>	<b>8 314 870</b>	<b>20 140 735</b>	<b>7 763 149</b>

#### Receivables from non-exchange transactions

Sundry receivables	34 700 612	18 103 964	34 240 531	17 664 643
Prepayments	75 858	68 400	-	-
Deposits	44 000	44 000	-	-
Subtotal	34 820 470	17 664 643	34 240 531	17 664 643
Allowance for doubtful debts	(14 099 796)	(9 901 494)	(14 099 796)	(9 901 494)
	<b>20 720 674</b>	<b>8 314 870</b>	<b>20 140 735</b>	<b>7 763 149</b>

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

The fair value of other receivables approximates their carrying amounts.

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

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R 20 720 674 (2014: R8 314 870) were past due but not impaired.

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

3 months past due	20 720 674	8 314 870	20 140 735	7 763 149
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#### Receivables from non-exchange transactions impaired

The amount of the provision was R 14 099 796 as at 30 June 2015 (2014: R 9 901 494).

The ageing of these loans is as follows:

Over 6 months	14 099 796	9 901 494	14 099 796	9 901 494
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# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 14. Receivables from non-exchange transactions (continued)

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

Opening balance	9 901 494	6 974 392	9 901 494	6 974 392
Provision for impairment	4 198 302	2 927 102	4 198 302	2 927 102
	<b>14 099 796</b>	<b>9 901 494</b>	<b>14 099 796</b>	<b>9 901 494</b>

### 15. VAT receivable

VAT	106 746 502	42 441 266	105 889 959	41 885 190
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VAT is paid over to SARS only once payment is received from debtors. All VAT returns have been submitted by the due date throughout the year. The comparative figure has been restated. Refer to note 50.

### 16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	9 116	9 879	9 000	9 000
Bank balances (current accounts)	83 893 870	115 946 833	78 651 624	115 141 039
Short-term deposits (call accounts)	136 581 997	5 459 966	126 385 117	1 000 000
	<b>220 484 983</b>	<b>121 416 678</b>	<b>205 045 741</b>	<b>116 150 039</b>

An amount of R59 871 626 (2014: R56 223 076) of unspent conditional grants is included in the cash and cash equivalents. During the current financial year, current investment of R125 385 117 have been included as short term deposits as this investment have been invested for less than three months.

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 16. Cash and cash equivalents (continued)

The group had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
Standard Bank(Primary account) 081-093-454	35 546 978	100 284 746	42 594 975	34 267 739	100 284 746	40 500 600
Absa Bank Account no-406-309-3498	43 930 738	16 448 843	13 585 485	43 930 738	16 448 843	13 585 485
Absa Bank AEDA Cheque account, Account no-406-484-6723	1 140 946	71 996	1 724 269	1 140 946	71 996	1 724 269
Standard Bank AEDA Cheque account	138 819	283 888	399	138 819	283 888	399
Standard Bank Har(Dot) Cheque account	13 155	14 865	166 675	13 155	14 865	166 675
Standard Bank DEA Cheque account	2 026 640	449 910	-	2 026 640	449 910	-
Standard Bank Call account-Account no-886-438-16001	1 000 000	1 000 000	1 069 411	1 000 000	1 000 000	1 069 411
Absa Call account, Account no-915-743-9416	-	-	135 898 958	-	-	135 898 958
Standard Call account	10 183 725	4 445 101	25 622 267	10 183 725	4 445 101	25 622 267
EC-BCM Waste Management - Standard Bank	762 630	-	-	762 630	-	-
Aspire Natural Resources Management- Standard Bank	1 141 879	-	-	1 141 879	-	-
EA Operations	31 331	-	-	31 331	-	-
Cash on hand	116	879	-	116	879	-
Investments 1-3months	125 385 117	-	-	125 385 117	-	-
<b>Total</b>	<b>221 302 074</b>	<b>123 000 228</b>	<b>220 662 439</b>	<b>220 022 835</b>	<b>123 000 228</b>	<b>218 568 064</b>

The municipality had the following accounts

Account number/description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
Standard Bank (Primary account) - Account no.081-093-454	35 546 978	100 284 746	42 594 975	34 267 739	100 284 746	40 500 600
Absa Bank - Account no.406-309-3498	43 930 738	16 448 843	13 585 485	43 930 738	16 448 843	13 585 485
Standard Bank (Call account) - Acc no.886-438-16001	1 000 000	1 000 000	1 069 411	1 000 000	1 000 000	1 069 411
Absa Bank (Call account) - Account no.915-743-9416	-	-	135 898 958	-	-	135 898 958
Investments 1-3 months	125 385 117	-	-	125 385 117	-	-
	<b>205 862 833</b>	<b>117 733 589</b>	<b>193 148 829</b>	<b>204 583 594</b>	<b>117 733 589</b>	<b>191 054 454</b>

### 17. Revaluation reserve

The surplus arising from the revaluation of land is credited to a non distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains and losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance. Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss is recognised in the accumulated surplus/(deficit).

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>17. Revaluation reserve (continued)</b>				
Opening balance	30 146 046	30 146 046	30 146 046	30 146 046
Change during the year	7 670 467	-	7 670 467	-
	<b>37 816 513</b>	<b>30 146 046</b>	<b>37 816 513</b>	<b>30 146 046</b>

During the current year, land and buildings were valued by an independent valuer. Certain properties increased in value. Refer to note 4

### 18. Finance lease obligation

#### Minimum lease payments due

- within one year	215 225	726 848	215 225	726 848
- in second to fifth year inclusive	101 400	316 625	101 400	316 625
	316 625	1 043 473	316 625	1 043 473
less: future finance charges	(19 592)	(76 611)	(19 592)	(76 611)
<b>Present value of minimum lease payments</b>	<b>297 033</b>	<b>966 862</b>	<b>297 033</b>	<b>966 862</b>

#### Present value of minimum lease payments due

- within one year	199 693	669 828	199 693	669 828
- in second to fifth year inclusive	97 340	297 034	97 340	297 034
	<b>297 033</b>	<b>966 862</b>	<b>297 033</b>	<b>966 862</b>
Non-current liabilities	97 340	297 033	97 340	297 033
Current liabilities	199 693	669 829	199 693	669 829
	<b>297 033</b>	<b>966 862</b>	<b>297 033</b>	<b>966 862</b>

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

The average lease term was 3 years and the average effective borrowing rate was 8.5 % (2014: 9.5%). All leases have fixed repayment terms with no annual escalation rate, but varies with the changes in the prime interest rate. No arrangements have been entered into for contingent rent.

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

#### Defaults and breaches

During the financial year, 313 payments were paid after 30 days of receipt of the invoice as per the requirement stipulated in Section 65(2)(e) of the Municipal Finance Management Act No.56 of 2003. The municipality has implemented controls in the form of registers to improve.

### 19. Unspent conditional grants and receipts

#### Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Total unspent conditional grants and receipts	59 871 626	56 223 076	45 239 540	51 030 246
National Government Grants	239 768	435 640	239 768	435 640
Provincial Government Grant	44 402 302	50 147 515	44 402 302	50 147 515
Other Grants Providers	15 229 556	6 490 256	597 470	447 091
	<b>59 871 626</b>	<b>57 073 411</b>	<b>45 239 540</b>	<b>51 030 246</b>

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>19. Unspent conditional grants and receipts (continued)</b>				
<b>Movement during the year</b>				
Balance at the beginning of the year	56 223 076	109 317 114	51 030 246	88 503 680
Additions during the year	862 097 403	467 297 626	844 985 933	465 946 909
Income recognition during the year	(858 448 852)	(520 391 664)	(850 776 639)	(503 420 343)
	<b>59 871 627</b>	<b>56 223 076</b>	<b>45 239 540</b>	<b>51 030 246</b>

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

### 20. Interest bearing borrowings: DBSA

#### At amortised cost

Bank loan	172 351 148	-	172 351 148	-
Terms and conditions				

The loan was obtained from DBSA to fund sanitation projects. Interest is charged at 8.5% and is repayable in 6 instalments over 2 years. The capital portion of the loan is secured by MIG grant

#### Non-current liabilities

At amortised cost	127 320 150	-	127 320 150	-
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#### Current liabilities

At amortised cost	172 351 148	-	172 351 148	-
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# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 21. Provisions

#### Reconciliation of provisions - Group - 2015

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

#### Reconciliation of provisions - Group - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Post employment benefit	2 120 240	5 005 656	-	-	7 125 896
Performance bonus	1 195 401	1 352 145	(617 034)	(578 367)	1 352 145
	<b>3 315 641</b>	<b>6 357 801</b>	<b>(617 034)</b>	<b>(578 367)</b>	<b>8 478 041</b>

#### Reconciliation of provisions - Municipality - 2015

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

#### Reconciliation of provisions - Municipality - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Post employment benefit	2 120 240	5 005 656	-	-	7 125 896
Performance bonus	1 195 401	1 352 145	(617 034)	(578 367)	1 352 145
	<b>3 315 641</b>	<b>6 357 801</b>	<b>(617 034)</b>	<b>(578 367)</b>	<b>8 478 041</b>

#### Performance bonuses

The uncertainties noted for the provision for Performance Bonus are as follows:

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date.

The provision is calculated at 14% of the current total salary package of Section 57 employees for the 2014/15 financial year, however this is subject to change once the assessments have been finalised.

#### Employee benefit cost provision

The uncertainties noted for the current portion of the long service awards are as follows:

The current portion of the long service award was calculated by independent actuaries that have performed a valuation for the long service award provision. Refer to Note 11 for the assumptions used.



# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>22. Current tax payable (receivable)</b>				
<b>South African normal tax</b>				
Current Tax - South African effective and normal rate 28%	-	283 397	-	-
<b>Taxation asset/(liability)</b>				
Amount paid/(payable) at beginning of the year	286 608	226 543	-	-
Interest Earned	15 230	5 545	-	-
Current Tax	-	(283 397)	-	-
Less: Paid during the year	236 381	54 520	-	-
	<b>538 219</b>	<b>3 211</b>	-	-
<b>23. Payables from exchange transactions</b>				
Trade payables	37 677 336	83 879 264	37 614 700	83 879 263
Amounts received in advance: Water and Sanitation	13 956	12 891	13 956	12 891
Other payables	11 975 213	11 059 116	8 894 666	10 882 499
Accruals	190 745 881	10 975 437	190 745 881	10 975 437
Accrued service bonus	12 834 608	12 428 377	12 834 608	12 428 377
Retentions payable	44 721 547	26 535 455	44 721 547	26 535 455
Consumer debtors with credit balances	6 944 067	6 907 026	6 944 067	6 907 026
Accrued Leave Pay	42 552 899	33 340 173	41 974 865	32 890 401
	<b>347 465 507</b>	<b>185 137 739</b>	<b>343 744 290</b>	<b>184 511 349</b>

### Fair value of trade and other payables

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

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

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

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

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

### The movement on the staff leave accrual balances as above for the 2015 financial year was as follows:

#### Accrued Leave Pay

Opening balance	33 340 173	25 249 319	32 890 401	24 806 319
Plus: contributions during the year	22 605 224	18 704 103	22 476 962	18 697 331
Leave sold during the year	(13 392 497)	(10 613 249)	(13 392 497)	(10 613 249)
	<b>42 552 900</b>	<b>33 340 173</b>	<b>41 974 866</b>	<b>32 890 401</b>

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

### The movement on the service bonus accrual balances as above for the 2015 financial year was as follows:

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>23. Payables from exchange transactions (continued)</b>				
<b>Accrued Service Bonus</b>				
Opening balance	12 428 377	9 599 700	12 428 377	9 599 700
Additional provision	39 472 288	34 242 177	39 472 288	34 242 177
Unused amounts reversed	(39 066 057)	(31 413 500)	(39 066 057)	(31 413 500)
	<b>12 834 608</b>	<b>12 428 377</b>	<b>12 834 608</b>	<b>12 428 377</b>

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

### 24. Taxes and transfers payable (non-exchange)

Other payables from non-exchange transactions	-	5 651 074	-	5 651 074
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### 25. Consumer deposits

Water	2 457 622	2 114 008	2 457 622	2 114 008
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The consumer deposits relate to the water and sanitation function.

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

### 26. Revenue

Service charges	242 418 884	200 458 056	242 418 884	200 458 056
Rental of facilities and equipment	315 510	396 046	315 510	396 046
Interest earned outstanding receivables	35 223 104	31 908 697	35 223 104	31 908 697
Other income	20 069 045	8 322 888	20 017 036	8 233 315
Interest received - investments	27 814 067	32 736 734	27 381 848	32 462 038
Government grants & subsidies	1 533 485 727	1 145 559 239	1 525 719 110	1 124 974 361
Own revenue - VAT MIG	47 466 413	46 561 234	47 466 413	46 561 234
Own revenue - VAT other grants	48 503 349	7 117 523	48 503 349	7 117 523
	<b>1 955 296 099</b>	<b>1 473 060 417</b>	<b>1 947 045 254</b>	<b>1 452 111 270</b>

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

Service charges	242 418 884	200 458 056	242 418 884	200 458 056
Rental of facilities and equipment	315 510	396 046	315 510	396 046
Interest earned outstanding receivables	35 223 104	31 908 697	35 223 104	31 908 697
Other income	20 069 045	8 322 888	20 017 036	8 233 315
Interest received - investment	27 814 067	32 736 734	27 381 848	32 462 038
	<b>325 840 610</b>	<b>273 822 421</b>	<b>325 356 382</b>	<b>273 458 152</b>

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

##### Taxation revenue

##### Transfer revenue

Government grants & subsidies	1 533 485 727	1 145 559 240	1 525 719 110	1 124 974 361
Own revenue - Vat on MIG	47 466 413	46 561 234	47 466 413	46 561 234
Own revenue - Vat other grants	48 503 349	7 117 523	48 503 349	7 117 523
	<b>1 629 455 489</b>	<b>1 199 237 997</b>	<b>1 621 688 872</b>	<b>1 178 653 118</b>

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>27. Service charges</b>				
Sale of water	145 957 183	140 562 705	145 957 183	140 562 705
Sewerage and sanitation charges	92 232 036	56 207 949	92 232 036	56 207 949
Other service charges	4 229 664	3 687 402	4 229 664	3 687 402
	<b>242 418 883</b>	<b>200 458 056</b>	<b>242 418 883</b>	<b>200 458 056</b>

Service charges are reflected at an amount net of subsidy to indigents amounting to R22 335 778 (2014: R10 852 544) for water and sanitation.

### 28. Rental of facilities and equipment

#### Facilities and equipment

Other Rentals	141 739	175 594	141 739	175 594
Straight lined operating lease receipts	173 771	220 452	173 771	220 452
	<b>315 510</b>	<b>396 046</b>	<b>315 510</b>	<b>396 046</b>
	<b>315 510</b>	<b>396 046</b>	<b>315 510</b>	<b>396 046</b>

### 29. Other revenue

Other income	20 069 045	82 257 364	20 017 036	8 233 315
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### 30. Other income

Actuarial gain	15 280 893	-	15 280 893	-
Commission	620 147	538 079	620 147	538 079
Connection fees	1 057 284	809 893	1 057 284	809 893
Conservancy fees	1 420 256	1 407 632	1 420 256	1 407 632
Discount received	-	272 971	-	272 822
Legal fees recovered	-	15 502	-	15 502
Sundry income	1 579 395	4 387 596	1 527 387	4 298 173
Bad debts recovered	43 270	198 161	43 270	198 161
RD cheques bank charges recovered	2 817	1 797	2 817	1 797
Solid waste charges	-	539 633	-	539 633
Emergency tanked water	64 983	151 624	64 983	151 624
	<b>20 069 045</b>	<b>8 322 888</b>	<b>20 017 037</b>	<b>8 233 316</b>

### 31. Interest received

#### Interest received Investments

Bank	11 994 159	6 913 624	11 577 170	6 638 927
Financial assets	15 777 606	25 823 110	15 777 606	25 823 110
Interest received - SARS	42 302	-	27 072	-
	<b>27 814 067</b>	<b>32 736 734</b>	<b>27 381 848</b>	<b>32 462 037</b>

### 32. Grants and subsidies paid

#### Other subsidies

Projects ASPIRE	8 680 373	20 598 990	-	-
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# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>33. Government grants and subsidies</b>				
<b>Operating grants</b>				
Industrial Development Corporation	-	2 100 433	-	-
Other grant income	2 235 804	1 713 852	-	-
Conditional grants: conditions met - transferred to revenue	6 943 089	15 578 104	6 943 089	15 578 104
Other government grants and subsidies	32 834 922	27 809 696	32 834 922	27 809 696
Levy replacement grant	270 433 000	248 104 000	270 433 000	248 104 000
Equitable share	393 118 000	373 527 000	393 118 000	373 527 000
	<b>705 564 815</b>	<b>668 833 085</b>	<b>703 329 011</b>	<b>665 018 800</b>
<b>Capital grants</b>				
DBSA income recognition	286 320 150	-	286 320 150	-
Neighbourhood Development Grant	5 436 411	16 770 594	-	-
MWIG capital	14 132 094	12 300 003	14 132 094	12 300 003
RHIG	9 095 274	8 404 726	9 095 274	8 404 726
RBIG	87 078 581	27 237 547	87 078 581	27 237 547
MIG grant	425 764 000	412 013 285	425 764 000	412 013 285
	<b>827 826 510</b>	<b>476 726 155</b>	<b>822 390 099</b>	<b>459 955 561</b>
	<b>1 533 391 325</b>	<b>1 145 559 240</b>	<b>1 525 719 110</b>	<b>1 124 974 361</b>

### Conditional and Unconditional

#### Unconditional

#### Equitable Share

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

#### Equitable Share

Current-year receipts	393 118 000	373 527 000	393 118 000	373 527 000
Conditions met - transferred to revenue	(393 118 000)	(373 527 000)	(393 118 000)	(373 527 000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 19).

#### Levy Grant Replacement

Current-year receipts	270 433 000	248 104 000	270 433 000	248 104 000
Conditions met - transferred to revenue	(270 433 000)	(248 104 000)	(270 433 000)	(248 104 000)
	-	-	-	-

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

#### Changes in levels of government grants

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

#### Conditional

#### Municipal Infrastructure Grant (MIG)

# Amathole District Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>33. Government grants and subsidies (continued)</b>				
Balance unspent at beginning of year	-	12 166 286	-	12 166 286
Current-year receipts	425 764 000	399 847 000	425 764 000	399 847 000
Conditions met - transferred to revenue	(425 764 000)	(412 013 286)	(425 764 000)	(412 013 286)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 19).

### Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	2 148 961	-	2 148 961	-
Current-year receipts	86 140 589	29 386 508	86 140 589	29 386 508
Conditions met - transferred to revenue	(86 860 725)	(27 237 547)	(86 860 725)	(27 237 547)
	<b>1 428 825</b>	<b>2 148 961</b>	<b>1 428 825</b>	<b>2 148 961</b>

Conditions still to be met - remain liabilities (see note 19).

### Municipal System Improvement Grant (MSIG)

Balance unspent at beginning of year	149 534	119 226	149 534	119 226
Current-year receipts	934 000	890 000	934 000	890 000
Conditions met - transferred to revenue	(903 921)	(859 692)	(903 921)	(859 692)
	<b>179 613</b>	<b>149 534</b>	<b>179 613</b>	<b>149 534</b>

Conditions still to be met - remain liabilities (see note 19).

### Expanded Public Works Programme Grant (EPWP)

Balance unspent at beginning of year	-	8 467 272	-	8 467 272
Current-year receipts	3 045 000	3 125 000	3 045 000	3 125 000
Conditions met - transferred to revenue	(3 045 000)	(11 592 272)	(3 045 000)	(11 592 272)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 19).

### Department of Water Affairs :Flood Relief Grant

Balance unspent at beginning of year	190 589	510 076	190 589	510 076
Conditions met - transferred to revenue	(190 589)	(319 487)	(190 589)	(319 487)
	-	<b>190 589</b>	-	<b>190 589</b>

Conditions still to be met - remain liabilities (see note 19).

### Financial Management Grant (FMG)

Balance unspent at beginning of year	-	366 774	-	366 774
Current-year receipts	1 250 000	1 250 000	1 250 000	1 250 000
Expenditure	(1 250 000)	(1 616 774)	(1 250 000)	(1 616 774)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 19).

# Amathole District Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>33. Government grants and subsidies (continued)</b>				
<b>Rural Roads Asset Management Grant (RAMS)</b>				
Balance unspent at beginning of year	244	-	244	-
Current-year receipts	2 708 000	2 347 000	2 708 000	2 347 000
Conditions met - transferred to revenue	(2 648 089)	(2 346 756)	(2 648 089)	(2 346 756)
	<b>60 155</b>	<b>244</b>	<b>60 155</b>	<b>244</b>
Conditions still to be met - remain liabilities (see note 19).				
<b>Water Services Operating Subsidy Grant (WSOG)/Refurbishment</b>				
Balance unspent at beginning of year	-	590 574	-	590 574
Current-year receipts	-	6 000 000	-	6 000 000
Conditions met - transferred to revenue	-	(6 590 574)	-	(6 590 574)
	-	-	-	-
<b>DWA Refurbishment Grant</b>				
Balance unspent at beginning of year	54 583	54 583	54 583	54 583
Current-year receipts	10 000 000	-	10 000 000	-
Conditions met - transferred to revenue	(10 000 000)	-	(10 000 000)	-
Transferred to the consolidated	(54 583)	-	(54 583)	-
	-	<b>54 583</b>	-	<b>54 583</b>
Conditions still to be met - remain liabilities (see note 19).				
<b>Municipal Water Infrastructure Grant (MWIG)</b>				
Current-year receipts	14 132 094	12 300 000	14 132 094	12 300 000
Conditions met - transferred to revenue	(14 132 094)	(12 300 000)	(14 132 094)	(12 300 000)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 19).				
<b>Rural Housing Infrastructure Grant (RHIG)</b>				
Balance unspent at beginning of year	95 274	-	95 274	-
Current-year receipts	9 000 000	8 500 000	9 000 000	8 500 000
Conditions met - transferred to revenue	(9 095 274)	(8 404 726)	(9 095 274)	(8 404 726)
	-	<b>95 274</b>	-	<b>95 274</b>
Conditions still to be met - remain liabilities (see note 19).				
<b>Neighbourhood Development Partnership Grant (NDPG)</b>				
Balance unspent at beginning of year	3 884 655	20 151 445	-	-
Current-year receipts	11 520 244	503 804	11 257 000	-
Conditions met - transferred to revenue	(5 436 411)	(16 770 594)	(11 257 000)	-
	<b>9 968 488</b>	<b>3 884 655</b>	-	-

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 33. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 19).

#### Industrial Development Corporation

Balance unspent at beginning of year	831 146	300 000	-	-
Current-year receipts	-	2 631 579	-	-
Conditions met - transferred to revenue	-	(2 100 433)	-	-
	<b>831 146</b>	<b>831 146</b>	-	-

Conditions still to be met - remain liabilities (see note 19).

#### Department of Rural Development and Agrarian Land Reform

Balance unspent at beginning of year	405	405	-	-
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Conditions still to be met - remain liabilities (see note 19).

#### DEDEAT/ECDC - Emthonjeni Arts

Balance unspent at beginning of year	21 275	119 146	-	-
Current-year receipts	-	531 978	-	-
Conditions met - transferred to revenue	-	(629 849)	-	-
	<b>21 275</b>	<b>21 275</b>	-	-

Conditions still to be met - remain liabilities (see note 19).

#### EC - Adopt a Spot

Balance unspent at beginning of year	449 910	-	-	-
Current-year receipts	2 333 871	450 000	-	-
Conditions met - transferred to revenue	(772 899)	(90)	-	-
	<b>2 010 882</b>	<b>449 910</b>	-	-

Conditions still to be met - remain liabilities (see note 19).

#### Natural Resource Management

Current-year receipts	2 292 355	-	-	-
Conditions met - transferred to revenue	(1 460 640)	-	-	-
	<b>831 715</b>	-	-	-

Conditions still to be met - remain liabilities (see note 19).

#### EC - BCM Waste Management

Current-year receipts	765 000	-	-	-
Conditions met - transferred to revenue	(2 263)	-	-	-
	<b>762 737</b>	-	-	-

Conditions still to be met - remain liabilities (see note 19).

#### DBSA Drylands fund : Ndakana

# Amathole District Municipality

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Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 33. Government grants and subsidies (continued)

Balance unspent at beginning of year	5 439	175 439	-	-
Conditions met - transferred to revenue	-	(170 000)	-	-
	<b>5 439</b>	<b>5 439</b>	-	-

Conditions still to be met - remain liabilities (see note 19).

### NPDG - Capital Grant

Balance unspent at beginning of year	3 884 655	20 151 445	-	-
Current-year receipts	11 520 244	503 804	-	-
Conditions met - transferred to revenue	(5 436 411)	(16 770 594)	-	-
	<b>9 968 488</b>	<b>3 884 655</b>	-	-

Conditions still to be met - remain liabilities (see note 19).



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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>34. Employee related costs</b>				
Employee related costs -Salaries and Wages	338 091 591	275 595 848	324 641 636	267 264 035
Bonus	18 942 378	14 624 795	18 942 378	14 624 795
Medical aid - company contributions	26 593 666	23 268 915	26 593 666	23 268 915
UIF	2 757 907	2 358 028	2 757 907	2 358 028
WCA	3 114 022	2 925 923	3 114 022	2 925 923
Contributions:SAMWU	3 193 725	2 940 935	3 193 725	2 940 935
Leave pay provision charge	31 215 786	27 170 117	31 215 786	27 170 117
Contribution:Pension Fund	50 513 308	39 244 975	50 513 308	39 286 474
Contribution:Group Life	2 316 201	340 400	2 316 201	340 400
Bargaining Council	142 997	123 844	142 997	123 844
Employee Benefit Contribution	20 567 531	24 496 866	20 567 531	24 496 866
Pensioners ex - gratia	-	41 499	-	-
Travel, motor car, accommodation, subsistence and other allowances	24 892 885	15 710 498	24 892 885	15 710 498
Overtime payments	24 232 418	16 913 511	24 232 418	16 913 511
Car allowance	11 233 138	4 122 672	11 233 138	4 122 672
Housing benefits and allowances	4 444 890	3 066 814	4 444 890	3 066 814
Allowance:cellphone	8 413 205	5 853 148	8 413 205	5 853 148
Allowance:Shift	2 014 635	1 729 583	2 014 635	1 729 583
Allowance :Standby	9 594 910	5 588 834	9 594 910	5 588 834
Allowance:Dirt	1 125 536	1 659 828	1 125 536	1 659 828
Long-term benefits - incentive scheme	-	2 954 657	-	2 954 657
Employee Study Scheme	-	1 758 425	-	1 758 425
	<b>583 400 729</b>	<b>472 490 115</b>	<b>569 950 774</b>	<b>464 158 302</b>

### Amounts expended in respect of retirement benefit plans

Defined contribution funds	66 950 043	56 973 844	66 950 043	56 973 844
Defined benefit funds	4 104 052	2 279 778	4 104 052	2 279 778
	<b>71 054 095</b>	<b>59 253 622</b>	<b>71 054 095</b>	<b>59 253 622</b>

### Remuneration of Municipal Manager

Annual Remuneration	1 595 036	1 422 988	1 595 036	1 422 988
Performance Bonuses	132 199	106 938	132 199	106 938
Contributions to UIF, Medical and Pension Funds	1 825	1 785	1 825	1 785
Leave encashment	-	87 954	-	87 954
Cellphone Allowance	50 574	45 684	50 574	45 684
Travel Allowance	192 000	192 000	192 000	192 000
Back pay of remuneration	71 640	15 416	71 640	15 416
	<b>2 043 274</b>	<b>1 872 765</b>	<b>2 043 274</b>	<b>1 872 765</b>

### Remuneration of Chief Finance Officer

Annual Remuneration	870 597	803 819	870 597	803 819
Performance Bonuses	96 395	6 931	96 395	6 931
Contributions to UIF, Medical and Pension Funds	230 646	197 165	230 646	197 165
Leave encashment	58 942	83 318	58 942	83 318
Cellphone Allowance	47 874	43 248	47 874	43 248
Travel Allowance	252 000	252 118	252 000	252 118
Back pay of remuneration	22 769	15 291	22 769	15 291
Housing Allowance	184 357	84 000	184 357	84 000

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Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>34. Employee related costs (continued)</b>	<b>1 763 580</b>	<b>1 485 890</b>	<b>1 763 580</b>	<b>1 485 890</b>
<b>Remuneration of the Director:Engineering</b>				
Annual Remuneration	781 378	758 051	781 378	758 051
Performance Bonuses	96 395	47 528	96 395	47 528
Contributions to UIF, Medical and Pension Funds	176 455	169 958	176 455	169 958
Cellphone Allowance	47 874	43 248	47 874	43 248
Travel Allowance	216 000	216 000	216 000	216 000
Back pay of remuneration	22 768	21 311	22 768	21 311
Housing Allowance	359 927	192 000	359 927	192 000
Leave encashment	145 259	-	145 259	-
	<b>1 846 056</b>	<b>1 448 096</b>	<b>1 846 056</b>	<b>1 448 096</b>
<b>Remuneration of the Director :Strategic Management</b>				
Annual Remuneration	809 195	665 567	809 195	665 567
Performance Bonuses	96 396	87 136	96 396	87 136
Contributions to UIF, Medical and Pension Funds	164 058	134 862	164 058	134 862
Leave encashment	-	156 734	-	156 734
Cellphone Allowance	47 874	43 248	47 874	43 248
Travel Allowance	264 000	264 000	264 000	264 000
Back pay of remuneration	22 768	16 890	22 768	16 890
Housing Allowance	299 127	299 127	299 127	276 000
Acting Allowance	19 804	-	19 804	-
	<b>1 723 222</b>	<b>1 667 564</b>	<b>1 723 222</b>	<b>1 644 437</b>
<b>Remuneration of the Director :Corporate Services</b>				
Annual Remuneration	943 707	885 077	943 707	885 077
Performance Bonuses	137 707	87 136	137 707	87 136
Contributions to UIF, Medical and Pension Funds	191 463	164 629	191 463	164 629
Leave encashment	64 836	42 684	64 836	42 684
Cellphone Allowance	47 874	43 248	47 874	43 248
Travel Allowance	397 596	288 000	397 596	288 000
Back pay of remuneration	22 769	19 616	22 769	19 616
	<b>1 805 952</b>	<b>1 530 390</b>	<b>1 805 952</b>	<b>1 530 390</b>
<b>Remuneration of the Director :Health &amp; Protection</b>				
Annual Remuneration	961 754	507 878	961 754	507 878
Performance Bonuses	72 296	90 829	72 296	90 829
Contributions to UIF, Medical and Pension Funds	174 941	107 551	174 941	107 551
Leave encashment	-	291 356	-	291 356
Cellphone Allowance	43 250	27 200	43 250	27 200
Travel Allowance	255 772	168 000	255 772	168 000
Back pay of remuneration	70 107	21 823	70 107	21 823
Housing Allowance	-	56 000	-	56 000
	<b>1 578 120</b>	<b>1 270 637</b>	<b>1 578 120</b>	<b>1 270 637</b>
<b>Remuneration of the Director:Land Settlements and Housing</b>				
Annual Remuneration	780 059	770 950	780 059	770 950
Performance Bonuses	96 395	70 298	96 395	70 298

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>34. Employee related costs (continued)</b>				
Contributions to UIF, Medical and Pension Funds	200 875	184 434	200 875	184 434
Leave encashment	133 890	72 000	133 890	72 000
Cellphone Allowance	46 650	40 800	46 650	40 800
Travel Allowance	252 000	252 000	252 000	252 000
Back pay of remuneration	22 769	15 969	22 769	15 969
Housing Subsidy	354 745	49 897	354 745	49 897
	<b>1 887 383</b>	<b>1 456 348</b>	<b>1 887 383</b>	<b>1 456 348</b>

### Remuneration of the Director : Legislative Executive Services

Annual Remuneration	1 182 414	923 105	1 182 414	923 105
Performance Bonuses	123 937	62 451	123 937	62 451
Contributions to UIF, Medical and Pension Funds	19 705	1 784	19 705	1 784
Leave encashment	-	37 264	-	37 264
Cellphone Allowance	44 208	35 916	44 208	35 916
Travel Allowance	263 604	264 000	263 604	264 000
Back pay of remuneration	214 453	21 260	214 453	21 260
	<b>1 848 321</b>	<b>1 345 780</b>	<b>1 848 321</b>	<b>1 345 780</b>

### Remuneration of Acting Director of Finance - Appointed 12 January 2015

Acting Allowance	141 008	-	-	-
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### Remuneration of Agency Chief Executive Officer - Appointed in March 2013

Annual Remuneration	1 414 192	1 579 021	-	-
Allowances	60 000	-	-	-
Performance Bonuses	199 873	-	-	-
Contributions to UIF, Medical and Pension Funds	192 339	202 003	-	-
	<b>1 866 404</b>	<b>1 781 024</b>	-	-

### Chief Operations Officer - April 2014

Annual remuneration	1 078 245	219 971	-	-
Contributions to UIF, Medical and Pension Funds	38 885	-	-	-
	<b>1 117 130</b>	<b>219 971</b>	-	-

### Senior Manager's remuneration

Director Operations Resigned in August 2013

Annual remuneration	-	308 546	-	-
Leave paid	-	57 112	-	-
	-	<b>365 658</b>	-	-

### Director of Finance

Annual remuneration	352 844	706 099	-	-
Allowances	24 000	50 000	-	-
Leave encashment	85 212	32 462	-	-
Bonus	95 404	-	-	-
Contributions to UIF, Medical and Pension Funds	51 640	99 193	-	-

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Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>34. Employee related costs (continued)</b>	<b>609 100</b>	<b>887 754</b>	-	-
<b>Director of Corporate Services</b>				
Annual remuneration	828 574	756 099	-	-
Bonus	84 413	-	-	-
Contributions to UIF, Medical and Pension Funds	104 131	98 319	-	-
	<b>1 017 118</b>	<b>854 418</b>	-	-
<b>Company Secretary - Appointed in December 2013</b>				
Annual remuneration	886 258	439 651	-	-
Contributions to UIF, Medical and Pension Funds	46 028	58 196	-	-
Bonus	35 650	-	-	-
	<b>967 936</b>	<b>497 847</b>	-	-
<b>35. Remuneration of councillors</b>				
Executive Mayor	886 906	450 051	886 906	450 051
Non Executive board members	1 115 230	839 959	-	-
Speaker	724 923	363 730	724 923	363 730
Councillors (2015: 37 (2014: 37))	11 050 339	11 330 767	11 050 339	11 330 767
Skills development levy	159 304	-	159 304	-
Councillors allowance	208 394	108 113	208 394	108 113
	<b>14 145 096</b>	<b>13 092 620</b>	<b>13 029 866</b>	<b>12 252 661</b>

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 35. Remuneration of councillors (continued)

#### In-kind benefits

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

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor has two full-time bodyguards.

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

#### Executive Mayor :NH Konza

Salary	314 312	264 080	314 312	264 080
Cellphone Allowance	22 126	36 582	22 126	36 582
Travel Allowance	129 771	90 584	129 771	90 584
Housing Allowance	383 034	462 052	383 034	462 052
3G Allowance	3 300	3 600	3 300	3 600
Back pay	37 097	7 671	37 097	7 671
	<b>889 640</b>	<b>864 569</b>	<b>889 640</b>	<b>864 569</b>

#### Speaker : S Janda

Salary	271 803	261 050	271 803	261 050
Cellphone Allowance	20 625	20 868	20 625	20 868
Travel Allowance	6 175	-	6 175	-
Housing Allowance	383 714	390 997	383 714	390 997
3G Allowance	3 300	3 600	3 300	3 600
Back pay	37 097	7 464	37 097	7 464
	<b>722 714</b>	<b>683 979</b>	<b>722 714</b>	<b>683 979</b>

#### Cllr Jacobs

Salary	470 673	450 837	470 673	450 837
Cellphone Allowance	20 868	20 868	20 868	20 868
Travel Allowance	156 891	154 573	156 891	154 573
Housing Allowance	3 600	3 600	3 600	3 600
3G Allowance	27 823	12 881	27 823	12 881
	<b>679 855</b>	<b>642 759</b>	<b>679 855</b>	<b>642 759</b>

#### Cllr: T Xundu-Kubukeli

Salary	143 715	239 867	143 715	239 867
Cellphone Allowance	12 173	20 868	12 173	20 868
Travel Allowance	47 905	82 122	47 905	82 122
Housing Allowance	169 050	289 800	169 050	289 800
3G Allowance	2 100	3 600	2 100	3 600
Back pay	21 640	6 500	21 640	6 500
	<b>396 583</b>	<b>642 757</b>	<b>396 583</b>	<b>642 757</b>

#### Cllr EB Madikane

Salary	470 673	450 837	470 673	450 837
Cellphone Allowance	20 868	20 868	20 868	20 868
Travel Allowance	156 891	154 572	156 891	154 572

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>35. Remuneration of councillors (continued)</b>				
Housing Allowance	3 600	3 600	3 600	3 600
3G Allowance	27 823	12 881	27 823	12 881
	<b>679 855</b>	<b>642 758</b>	<b>679 855</b>	<b>642 758</b>
<b>Cllr SB Mtintsilana</b>				
Salary	470 673	450 837	470 673	450 837
Cellphone Allowance	20 868	20 868	20 868	20 868
Travel Allowance	156 891	154 572	156 891	154 572
3G Allowances	3 600	3 600	3 600	3 600
Back pay	27 823	12 881	27 823	12 881
	<b>679 855</b>	<b>642 758</b>	<b>679 855</b>	<b>642 758</b>
<b>Cllr B Melitafa</b>				
Salary	249 079	235 267	249 079	235 267
Cellphone Allowance	20 868	20 868	20 868	20 868
Travel Allowance	81 411	80 547	81 411	80 547
Housing Allowance	297 075	296 100	297 075	296 100
3G Allowance	3 600	3 600	3 600	3 600
Back pay	27 823	6 376	27 823	6 376
	<b>679 856</b>	<b>642 758</b>	<b>679 856</b>	<b>642 758</b>
<b>Cllr P Billie</b>				
Salary	270 502	450 837	270 502	450 837
Cellphone Allowance	12 173	20 868	12 173	20 868
Travel Allowance	90 167	154 572	90 167	154 572
3G Allowance	2 100	3 600	2 100	3 600
Back pay	21 640	12 881	21 640	12 881
	<b>396 582</b>	<b>642 758</b>	<b>396 582</b>	<b>642 758</b>
<b>Cllr M Papu</b>				
Salary	273 654	267 469	273 654	267 469
Cellphone	20 868	20 868	20 868	20 868
Travel Allowance	90 141	91 572	90 141	91 572
Housing Allowance	231 000	252 000	231 000	252 000
3G Allowance	3 600	3 600	3 600	3 600
Back pay	27 823	7 248	27 823	7 248
	<b>647 086</b>	<b>642 757</b>	<b>647 086</b>	<b>642 757</b>
<b>Cllr M Memani</b>				
Salary	470 673	450 837	470 673	450 837
Cellphone Allowance	20 868	20 868	20 868	20 868
Travel Allowance	156 891	154 572	156 891	154 572
3G Allowance	3 600	3 600	3 600	3 600
Back pay	27 823	12 881	27 823	12 881
	<b>679 855</b>	<b>642 758</b>	<b>679 855</b>	<b>642 758</b>
<b>Cllr P Finca</b>				
Salary	470 673	450 837	470 673	450 837
Cellphone Allowance	20 868	20 868	20 868	20 868
Travel Allowance	156 891	154 572	156 891	154 572
3G Allowance	3 600	3 600	3 600	3 600
Back pay	27 823	12 881	27 823	12 881

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>35. Remuneration of councillors (continued)</b>	<b>679 855</b>	<b>642 758</b>	<b>679 855</b>	<b>642 758</b>
<b>Cllr S Genu</b>				
Salary	297 059	285 870	297 059	285 870
Cellphone Allowance	20 868	20 868	20 868	20 868
Travel Allowance	100 404	97 872	100 404	97 872
Housing Allowance	230 100	226 800	230 100	226 800
3G Allowance	3 600	3 600	3 600	3 600
Back pay	27 823	7 747	27 823	7 747
	<b>679 854</b>	<b>642 757</b>	<b>679 854</b>	<b>642 757</b>
<b>Cllr M Bikitsha</b>				
Salary	195 097	184 663	195 097	184 663
Cellphone Allowance	20 868	20 868	20 868	20 868
Travel Allowance	65 417	63 222	65 417	63 222
Housing Allowance	367 050	365 400	367 050	365 400
3G Allowance	3 600	3 600	3 600	3 600
Back pay	27 823	5 004	27 823	5 004
	<b>679 855</b>	<b>642 757</b>	<b>679 855</b>	<b>642 757</b>
<b>Agency Directors' Remuneration: Non-Executive Board Members</b>				
Ms. NEP Loyilane	149 813	90 280	-	-
Dr. V. Mkosana	181 108	182 705	-	-
Mr. S Mpambani	67 833	163 219	-	-
Mr. A Qunta	119 500	138 500	-	-
Ms. S Madala	241 593	98 392	-	-
Mr. S Manandla	243 518	100 825	-	-
	<b>1 003 365</b>	<b>773 921</b>	-	-
<b>Agency Audit Committee Non-Director Members</b>				
Mr. S Mbewu	47 465	36 609	-	-
Mr. MS Panicker	64 401	29 429	-	-
	<b>111 866</b>	<b>66 038</b>	-	-
<b>Cllr: N Mgidlana</b>				
Salary	146 126	-	146 126	-
Cellphone Allowance	21 440	-	21 440	-
Travel Allowance	33 384	-	33 384	-
Housing Allowance	108 773	-	108 773	-
3G Allowance	3 699	-	3 699	-
Back pay	24 595	-	24 595	-
	<b>338 017</b>	-	<b>338 017</b>	-
<b>Cllr: Nyalambisa</b>				
Salary	212 846	-	212 846	-
Cellphone Allowance	21 440	-	21 440	-
Travel Allowance	75 438	-	75 438	-
3G Allowance	3 699	-	3 699	-
Back pay	24 595	-	24 595	-
	<b>338 018</b>	-	<b>338 018</b>	-

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>35. Remuneration of councillors (continued)</b>				
<b>Cllr: SM Zuka</b>				
Salary	73 731	-	73 731	-
Cellphone Allowance	5 789	-	5 789	-
Travel Allowance	29 947	-	29 947	-
3G Allowance	1 047	-	1 047	-
Back pay	16 110	-	16 110	-
	<b>126 624</b>	<b>-</b>	<b>126 624</b>	<b>-</b>
<b>36. Depreciation and amortisation</b>				
Property, plant and equipment	91 102 796	106 509 732	90 856 216	106 308 633
Property, plant and equipment			90 544 824	106 237 398
Intangible assets			380 731	402
Investment property			(69 339)	70 833
			<b>90 856 216</b>	<b>106 308 633</b>
<b>37. Finance costs</b>				
Total finance costs	31 028 407	14 476 675	31 001 620	14 476 675
Finance leases	55 984	141 483	55 984	141 483
Employee benefit obligation	17 437 189	13 900 021	17 437 189	13 900 021
Vat penalty	154 254	403 823	154 254	403 823
Interest overdue accounts	29 832	31 348	3 045	31 348
Interest expense - external borrowings	13 351 148	-	13 351 148	-
	<b>31 028 407</b>	<b>14 476 675</b>	<b>31 001 620</b>	<b>14 476 675</b>
<b>38. Debt impairment</b>				
Contributions to debt impairment provision	154 948 425	116 309 046	154 873 868	116 309 046
Refer to note 13 included in receivables from exchange transaction.				
<b>39. Bulk purchases</b>				
Water	57 572 563	62 048 818	57 572 563	62 048 818
<b>40. Contracted services</b>				
Contractual amounts - office equipment	244 225	559 816	244 225	559 816
Accommodation	25 526 286	16 178 848	25 526 286	16 178 848
Parking	2 201 975	1 837 251	2 201 975	1 837 251
Motor Vehicles	66 080	697 529	66 080	697 529
	<b>28 038 566</b>	<b>19 273 444</b>	<b>28 038 566</b>	<b>19 273 444</b>



# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>41. General expenses</b>				
Audit fees	4 669 913	4 885 104	4 063 574	4 167 159
Advertising	1 430 280	1 116 690	1 323 526	1 081 931
Assessment rates & municipal charges	718 049	710 991	718 049	710 991
Audit Committee	518 250	590 295	518 250	590 295
Bank charges	279 883	325 012	242 556	297 530
Cleaning	55 745	66 396	30 695	45 059
Gifts	354 698	253 728	354 698	253 728
Database expenses	287 308	620 467	287 308	564 272
Consulting and professional fees	36 920 144	41 010 084	36 194 075	40 975 206
Consumables	1 511 728	498 878	1 511 728	498 878
Pit latrine clearance	9 770 603	6 054 996	9 770 603	6 054 996
Delegated Management	1 322 943	1 247 142	1 322 943	1 247 142
Rentals : VPN lines	1 797 661	1 397 671	1 797 661	1 397 671
Live stock improvement	34 200	441 122	34 200	441 122
Entertainment	3 833 914	166 947	3 819 841	160 476
Public Participation	1 945 950	2 669 465	1 945 950	2 669 465
Fire services	7 204	5 565	7 204	5 565
Training and workshops	7 781 788	9 779 062	7 590 346	9 623 913
Grants in aid	630 140	477 166	630 140	477 166
Administration costs	5 670	400	5 670	400
Hiring costs	6 556 751	22 817 355	6 556 751	22 809 905
Insurance	6 170 219	6 110 798	6 081 543	6 032 907
Community based organisation	29 192 710	19 961 181	29 192 710	19 961 181
Conferences and seminars	1 535 712	2 621 583	1 535 712	2 621 583
International programmes	427 354	220 529	427 354	220 529
Software and computer expenditure	12 886 529	14 183 076	12 771 171	14 065 056
Emergency provisions	1 996 064	1 775 379	1 996 064	1 775 379
Marketing	2 661 803	3 337 015	2 622 393	3 251 463
Recruitment expenditure	1 062 155	1 217 317	749 745	836 275
IGR Learnership and programmes	161 806	225 487	161 806	131 872
Water research levy	1 254 336	813 308	1 254 336	813 308
Books and Publications	24 078	85 463	24 078	85 463
Solid waste site costs	3 374 285	4 126 394	3 374 285	4 126 394
Skills Development Levy	4 462 363	3 713 240	4 462 363	3 713 240
Sampling and testing	1 007 013	1 240 144	1 007 013	1 240 144
Fumigation	20 422	68 270	20 422	68 270
Conditional grant expenditure	336 165 854	61 939 228	336 165 854	61 939 228
Communication	1 175 167	2 046 810	1 175 167	2 046 810
Whippery	84 145	102 046	84 145	102 046
Postage and courier	1 966 240	2 155 091	1 961 849	2 145 837
Printing and stationery	6 269 097	5 528 608	6 058 805	5 327 627
Bulk:Chemicals	-	2 648 153	-	2 648 153
Protective clothing and uniforms	7 017 900	6 795 090	7 017 900	6 795 090
Internally funded projects	34 506	-	34 506	-
Tools	323 473	261 404	323 473	261 404
Licenses and subscriptions	790 144	767 597	745 698	687 685
Accounting fees	10 887	-	-	-
Security services	21 127 353	17 533 064	21 107 866	17 512 909
Bulk purchases: General expenses	2 850	1 456 373	-	1 452 110
Employee welfare	5 914 710	5 439 657	5 884 753	5 420 403
Membership fees	6 979 051	5 533 893	5 863 821	4 693 934
Telephone and fax	4 060 548	5 016 911	3 773 339	4 802 788
Transport and freight	35 527 318	25 397 677	35 527 318	25 397 677
Bursary for rare skills	365 052	419 943	365 052	419 943
Subsistence and Travel	21 336 802	14 978 516	20 708 917	14 574 594
Bulk: Travel,labour,supervision	-	15 569 902	-	15 569 902
Stipend Volunteers	1 396 633	1 191 200	1 396 633	1 191 200

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>41. General expenses (continued)</b>				
Project management	4 153 963	4 626 705	237 684	785 839
Refreshments	2 854 793	3 077 876	2 809 967	3 040 689
Electricity, Water and refuse	31 482 831	49 415 194	31 443 803	49 376 986
Bulk: Repairs and maintenance	-	4 527 919	-	4 527 919
Ethics and discipline	-	1 390	-	1 390
Performance management system	35 000	30 000	35 000	30 000
Offsite storage	43 445	42 031	43 445	42 031
Stores and materials	114 626	407 994	114 626	407 994
Interest and penalties	26 787	-	-	-
Food control	1 451 346	2 775 273	1 451 346	2 775 273
Annual report	114 145	107 860	-	-
Campaigns and promotions	2 433 333	5 177 845	2 383 697	5 084 230
Advisory forums	17 119	162 037	17 119	162 037
Amathole Economic Development Agency	-	-	16 680 858	15 000 000
Annual event	1 225 831	1 400 561	1 225 831	1 400 561
Job evaluation expenditure	50 000	-	50 000	-
Housing inventory	80 928	44 015	80 928	44 015
Special programmes	28 980 162	12 461 503	28 980 162	12 461 503
Disposal of the dead	162 946	181 116	162 946	181 116
Meeting costs	2 287 125	3 713 631	2 287 125	3 713 631
Oversight committee	435 823	410 744	435 823	410 744
Chemicals	10 297 201	6 108 409	10 297 201	6 108 409
Consultative forums	504 960	670 643	504 960	670 643
Property only	13 902	57 777	13 902	57 777
	<b>683 983 667</b>	<b>425 015 406</b>	<b>691 858 282</b>	<b>432 288 061</b>
<b>42. Auditors' remuneration</b>				
Expenses	4 635 761	4 695 458	4 063 574	4 167 159

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>43. Cash generated from operations</b>				
Surplus	246 756 799	177 717 485	248 117 474	176 164 079
<b>Adjustments for:</b>				
Depreciation and amortisation	91 102 796	106 308 633	90 856 216	106 308 633
Gain (loss) on sale of asset and liabilities	5 679 773	(1 369 721)	5 698 121	(1 362 103)
Provision paid	-	-	(500 426)	-
Finance costs - Finance leases	13 377 935	-	13 351 148	-
Interest income	(1 385 117)	-	(1 385 117)	-
Debt impairment	154 873 868	116 309 046	154 873 868	116 309 046
Movements in operating lease assets and accruals	(25 151)	(13 087)	-	(22 883)
Movements in retirement benefit assets and liabilities	26 133 747	36 345 888	26 133 747	36 345 888
Movements in provisions	(1 977 986)	4 658 338	(2 432 596)	5 162 400
Movement in tax receivable and payable	(251 611)	223 332	-	-
<b>Changes in working capital:</b>				
Inventories	(2 619 844)	(389 179)	(2 619 844)	(389 179)
Receivables from exchange transactions	(23 691 359)	(9 096 917)	(23 691 359)	(9 096 917)
Consumer debtors	(154 873 868)	(116 309 046)	(154 873 868)	(116 309 046)
Other receivables from non-exchange transactions (Decrease)/Increase in revenue retained from non exchange transactions	(12 405 804) 9 239 255	(3 312 883) -	(12 377 586) -	(3 394 043) -
Payables from exchange transactions	175 146 339	30 133 427	160 696 378	38 274 235
VAT	(64 305 235)	6 195 978	(64 004 769)	6 138 273
Taxes and transfers payable (non exchange)	(5 651 074)	363 556	(5 651 074)	363 556
Unspent conditional grants and receipts	(15 029 961)	(52 892 933)	(5 790 706)	(37 473 433)
Increase in long term debtors for MIG grant	(286 320 150)	-	(286 320 150)	-
	<b>153 773 352</b>	<b>294 871 917</b>	<b>140 079 457</b>	<b>317 018 506</b>

### 44. Tax refunded (paid)

Balance at beginning of the year	(3 211)	226 543	-	-
Current tax for the year recognised in surplus or deficit	-	(283 397)	-	-
Balance at end of the year	538 219	(3 211)	-	-
	<b>535 008</b>	<b>(60 065)</b>	-	-

### 45. Financial instruments disclosure

#### Categories of financial instruments

##### Group - 2015

##### Financial assets

	At amortised cost	Total
Non - current receivables	1 539 546	1 539 546
Trade and other receivables from exchange transactions	95 299 338	95 299 338
Other receivables from non-exchange transactions	20 720 674	20 720 674
Cash and cash equivalents	220 484 982	220 484 982
	<b>338 044 540</b>	<b>338 044 540</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	347 329 863	347 329 863

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>Financial instruments disclosure (continued)</b>				
Interest bearing borrowings : DBSA			299 671 298	299 671 298
			<b>647 001 161</b>	<b>647 001 161</b>

### Group - 2014

#### Financial assets

	At amortised cost	Total
Non current receivables	1 310 847	1 310 847
Trade and other receivables from exchange transactions	71 607 980	71 607 980
Other receivables from non-exchange transactions	8 314 870	8 314 870
Cash and cash equivalents	116 150 039	116 150 039
Current Investment	387 616 947	387 616 947
	<b>585 000 683</b>	<b>585 000 683</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	185 137 733	185 137 733

### Municipality - 2015

#### Financial assets

	At amortised cost	Total
Non current receivables	1 539 546	1 539 546
Trade and other receivables from exchange transactions	95 299 338	95 299 338
Other receivables from non-exchange transactions	20 140 735	20 140 735
Cash and cash equivalents	205 045 740	205 045 740
	<b>322 025 359</b>	<b>322 025 359</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	343 608 647	343 608 647
Interest Bearing Borrowings: DBSA	299 671 298	299 671 298
	<b>643 279 945</b>	<b>643 279 945</b>

### Municipality - 2014

#### Financial assets

	At amortised cost	Total
Non-current receivables	1 310 847	1 310 847
Trade and other receivables from exchange transactions	71 607 980	71 607 980
Other receivables from non-exchange transactions	7 763 149	7 763 149
Cash and cash equivalents	116 150 039	116 150 039
Current Investments	387 616 947	387 616 947

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>Financial instruments disclosure (continued)</b>				
			<b>584 448 962</b>	<b>584 448 962</b>
<b>Financial liabilities</b>				
			<b>At amortised cost</b>	<b>Total</b>
Trade and other payables from exchange transactions			184 511 349	184 511 349

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>46. Commitments</b>				
<b>Authorised capital expenditure</b>				
<b>Already contracted for but not provided for</b>				
• Infrastructure	1 188 729 286	877 417 860	1 188 729 286	877 417 860
• Community	64 070 652	61 486 886	52 938 298	39 571 408
• Other - Land and Buildings	11 161 925	6 987 230	11 161 925	6 987 230
	<b>1 263 961 863</b>	<b>945 891 976</b>	<b>1 252 829 509</b>	<b>923 976 498</b>
<b>Not yet contracted for and authorised by accounting officers</b>				
• Other financial assets	-	700 000	-	-
<b>Total capital commitments</b>				
Already contracted for but not provided for	1 263 961 863	945 891 976	1 252 829 509	923 976 498
Not yet contracted for and authorised by accounting officers	-	700 000	-	-
	<b>1 263 961 863</b>	<b>946 591 976</b>	<b>1 252 829 509</b>	<b>923 976 498</b>
<b>This expenditure will be financed from</b>				
Government grants	1 133 032 649	899 523 309	1 121 900 295	877 607 831
Own resources	130 929 214	46 368 667	130 929 214	46 368 667
	<b>1 263 961 863</b>	<b>945 891 976</b>	<b>1 252 829 509</b>	<b>923 976 498</b>
<b>Operating leases - as lessee (expense)</b>				
<b>Minimum lease payments due</b>				
- within one year	33 233 230	6 327 112	33 233 230	5 526 830
- in second to fifth year inclusive	43 740 593	5 565 607	43 740 593	4 430 659
	<b>76 973 823</b>	<b>11 892 719</b>	<b>76 973 823</b>	<b>9 957 489</b>
<b>Operating leases - as lessor (income)</b>				
<b>Minimum lease payments due</b>				
- within one year	80 572	118 302	80 572	118 302
- in second to fifth year inclusive	276 315	289 959	276 315	289 959
- later than five years	10 257	56 928	10 257	56 928
	<b>367 144</b>	<b>465 189</b>	<b>367 144</b>	<b>465 189</b>

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

Operating Leases consists of the following:

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

No contingent rent is payable.

Leases are negotiated for an average of 6 years and rentals escalate by an average of 12% annually.

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>47. Contingencies</b>				
<b>Contingent liabilities</b>				
<b>Legal claims</b>				
Five legal claims submitted to the legal department of the municipality are in the process of being resolved. The estimated liability of such claims, should the claimant be successful is disclosed. The timing of the legal proceedings regulating the claims is uncertain.				
Legal disputes relate to:				
<b>Claim for damages</b>	19 094	19 094	19 094	19 094
The plaintiff has instituted legal action against the municipality for damages after a motor vehicle accident involving livestock. Matter is dormant and only open to monitor plaintiffs actions.				
<b>Compensation for work performed by a contractor</b>	-	3 310 894	-	3 310 894
The municipality has been sued for the payment of outstanding amounts claimed in relation to the construction of RDP houses. The municipality has pleaded that it is not obliged to pay the amounts until receipt of funds from the Eastern Cape Department of Human Settlements. Department of Human Settlements has now been joined, and either their approach for settlement or defence are expected. Dispute remains between ADM and Department of Human Settlements. ADM settled during 2014/15 financial year.				
	1 325 586	1 323 586	1 323 586	1 323 586
The claim is in respect of services rendered in the amount of R1,323,586. The entity performed poorly but were nonetheless paid proportionately in terms of the agreement. Exceptions have been raised, the matter is not progressing.				
<b>Cession agreement</b>	27 225	27 225	27 225	27 225
Legal action has been instituted against the municipality in respect of a cession agreement which the plaintiff claims that the municipality is indebted to it for. Matter is postponed to allow settlement out of court.				
<b>Total contingent liabilities</b>	1 369 905	4 680 799	1 369 905	4 680 799
<b>Contingent assets</b>				
The following contingent assets have been disclosed and not recognised as the outcome is dependent on a legal ruling.				
<b>Non -performance on a contract</b>	500 595	500 595	500 595	500 595
The municipality has instituted legal action against a contractor and its surety. The municipality and its lawyers are of the opinion that the litigation is likely to be in the municipality's favour. The timing of the legal proceedings regulating the above is uncertain.				
<b>Compensation for work performed by contractor</b>	3 310 894	-	3 310 894	-

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 47. Contingencies (continued)

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

#### Breach of contract

1 198 370	1 198 370	1 198 370	1 198 370
-----------	-----------	-----------	-----------

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

#### Claims for RSC levies and Water and Sanitation

35 299	-
59 865	59 865
25 688	-
80 646	-
103 683	-
<b>305 181</b>	<b>59 865</b>

Total contingent assets	5 315 040	1 758 830
	<b>5 315 040</b>	<b>1 758 830</b>

### 48. Related parties

#### Relationships

Controlled entities Refer to note 7

#### Related party transactions

##### Interest paid to (received from) related parties

Amathole Economic Development Agency (ASPIRE) 18 810 000 15 000 000

##### Neighbourhood Development Programme Grant

NDPG 12 832 980 -

##### ADM to ASPIRE

Emthonjaneni Projects 180 858 -

Funding for projects 5 700 000 -

##### Co-operative Development Centre

Operational funds - 200 000

The Amathole Economic Development Agency was established 1 September 2005

Place of Incorporation: South Africa

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



# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 49. Change in estimate

#### Property, plant and equipment

Various classes of property, plant and equipment was found to be fully depreciated in the current year. The useful lives of this property, plant and equipment were revised on 30th June 2015 to depreciate with an additional three years. The effect of this revision has increased the depreciation charges for the current and future periods by R 283 675

Refer to Note 4.

There is no impact on the cash flow statement

### 50. Prior period errors

#### VAT

During the current financial year, SARS disallowed VAT claimed in the prior years on the suppliers that were not a VAT vendor. Refer to note 15. Error was corrected retrospectively by an amount of R837 761.

#### Receivables from exchange transactions

On 1 July 2006 the municipality assumed responsibility for the provision of water and sanitation services as required by Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998).

The municipality is continually checking the accuracy of its debtors database.

During previous years, consumer accounts taken over from the local municipalities were incorrect. Hence revenue was incorrectly recognised. The error was corrected in the current financial year and was adjusted retrospectively by an amount of R4 645 950. Refer to note 13.

#### Investment Property

During the current financial year, an identification, verification and valuation exercise was performed by an independent valuer of all the municipality's properties. Additional land parcels were identified that were not recognised on the property register. This error was corrected in the current year and adjusted retrospectively. The Investment Property increased by R12 512 299. Refer to note 3.

#### Property plant and Equipment

During the current financial year, an identification, verification and valuation of land and buildings was performed. Land parcels of R5 326 706 were added to the property register and buildings of R7 915 755 were removed from the property register. A verification of all ADM water treatment works, waste water treatment works and pump stations was performed during the current financial year. It was identified that certain assets had been included in the Infrastructure asset register in previous years which were not owed by ADM. The infrastructure register decreased by R182 132 324 as these assets were removed from the register. Similarly community assets of R3 382 000 that did not belong to ADM were removed from register. The errors were corrected retrospectively in the current year.

It was identified during the verification of assets that there were assets on the ground that could not be located in the register. An exercise to deem the asset cost was performed and therefore resulted in an increase of R5 461 130 to the asset register for other assets. Refer to note 5.

The finance lease register was corrected by R3 693 825 during the current financial year. This was adjusted retrospectively. Through inspection of the register it was found that there was inventory disclosed as movable assets in the register. The identified items were removed from the movable assets and therefore resulted in the restatement of opening balances. The accumulated depreciation was adjusted retrospectively for the changes in the assets.

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

# Amathole District Municipality

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Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>50. Prior period errors (continued)</b>				
<b>Statement of financial position</b>				
Decrease in VAT	-	(837 761)	-	(837 761)
Decrease in Receivables from exchange transactions	-	(4 645 950)	-	(4 645 950)
Increase in Property, plant and equipment: Land	-	5 326 706	-	5 326 706
Decrease in Property, plant and equipment :Land	-	(2 809 124)	-	(2 809 124)
Increase in Investment Property	-	12 498 100	-	12 498 100
Decrease in Property, plant and equipment: Buildings	-	(7 915 055)	-	(7 915 055)
Decrease in Property, plant and equipment: Infrastructure	-	(182 132 324)	-	(182 132 324)
Increase in Property, plant and equipment	-	2 462 974	-	2 462 974
Decrease in Property, plant and equipment: Community	-	(3 984 160)	-	(3 984 160)
Increase in Property, plant and equipment: Other assets	-	5 461 130	-	5 461 130
Decrease in Property, plant and equipment: Finance lease assets	-	(3 693 825)	-	(3 693 825)
Decrease in Accumulated depreciation	-	67 656 816	-	67 656 816
<b>Total</b>	-	<b>(112 612 473)</b>	-	<b>(112 612 473)</b>
<b>Statement of Financial Performance</b>				
Increase in General expenditure	-	624 678	-	624 678
<b>Net decrease in the accumulated surplus</b>	-	<b>111 987 795</b>	-	<b>111 987 795</b>

### 51. Comparative figures

The comparative figure for unauthorised expenditure was restated due to budget exceeded as per the Annexures of budget in the prior year. Unauthorised expenditure increased by R12 092 000. Refer to note 51

The comparative figure for water losses was restated due to errors identified by Engineers in the prior year calculation. The restatement only impacts disclosure and thus has no effect on the statement of Financial Position and Performance. The water losses decreased by R50 625 813.

### 52. Risk management

#### Financial risk management

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

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

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Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 52. Risk management (continued)

#### Liquidity risk

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

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

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

On average 42% (2014: 46%) of receivable (own billed) income is realised within 30 days after the due date and payables are settled within 30 days of receipt of the invoice. National and Provincial grant funding is received in terms of the Division of Revenue Act (DoRA).

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

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

#### Group

At 30 June 2015	Not later than 1 month	Later than 1 month and not later than 3 months	Later than 3 months and not later than 1 year	Later than 1 year and later than 5 years
Trade and other payables	235 304 648	-	108 303 999	-
Other	-	-	2 432 596	-
Gross finance leases	17 935	53 806	143 483	101 400
At 30 June 2014	Not later than 1 month	Later than 1 month and not later than 3 months	Later than 3 months and not later than 1 year	Later than 1 year and later than 5 years
Trade and other payables	101 761 726	-	83 376 007	-
Other	-	-	1 352 145	-
Gross finance leases	60 571	181 712	484 565	316 625

#### Municipality

At 30 June 2015	Not later than 1 month	Later than 1 month and not later than 3 months	Later than 3 months and not later than 1 year	Later than 1 year and later than 5 years
Trade and other payables	235 304 648	-	108 303 999	-
Other	-	-	2 432 596	-
Gross finance leases	17 935	53 806	143 483	101 400
At 30 June 2014	Not later than 1 month	Later than 1 month and not later than 3 months	Later than 3 months and not later than 1 year	Later than 1 year and later than 5 years
Trade and other payables	101 761 726	-	82 749 618	-
Other	-	-	1 352 145	-

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>52. Risk management (continued)</b>				
Gross finance leases	60 571	181 712	484 565	316 625

# Amathole District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 52. Risk management (continued)

#### Credit risk

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

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

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

#### Investments and borrowing

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

#### Loans receivable

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

#### Cash and cash equivalents

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

#### Receivables

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

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

The average credit period on services rendered is 30 days from date of invoice. Interest is raised at prime on any unpaid accounts after the due dates. The municipality has provided fully for all receivables outstanding over 365 days. Receivables up to 365 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience. Additional information relating to the analysis of receivables is given in Note 13.

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

#### Maximum exposure to credit risk

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

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

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

Financial instrument	Group - 2015	Group - 2014	Municipality - 2015	Municipality - 2014
Cash and cash equivalents	220 484 982	121 416 678	205 045 740	116 150 039

# Amathole District Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated
<b>52. Risk management (continued)</b>				
Current Investments	-	387 616 947	-	387 616 947
Trade and other receivables from exchange transactions	95 299 341	71 607 980	95 299 338	71 607 980
Other current financial assets	20 720 674	8 314 870	20 140 735	7 763 149
Other non- current financial assets	1 541 338	1 314 062	1 541 338	1 314 062

### Market risk

#### Interest rate risk

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

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

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

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

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

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

Investments at fixed interest rates.

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

Loans granted are linked to a fixed rate of interest.

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

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

Finance leases linked to the South African prime rate.

Management manages interest rate risk by negotiating beneficial rates.

#### Interest rate sensitivity analysis

##### Financial Assets

At 30 June 2015, if interest rates at that date had been 50 basis points higher, with all other variables constant, the effect on the statement of financial performance would have been R265 725 ( 2014: R321 859) with the opposite effect if the interest rate had been 50 basis points lower.

##### Financial liabilities

At 30 June 2015, if interest rates at that date had been 50 basis points higher, with all other variables constant, the effect on the statement of financial performance would have been R280 (2014: R495) with the opposite effect if the interest rate had been 50 basis points lower.

#### Foreign exchange risk

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

### 53. Events after the reporting date

The CEO was re-instated on the 01 August 2015 in terms of a Council Resolution following suspension. Forming part of this agreement was the payment of her salary for June and July and the settlement of her legal fees incurred. Following the expiry of the former Board of Directors' term of office as at the 30 June 2015, the ADM Council resolved that the Municipal Manager would act as the Accounting Authority until the date of appointment of a new Board of Directors.

An urgent High Court application involving certain former Board of Director members has been received which challenges the reinstatement of the suspended CEO.

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Figures in Rand	Group		Municipality	
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<b>54. Unauthorised expenditure</b>				
Unauthorised expenditure	12 092 000	58 694 827	12 092 000	58 694 827
Unauthorised expenditure current year	2 347 250	12 092 000	-	12 092 000
Unauthorised expenditure written off by Council	-	(58 694 827)	-	(58 694 827)
	<b>14 439 250</b>	<b>12 092 000</b>	<b>12 092 000</b>	<b>12 092 000</b>

The operational budget was exceeded at vote level by R382490 due to an increase in depreciation charges at year end, however the total budget at institutional level was not overspent. This expenditure type is of a non cash flow nature. The capital budget was exceeded at vote level by an amount of R58 312 337 this was as a result of MIG and RBIG roll-overs not being included in the budget ,yet these amounts were spent as well as by assets that were capitalised as finance leases in accordance with GRAP

The unauthorised expenditure was approved by the Council on the 31st of January 2014

The expenditure vote at department level for 2013/14 was exceeded by R 12 092 000 hence the prior amount of the unauthorised expenditure has been adjusted. This expenditure was approved by council on the 24 July 2015. The comparative figure was restated. Refer to note 46

The Agency had expenditure in excess of the approved budget on various expenses items.

### 55. Fruitless and wasteful expenditure

Opening balance	944 220	511 044	898 024	464 849
Fruitless and wasteful expenditure current year	3 512 420	436 128	324 442	436 128
Written off by council	-	(2 953)	-	(2 953)
	<b>4 456 640</b>	<b>944 219</b>	<b>1 222 466</b>	<b>898 024</b>

Include particulars of any criminal or disciplinary steps taken as a consequence of above expenditure.

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Figures in Rand	Group		Municipality	
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### 55. Fruitless and wasteful expenditure (continued)

#### Incident

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

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

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

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

During the 2013/14 financial year, interest and penalties of R403 823 was paid to SARS as a result of a VAT audit.

Interest of R32 164 was incurred on late payments during 2013/14.

Both instances are still under investigation.

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

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

During the 2012/13 financial year, there was interest on late payment to First Auto of R 11 035. The matter is currently under investigation to determine who is responsible for incurring this expenditure.

During the 2012/13 financial year, three instances of late payment incurring interest were incurred, being R7617, R302 and R9 603 respectively.

The ADM is investigating all the matters of the late payment and will recover any costs if necessary.

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

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

An amount of R84 for interest on late payment was incurred to a Pension Fund during 2011/12. Council wrote the amount off during 2013/14.

Penalties of R20 were incurred during 2011/12 as a result of the Private Bag address not being renewed on time. This amount was written off by Council during 2013/14.

Interest of R2 850 was incurred during 2011/12 due to late payment of subscriptions. This amount was written off by Council during 2013/14.

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

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

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

The ADM is to investigate the matter and recover any costs if necessary.



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### 55. Fruitless and wasteful expenditure (continued)

The Agency opening balance of R46 195 relates to interest and penalties for 2012 Paid to SARS. The expenditure incurred during the year of R3.2 million relates to: (1) R2.1 million relating to legal fees as a result of the suspension of the CEO and the salary of the suspended CEO (R1.04 million) who was re-instated on 01 August 2015. (2) Interest and penalties paid to SARS with respect to the PAYE return for June 2015 which was paid late (R23 798) as well as penalties incurred on Workmen's compensation relating to returns for 2010 to 2014 which were all submitted and paid in the current year (R2 989)

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	2015	2014 Restated	2015	2014 Restated
<b>56. Irregular expenditure</b>				
Opening balance	546 238	2 147 229	546 238	2 147 229
Add: Irregular Expenditure - current year	292 646 381	362 990	288 537 590	362 990
Less: Amounts written off by Council	(546 238)	(1 963 981)	(546 238)	(1 963 981)
	<b>292 646 381</b>	<b>546 238</b>	<b>288 537 590</b>	<b>546 238</b>

### Incident

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

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

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

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

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

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

During the 2012/12 financial year, an amount of R146 832 was deemed irregular as three quotes were not obtained. This was disclosed in the 2013/14 register, this expenditure is now reflected on the 2012/13 register. It was deemed not irregular by the Council during 2015/16 financial year on the 24 of July 2015.

During the 2010/11 financial year, Operations and Maintenance of the Eastern Regional Solid Waste Landfill site, Ibika was not advertised for 30 days for an amount of R1 550 991. It was condoned during 2013/14 financial year and written off 2015/16 financial year on the 24 of July 2015 by the Council.

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

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

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

The irregular expenditure incurred from the Agency, amount incurred relates to: (1) R388 847 paid for services rendered as a consultant in the position of Acting CEO without following the normal SCM processes. (2) R446 283 - expenditure incurred exceeding the contract amount where there was no approved deviation by the Board. (3) R1 803 290 for services rendered to an attorney where the contract was completed irregularly. (4) R1 469 831 for deviations not condoned by the Board for Q3 and Q4.

### 57. Additional disclosure in terms of Municipal Finance Management Act

#### Audit fees

Amount paid - current year	4 635 761	4 695 458	4 063 574	4 167 159
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	2015	2014 Restated	2015	2014 Restated

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

#### PAYE and UIF

Opening balance	5 651 074	5 307 274	5 651 074	-
Current year subscription / fee	98 084 904	60 739 150	98 084 904	60 739 150
Amount paid - current year	(103 761 138)	(60 395 358)	(103 761 138)	(55 088 076)
	<b>(25 160)</b>	<b>5 651 066</b>	<b>(25 160)</b>	<b>5 651 074</b>

The balance represents PAYE and UIF deducted from the June 2015 payroll. The amount due was paid during July 2015 payroll. The amount due was paid during July 2015 and has been included in current liabilities

#### Pension and Medical Aid Deductions

Current year subscription / fee	105 025 827	100 608 335	105 025 827	100 608 335
Amount paid - current year	(105 025 827)	(100 608 335)	(105 025 827)	(100 608 335)
	-	-	-	-

#### VAT

VAT receivable	107 302 578	42 441 266	105 889 959	41 885 190
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All VAT returns have been submitted by the due date throughout the year.

# Amathole District Municipality

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	2015	2014 Restated	2015	2014 Restated

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding more than 90 days R	Total R
Councillor N Nonjaca	456	456
Councillor TP Dwanya	225	225
Councillor M.J Papu	6 291	6 291
	<b>6 972</b>	<b>6 972</b>

30 June 2014	Outstanding more than 90 days R	Total R
Councillor N Nonjaca	5 755	5 755
Councillor MJ Papu	5 396	5 396
Councillor TP Dwanya	8 956	8 956
	<b>20 107</b>	<b>20 107</b>

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

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

30 June 2014	Highest outstanding amount	Aging (in days)
Councillor TP Dwanya	8 956	90
Councillor N Nonjaca	5 755	90
Councillor MJ Papu	5 396	90
	<b>20 107</b>	<b>270</b>

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

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

#### Supply chain management regulations

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

In line with section 36(2) of the Supply Chain Management Regulations; 30 May 2005 the Agency deviated on cases amounting to R453 411 (2014 : R216 920).

#### Incident

Deviations	181 127 795	269 207 628	180 674 384	268 990 708
Breaches	151 074	-	151 074	-
	<b>181 278 869</b>	<b>269 207 628</b>	<b>180 825 458</b>	<b>268 990 708</b>

#### Non-Compliance with the Municipal Finance Management Act

In terms of DoRA, the Water Operating Subsidy Grant monthly reports for the first six months were only submitted during January 2014.

Non-compliance with the MFMA occurred during the year in respect of no designated person appointed as a Chief Financial Officer for the periods 1-11 January 2015. and 2 July to 12 August 2015. The company also incurred unauthorised, irregular and fruitless and wasteful expenditure

#### Bids awarded to family of employees in service of the state

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

#### Connected Person and Position Held

A. Mc Allister - Administration Officer	427 950	-
Z. Poto - Engineering Officer	-	4 703
L. Ngcobo - Senior Manager: Municipal Support Unit	166 290	42 946
T Mbali - Disaster Management Officer	-	6 100
S. Gqeba - Administration Officer: LESS	6 000	23 600
Z.Gladile - Senior clerk Leave Records	337 500	-
P Mtsatse - Senior clerk	60 107	-
N.Tami - Contracts officer: SCM	130 746	-
	<b>1 128 593</b>	<b>77 349</b>

# Amathole District Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014 Restated	2015	2014 Restated

### 58. Grant performance narrations

National Government Grants

#### 1. Municipal Systems Improvement Grant (MSIG)

Projects have been completed during the year, an application has been submitted to the funder for roll-over.

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### 58. Grant performance narrations (continued)

#### 2. Road Asset Management System

An application for roll over has been submitted to the funder.

#### 3. Dutywa Water Supply-Feasibility

Savings

#### 4. Great Kei River Basin Water Supply Scheme

Savings

#### 5. Mnquma War on Leaks

Funds are committed and they will be fully spent.

#### 6. Victoria

This is a multiyear project . The project is progressing. The balance is expected to be utilised in the next financial year 2015/16  
An application for roll-over was made by the project Manager to the funder.

#### 7. Teko Springs/ Ndlovini

This is a multiyear project. The project is awaiting approval of the Layout Plan by PDoCOGTA .The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder

#### 8. Needs Camp

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

#### 9. Hogsback

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial year 2015/16.  
The application for roll-over was made by the project manager to the funder.

#### 10. Haga Haga

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial year 2015/16.  
The application for roll-over was made by the project manager to the funder.

#### 11. Willowvale

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

#### 12. Elliotdale

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

#### 13. Ndevana

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

#### 14. Msobomvu

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### 58. Grant performance narrations (continued)

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 15. Hertzog

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 16. Great Kei Planning Funds

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 17. Mquma Planning Funds

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 18. Ngqushwa Planning Funds

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 19. Nkonkobe Planning Funds

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 20. Mquma Survey

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 21. Survey Interest and Contribution

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 22. Ngqushwa Survey Funds

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 23. Nkonkobe Survey

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 24. Lewis Survey

This is a multi-year project. The project is awaiting approval of the Layout Plan by PDoCOGTA. The balance is expected to be utilised in the next financial year 2015/16. The application for roll-over was made by the project Manager to the funder.

### 25. Prudoe Engineering Design

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



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### 58. Grant performance narrations (continued)

#### 26. Dongwe Engineering Design

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

#### 27. Kubusie Establishment Grant

Project completed, remaining balance is savings.

#### 28. Ndlovini Establishment Grant

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 29. Ducats Establishment Grant

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 30. Macleantown Establishment Grant

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 31. Prudoe Establishment Grant

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 32. Dongwe Establishment Grant

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 33. Teko Spring Establishment Grant

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 34. Needs Camp Establishment Grant

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 35. Teko Spring Top Structure

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 36 Prudoe Top Structure

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 37 Dogwe Top Structure

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
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### 58. Grant performance narrations (continued)

#### 38. Needscamp Top Structure

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 39. Ducats Top Structure Subsidy

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 40. Kubusi Top Structure

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 41. Lilyvale Kaysers Beach Establishment Grant

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder .

#### 42. Kaysers Beach Housing Project

Project completed. Balance is for ADM Income. The application for roll-over was made by the Project Manager to the funder.

#### 43. Lillyvale Eng Designs

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was made by the Project Manager to the funder.

#### 44. Planning Grant DLA

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial years 2015/16 -2017

#### 45. Restitutional Award (DLA)

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial years 2015/16 -2017

#### 46. Beneficiary Administration (Breaking new ground )

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial years 2015/16 -2017

#### 47. Environmental Impact Assessment

This is a multiyear project. The project is progressing. The balance is expected to be utilised in the next financial years 2015/16 -2017

#### 48. Geo Hydrology

Awaiting the close out Report and the balance to be transferred back to the funder as possible savings. The application for roll-over was submitted by the Project Manager to the funder.

#### 49. Bawa Falls Led

Project will be completed in the next financial year (Multiyear)

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### 58. Grant performance narrations (continued)

#### 50. Elliotdale Brick Making

Project will be completed in the next financial year (Multiyear)

#### 51. EC Information Initiative Support

Project will be completed in the next financial year (Multiyear)

#### 52. ECDOT: Butterworth Interchange

The balance of R 17 000 to be spent on the completion of snags in the keiskamahoeek public transport facility.

#### 53. Dutywa Extention 8 (VIP Toilets, RDS &W)

Project has been completed funds to be transfered back to the funder.

#### 54. Roof Top Rain Water Harvesting

Final stipend payments to be made.

#### 55. Household Leak Repairs

Savings

#### 56. Ngqusi Rain Water Harvesting

Funds will be fully utilised. Cheques being processed for stipends

#### 57. Adelaide Water Re-use Phase 1

Savings

#### 58. Communal Water Stations (DST/CSIR)

Vat savings. Will be used for stipends

#### 59. Free Basic Services Strategy Development

Savings

#### 60. Silwindlala Women's Project

Project will be completed in the next financial year ( Multiyear)

#### 61. Balfour Sawmills

Project will be completed in the next financial year ( Multiyear)

#### 62. Highlands Resorts

Project will be completed in the next financial year ( Multiyear)

#### 63. Peddie Bricks Making

Project will be completed in the next financial year ( Multiyear)

#### 64. Inkuthalo Hydroponics

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### 58. Grant performance narrations (continued)

Project will be completed in the next financial year ( Multiyear)

65. Capacity Building for LM's

Project will be completed in the next financial year ( Multiyear)

66. Led Capacity Building - Ngqushwa

Project will be completed in the next financial year ( Multiyear)

67. Upgrade Infrastructure Sanitation ( Consolidated of Accounts)

Recently consolidated funds. Will be utilised in 15/16

68. Shixini Water Supply

Will be utilised for stipends for rain water harvesting.

69. Chatha Development

This is a multiyear project. The project is progressing

### 59. Interest earned - outstanding receivables

Receivables - service charges	35 223 068	31 908 310	35 223 068	31 908 310
Financial assets	36	387	36	387
	<b>35 223 104</b>	<b>31 908 697</b>	<b>35 223 104</b>	<b>31 908 697</b>

### 60. Gain/(Loss) on disposal of asset

	(5 679 773)	1 369 721	(5 698 121)	1 362 103
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### 61. Repairs and maintenance

Water and sanitation	14 490 408	37 894 454	14 490 408	37 894 454
Buildings	4 062 611	4 092 122	4 062 611	4 092 122
Vehicles	349 075	541 839	349 075	541 839
Tools and equipment	180 455	1 089 392	180 455	1 089 392
Office furniture and equipment	10 268	28 631	-	23 235
Computers	49 613	119 797	49 613	113 889
Others	34 947 131	4 731 021	34 896 583	4 731 021
	<b>54 089 561</b>	<b>48 497 256</b>	<b>54 028 745</b>	<b>48 485 952</b>

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Figures in Rand	Group		Municipality	
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<b>62. Water distribution losses</b>				
Water distribution losses	58 254 650	39 825 375	58 254 650	39 825 375

### 63. Budget differences

#### Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 10% are explained below:

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### 63. Budget differences (continued)

#### Statement of Financial Performance

##### Revenue

##### 1. Service charges -

Budget is based on realistically collectable revenue while the actual is based on accrued service charges hence the accrued service charges exceed the service charges budget .

##### 2. Rental of facilities and equipment

Rental earned was less than anticipated.

##### 3. Interest earned - outstanding receivables

Actual billing exceeded the budget as billing of interest on overdue accounts exceeded what was anticipated.

##### 4. Other income

Other income includes an amount from the accumulated surplus to balance the budget .

##### 5. Government grants & subsidies

Actual government grants received exceeds the budgeted amount due to the conditions of the MIG grant being met and transferred to revenue on the accelerated sanitation programme. The NDPG grant was received and recognised in grant income but was not budgeted for. This grant was transferred to ASPIRE

##### 6. Own revenue - VAT on MIG

##### 7. Own revenue - VAT other grants

Circular 48 allows municipalities to recognise input VAT claimed on grants to be recognised as own revenue.

#### Expenditure

##### 9. Remuneration

##### 10. Remuneration of councillors

##### 11. Depreciation and amortisation

The depreciation expense is less than the budget as the amount anticipated for new schemes commissioned during the year was less and no schemes were completed during the year.

##### 12. Finance costs

Budgeted amount was based on the original DBSA loan amount of R632million only R286 million was actually received ,hence the actual finance costs were less.

##### 13. Debt Impairment

Provision is based on risk calculation and collection rates.

##### 14. Collection costs

Budget includes an amount pertaining to legal fees, this expenditure is adhoc as it depends on when then need for an attorney/debt collection is required.

##### 15. Repairs and maintenance

Repairs and maintenance votes, are used on an adhoc basis and only used if and when needed.

##### 16. Contracted Services

The leasing expenditure for office equipment such as photocopy machines is less than the budgeted amount as the capital portions of the lease payments that have been classified as finance leases are offset against the lease liability in the statement of financial position.

##### 17. General expenditure

Internally funded projects not fully spent.

Hiring costs - hiring cost have decreased due to the approval of the application for the car user scheme subsidy

Bulk purchases: labour, supervision and travel decreased as Amatola Water no longer used to provide these services.

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Figures in Rand	Group		Municipality	
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### 63. Budget differences (continued)

#### 18. Gain/loss on sale of assets

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

### Statement of Financial Position

#### 1. Current investments

The investments have decreased as capital that matured during the year was not re-invested due to cash monitoring to ensure that sufficient cash is readily available when needed,.

#### 2. Receivables from exchange transactions

Budget is based on realistically collectable revenue while the actual is based on accrued. The provision for bad debts is for 80% of the outstanding debt.

#### 3. Receivables from non-exchange transactions

The increase is a result of sundry debtors increasing.

#### 4. VAT receivable

VAT receivable increased due to outstanding VAT Refunds for the month of December 2014 , March 2015 , April 2015 and May 2015.

#### 5. Current portion of receivables

This amount is the current portion of the pledged MIG grant for 15/16 allocation that is receivable to repay the DBSA loan.

#### 6. Cash and cash equivalents

The cash and cash equivalents have decreased as a result of increased spending especially on grants.

#### 7. Heritage Assets

These assets were identified and recognised during the current year in terms of GRAP.

#### 8. Investment Property

ADM properties were identified during the verification and valuation process by an independent valuer that were to be included in the fixed asset register that were not recognised previously.

#### 9. Property, plant and equipment

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

#### 10. Intangible Assets

The increase is a result of software purchased during the year under review.

#### 11. Non-current receivable

The increase is a result of the accelerated sanitation project of which the MIG grant is pledged by National Treasury.

#### 12. Current portion of the interest bearing borrowings DBSA

This amount is the current portion of the DBSA loan that was entered into to finance the accelerated sanitation project.

#### 13. Payables from exchange transactions

Trade creditors increased as a result of accrued payments

#### 14. Unspent conditional grants

The significant decrease is as a result of increased spending of the grant allocations by the municipality. With almost all the DoRA gazetted grants being fully spent.

#### 15. Employee benefits

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

#### 16. Interest Bearing Borrowings DBSA

This amount is the non-current portion of loan to DBSA to fund the accelerated sanitation project.

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Figures in Rand	Group		Municipality	
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### 63. Budget differences (continued)

#### 17.Revaluation Reserve

Increase in reserve as properties were increased in value.

#### Cash flow statement

#### 18.Operating activities

The net cash flow from operating activities reflects an outflow, due to the service charges being less than anticipated..

#### 19.Investing activities

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

#### Financing activities

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

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### Changes from the approved budget to the final budget

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