

# **Volume 2:**

# **Annual Financial Statements**

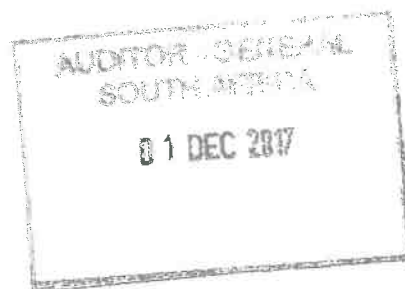


**CONSOLIDATED  
ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2017**

*Audited*



JOE GQABI DISTRICT MUNICIPALITY

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**JOE GQABI DISTRICT MUNICIPALITY**  
**Consolidated Annual financial statements for the year ended 30 June 2017**

**GENERAL INFORMATION**

**NATURE OF BUSINESS**

Joe Gqabi District Municipality is a district municipality performing the functions as set out in the Constitution. (Act No. 108 of 1996)

**COUNTRY OF ORIGIN AND LEGAL FORM**

South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (No. 117 of 1998)

**JURISDICTION**

The Joe Gqabi District Municipality includes the following areas:

Walter Sisulu Local Municipality (Burgersdorp, Venterstad, Steynsburg, Aliwal North and Jamestown)  
Senqu Local Municipality (Lady Grey, Sterkspruit, Rhodes, Rossouw, Herschel and Barkly East)  
Elundini Local Municipality (Maclear, Ugie and Mount Fletcher)

**MEMBERS OF THE MAYORAL COMMITTEE AS FROM 3RD AUGUST 2016 ELECTIONS**

Executive Mayor	Z I Dumzela	
Speaker	T Z Notyeke	
Councillor	E M Lakabane	Portfolio head: Financial Services
Councillor	S Mei	Portfolio head: Technical Services
Councillor	L M Tokwe	Portfolio head: Corporate Services
Councillor	D D Mvumvu	Portfolio head: Community Services

**MUNICIPAL MANAGER**

Mr Z A Williams

**ACTING CHIEF FINANCIAL OFFICER**

Ms S du Toit

**OTHER DIRECTORS**

Mr R J Fortuin	- Director: Technical Services
Ms F J Sephton	- Director: Community Services
Mr H Z Jantjie	- Director: Corporate Services
Ms N Mshumi	- Chief Operations Officer
Mr Dlusawana	- Manager Water Service provider

**REGISTERED OFFICE**

P/Bag X102	C/o Cole and Graham Street
Barkly East	Barkly East
9786	9786

**JOE QQABI DISTRICT MUNICIPALITY**  
**Consolidated Annual financial statements for the year ended 30 June 2017**

**AUDITORS**

Office of the Auditor General (EC)  
Vincent  
East London

**ATTORNEYS**

MI Ntshiba & Associates  
Mithatha  
5099

Smith Tabata Attorneys  
King Williams Town  
5601

Clark Laing Inc  
East London  
5241

Mjululwa Hlalukana Attorneys  
Mithatha  
5099

Peyper Attorneys  
Bloemfontein  
9301

Kirchmanns Incorporated  
East London  
5241

**PRINCIPAL BANKERS**

ABSA  
P O Box 323  
Bloemfontein  
9300

**AUDIT COMMITTEE**

J Emslie	- Chairperson
P G Du Toit	- Member (Ending 15 March 2017)
F K P Ntlemeza	- Member
P Nlisana	- Member

**RELEVANT LEGISLATION**

Abattoir Hygiene Act 121 of 1992  
Arbitration Act 42 of 1965  
Basic Conditions of Employment Act 75 of 1997  
Black Authorities Service Pension Act 53 of 2003  
Broad Based Black Economic Empowerment Act 53 of 2003  
Business Act 71 of 1991  
Communal Property Associations Act 28 of 1998  
Community Development Act 3 of 1996  
Constitution of the Republic of South Africa Act, 1996  
Deeds Registries Act 47 of 1937  
Development Bank of Southern Africa Act 13 of 1997  
Development Facilitation Act 67 of 1995  
Disaster Management Act 57 of 2002  
Division of Revenue Act 3 of 2016  
Electoral Act 73 of 1998  
Electoral Commission Act 51 of 1996  
Electricity Act 41 of 1987  
Employment Equity Act 55 of 1998  
Environment Conservation Act 73 of 1989  
Eskom Act 40 of 1987

## JOE GQABI DISTRICT MUNICIPALITY

Consolidated Annual financial statements for the year ended 30 June 2017

### RELEVANT LEGISLATION (Continue)

Expropriation Act 63 of 1975  
Financial and Fiscal Commission Act 99 of 1997  
Fire Brigade Services Act 99 of 1987  
Foodstuffs, Cosmetics and Disinfectants Act 54 of 1972  
Formalities in respect of Leases of Land Act 18 of 1989  
Hazardous Substances Act 15 of 1973  
Independent Commission for the Remuneration of Public office-bearers Act 92 of 1997  
Institution of Legal Proceedings against certain Organs of State Act 40 of 2002  
Intergovernmental Fiscal Relations Act 97 of 1997  
Intergovernmental Relations Framework Act 13 of 2005  
Interim Protection of Informal Lands Rights Act 31 of 1996  
Labour Relations Act 66 of 1995  
Land Survey Act 8 of 1997  
Less Formal Township Establishment Act 113 of 1991  
Local Authorities Loans Fund Act 67 of 1984  
Local Government: Municipal Demarcation Act 27 of 1998  
Local Government: Municipal Electoral Act 27 of 2000  
Local Government: Municipal Finance Management Act 56 of 2003  
Local Government: Municipal Property Rates Act 6 of 2004  
Local Government: Municipal Structures Act 117 of 1998  
Local Government: Municipal Systems Act 32 of 2000  
Local Government: Transition Act 209 of 1993  
National and Records Services of South Africa Act 43 of 1996  
National Building Regulation and Building Standards Act 103 of 1977  
National Environmental Management: Air Quality Act 39 of 2004  
National Environmental Management: Biodiversity Act 10 of 2004  
National Environmental Management: Protected Areas Act 57 of 2003  
National Veld and Forest Fire Act 101 of 1998  
National Water Act 36 of 1998  
National Health Act of 1997  
Occupational Health and Safety Act and Regulation 85 of 1993  
Organised Local Government Act 52 of 1997  
Pension Benefits for Councillors of Local Authorities Act 106 of 1987  
Pension Funds Act 25 of 1956  
Preferential Procurement Policy Framework Act 5 of 2000  
Prescription Act 18 of 1943  
Prescription Act 68 of 1969  
Prevention and Combating of Corrupt Activities Act  
Prevention of Illegal Eviction from an Unlawful Occupation of Land Act 19 of 1998  
Promotion of Access to Information Act 2 of 2000  
Promotion of Administrative Justice Act 3 of 2000  
Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000  
Protected Disclosures Act 26 of 2000  
Public Audit Act 25 of 2004  
Re-Determination of the Boundaries of Cross-Boundary Municipality Act 8 of 2006  
Reconstruction and Development Programme Fund Act 7 of 1994  
Regional Services Councils Act 109 of 1985  
Regulation of Gatherings Act 206 of 1993  
Removal of Restrictions Act 84 of 1967  
Remuneration of Public Office Bearers Act 20 of 1998  
Skills Development Act 97 of 1998  
Skills Development Levies Act 9 of 1999  
South African National Roads Agency Limited and National Roads Act 7 of 1998  
Tobacco Products Control Act 83 of 1993

**JOE GQABI DISTRICT MUNICIPALITY**  
**Consolidated Annual financial statements for the year ended 30 June 2017**

**RELEVANT LEGISLATION (Continue)**

Traditional Leadership and Governance Framework Act 41 of 2003  
Transfer of Staff to Municipalities Act 17 of 1998  
Unemployment Insurance Act 63 of 2001  
United Municipal Executive (Pension) Act 12 of 1958  
Value Added Tax, 1991  
Water Services Act 108 of 1997

**MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY COUNCIL UNTIL 3 AUGUST 2016**

**PROPORTIONAL ELECTED COUNCILLORS**

Executive Mayor	Z I Dumzela
Speaker	N P Mposeiwa
Councillors: JGDM	S Mei V Mbulawa D F Hartkopf B Salman X G Motloli N Ngubo L N Gova N F Mphithi

**REPRESENTATIVE COUNCILLORS**

Senqu Local Municipality	M W Mpelwane I Mosisidi A Kwinana G Mvunyiswa L Tokwe I van der Walt (deceased) NY Monakali (replaced cllr I van der Walt)
Elundini Local Municipality	L S Baduza G M Moni SPMS Leteba D D Mvumvu L Pili
Maletswai Local Municipality	N S Mathetha S E Mbana
Gariep Local Municipality	T Z Notyke

**JOE GQABI DISTRICT MUNICIPALITY**  
**Consolidated Annual financial statements for the year ended 30 June 2017**  
**MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY COUNCIL AFTER 3 AUGUST 2016**

PROPORTIONAL ELECTED COUNCILLORS

Executive Mayor	Z I Dumzela
Speaker	T Z Ntuyeke
Councillors: JGDM	S Mei L M Tokwe D D Mvumvu N U Hokwana E M Lakabane M Yiliwe N Ngendane N M van Zyl

REPRESENTATIVE COUNCILLORS

Senqu Local Municipality	A P Kwinana M Phuza N P Mposelwa V V Stokhwe X G Magca N M M Phama
Elundini Local Municipality	B Msuthwana M Telle M Marubelela L C Booka L Pill N G Ntaopane
Walter Sisulu Local Municipality	B Khweyiya K S Lange D F Hartkopf



**JOE GQABI DISTRICT MUNICIPALITY**  
**Annual financial statements for the year ended 30 June 2017**

**APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

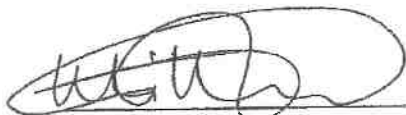
I am responsible for the preparation of these annual consolidated financial statements period ended 30 June 2017, which are set out on pages 1 to 105 in terms of Section 126 (1) of the Municipal Finance Management Act (No. 56 of 2003) and which I have signed on behalf of the Municipality. The annual consolidated financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Economic Entity's cash flow forecast for the year to 30 June 2018 and I am satisfied that the Economic Entity can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the economic Entity's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



*Mr Z A Williams*  
**Municipal Manager**

30 September 2017

Date

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Note	2017 R	2016 R	2017 R	2016 R
		ECONOMIC ENTITY		MUNICIPALITY	
<b>ASSETS</b>					
Current assets		5 684 207	8 832 307	5 084 974	8 214 736
Inventory	3	2 600 069	3 177 840	2 900 069	3 177 840
Cash and Cash Equivalents	3	2 784 139	5 354 467	2 184 906	5 036 896
Current assets from exchange transactions		150 453 728	70 214 494	149 218 853	89 331 169
Receivables from exchange transactions	5	117 011 691	59 777 830	116 992 136	59 765 369
South African Revenue Services	8	33 442 037	10 436 664	32 226 617	9 825 928
Current assets from non-exchange transactions		22 163 551	28 769 984	22 163 551	28 769 984
Unpaid conditional government grants and receipts	7	22 163 551	28 769 984	22 163 551	28 769 984
Non-current assets		1 878 858 968	1 500 403 878	1 677 780 896	1 499 423 793
Property, plant and equipment	6	1 672 864 859	1 493 802 674	1 671 126 190	1 492 167 306
Investment property	9	3 395 725	3 653 985	2 277 176	2 833 755
Intangible assets	10	914 931	1 368 086	801 022	1 349 221
Non-current investment	11	1 583 453	1 468 452	3 477 506	3 383 507
<b>Total assets</b>		<b>1 856 890 454</b>	<b>1 607 920 684</b>	<b>1 864 248 373</b>	<b>1 605 788 705</b>
Current liabilities		30 808 730	25 482 835	30 609 588	26 624 600
Current employee benefits	13	25 438 333	23 044 492	24 836 899	22 909 255
Cash and Cash Equivalents	3	5 670 396	2 438 343	5 672 687	2 616 344
Current liabilities from exchange transactions		104 768 810	80 918 921	104 213 205	80 918 921
Consumer deposits	14	834 636	890 255	834 636	890 255
Payables from exchange transactions	15	97 984 930	76 670 614	97 331 325	76 670 614
South African Revenue Services	8	-	-	-	-
Current portion of long-term liabilities	16	5 947 344	3 355 052	5 847 344	3 355 052
Current liabilities from non-exchange transactions		7 433 400	1 373 085	7 433 400	1 018 165
Unspent conditional government grants and receipts	7	7 433 400	1 373 085	7 433 400	1 018 165
Non-current liabilities from Exchange Transactions		6 867 005	12 613 456	6 667 005	12 613 456
Long-term Liabilities	16	6 867 005	12 613 456	6 667 005	12 613 456
Non-current liabilities		34 706 207	35 216 636	34 706 207	35 216 636
Employee benefits	12	34 706 207	35 216 636	34 706 207	35 216 636
<b>Total Liabilities</b>		<b>134 382 151</b>	<b>155 601 833</b>	<b>139 629 403</b>	<b>155 239 779</b>
<b>NET ASSETS</b>		<b>1 672 478 303</b>	<b>1 452 318 851</b>	<b>1 670 918 970</b>	<b>1 450 512 323</b>
<b>COMMUNITY WEALTH</b>					
Accumulated Surplus	17	1 672 478 302	1 452 318 812	1 670 918 969	1 450 512 927

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017		2016	
		R	R	R	R
<b>REVENUE</b>		<b>ECONOMIC ENTITY</b>		<b>MUNICIPALITY</b>	
<u>Revenue from non-exchange transactions</u>		670 009 739	532 127 147	569 462 901	528 401 325
Transfer revenue		563 470 637	529 793 815	583 113 789	526 067 993
Government grants and subsidies - capital	17	248 297 159	203 358 888	248 297 169	203 358 888
Government grants and subsidies - operational	17	315 173 467	328 438 927	314 816 629	322 711 105
Public contributions and donations		-	-	-	-
Transfer of function		-	-	-	-
Other revenue		6 539 103	2 333 332	6 539 103	2 333 332
Foreign exchange gains		-	-	-	-
Actuarial gains	18	6 494 957	2 328 102	6 494 957	2 328 102
Inventory adjustments	2	44 146	5 230	44 146	5 230
Reversal of impairments	19	-	-	-	-
<u>Revenue from exchange transactions</u>		130 245 267	123 143 542	130 147 732	123 999 235
Service charges	20	91 971 035	102 810 763	91 671 035	102 810 763
Government services	21	10 105 996	9 318 963	10 105 996	9 318 963
Interest earned - external investments	22	3 352 230	4 385 210	3 309 457	4 378 388
Interest earned - outstanding debtors	23	24 092 370	5 347 462	24 092 370	5 347 462
Other Income	24	1 023 737	1 283 144	968 975	1 245 660
<b>Total Revenue</b>		<u>700 255 996</u>	<u>655 270 689</u>	<u>699 800 633</u>	<u>651 699 551</u>
<b>EXPENDITURE</b>					
Employee related costs	25	190 590 905	187 090 606	188 659 916	163 740 422
Remuneration of Councilors	26.1	5 201 912	5 309 512	5 201 912	5 309 512
Remuneration of Board of Directors	26.2	344 000	428 600	-	-
Debt Impairment	27	37 676 466	51 144 372	37 676 466	57 681 232
Impairments	28	-	290 493	-	290 493
Foreign exchange loss		-	-	-	-
Depreciation and Amortisation	29	49 698 284	46 382 765	48 515 733	46 199 288
Repairs and maintenance	30	12 056 889	6 315 416	12 056 066	8 258 203
Finance charges	31	5 916 126	6 735 402	5 916 126	5 735 402
Contracted services	32	14 441 985	15 138 059	14 441 985	15 138 059
Bulk purchases	33	4 163 900	988 976	4 163 900	988 976
Grants and subsidies paid	34	111 461	1 182 980	7 369 603	4 699 777
Inventory adjustments	2	-	-	-	-
Operating grant expenditure	35	71 608 412	83 407 790	71 608 412	83 407 790
Emergency drought relief	36	321 930	840 345	321 930	840 345
General Expenditure	37	88 308 293	83 321 258	84 987 964	80 626 188
Loss on disposal of Property, plant and equipment	38	662 953	660 694	676 578	656 721
<b>Total Expenditure</b>		<u>480 095 516</u>	<u>468 227 157</u>	<u>479 694 591</u>	<u>471 372 417</u>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<u>220 169 491</u>	<u>187 043 532</u>	<u>220 106 043</u>	<u>179 828 144</u>

**JOE GQABI DISTRICT MUNICIPALITY**

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30  
JUNE 2017**

	<b>ECONOMIC ENTITY</b>	<b>MUNICIPALITY</b>
	<b>2017 R</b>	<b>2017 R</b>
	<b>Accumulated Surplus</b>	<b>Accumulated Surplus</b>
<b>Balance at 1 July 2015</b>	<b>1 266 625 556</b>	<b>1 270 884 781</b>
Correction of error restatement - note		
Rounding	2	2
<b>Restated balance at 1 July 2015</b>	<b>1 266 625 568</b>	<b>1 270 884 783</b>
Net Surplus/(Deficit) for the year	187 043 532	179 628 144
Prior year surplus	-350 279	
<b>Balance at 30 June 2016</b>	<b>1 452 318 812</b>	<b>1 450 512 927</b>
Net Surplus/(Deficit) for the year	220 159 491	220 108 043
<b>Balance at 30 June 2017</b>	<b>1 672 478 302</b>	<b>1 670 618 989</b>

JOE QGABI DISTRICT MUNICIPALITY

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 R	2016 R	2017 R	2016 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Receipts		909 816 025	841 406 947	802 041 674	834 064 199
Service charges and other		29 263 853	45 034 743	25 906 208	44 999 583
Government grants		883 722 878	486 372 204	577 135 466	488 034 907
Payments		(382 501 035)	(392 330 226)	(375 679 919)	(385 123 762)
Suppliers		(183 844 242)	(227 480 860)	(180 778 917)	(223 722 642)
Employees		(198 656 793)	(164 849 366)	(194 901 002)	(161 401 120)
Cash generated from/(utilised in) operations		227 486 791	149 076 719	227 361 755	148 930 428
Interest received		3 352 230	4 308 784	3 309 457	4 299 982
Interest paid		(5 916 126)	(1 756 073)	(5 916 126)	(1 756 972)
Net cash from operating activities	40	224 922 895	151 627 431	224 755 086	151 474 438
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of Capital Assets		(227 414 396)	(179 679 744)	(227 354 534)	(179 638 118)
(Increase)/decrease of other assets		-	(16 670)	-	(16 670)
Net cash from investing activities		(227 414 396)	(179 696 414)	(227 354 534)	(179 654 788)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Increase in consumer deposits		44 281	21 560	44 281	21 560
Proceeds/(repayment) of finance lease liability		(1 272 595)	(1 417 267)	(1 272 595)	(1 417 267)
Proceeds/(repayment) of other long-term liabilities		(2 081 688)	(1 295 285)	(2 081 688)	(1 295 285)
Total Expenditure		(2 309 902)	(3 100 992)	(3 309 902)	(3 100 992)
Net Increase/(decrease) in cash and cash equivalents		(7 496 501)	(1 569 974)	(3 969 927)	(2 137 481)
Cash and cash equivalents at the beginning of the year		2 916 123	34 178 098	2 421 545	33 792 009
Cash and cash equivalents at the end of the year		(2 580 378)	32 608 124	(1 547 622)	31 654 528

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2017  
ECONOMIC ENTITY

	ORIGINAL BUDGET R	ADJUSTMENT AND VIREMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
<b>STATEMENT OF FINANCIAL POSITION</b>					
Total current assets	87 348 999	(49 202 056)	38 147 934	178 301 468	140 153 532
Total non-current assets	1 479 021 168	2 957 587	1 481 978 755	1 678 538 068	196 560 213
Total current liabilities	36 770 000	19 730 853	56 500 853	149 676 944	93 176 091
Total non-current liabilities	72 173 000	1 639 745	73 812 745	41 373 212	(32 439 533)
<b>Total Net Assets</b>	<b>1 678 314 167</b>	<b>(24 873 371)</b>	<b>1 653 440 797</b>	<b>2 047 998 610</b>	<b>397 459 323</b>
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>					
<b>Revenue</b>					
Government Grants and Subsidies - Capital	261 663 000	16 695 000	278 358 000	248 297 189	(30 060 811)
Government Grants and Subsidies - Operating	336 199 000	(4 665 000)	331 534 000	316 173 467	(15 360 533)
Actuarial Gains	-	-	-	6 494 057	6 494 057
Service Charges	57 477 747	-	57 477 747	61 671 036	24 193 288
Government Services	11 506 000	-	11 506 000	10 106 896	(1 400 104)
Interest Earned - External Investments	3 368 000	-	3 368 000	3 362 280	(5 720)
Interest Earned - Outstanding Debtors	2 866 317	-	2 866 317	24 082 370	21 216 053
Other Income	1 368 957	8 000	1 376 957	1 023 737	(353 220)
<b>Total Revenue</b>	<b>653 448 921</b>	<b>12 038 000</b>	<b>665 487 021</b>	<b>706 749 883</b>	<b>41 262 862</b>
<b>Expenditure</b>					
Employee Related Costs	189 901 987	46 000 657	235 902 644	190 680 905	(45 221 639)
Remuneration of Councilors	6 648 713	-	6 648 713	5 201 612	(1 447 101)
Remuneration of Directors	-	-	-	344 000	344 000
Debt Impairment	20 876 142	-	20 876 142	37 676 466	16 800 324
Depreciation and Amortisation	50 506 658	144 085	50 650 743	48 698 264	(1 952 479)
Repairs and Maintenance	29 290 817	(11 630 296)	17 660 521	12 058 889	(5 601 632)
Finance Charges	2 256 323	3 650 000	5 906 323	5 916 126	110 803
Contracted services	8 629 000	8 671 000	17 300 000	14 441 985	(2 858 015)
Bulk Purchases	4 264 273	(6 600)	4 257 673	4 163 900	(93 773)
Grants and Subsidies Paid	10 192 978	602 741	10 795 719	111 461	(10 684 258)
Inventory Adjustments	46 000	(26 000)	20 000	-	(20 000)
Operating Grant Expenditure	70 633 690	6 784 362	77 418 052	71 806 412	(5 611 640)
Emergency Drought Relief	1 026 000	(726 000)	300 000	321 930	21 930
General Expenses	100 696 469	(1 217 521)	99 478 948	68 306 283	(31 172 665)
Loss on disposal of Property, Plant and Equipment	-	-	-	662 953	662 953
<b>Total Expenditure</b>	<b>464 886 768</b>	<b>52 246 333</b>	<b>517 133 101</b>	<b>480 086 616</b>	<b>(37 046 485)</b>
<b>Net surplus for the year</b>	<b>188 562 253</b>	<b>(40 008 333)</b>	<b>148 553 925</b>	<b>226 664 443</b>	<b>78 110 518</b>
<b>CASH FLOW STATEMENT</b>					
Net Cash Flow from Operating Activities	269 671 000	52 666 000	312 337 000	224 821 896	(87 515 104)
Net Cash Flow from Investing Activities	(278 436 000)	(17 846 000)	(296 282 000)	(227 414 399)	(68 867 601)
Net Cash Flow from Financing Activities	5 910 000	(9 104 000)	(3 194 000)	(3 309 878)	(115 678)
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>(12 855 000)</b>	<b>25 716 000</b>	<b>12 759 000</b>	<b>(5 802 381)</b>	<b>(18 043 381)</b>

**JOE GQABI DISTRICT MUNICIPALITY**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2017**

**OPERATING EXPENDITURE BY VOTE**

Management Services	49 320 557	4 989 081	54 309 638	46 243 645	(8 066 993)
Financial Services	74 821 254	(1 931 661)	72 889 593	69 068 669	(3 821 004)
Corporate Services	69 058 040	(11 099 097)	48 019 003	45 584 973	(2 434 030)
Technical Services	281 787 546	53 755 787	315 523 333	270 346 230	(45 177 095)
Community Services	49 899 361	6 275 068	56 174 429	48 631 971	(7 542 458)
	<u>494 886 758</u>	<u>52 049 333</u>	<u>546 913 033</u>	<u>489 895 515</u>	<u>(57 017 518)</u>

**CAPITAL EXPENDITURE BY VOTE**

Management Services	2 533 000	87 000	2 600 000	59 685	(2 540 315)
Financial Services	2 200 000	(2 000 000)	200 000	-	(200 000)
Corporate Services	735 000	698 000	1 433 000	1 289 703	(133 297)
Technical Services	270 267 000	(4 657 000)	265 610 000	226 054 711	(39 555 289)
Community Services	3 001 000	(3 001 000)	-	-	-
	<u>279 736 000</u>	<u>(5 003 000)</u>	<u>269 843 000</u>	<u>227 414 279</u>	<u>(42 428 721)</u>

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2017

MUNICIPALITY	ORIGINAL BUDGET R	ADJUSTMENT AND VIREMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
<b>STATEMENT OF FINANCIAL POSITION</b>					
Total current assets	87 349 989	(48 202 060)	38 147 934	96 870 072	58 722 138
Total non-current assets	1 479 021 168	2 957 587	1 481 978 755	1 489 345 367	17 366 611
Total current liabilities	36 770 000	19 730 853	56 500 853	107 972 917	51 472 064
Total non-current liabilities	72 173 000	1 639 745	73 812 745	12 613 466	(61 199 289)
<b>Total Net Assets</b>	<b>1 875 314 167</b>	<b>(24 873 870)</b>	<b>1 850 440 287</b>	<b>1 715 801 810</b>	<b>(60 304 523)</b>
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>					
<b>Revenue</b>					
Government Grants and Subsidies - Capital	261 663 000	16 695 000	278 358 000	248 297 189	(30 060 811)
Government Grants and Subsidies - Operating	335 190 000	(4 666 000)	330 534 000	314 816 829	(15 717 371)
Actuarial Gains	-	-	-	6 494 957	6 494 957
Service Charges	67 477 747	-	67 477 747	91 671 035	24 193 288
Government Services	11 606 000	-	11 606 000	10 106 896	(1 499 104)
Interest Earned - External Investments	3 368 000	-	3 368 000	3 309 457	(58 543)
Interest Earned - Outstanding Debtors	2 866 317	-	2 866 317	24 092 370	21 226 053
Other Income	1 368 957	8 000	1 376 957	968 975	(407 982)
<b>Total Revenue</b>	<b>883 443 021</b>	<b>12 038 000</b>	<b>895 481 021</b>	<b>859 756 488</b>	<b>4 200 487</b>
<b>Expenditure</b>					
Employee Related Costs	189 901 987	48 000 557	235 902 544	186 898 916	(49 043 628)
Remuneration of Councilors	6 648 713	-	6 648 713	5 201 912	(1 446 801)
Debt Impairment	20 875 142	-	20 875 142	37 676 466	16 801 324
Impairments	-	-	-	-	-
Depreciation and Amortisation	50 806 666	144 095	50 950 761	48 515 733	(2 134 928)
Repairs and Maintenance	29 290 617	(11 690 296)	17 760 321	12 058 096	(5 702 225)
Finance Charges	2 265 323	3 650 000	5 915 323	5 916 126	110 803
Contracted services	8 629 000	6 571 000	15 200 000	14 441 965	(2 768 035)
Bulk Purchases	4 284 273	(6 600)	4 277 673	4 163 900	(63 773)
Grants and Subsidies Paid	10 192 978	502 741	10 695 719	7 369 603	(3 326 116)
Inventory Adjustments	46 000	(26 000)	20 000	-	(20 000)
Operating Grant Expenditure	70 633 690	6 784 382	77 418 072	71 608 412	(5 709 660)
Emergency Drought Relief	1 028 000	(726 000)	302 000	321 930	21 930
General Expenses	100 696 469	(1 217 621)	99 478 848	64 987 964	(14 490 884)
Loss on disposal of Property, Plant and Equipment	-	-	-	575 578	575 578
<b>Total Expenditure</b>	<b>493 893 763</b>	<b>52 049 339</b>	<b>545 943 102</b>	<b>479 694 591</b>	<b>(67 218 602)</b>
<b>Net surplus for the year</b>	<b>188 582 263</b>	<b>(40 908 338)</b>	<b>148 573 925</b>	<b>220 061 897</b>	<b>71 437 972</b>
<b>CASH FLOW STATEMENT</b>					
Net Cash Flow from Operating Activities	259 671 000	52 666 000	312 337 000	224 756 086	(87 581 914)
Net Cash Flow from Investing Activities	(276 436 000)	(17 648 000)	(296 384 000)	(227 354 534)	(69 029 466)
Net Cash Flow from Financing Activities	5 910 000	(9 104 000)	(3 194 000)	(3 309 878)	(115 878)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(12 855 000)</b>	<b>26 514 000</b>	<b>12 759 000</b>	<b>(5 908 327)</b>	<b>(13 989 327)</b>



**JOE GQABI DISTRICT MUNICIPALITY**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2017**

**OPERATING EXPENDITURE BY VOTE**

Management Services	49 320 557	4 986 081	54 306 638	45 798 575	(8 508 063)
Financial Services	74 821 254	(1 931 551)	72 889 693	89 086 689	(3 801 004)
Corporate Services	59 056 040	(11 039 037)	48 019 003	45 684 973	(2 434 030)
Technical Services	261 787 546	63 765 787	316 523 333	270 346 238	(45 177 095)
Community Services	49 099 351	6 275 068	56 174 420	48 831 971	(7 342 458)
	<u>494 288 768</u>	<u>62 046 338</u>	<u>646 913 095</u>	<u>479 656 445</u>	<u>(67 292 551)</u>

**CAPITAL EXPENDITURE BY VOTE**

Management Services	2 633 000	67 000	2 600 000	-	(2 600 000)
Financial Services	2 200 000	(2 000 000)	200 000	-	(200 000)
Corporate Services	735 000	698 000	1 433 000	1 289 703	(133 297)
Technical Services	270 267 000	(4 657 000)	265 610 000	226 054 711	(39 555 289)
Community Services	3 001 000	(3 001 000)	-	-	-
	<u>278 736 000</u>	<u>(6 893 000)</u>	<u>269 843 000</u>	<u>227 334 414</u>	<u>(42 489 586)</u>

## 1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

### 1.1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The consolidated financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's consolidated financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the consolidated financial statements.

### 1.2. PRESENTATION CURRENCY

Amounts reflected in the consolidated financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

### 1.3. GOING CONCERN ASSUMPTION

These consolidated financial statements have been prepared on a going concern basis.

### 1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the consolidated financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. 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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the consolidated financial statements. The principal amendments to matters disclosed in the current consolidated financial statements include errors.

#### 1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the consolidated financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

#### 1.7. CONSOLIDATED FINANCIAL STATEMENTS

The Economic Entity's consolidated financial statements incorporate the financial statements of the parent entity, Joe Gqabi District Municipality, and its municipal entity, Joe Gqabi Economic Development Agency (SoC) Ltd, presented as a single entity and consolidated at the same reporting date as the parent entity.

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

All inter-entity transactions and balances, unrealized gains and losses within the Economic Entity are eliminated upon consolidation. Where appropriate the accounting policies of controlled entities conform to the policies adopted by the Municipality.

#### 1.8. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the consolidated financial statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the consolidated financial statements.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

**1.9. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Economic Entity:

Standard	Description	Effective Date
GRAP 1 (May 2015)	Presentation of Financial Statements	1 April 2016
GRAP 16 (May 2015)	Investment Property	1 April 2016
GRAP 17 (May 2015)	Property, Plant and Equipment	1 April 2016
GRAP 31 (May 2015)	Intangible Assets	1 April 2016
GRAP 103 (May 2015)	Heritage Assets	1 April 2016

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

**1.10. LEASES**

**1.10.1 Economic Entity as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Economic Entity. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Economic Entity uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. 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 de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Economic Entity recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### 1.10.2 Economic Entity as Lessor

Under a finance lease, the Economic Entity recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Economic Entity, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Economic Entity recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

#### 1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grant are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Economic Entity until it is utilised.
- 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 Economic Entity's interest, it is recognised as interest earned in the Statement of Financial Performance.



**1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

**1.13. PROVISIONS**

Provisions are recognised when the Economic Entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Economic Entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

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. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Economic Entity has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Economic Entity has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

**1.14. EMPLOYEE BENEFITS**

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

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

**1.14.1 Post Retirement Medical Obligations**

The Economic Entity provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at 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 requirements. Payments made by the Economic Entity are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

**1.14.2 Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Economic Entity. The Economic Entity's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the

period that it occurs. These obligations are valued annually by independent qualified actuaries.

**1.14.3 Ex gratia Gratuities**

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Economic Entity's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Economic Entity are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

**1.14.4 Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee. Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

**1.14.5 Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

**1.14.6 Provision for Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

**1.14.7 Pension and retirement fund obligations**

The Economic Entity provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Economic Entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are



recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

**1.14.8 Other Short-term Employee Benefits**

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

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

**1.15. PROPERTY, PLANT AND EQUIPMENT**

**1.15.1 Initial Recognition**

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 year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Economic Entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the Economic Entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the Economic Entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**1.15.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Economic Entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

**1.15.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	<i>Years</i>		<i>Years</i>
<u>Infrastructure</u>		<u>Other</u>	
Water	7 – 118	Special Vehicles	10 – 16
Sewerage	8 – 101	Motor vehicles	5 – 17
		Office Equipment	5 – 15
<u>Land and Buildings</u>		Furniture and Fittings	7 – 20
Buildings	20 – 30	Tool and Equipment	5 – 15
		Computer Equipment	3 – 17
		Fire Engines	5 – 12
		Plant and Equipment	15 – 20
		Leasehold Improvements	20

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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 an impairment is recognised in the Statement of Financial Performance.

**1.15.4 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.16. INTANGIBLE ASSETS****1.16.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

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

The Economic Entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Economic Entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Economic Entity intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Economic Entity has the resources to complete the project;
- it is probable that the Economic Entity will receive future economic benefits or service potential; and
- the Economic Entity can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

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

**1.16.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the

useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.16.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	3 -10

**1.16.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.17. INVESTMENT PROPERTY**

**1.17.1 Initial Recognition**

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Economic Entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and 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. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Economic Entity 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 measured at cost.

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, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied

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property becomes an investment property, the Economic Entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**1.17.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

**1.17.3 Depreciation and Impairment – Cost Model**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	20 - 30

**1.17.4 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.18.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Economic Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Economic Entity estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Economic Entity considers the following indications:

- (a) External sources of information
  - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
  - Significant changes with an adverse effect on the Economic Entity have taken place during the period, or will take place in the near future, in the



technological, market, economic or legal environment in which the Economic Entity operates or in the market to which an asset is dedicated.

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Economic Entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation 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 shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Economic Entity estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.18.2 Non-cash-generating assets**

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

The Economic Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Economic Entity estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Economic Entity considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Economic Entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Economic Entity operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Economic Entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. 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 is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an 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.

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- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

An impairment loss is recognised immediately in surplus or deficit.

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

An impairment loss recognised in prior periods for an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

## 1.19. INVENTORIES

### 1.19.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Economic Entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable 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.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Economic Entity 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.



**1.19.2 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. Redundant and slow-moving inventories are identified and written down. 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.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

**1.20. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

**1.20.1 Initial Recognition**

Financial instruments are initially recognised when the Economic Entity becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Economic Entity, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

**1.20.2 Subsequent Measurement**

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.20.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Economic Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Economic Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Economic Entity. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.20.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.20.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash 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

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on hand, highly liquid deposits and net of bank overdrafts. The Economic Entity categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

**1.20.2.4 Non-Current Investments**

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated 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 Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

**1.20.3 De-recognition of Financial Instruments**

**1.20.3.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Economic Entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Economic Entity has transferred substantially all the risks and rewards of the asset, or (b) the Economic Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Economic Entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Economic Entity's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Economic Entity could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Economic Entity's continuing involvement is the amount of the transferred asset that the Economic Entity may repurchase, except that in the case

of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Economic Entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.20.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

**1.20.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

**1.21. REVENUE**

**1.21.1 Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Economic Entity 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.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

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 Economic Entity. Where public contributions have been received, but the Economic Entity has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. Insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.



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 Economic Entity.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Economic Entity's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

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 virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Economic Entity 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 present 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 will be recognised as revenue.

#### **1.21.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Economic Entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

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

- The Economic Entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Economic Entity 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 Economic Entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Economic Entity has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Economic Entity does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Economic Entity was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will

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be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Economic Entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Economic Entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

**1.22 TRANSFER OF FUNCTION (Economic Entity as the acquirer)**

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an Economic Entity's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Economic Entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Economic Entity or from other rights and obligations.

The Economic Entity accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Economic Entity);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Economic Entity recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Economic Entity and the acquiree (or its former owners) agreed in the binding arrangement.

The Economic Entity measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Economic Entity subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

**1.23. RELATED PARTIES**

The Economic Entity resolved to adopt the disclosure requirements as per GRAP 20 -- "Related Party Disclosures".

A related party is a person or an entity:

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- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Economic Entity:

- (a) A person or a close member of that person's family is related to the Economic Entity if that person:
  - has control or joint control over the Economic Entity.
  - has significant influence over the Economic Entity. Significant influence is the power to participate in the financial and operating policy decisions of the Economic Entity.
  - is a member of the management of the Economic Entity or its controlling entity.
- (b) An entity is related to the Economic Entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Economic Entity or an entity related to the Economic Entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Economic Entity. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Economic Entity, including:

- (a) all members of the governing body of the Economic Entity;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Economic Entity;



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- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Economic Entity; and
- (d) the senior management team of the Economic Entity, including the chief executive officer or permanent head of the Economic Entity, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Economic Entity, being the Executive Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Economic Entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Economic Entity in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Economic Entity for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Economic Entity.

The Economic Entity operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

**1.24. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, 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 a 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 (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.25. 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, and (Act. No. 20 of 1998) or is in contravention of the Economic Entity's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.26. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Economic Entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Economic Entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

**1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

**1.28.1 *Post retirement medical obligations, Long service awards and Ex gratia gratuities***

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities 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. Major assumptions used are disclosed in note 4 of the consolidated financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

**1.28.2 *Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

*1.28.3 Property, Plant and Equipment*

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Economic Entity referred to buildings in other municipal areas to determine the useful life of buildings. The Economic Entity also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

*1.28.4 Intangible Assets*

The useful lives of Intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Economic Entity and other municipalities to determine the useful life of the assets.

*1.28.5 Investment Property*

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Economic Entity referred to buildings in other municipal areas to determine the useful life of buildings.
- The Economic Entity also consulted with professional engineers and qualified valuers to support the useful life of buildings.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

**1.28.6 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

**1.28.7 Revenue Recognition**

Accounting Policy 1.21.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.21.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Economic Entity.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Economic Entity, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Economic Entity is satisfied that recognition of the revenue in the current year is appropriate.

**1.28.8 Provision for Performance bonuses**

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

**1.28.9 Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

**1.29. SOUTH AFRICAN REVENUE SERVICES (VALUE ADDED TAX)**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.30. CAPITAL COMMITMENTS**

Capital commitments disclosed in the consolidated financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**1.31. EVENTS AFTER REPORTING DATE**

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

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

If non-adjusting events after the reporting date are material, the Economic Entity discloses the nature and an estimate of the financial effect.

**1.32 BORROWING COSTS**

The Economic Entity recognises all borrowing costs as an expense in the period in which they are incurred.

**1.33 TAXATION**

**1.33.1 Current tax assets and liabilities**

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

**1.33.2 Deferred tax assets and liabilities**

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

**1.33.3 Tax expenses**



JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period. Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.



**JOE QQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>2 INVENTORY</b>				
Fuel and oil - at cost	485 828	545 962	485 628	585 962
Stationery and materials - at cost	804 287	960 835	804 287	960 835
Spare parts - at cost	1 206 101	1 238 985	1 206 101	1 238 935
Water stock - net realisable value	424 072	392 108	424 072	392 106
<b>Total Inventory</b>	<b>2 900 069</b>	<b>3 177 840</b>	<b>2 900 069</b>	<b>3 177 840</b>
Consumable stores materials (gains)/losses identified during stock counts Inventory recognised as an expense during the year	4 305 657	9 058 898	4 305 657	9 058 898
No inventory was pledged as security.				
Inventory Adjustments made for the year	(44 148)	(5 230)	(44 148)	(5 230)
Fuel were purchased on a needs basis as from March 2017 resulting in the decrease on the inventory recognised as an expense during the year.				
<b>3 CASH AND CASH EQUIVALENTS</b>				
Primary Bank Account	(5 670 398)	(2 438 843)	(5 672 687)	(2 616 344)
Call and short-term investments deposits	2 764 338	5 338 167	2 155 106	5 020 590
Cash floats	300	16 300	300	16 300
Petty cash	29 509	-	29 509	-
<b>Total</b>	<b>(2 886 258)</b>	<b>2 918 123</b>	<b>(3 487 782)</b>	<b>2 421 546</b>
Due to the short term nature of cash deposits, all balances included above is in line with their fair value. Cash and Cash Equivalents are disclosed as follow:				
Current assets	2 784 139	5 354 487	2 164 906	5 036 890
Current liability	(5 670 398)	(2 438 343)	(5 672 687)	(2 616 344)
<b>Primary Bank Account:</b>				
<b>ABSA Bank - Barkly East Branch - 235000019 (Municipality)</b>				
Bank statement balance - Opening balance			4 341 332	262 119
Bank statement balance - Closing balance			1 168 163	4 341 332
Cashbook balance - Opening balance			(2 616 344)	
Cashbook balance - Closing balance			(6 672 687)	(2 616 344)
<b>ABSA Bank - Barkly East Branch - 4078803628 (Entity)</b>				
Bank statement balance - Opening balance			370 337	4 093
Bank statement balance - Closing balance			177 001	370 337
Cashbook balance - Opening balance			370 337	4 093
Cashbook balance - Closing balance			177 001	370 337
<b>Call Deposits</b>				
ABSA - Acc no 9084169245 - MIG	460 902	124 222	460 902	124 222
ABSA - Acc no 2185426744 - General Fund Operational Funds	300 567	282 365	300 567	282 365
ABSA - Acc no 4072225156 - Public Works Special Programme	38 077	33 914	38 077	33 914
ABSA - Acc no 2122637071 - Wetlands Projects	612 804	1 635 718	612 804	1 635 718
ABSA - Acc no 9270029656 - Environmental Affairs Maziboyele Emasweni	240 035	1 335 130	240 038	1 335 130
ABSA - Acc no 9278838818 - Joe Qqabi Capital Purchasing	485 019	1 609 241	485 019	1 609 241
ABSA - Acc no 9275768886 - JOGEDA	14 112	15 338	-	-
ABSA - Liquidity Plus	585 121	534 239	-	-
	<b>2 764 338</b>	<b>5 338 167</b>	<b>2 155 106</b>	<b>5 020 590</b>

**JOE GOABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

**RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	ECONOMIC ENTITY		MUNICIPALITY	
	2017	2016	2017	2016
	R	R	R	R
Water	162 789 258	177 332 635	162 789 258	177 332 535
Sewerage	74 924 566	64 597 276	74 924 582	64 997 276
Joe Goabi Economic Development Agency (Eco) Ltd				
Local Municipalities	17 058 184	18 518 876	17 058 184	18 518 876
Geniep Local Municipality	-	10 077 368	-	10 077 368
Eitundini Local Municipality	-	1 462 882	-	1 462 882
Makheavel Local Municipality	17 058 184	6 978 788	17 058 184	6 978 788
Wateri Shalud Local Municipality	-	-	-	-
Other Receivables	5 953 866	7 864 270	5 042 735	7 864 404
Working for Westerts	-	2 097 285	-	2 097 285
Working for water	-	1 224 535	-	1 224 535
Deposits	157 421	144 951	144 951	144 951
Other Debtors	1 525 619	1 356 069	1 518 213	1 350 683
Staff Debtors	288 278	211 823	285 183	211 833
Pensioners	2 083 842	1 901 230	2 083 842	1 891 220
Expenses paid in advance	1 038 537	1 038 537	1 038 537	1 038 537
Less: Allowance for Doubtful Debts	239 812 714	268 782 988	269 781 743	268 713 081
	(142 801 013)	(208 855 128)	(142 789 607)	(208 947 722)
<b>Total Net Receivables from Exchange Transactions</b>	<b>117 811 691</b>	<b>89 771 800</b>	<b>118 892 198</b>	<b>89 765 369</b>

Balance previously reported	60 008 083	59 995 523	(87 421)	144 895 232
Sanitation billing correction	(75 214)	(75 214)	(75 214)	70 895 685
Water billing correction	(85 518)	(85 518)	(85 518)	(6 544 265)
Eitundini Local Municipality correction	59 777 800	59 777 800		208 947 722
				137 065 075
				54 498 085
				15 408 650
				2 044 943

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Both Makheavel Local Municipality, Eitundini and Geniep Local Municipality owe the Economic Entity for revenue received for water and sanitation as per the billing agreement.

**Reconciliation of the Total Doubtful Debt Provisions**

Balance at beginning of the year	206 895 128	144 895 232	208 947 722	144 895 232
Contributions to provision	44 910 409	64 359 835	44 910 410	70 895 685
Doubtful debts written off against provision	(111 064 524)	-	(111 064 524)	(6 544 265)
Balance at end of year	140 740 013	209 254 892	142 789 608	208 947 722
Water	84 628 306	137 065 075	84 628 306	137 065 075
Sewerage	40 521 739	54 498 085	40 521 738	54 498 085
Local Municipalities	15 408 650	15 408 650	15 408 650	15 408 650
Other Receivables	2 044 943	2 044 943	2 044 943	2 044 943

Concentrations of credit risk with respect to receivables are limited due to the Economic Entity's large number of customers as administered by the local municipalities. The Economic Entity's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Economic Entity's trade receivables.

**JOE GOABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

<b>Municipality</b>					
<b>2017</b>					
Water	162 768 256	(84 623 308)	77 944 950		
Sewerage	74 924 398	(40 921 739)	34 402 659		
Local Municipalities	17 058 184	(15 409 620)	1 648 564		
Other Receivables	5 043 736	(2 044 342)	2 999 394		
<b>Total</b>	<b>259 794 743</b>	<b>(142 799 007)</b>	<b>116 995 194</b>		
<b>2016</b>					
Water	177 932 535	(137 008 078)	40 924 457		
Sewerage	84 997 278	(54 488 085)	30 509 192		
Local Municipalities	18 618 676	(15 409 620)	3 209 056		
Other Receivables	7 864 404	(2 044 342)	5 820 062		
<b>Total</b>	<b>289 412 901</b>	<b>(208 949 125)</b>	<b>80 477 834</b>		
<b>Economic Entity</b>					
<b>2017</b>					
Water	162 768 256	(84 623 308)	77 944 950		
Sewerage	74 924 398	(40 921 739)	34 402 659		
Local Municipalities	17 058 184	(15 409 620)	1 648 564		
Other Receivables	5 063 696	(2 046 349)	3 017 347		
<b>Total</b>	<b>259 814 704</b>	<b>(142 801 016)</b>	<b>117 011 890</b>		
<b>2016</b>					
Water	177 932 536	(137 005 075)	40 927 460		
Sewerage	84 997 276	(54 488 085)	30 509 182		
Local Municipalities	18 618 676	(15 409 620)	3 209 056		
Other Receivables	7 864 270	(2 052 346)	5 811 924		
<b>Total</b>	<b>289 732 938</b>	<b>(208 955 126)</b>	<b>80 777 830</b>		

**JOE GOABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

**Ageing of Receivables from Exchange Transactions**

<u>Muster</u>	ECONOMIC ENTITY		MUNICIPALITY	
	2017	2016	2017	2016
	R	S	R	R
<b>Water</b>				
Current (0 - 30 days)	8 951 293	9 567 411	8 961 293	9 697 411
31 - 60 Days	7 780 832	6 889 174	7 790 832	6 999 174
61 - 90 Days	7 975 319	7 166 661	7 575 319	7 166 661
91 - 120 Days	6 715 136	5 691 074	6 715 136	5 861 074
121 - 150 Days	5 438 890	4 728 081	5 438 890	4 728 081
150+ Days	126 286 073	143 182 144	126 286 073	143 182 144
<b>Total</b>	<b>162 768 268</b>	<b>177 932 395</b>	<b>162 768 268</b>	<b>177 932 395</b>
<b>Sanitation</b>				
Current (0 - 30 days)	3 819 891	3 875 115	3 819 891	3 875 115
31 - 60 Days	3 297 112	2 396 628	3 297 112	2 396 628
61 - 90 Days	3 126 102	2 103 757	3 126 102	2 103 757
91 - 120 Days	3 175 494	1 801 785	3 175 494	1 801 785
121 - 150 Days	2 902 702	1 549 931	2 902 702	1 549 931
150+ Days	59 600 266	53 280 083	59 600 266	53 280 083
<b>Total</b>	<b>74 924 868</b>	<b>64 997 276</b>	<b>74 924 868</b>	<b>64 997 276</b>
<b>Other Receivables/Inter-Auditor</b>				
Current (0 - 30 days)	1 065	2 057 268		2 067 268
31 - 60 Days				
61 - 90 Days	22 118 786	5 787 004	22 098 920	5 767 130
→ 90 Days				
<b>Total</b>	<b>22 119 851</b>	<b>7 844 270</b>	<b>22 098 920</b>	<b>7 864 464</b>

**JOE QGABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>6 SOUTH AFRICAN REVENUE SERVICES</b>				
VAT Receivable	14 494 957	5 920 811	14 328 309	5 324 698
VAT Payable	-	-	-	-
VAT output on Grants and Subsidies paid	1 043 572	214 822	-	-
VAT Input in Suspense	26 630 765	17 583 581	26 530 765	17 563 581
VAT Output in Suspense	(21 211 837)	(32 614 737)	(21 211 837)	(32 614 737)
Less: VAT on Provision for Debt Impairment	12 584 579	19 332 287	12 584 579	19 332 287
<b>Total South African Revenue Services</b>	<b>33 442 037</b>	<b>10 436 664</b>	<b>32 226 817</b>	<b>9 626 829</b>
Balance previously reported		(3 569 634)		(3 569 634)
Recognition of the VAT portion included in the provision of bad debt 2015/2016		13 215 463		13 215 463
Restated balance as at 30 June 2016		<b>9 826 829</b>		<b>9 826 829</b>
<b>Disclosed as follow:</b>				
Current Liabilities from Exchange Transactions	-	-	-	-
Current Assets from Exchange Transactions	33 442 037	10 436 664	32 226 817	9 626 829
<b>Reconciliation of VAT on Provision for Debt Impairment</b>				
Opening balance	19 332 287	6 116 823	19 332 287	6 116 823
Debt Impairment for current year - note 27	7 239 943	13 215 463	7 239 943	13 215 463
<b>Closing balance</b>	<b>26 572 230</b>	<b>19 332 287</b>	<b>26 572 230</b>	<b>19 332 287</b>
<b>7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>				
National Government Grants	5 118 448	1 002 558	5 118 448	1 002 558
Provincial Government Grants	2 239 808	84 681	2 239 808	13 607
Other Grant Providers	75 145	285 766	75 145	-
<b>Unspent Grants</b>	<b>7 433 400</b>	<b>1 373 005</b>	<b>7 433 400</b>	<b>1 016 165</b>
National Government Grants	(15 253 037)	(13 765 027)	(15 253 037)	(13 765 027)
Provincial Government Grants	(6 910 514)	(14 990 342)	(6 910 514)	(14 990 342)
Other Grant Providers	-	(14 616)	-	(14 616)
<b>Less: Unpaid Grants</b>	<b>(22 163 551)</b>	<b>(28 769 984)</b>	<b>(22 163 551)</b>	<b>(28 769 984)</b>
<b>Total Conditional Grants and Receipts</b>	<b>(14 730 150)</b>	<b>(27 396 979)</b>	<b>(14 730 150)</b>	<b>(27 763 818)</b>
Balance previously reported 30 June 2016		(30 258 897)		(30 258 897)
Correction of overstatement of grant income recognised on MIG 2015/2016		2 505 079		2 505 079
Restated balance as at 30 June 2016		<b>(27 753 818)</b>		<b>(27 753 818)</b>

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

**JOE GOABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**1. PROPERTY, PLANT AND EQUIPMENT**  
**ECONOMIC ENTITY**  
**30 JUNE 2017**  
 Reconciliation of Carrying Value

	Cost		Temporary Capital Assets		Carrying Balance		Opening Balance		Termination and non-exchange add/deductions		Reclassification Description		Closing Balance		Carrying Value			
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R		
<b>Land and Buildings</b>																		
Land	2 045 000	-	-	-	2 045 000	-	2 045 000	-	-	-	-	-	-	-	-	2 045 000	-	
Buildings	15 039 048	-	-	-	15 039 048	-	15 039 048	-	-	-	-	-	-	-	-	15 039 048	-	
<b>Infrastructure</b>																		
Sewerage network	1 709 898 911	-	(840 418)	-	1 894 876 900	-	1 894 876 900	2 195 142 387	-	43 417 492	-	(374 706)	-	333 888 642	-	1 641 298 465	-	
Water network	322 271 828	-	(80 418)	-	300 345 370	-	300 345 370	75 272 097	-	(1 026 695)	-	-	-	62 357 782	-	249 300 917	-	
Work in Progress	1 908 541 887	-	(72 303 221)	-	1 836 238 666	-	1 836 238 666	237 075 461	-	31 151 817	-	(354 700)	-	279 460 780	-	1 876 654 470	-	
<b>Other Assets</b>																		
Office Equipment	45 688 791	-	(689 891)	-	44 998 900	-	44 998 900	22 783 348	-	3 867 048	-	(611 912)	-	38 254 436	-	16 826 532	-	
Furniture & Fixtures	2 343 819	-	(14 230)	-	2 458 049	-	2 458 049	1 680 290	-	(31 307)	-	(12 871)	-	1 813 871	-	666 630	-	
Motor Vehicles	3 876 823	-	(134 215)	-	3 742 608	-	3 742 608	2 715 528	-	151 042	-	(114 732)	-	2 732 938	-	864 136	-	
Provision	18 090 300	-	(135 000)	-	17 955 300	-	17 955 300	4 164 823	-	2 260 416	-	(15 303)	-	3 779 936	-	7 088 578	-	
Computer Equipment	3 874 094	-	-	-	3 874 094	-	3 874 094	4 182 293	-	664 303	-	-	-	6 846 696	-	2 853 638	-	
Special Vehicle	3 031 228	-	(17 064)	-	3 014 164	-	3 014 164	1 322 653	-	164 576	-	(68 111)	-	1 410 220	-	1 723 513	-	
Tools and Equipment	4 749 488	-	(610 800)	-	4 138 688	-	4 138 688	1 380 394	-	4 230 886	-	(307 379)	-	1 374 894	-	2 848 991	-	
	5 106 251	-	(1 08 307)	-	5 097 944	-	5 097 944	1 094 981	-	268 848	-	(27 007)	-	2 126 962	-	2 818 838	-	
	1 832 187 908	-	(1 883 517)	-	2 067 740 391	-	2 067 740 391	2 032 296 362	-	47 887 190	-	(1 038 671)	-	383 097 382	-	1 672 864 809	-	

**20 JUNE 2018**  
 Reconciliation of Carrying Value

	Cost		Transfer to Capital Assets		Carrying Balance		Opening Balance		Termination and non-exchange add/deductions		Reclassification Description		Closing Balance		Carrying Value			
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R		
<b>Land and Buildings</b>																		
Land	2 043 000	-	-	-	2 043 000	-	2 043 000	-	-	-	-	-	-	-	-	2 043 000	-	
Buildings	15 039 048	-	-	-	15 039 048	-	15 039 048	-	-	-	-	-	-	-	-	15 039 048	-	
<b>Infrastructure</b>																		
Sewerage network	1 899 480 137	-	(848 823)	-	1 898 631 314	-	1 898 631 314	2 087 742 895	-	(41 859 378)	-	(168 467)	-	319 148 867	-	1 489 763 993	-	
Water network	321 270 200	-	(80 423)	-	322 217 828	-	322 217 828	62 864 309	-	9 707 849	-	-	-	73 272 067	-	340 545 861	-	
Work in Progress	1 917 895 712	-	(62 328 609)	-	1 855 567 103	-	1 855 567 103	2 07 163 376	-	31 330 531	-	(680 407)	-	327 873 481	-	1 870 364 407	-	
<b>Other Assets</b>																		
Office Equipment	45 284 244	-	(1 010 833)	-	44 273 411	-	44 273 411	18 024 726	-	4 223 735	-	(746 608)	-	22 783 348	-	21 034 961	-	
Furniture & Fixtures	2 343 819	-	(14 230)	-	2 458 049	-	2 458 049	1 679 827	-	149 313	-	(12 820)	-	1 669 250	-	679 289	-	
Motor Vehicles	3 876 823	-	(134 215)	-	3 742 608	-	3 742 608	2 715 528	-	151 042	-	(114 732)	-	2 732 938	-	864 136	-	
Provision	18 090 300	-	(135 000)	-	17 955 300	-	17 955 300	4 164 823	-	2 260 416	-	(15 303)	-	6 846 696	-	2 281 868	-	
Computer Equipment	3 874 094	-	-	-	3 874 094	-	3 874 094	4 182 293	-	664 303	-	-	-	6 846 696	-	2 853 638	-	
Special Vehicle	3 031 228	-	(17 064)	-	3 014 164	-	3 014 164	1 322 653	-	164 576	-	(68 111)	-	1 410 220	-	1 099 378	-	
Tools and Equipment	4 749 488	-	(610 800)	-	4 138 688	-	4 138 688	1 380 394	-	4 230 886	-	(307 379)	-	1 374 894	-	2 848 991	-	
	5 106 251	-	(1 08 307)	-	5 097 944	-	5 097 944	1 094 981	-	268 848	-	(27 007)	-	2 126 962	-	2 818 838	-	
	1 864 861 309	-	(1 828 370)	-	2 036 491 309	-	2 036 491 309	2 032 296 362	-	45 088 190	-	(1 038 671)	-	323 296 862	-	1 489 882 674	-	

There are no assets held for disposal or any temporary/ide assets as on date of financial publish. There has been an impairment benefit for Property, Plant and Equipment as pledged as security for liabilities.

There has been no change in the method of depreciation and it is consistent with the prior year.



**JOE GOABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

**PROPERTY, PLANT AND EQUIPMENT**  
**MUNICIPALITY**

30 JUNE 2017

Reconciliation of Carrying Value

	Transfers and non-swaps additions		Cost		Transfers to Capital Assets		Carrying Balance		Operating Balance		Transfers and non-swaps additions		Accumulated Depreciation		Carrying Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings																
Land	17 682 048	185 446	-	-	-	-	17 787 484	-	6 387 859	-	692 480	-	-	-	8 848 439	11 847 055
Buildings	2 043 000	103 468	-	-	-	-	2 146 468	-	5 357 846	-	348 480	-	-	-	5 848 432	8 004 065
Infrastructure	1 789 898 163	233 849 269	-	-	(880 418)	-	1 944 977 011	-	310 148 887	-	43 417 482	-	(778 798)	-	203 888 642	1 943 898 488
Sewerage network	523 817 688	-	-	-	(800 418)	-	523 017 270	-	72 272 087	-	10 285 886	-	-	-	20 857 793	363 848 417
Water network	1 108 541 887	-	-	-	(800 418)	-	1 108 468 250	-	237 875 491	-	10 285 886	-	(974 708)	-	270 458 710	808 014 670
Work in Progress	303 548 338	225 849 268	-	-	(73 583 221)	-	460 144 385	-	-	-	-	-	-	-	-	403 148 385
Other Assets	42 233 822	1 299 823	-	-	(402 716)	-	41 930 929	-	22 164 368	-	3 816 781	-	(882 727)	-	28 498 389	17 280 866
Office Equipment	2 288 794	46 480	-	-	(10 488)	-	2 324 786	-	1 680 205	-	131 364	-	(9 277)	-	1 722 313	486 483
Furniture & Fixtures	3 886 344	7 291	-	-	(13 870)	-	3 980 765	-	2 697 843	-	153 360	-	(107 405)	-	2 844 698	888 547
Motor Vehicles	48 880 360	572 223	-	-	(38 000)	-	47 474 583	-	7 340 322	-	2 268 418	-	(31 263)	-	9 774 975	7 808 577
Fire Engines	8 584 084	-	-	-	-	-	8 584 084	-	6 182 208	-	689 389	-	-	-	5 801 589	2 689 338
Computer Equipment	2 812 807	271 843	-	-	(132 873)	-	3 051 477	-	1 248 587	-	141 289	-	(37 683)	-	1 262 193	1 889 187
Special Vehicles	4 799 486	48 887	-	-	(610 600)	-	4 238 773	-	1 248 587	-	328 279	-	(247 078)	-	1 374 884	2 868 951
Tools and Equipment	3 059 408	48 887	-	-	-	-	3 139 408	-	1 479 151	-	128 881	-	-	-	1 608 032	1 521 813
	1 828 834 154	227 264 824	-	-	(1 888 214)	-	3 048 484 334	-	337 897 836	-	47 819 882	-	(1 997 428)	-	384 371 344	1 871 125 190

30 JUNE 2016

Reconciliation of Carrying Value

	Transfers and non-swaps additions		Cost		Transfers to Capital Assets		Carrying Balance		Operating Balance		Transfers and non-swaps additions		Accumulated Depreciation		Carrying Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings																
Land	17 682 048	-	-	-	-	-	17 682 048	-	4 773 863	-	834 078	-	-	-	5 387 949	12 344 090
Buildings	2 043 000	-	-	-	-	-	2 043 000	-	4 773 863	-	664 078	-	-	-	5 387 949	7 001 000
Infrastructure	1 881 885 127	178 148 948	-	-	(840 323)	-	1 789 611 752	-	288 747 695	-	41 882 379	-	(888 877)	-	318 145 557	1 428 783 809
Sewerage network	523 278 200	-	-	-	(800 323)	-	522 477 877	-	62 354 288	-	8 707 266	-	-	-	72 272 087	348 848 961
Water network	1 817 883 772	-	-	-	(840 323)	-	1 817 043 449	-	207 183 370	-	9 125 241	-	(888 877)	-	207 813 491	870 041 571
Work in Progress	282 171 215	179 108 888	-	-	-	-	461 280 103	-	-	-	-	-	-	-	-	461 280 103
Other Assets	42 233 822	1 299 823	-	-	(402 716)	-	41 930 929	-	18 832 832	-	4 882 484	-	(734 811)	-	22 664 508	20 989 613
Office Equipment	2 288 794	46 480	-	-	(10 488)	-	2 324 786	-	1 448 077	-	128 828	-	-	-	1 609 208	848 877
Furniture & Fixtures	3 886 344	7 291	-	-	(13 870)	-	3 980 765	-	3 086 344	-	144 288	-	-	-	2 857 863	1 028 381
Motor Vehicles	48 880 360	572 223	-	-	(38 000)	-	47 474 583	-	5 828 653	-	2 341 008	-	(118 214)	-	7 649 222	6 088 378
Fire Engines	8 584 084	-	-	-	-	-	8 584 084	-	5 487 081	-	689 389	-	-	-	6 182 208	2 791 888
Computer Equipment	2 812 807	271 843	-	-	(132 873)	-	3 051 477	-	1 418 581	-	141 271	-	(329 288)	-	1 248 557	1 685 849
Special Vehicles	4 799 486	48 887	-	-	(610 600)	-	4 238 773	-	1 248 587	-	328 279	-	(78 109)	-	1 398 320	3 284 182
Tools and Equipment	3 059 408	48 887	-	-	-	-	3 139 408	-	1 533 151	-	148 881	-	-	-	1 479 151	1 602 277
	1 482 284 755	178 838 118	-	-	(2 481 740)	-	1 828 825 324	-	282 864 810	-	47 787 949	-	(1 344 677)	-	337 857 886	1 482 487 318

There are no assets fully depreciated which is still in use or any assets held for disposal or any temporary idle assets as on date of financial position. There has been an Impairment identified for Property, Plant and Equipment to the value of R200 480. No Property, Plant and Equipment are pledged as security for liabilities. There has been no change in the method of depreciation and it is consistent with the prior year.

**JOE QGABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>9 INVESTMENT PROPERTY</b>				
Net Carrying amount at 1 July	3 651 664	3 656 644	2 633 766	2 676 461
Cost	5 149 691	5 149 691	2 683 357	2 683 357
Accumulated Depreciation	(383 699)	(340 715)	(346 602)	(307 896)
Accumulated Impairment	(1 112 628)	(1 112 628)	-	-
Additions	-	-	-	-
Depreciation for the year	(287 936)	(42 983)	(256 680)	(41 705)
Impairment	-	-	-	-
Net Carrying amount at 30 June	3 365 728	3 655 665	2 277 176	2 633 766
Cost	5 149 831	5 149 691	2 683 357	2 683 357
Accumulated Depreciation	(841 638)	(383 695)	(606 182)	(349 602)
Accumulated Impairment	(1 112 628)	(1 112 628)	-	-
Revenue derived from the rental of investment property.	15 232	45 414	15 232	45 414
No operating expenditure was incurred on investment property during the 2016/2016 and 2016/2017 financial years.				
There are no restrictions on the realisability of investment Property or the recoupment of revenue and proceeds of disposal.				
There are no contractual obligations to purchase, construct or develop the investment property or for repairs, maintenance or enhancements.				
<b>10 INTANGIBLE ASSETS</b>				
Computer Software				
Net Carrying amount at 1 July	1 388 088	1 798 666	1 349 221	1 798 666
Cost	4 420 914	4 398 476	4 395 576	4 395 576
Accumulated Amortisation	(3 052 826)	(2 599 810)	(3 046 355)	(2 596 910)
Additions and transfers from work in progress	-	22 438	-	-
Amortisation	(453 167)	(453 218)	(448 200)	(449 644)
Net Carrying amount at 30 June	914 831	1 388 088	991 822	1 349 221
Cost	4 420 914	4 420 914	4 395 576	4 395 576
Accumulated Amortisation	(3 505 983)	(3 052 826)	(3 494 554)	(3 046 355)
No intangible assets were assessed as having an indefinite useful life. There are no internally generated intangible assets at the reporting date. There are no intangible assets whose title is restricted and no intangible assets are pledged as security for liabilities.				
<b>11 NON-CURRENT INVESTMENTS</b>				
Financial Instruments				
Fixed Deposits	1 683 453	1 489 452	1 683 453	1 489 452
Unlisted				
Municipal Entity - Joe Qgabi Economic Development Agency (Sec) Ltd	-	-	1 894 055	1 894 055
Cost	-	-	6 656 141	6 836 141
Provision for Impairment	-	-	(4 992 086)	(4 992 086)
<b>Total Non-Current Investments</b>	<b>1 683 453</b>	<b>1 489 452</b>	<b>3 477 508</b>	<b>3 383 507</b>
Balance previously reported		1 411 026		3 305 081
Correction on the Fixed deposit on short interest capitalised for 15/16		78 426		78 426
		<b>1 489 452</b>		<b>3 383 507</b>

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

ECONOMIC ENTITY		MUNICIPALITY	
2017	2016	2017	2016
R	R	R	R

Fixed Deposits are investments with a maturity period of more than 12 months and an average interest rate of 9.19% per annum. (2016 - 9.13%). Interest rates are considered to be market related. The carrying amount of these fixed deposits approximates their fair value.

Investments are made in terms of the Economic Entity's Cash Management and Investment Policy, as required by Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

Fixed deposits consist of the following accounts:

ABSA	- Acc no 060009135	- Building - DBSA Loan	1 583 453	1 489 452	1 583 453	1 489 452
			1 583 453	1 489 452	1 583 453	1 489 452

The fixed deposit serve as collateral security for the DBSA Building loan as per note 2.

**JOE GOABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	ECONOMIC ENTITY		MUNICIPALITY	
	2017	2016	2017	2016
	R	R	R	R
<b>EMPLOYEE BENEFITS</b>				
Final Retirement Medical Obligations - refer to note 3.1	29 838 151	30 876 776	28 823 151	30 876 776
Ex-Gratia Contributions - refer to note 3.2	187 418	223 531	187 418	223 531
Long Service Awards - refer to note 3.3	4 060 938	4 118 329	4 060 938	4 118 329
<b>Total Non-current Employee Benefits Liabilities</b>	<b>34 798 227</b>	<b>35 216 636</b>	<b>34 798 227</b>	<b>35 216 636</b>
<b>Post-Retirement Benefits Obligations</b>				
Balance 1 July	32 188 020	28 712 020	32 188 020	28 712 020
Contribution for the year	8 800 281	8 800 280	8 800 281	8 800 280
Expenditure for the year	(1 078 935)	(883 470)	(1 078 935)	(883 470)
Actuarial (Gain)	(8 452 368)	(1 513 789)	(8 452 368)	(1 513 789)
<b>Total post-retirement medical obligation 30 June</b>	<b>31 253 978</b>	<b>32 108 020</b>	<b>31 253 978</b>	<b>32 108 020</b>
<b>LIABILITIES</b>	<b>(1 362 627)</b>	<b>(1 289 244)</b>	<b>(1 362 627)</b>	<b>(1 289 244)</b>
Balance 30 June	29 891 351	30 878 776	29 891 351	30 878 776
<b>Ex-Gratia Contributions</b>				
Balance 1 July	416 514	388 945	416 514	389 945
Contribution for the year	59 946	80 722	59 946	80 722
Expenditure for the year	(109 439)	(118 423)	(109 439)	(118 423)
Actuarial Gain	8 810	54 270	8 810	54 270
<b>Total ex-gratia provision 30 June</b>	<b>375 831</b>	<b>416 514</b>	<b>375 831</b>	<b>416 514</b>
<b>LIABILITIES</b>	<b>(186 254)</b>	<b>(192 983)</b>	<b>(186 254)</b>	<b>(192 983)</b>
Balance 30 June	187 418	223 531	187 418	223 531

**JOE GOABI DISTRICT MUNICIPALITY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>Food Stores Awards</b>				
Balance 1 July	4 715 590	4 630 341	4 715 690	4 630 341
Contribution for the year	1 076 166	1 112 432	1 076 166	1 112 432
Expenditure for the year	(233 697)	(390 520)	(233 697)	(390 520)
Actuarial (Gain)/Loss	(46 199)	(896 573)	(46 199)	(896 573)
Total long service 30 June	5 509 979	4 715 690	5 509 979	4 715 690
<b>LEAFI</b> Transfer of current portion to Current Employee Benefits - note 4	(839 341)	(839 341)	(839 341)	(839 341)
Balance 30 June	4 670 638	4 116 329	4 670 638	4 116 329
<b>TOTAL EMPLOYEE BENEFITS</b>				
Balance 1 July	37 298 214	33 932 265	37 298 214	33 932 265
Contribution for the year	7 736 423	7 136 443	7 736 423	7 136 443
Expenditure for the year	(1 429 071)	(1 442 413)	(1 429 071)	(1 442 413)
Actuarial (Gain)	(6 484 957)	(2 328 102)	(6 484 957)	(2 328 102)
Total employee benefits 30 June	37 119 609	37 298 214	37 119 609	37 298 214
<b>LEAFI</b> Transfer of current portion to Current Employee Benefits - note 4	(2 413 402)	(2 061 579)	(2 413 402)	(2 061 579)
Balance 30 June	34 706 207	35 236 635	34 706 207	35 236 635

**5.1 Post Retirement Medical Obligations**

The Post Retirement Medical Obligation is a defined benefit plan, of which the members are made up as follows:

	2017 Employees	2016 Employees	2017 Employees	2016 Employees
In-service (employee) members	168	175	168	176
Contributor members (e.g. Retirees, widows, orphans)	34	33	34	33
Total Members	202	208	202	209

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

- Topline
- LA Health
- Medmed
- SAMWU Medical Aid

**JOE GOABI DISTRICT MUNICIPALITY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	ECONOMIC ENTITY		MUNICIPALITY	
	2017	2016	2017	2016
	%	%	%	%

Rate of interest				
Discount rate	6.76	6.11	6.76	6.11
Health Care Cost Inflation Rate	5.03	4.22	5.03	4.22
Net Effective Discount Rate	1.60	0.82	1.50	0.82

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

**ii) Mortality rates**

The PA 90 ultimate table, read down by 1 year of age.

**iii) Normal retirement age**

The normal retirement age for employees of the Economic Entity is:

Male : 63 years  
Female: 65 years

The liability in respect of past service recognised in the Statement of Financial Position is as follows:

	In-Service Members	Continuation Members	Present value of fund obligations
	R	R	R
30 June 2017	19 375 151	10 483 000	29 535 151
30 June 2016	21 330 577	10 945 443	32 156 000
30 June 2015	19 681 662	9 631 382	28 712 044
30 June 2014	16 280 000	9 762 581	26 042 581
30 June 2013	13 659 000	9 683 475	23 852 475
30 June 2012	7 546 000	10 067 254	17 613 254

The Economic Entity has elected to recognise the full increase in the defined benefit liability immediately as per GRAP 26.

Experience adjustments were calculated as follows:

	Liabilities (Gain) / Loss	Assets Gain / (Loss)
	R	R
30 June 2017	(1 544 000)	-
30 June 2016	253 000	-
30 June 2015	(875 000)	-
30 June 2014	2 068 000	-
30 June 2013	5 856 000	-
30 June 2012	615 000	-



**JOE GOABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	ECONOMIC ENTITY		MUNICIPALITY	
	2017	2016	2017	2016
	R	R	R	R
Reconciliation of present value of fund obligations:				
Present value of fund obligation at the beginning of the year				
Total contributions	32 186 020	28 712 060	32 186 020	28 712 000
Current service cost	5 823 356	4 986 819	5 823 356	4 986 819
Interest Cost	2 801 583	2 412 038	2 801 583	2 412 038
Benefits Paid	3 998 308	3 620 251	3 998 308	3 520 281
Actual (Gain)/Loss	(1 078 585)	(943 470)	(1 078 585)	(843 470)
Present value of fund obligation at the end of the year	(6 455 389)	(1 615 730)	(6 455 389)	(1 615 730)
Less: Transfer of current portion to Current Employee Benefits - note 4	31 233 978	32 166 020	31 233 978	32 166 020
Balance 30 June	(1 356 827)	(1 293 244)	(1 356 827)	(1 293 244)
	29 838 151	30 872 776	29 838 151	30 872 776

**Sensitivity Analysis on the Current-service and Interest Costs:**

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Central Assumptions		2 507 400	4 667 000	9 955 200	
Health care inflation	+1%	3 123 700	4 768 400	7 902 100	20%
Health care inflation	-1%	2 027 200	3 522 000	5 549 200	-15%
Discount rate	+1%	2 669 200	3 807 200	5 953 400	-15%
Discount rate	-1%	3 098 500	4 234 900	7 367 400	12%
Post-retirement mortality	+1 year	2 587 000	4 240 800	6 603 400	4%
Average retirement age	+1 year	2 590 300	4 365 100	6 949 400	5%
		2017	2016	2017	2016
		%	%	%	%

**3.2 Ex Grants Creditable**

The Ex Grants Creditable plans are defined benefit plans. As at year end 38 employees (2013 - 46) were eligible for Ex Grants Creditable.

Key actuarial assumptions used:

- Rate of interest
- Discount rate

The discount rate used is a composite of all government bonds and is calculated using a technique known as "backstripping".

9.47

9.37

9.47

9.47

9.37

9.47

9.37

9.37

**JOE GOABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

Present value of  
funded obligations:

30 June 2017	375 863
30 June 2016	418 514
30 June 2015	388 945
30 June 2014	438 829
30 June 2013	468 511
30 June 2012	524 447

The liability in respect of past service recognized in the Statement of Financial Position is as follows:

	ECONOMIC ENTITY		MUNICIPALITY	
	2017	2016	2017	2016
	R	R	R	R
Liabilities (Gain) / Loss	9 436			
Assets (Gain) / Loss	89 127		9 436	
Liabilities (Gain) / Loss	112 184		68 127	
Assets (Gain) / Loss	(7 826)		112 184	
Liabilities (Gain) / Loss	76 238		(7 526)	
Assets (Gain) / Loss	91 831		91 831	
Liabilities (Gain) / Loss	416 514		418 514	
Assets (Gain) / Loss	(48 472)		(48 472)	
Liabilities (Gain) / Loss	29 779		28 779	
Assets (Gain) / Loss	(109 425)		30 187	
Liabilities (Gain) / Loss	8 810		(109 425)	
Assets (Gain) / Loss	375 852		8 810	
Liabilities (Gain) / Loss	(188 234)		375 852	
Assets (Gain) / Loss	187 418		(188 234)	
Liabilities (Gain) / Loss			187 418	
Assets (Gain) / Loss				223 521

The Economic Entity has elected to recognize the full increase in this defined benefit liability immediately as per GRAP 25.

Experience adjustments were calculated as follows:

	2017	2016
	R	R
30 June 2017	9 436	
30 June 2016	68 127	
30 June 2015	112 184	
30 June 2014	(7 826)	
30 June 2013	76 238	
30 June 2012	91 831	

Reconciliation of present value of funded obligations:

Present value of fund obligation at the beginning of the year	416 514	309 845	418 514	309 845
Total contributions	(48 472)	(27 701)	(48 472)	(27 701)
Current and past services cost	29 779	88 061	28 779	66 061
Interest Cost	30 187	24 661	30 187	24 661
Bonuses Paid	(109 425)	(118 423)	(109 425)	(118 423)
Actuals (Gain)	8 810	64 270	8 810	64 270
Present value of fund obligation at the end of the year	375 852	416 514	375 852	416 514
Less: Transfer of current portion to Current Employee Benefits - note 4	(188 234)	(182 040)	(188 234)	(182 040)
Present value of fund obligation at the end of the year	187 418	233 851	187 418	233 521

The liability is unfunded.

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**Sensitivity Analysis on the Current-service and Interest Costs:**

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Central Assumptions		29 778	30 187	59 965	
Discount Rate	+1%	28 508	22 432	50 940	2%
Discount Rate	-1%	31 227	27 817	59 044	-2%
Average retirement age	-1 year	40 057	31 128	71 185	15%

**5.3 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans. Long service awards were calculated for 488 employees (2014 - 502), but they are not all eligible for payment in the same year.

Key actuarial assumptions used:

	Rate of interest	Discount rate	General Salary Inflation (long-term)	Net Effective Discount Rate applied to salary-related Long Service Bonuses	Present value of fund obligations
	6.10	6.37	6.50	2.08	
	6.00	7.04	2.08	6.50	
	2017 %	2016 %	2017 %	2016 %	MUNICIPALITY 2016 %

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

The liability in respect of past services recognised in the Statement of Financial Position is as follows:

	ECONOMIC ENTITY 2017 %	ECONOMIC ENTITY 2016 %	MUNICIPALITY 2016 %
30 June 2017	5 508 980	4 715 880	4 830 341
30 June 2016	4 715 880	4 530 341	4 391 167
30 June 2015	4 530 341	3 868 385	2 755 261
30 June 2014	4 391 167		
30 June 2013	3 868 385		
30 June 2012	2 755 261		

The Economic Entity has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

Experience adjustments were calculated as follows:

	Liabilities (Gain)/ Loss (R)	Assets Gain / (Loss) (R)
30 June 2017	190 071	
30 June 2016	(740 579)	
30 June 2015	577 926	
30 June 2014	54 916	
30 June 2013	702 433	
30 June 2012	325 038	

Reconciliation of present value of fund obligation:

	ECONOMIC ENTITY 2017 R	ECONOMIC ENTITY 2016 R	MUNICIPALITY 2016 R
Present value of fund obligation at the beginning of the year	4 715 880	4 530 341	4 830 341

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Total contributions	842 468	751 812	342 469	781 812
Current service cost	706 024	767 171	706 024	767 171
Interest Cost	370 132	346 281	370 132	346 281
Benefits Paid	(233 697)	(360 520)	(233 697)	(360 520)
Actuarial Loss/(Gain)	(48 169)	(606 572)	(48 169)	(606 572)
Present value of fund obligation at the end of the year	5 509 979	4 715 890	5 509 979	4 715 890
Less: Transfer of current portion to Current Employees Benefits - note 4	(829 841)	(509 251)	(829 341)	(598 351)
Balance 30 June	<u>4 680 138</u>	<u>4 116 329</u>	<u>4 680 638</u>	<u>4 116 329</u>

The liability is unfunded.

**Sensitivity Analysis on the Current service and interest Costs:**

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Central Assumptions		706 000	370 100	1 076 100	
General salary inflation	+1%	748 100	388 400	1 137 500	6%
General salary inflation	-1%	657 400	332 300	1 019 700	-6%
Discount rate	+1%	671 000	382 800	1 053 800	-1%
Discount rate	-1%	744 800	341 600	1 086 400	1%
Average retirement age	+2 years	694 000	347 600	1 041 600	-7%
Average retirement age	-2 years	754 700	398 800	1 153 500	7%
Withdrawal Rate	-50%	662 700	458 500	1 121 200	23%

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	ECONOMIC ENTITY		MUNICIPALITY	
	2017	2016	2017	2016
	R	R	R	R

**3.4 Retirement Funds**

The Cape Retirement Fund is a multi-employer plan. This means that there are multiple local authorities that participate in this fund. In terms of GROUP 25, a multi-employer plan is defined as defined benefit plans. GROUP 25 also states that when financial information is available the use defined benefit accounting for a multi-employer plan, the Economic Entity will account for the plan as if it were a defined contribution plan.

The Economic Entity requested detailed employee and pensioner information as well as information on the Economic Entity's share of the Retirement Funds assets from the fund administrator. The fund administrator confirmed that assets of the Retirement Funds are not split per participating employer. Therefore, the Economic Entity is unable to determine the value of the plan assets as defined in GROUP 25.

As part of the Economic Entity's process to value the defined benefit liabilities, the Economic Entity's actuary requested data from the fund administrator. The fund administrator claimed that the pensioner data is confidential and was not willing to share the information with the Economic Entity. Without detailed pensioner data the Economic Entity was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Retirement Fund is defined as a defined benefit plan, it will be accounted for as a defined contribution plan.

**CAPE RETIREMENT FUND**

The contribution rate payable is 9% by members and 16% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund was in a sound financial position with a funding level of 100.2% (30 June 2012 - 99.9%).

Contributions paid recognised in the Statement of Financial Performance

	9 588 809	8 627 870	9 583 809	8 627 870
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**MEMBERS' CONTRIBUTIONS**

Council contributes to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund, SANWU National Provident Fund and SALA Pension fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

	2017	2016	2017	2016
	R	R	R	R
	652 403	658 432	652 408	655 432
Government Employees Pension Fund	333 991	418 582	353 981	419 582
Municipal Councils Pension Fund	918 846	24 859	616 849	24 859
IMATU Retirement Fund	2 782 427	2 727 995	2 782 427	2 727 995
SANWU National Provident Fund	1 420 959	1 553 323	1 420 959	1 553 323
SALA Pension Fund	9 828 523	8 168 889	9 828 523	8 168 889

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	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>13 CURRENT EMPLOYEE BENEFITS</b>				
Staff Bonuses Accrued	5 193 987	4 478 641	5 101 824	4 427 358
Provision for Staff Leave	13 478 908	11 533 164	13 484 815	11 450 111
Provision for Performance Bonuses	3 371 716	4 427 358	3 371 718	4 427 359
Other Provisions	582 342	522 849	582 342	522 849
Current Portion of Non-Current Employee Benefits	2 413 402	2 081 678	2 413 402	2 081 678
	<u>1 385 827</u>	<u>1 269 244</u>	<u>1 385 827</u>	<u>1 269 244</u>
Current Portion of Post Retirement Benefits - note 12	188 234	192 983	188 234	192 983
Current Portion of Ex Gratia Gratuities - note 12	828 341	599 351	828 341	599 351
<b>Total Current Employee Benefits</b>	<u>26 138 339</u>	<u>23 944 492</u>	<u>24 936 898</u>	<u>22 909 285</u>

The movement in current employee benefits is reconciled as follows:

**Staff Bonuses Accrued**

Balance at beginning of year	4 478 641	4 530 688	4 427 358	4 418 437
Contribution to current portion	10 083 383	8 508 813	9 964 041	8 428 033
Expenditure incurred	<u>(9 338 956)</u>	<u>(8 557 762)</u>	<u>(9 289 575)</u>	<u>(8 418 111)</u>
<b>Balance at end of year</b>	<u>5 193 987</u>	<u>4 478 641</u>	<u>5 101 825</u>	<u>4 427 358</u>

Bonuses are being paid to all municipal staff, excluding Directors Technical Services and Community Services who have structured their packages differently. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle. This bonus will be paid out in November of each year or pro-rata when employment is terminated.

**Provision for Staff Leave**

Balance at beginning of year	11 833 164	12 551 365	11 450 111	12 430 338
Contribution to current portion	3 385 056	516 272	3 385 056	418 982
Expenditure incurred	<u>(1 341 312)</u>	<u>(1 533 491)</u>	<u>(1 370 351)</u>	<u>(1 397 209)</u>
<b>Balance at end of year</b>	<u>13 576 908</u>	<u>11 533 164</u>	<u>13 464 816</u>	<u>11 450 111</u>

Staff leave is accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at the reporting date. This provision will be realized as employees take leave or when employment is terminated.

**Provision for Performance Bonuses**

Balance at beginning of year	4 427 358	2 920 809	4 427 358	2 920 609
Contribution to current portion	1 632 007	1 500 750	1 632 097	1 500 750
Expenditure incurred	<u>(2 687 740)</u>	<u>-</u>	<u>(2 687 740)</u>	<u>-</u>
<b>Balance at end of year</b>	<u>3 371 716</u>	<u>4 427 358</u>	<u>3 371 718</u>	<u>4 427 358</u>

Performance bonuses are being provided for and only paid to the Municipal Manager, Directors and middle management after an evaluation of performance by the council. During the year under review, performance bonuses were paid for the 2015/2014 and 2014/2015 financial year and the expenditure reflects above.

**Other Provisions**

Balance at beginning of year	522 849	433 693	522 849	433 693
Finance charges	59 493	89 156	59 493	89 156
<b>Balance at year end</b>	<u>582 342</u>	<u>522 849</u>	<u>582 342</u>	<u>522 849</u>

Other provisions are non-recurring provisions which consists out of the following at year end:

**Shortfall in annual earnings of Cape Joint Pension Fund**

It was reported that the established investment return of the fund for the 2009 financial year was -0.84%. Local authorities, including the Economic Entity, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets.

**14 CONSUMER DEPOSITS**

Water	834 636	890 255	834 636	890 255
<b>Total Consumer Deposits</b>	<u>834 636</u>	<u>890 255</u>	<u>834 636</u>	<u>890 255</u>

The fair value of consumer deposits approximates their carrying value. Interest is not paid on these amounts.

Consumer deposits were transferred from the local Municipalities and not all accounts had consumer deposits. All new accounts however are being charged a consumer deposit.



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16	PAYABLES FROM EXCHANGE TRANSACTIONS	ECONOMIC ENTITY		MUNICIPALITY	
		2017	2016	2017	2016
		R	R	R	R
	Trade Payables	81 878 066	66 898 683	81 878 066	66 898 683
	Interest Accrued	248 384	300 859	248 384	300 859
	Other Payables	855 119	101 814	101 514	101 514
	Unallocated Receipts	93 595	88 089	93 595	88 089
	Payments received in advance	9 311 842	4 862 102	9 311 842	4 862 102
	Working for Water	450 743	-	450 743	-
	Working for Wetlands	0	-	0	-
	Local Municipalities	5 237 202	4 851 267	5 237 202	4 951 267
	Senqu Local Municipality	4 780 630	4 951 267	4 780 630	4 951 267
	Ekurhuleni Local Municipality	456 572	-	456 572	-
	<b>Total Payables from Exchange Transactions</b>	<b>87 854 930</b>	<b>78 670 614</b>	<b>87 331 315</b>	<b>78 870 614</b>
	Balance previously reported - Trade Payables		76 212 553		76 212 553
	Correction due to invoices received during 2016/2017 - Trade payables		458 061		458 061
	Revised balance		<u>76 670 614</u>		<u>78 870 614</u>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of payables on initial recognition is not deemed necessary.

The carrying value of payables approximates its fair value.

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	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>16 LONG-TERM LIABILITIES</b>				
Annuity Loans - At amortised cost	12 614 349	15 968 508	12 614 349	15 968 508
Less: Current Portion transferred to Current Liabilities	5 947 344	3 355 052	5 947 344	3 355 052
<b>Total - At amortised cost using the effective interest rate method</b>	<b>6 667 005</b>	<b>12 613 456</b>	<b>6 667 005</b>	<b>12 613 456</b>

Annuity loans at amortised cost are calculated at 10.00% - 11.52% interest rate, with the first maturity date of 30 June 2018 and the last maturity date of 31 December 2024. The loans are for the main municipal building in Barkly East, water meters and sanitation infrastructure. A new finance lease was taken up with ABSA for twenty five (25) ballies and three (3) TLB's in the water service department and the period is 3 years only.

Included in Non-current Investments as per note 16 is an amount of R1 301 340 (2016 - R1 301 340) held as guarantee by the DBSA.

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year	2 181 587	2 294 156	2 181 587	2 294 166
Payable within two to five years	6 526 032	7 851 348	6 526 032	7 851 348
Payable after five years	2 422 128	3 390 978	2 422 128	3 390 978
	<b>11 129 745</b>	<b>13 536 489</b>	<b>11 129 745</b>	<b>13 536 489</b>
Less: Future finance obligations	-3 043 415	-4 177 585	-3 043 415	-4 177 585
<b>Present value of annuity obligations</b>	<b>8 086 330</b>	<b>9 358 925</b>	<b>8 086 330</b>	<b>9 358 925</b>

The obligations under finance leases are scheduled below:

Amounts payable under annuity loans:

Payable within one year	4 605 973	2 549 316	4 605 973	2 549 316
Payable within two to five years	-	4 605 973	-	4 605 973
Payable after five years	-	-	-	-
	<b>4 605 973</b>	<b>7 155 287</b>	<b>4 605 973</b>	<b>7 155 287</b>
Less: Future finance obligations	-77 954	-545 704	-77 954	-545 704
<b>Present value of annuity obligations</b>	<b>4 528 018</b>	<b>6 609 583</b>	<b>4 528 018</b>	<b>6 609 583</b>

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	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>17 GOVERNMENT GRANTS AND SUBSIDIES</b>				
<b>Unconditional Grants</b>	<b>224 850 320</b>	<b>210 560 924</b>	<b>224 850 320</b>	<b>210 560 924</b>
Equitable Share	223 621 000	209 607 700	223 621 000	209 607 700
LO Sola	1 229 320	953 224	1 229 320	953 224
<b>Conditional Grants</b>	<b>338 620 317</b>	<b>319 232 891</b>	<b>338 363 479</b>	<b>315 807 069</b>
DIVA Bylaws	-	-	-	-
EPWP Programme	1 474 000	1 408 561	1 474 000	1 408 561
Finance Management Grant (FMG)	1 249 864	1 250 139	1 249 864	1 250 139
Eastern Cape Development Corporation (ECDC)	711 072	485 878	-	-
Industrial Development Corporation (IDC)	295 788	2 239 844	-	-
Municipal Infrastructure Grant (MIG)	140 060 863	177 832 117	149 069 863	177 832 117
Municipal Systems Improvement Grant (MSIG)	-	840 200	-	940 200
Municipal Water Infrastructure Grant (MWWIG)	-	25 022 327	-	25 022 327
RBIQ	9 728 835	4 844 191	9 728 835	4 844 191
Amalgamation Grant (Cogta)	600 000	-	600 000	-
DEDEAT - JOGEDA Senqu plastic project	-	800 000	-	800 000
Provincial Treasury Drought programme	74 808 740	71 077 104	74 808 740	71 077 104
Public Works - 8 people Programme	24 001 747	25 784 141	24 001 747	25 784 141
Rural Household's Infrastructure Grant	-	-	-	-
Rural Roads Asset Management Grant	1 266 300	2 095 856	1 266 300	2 095 856
Department of Human Settlement	4 548 291	350 991	4 548 291	350 991
Water Services Operating Subsidy	-	4 001 442	-	4 001 442
Water Infrastructure grant	71 827 698	-	71 827 698	-
<b>Total Government Grants and Subsidies</b>	<b>663 470 637</b>	<b>529 793 815</b>	<b>663 113 799</b>	<b>528 067 993</b>
Government Grants and Subsidies - Capital	245 287 159	203 358 868	245 287 159	203 358 868
Government Grants and Subsidies - Operating	316 173 497	326 436 927	314 818 628	322 711 105
	<b>663 470 637</b>	<b>529 793 815</b>	<b>663 113 799</b>	<b>528 067 993</b>

The Economic Entity does not expect any significant changes to the level of grants.

Balance previously reported 30 June 2016	532 298 695	528 613 073
- Correction on overstatement of operating conditions met on MIG expenditure	(2 505 879)	(2 605 079)
Restated balance	<u>529 792 816</u>	<u>526 007 994</u>

**Revenue recognised per vote as required by Section 123 (c) of the MFMA:**

Equitable share	223 621 000	209 607 700	223 621 000	209 607 700
Management Services	500 000	800 000	500 000	800 000
Financial Services	1 249 864	2 190 339	1 249 864	2 190 339
Corporate Services	1 229 320	953 224	1 229 320	953 224
Technical Services	338 513 492	315 021 805	338 513 492	315 021 805
	<u>663 113 798</u>	<u>528 573 072</u>	<u>663 113 798</u>	<u>528 573 072</u>

**17.01 Equitable share**

Opening balance	-	-	-	-
Grants received	223 621 000	209 607 700	223 621 000	209 607 700
Conditions met - Operating	(223 621 000)	(209 607 700)	(223 621 000)	(209 607 700)
Conditions met - Capital	-	-	-	-
Conditions still to be met (Grant expenditure to be recovered)	-	-	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act No. 106 of 1996) to the Economic Entity by the National Treasury.

**17.02 Finance Management Grant (FMG)**

Opening balance	(130)	35	(130)	35
Grants received	1 260 000	1 250 000	1 260 000	1 250 000
Conditions met - Operating	(1 249 864)	(1 250 139)	(1 249 864)	(1 250 139)
Conditions met - Capital	-	-	-	-
Monies returned to National Treasury	-	(35)	-	(35)
Conditions still to be met	<u>(129)</u>	<u>(134)</u>	<u>(130)</u>	<u>(139)</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act, No 56 of 2003 (MFMA). The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

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	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>17.03 Municipal Systems Improvement Grant (MSIG)</b>				
Opening balance	(200)	1 122	(200)	1 122
Grants received	-	848 000	-	848 000
Conditions met - Operating	-	(848 200)	-	(848 200)
Conditions met - Capital	-	-	-	-
Monies returned to National Treasury	-	(1 122)	-	(1 122)
Conditions still to be met	<u>(200)</u>	<u>(200)</u>	<u>(200)</u>	<u>(200)</u>
<p>The purpose of the grant is to support municipalities in implementing new systems as provided in the Municipal Systems Act, Municipal Structures Act and other related local government policy and legislation so that they can carry out mandated functions effectively.</p>				
<b>17.04 Municipal Infrastructure Grant (MIG)</b>				
Opening balance	(27 219)	23 634 898	(27 219)	23 634 898
Grants received	151 602 000	154 270 000	151 602 000	154 270 000
Conditions met - Operating	(81 484 278)	(72 109 755)	(81 484 278)	(72 109 755)
Conditions met - Capital	(87 885 605)	(105 822 362)	(87 885 605)	(105 822 362)
Conditions still to be met	<u>2 504 898</u>	<u>(27 219)</u>	<u>2 504 898</u>	<u>(27 219)</u>
Balance previously reported 30 June 2016		(2 532 298)		(2 532 298)
- Correction of previously understatement of operating conditions met 2015/2016		2 505 079		2 505 079
Reclassified balance		<u>(27 219)</u>		<u>(27 219)</u>
<p>The vision of the MIG programme is to provide all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. This also includes the rehabilitation and upgrading of existing infrastructure. The Economic Entity's programme covers both Sanitation and Water projects.</p>				
<b>17.05 Public Works - Special Programme</b>				
Opening balance	(3 683 893)	(5 193 328)	(3 683 893)	(5 193 328)
Grants received	22 796 884	27 083 677	22 796 884	27 083 677
Conditions met - Operating	(24 001 747)	(25 784 141)	(24 001 747)	(25 784 141)
Conditions met - Capital	-	-	-	-
Grant expenditure to be recovered	<u>(5 068 757)</u>	<u>(3 893 691)</u>	<u>(5 068 757)</u>	<u>(3 683 893)</u>
<p>This grant is used for the maintenance of gravel roads in the Gariep and Molebwal parts of the district. All other special projects are also allocated to the Economic Entity by the Department of Roads and Public Works in other parts of the district.</p>				
<b>17.06 Water Services Operating Subsidy</b>				
Opening balance	988 558	34 433	988 558	34 433
Grants received	-	5 000 000	-	5 000 000
Conditions met - Operating	-	-	-	-
Conditions met - Capital	-	(4 031 442)	-	(4 031 442)
Monies returned to National Treasury	(988 558)	(34 433)	(988 558)	(34 433)
Conditions still to be met	<u>-</u>	<u>988 558</u>	<u>-</u>	<u>988 558</u>
<p>This grant is used for the refurbishment of water infrastructure.</p>				
<b>17.07 Municipal Water Infrastructure Grant (MWIG)</b>				
Opening balance	(11 327)	14 109	(11 327)	14 109
Grants received	-	25 011 000	-	25 011 000
Conditions met - Operating	-	(7 781 529)	-	(7 781 529)
Conditions met - Capital	-	(17 260 798)	-	(17 260 798)
Monies returned to National Treasury	-	(14 109)	-	(14 109)
Conditions still to be met (Grant expenditure to be recovered)	<u>(11 327)</u>	<u>(11 327)</u>	<u>(11 327)</u>	<u>(11 327)</u>
<p>This grant is used to facilitate the planning, acceleration and implementation of various projects that will insure water supply to communities identified as not receiving a basic water supply service.</p>				
<b>17.08 Water Services Infrastructure grant</b>				
Opening balance	-	-	-	-
Grants received	71 828 000	-	71 828 000	-
Conditions met - Operating	-	-	-	-
Conditions met - Capital	(71 827 598)	-	(71 827 598)	-
Conditions still to be met	<u>402</u>	<u>-</u>	<u>402</u>	<u>-</u>
<p>This grant is used to provide specific capital funding for the water service infrastructure. This grant replaces the previous Water Services Operating grant and Municipal Water Infrastructure grant.</p>				

**JOE GQABI DISTRICT MUNICIPALITY**  
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	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>17.09 PT Drought programme</b>				
Opening balance	(12 966 954)	-	(12 966 954)	-
Grants received	82 068 668	68 110 180	82 888 588	68 110 180
Conditions met - Operating				
Conditions met - Capital	(74 908 740)	(71 077 104)	(74 908 740)	(71 077 104)
Foreign Exchange Gains	-	-	-	-
Grant expenditure to be recovered	(4 837 128)	(12 866 354)	(4 837 128)	(12 866 354)

This grant is used to provide for the upgrade of critical Water and Sanitation Infrastructure.

<b>17.10 Other Grants</b>				
Opening balance	(11 505 807)	(8 858 181)	(11 862 648)	(9 181 803)
Grants received	23 349 014	10 629 028	23 349 014	8 972 079
Conditions met - Operating	(4 818 467)	(9 183 453)	(4 439 818)	(4 457 841)
Conditions met - Capital	(14 275 128)	(5 185 182)	(14 275 128)	(5 195 182)
Foreign Exchange Gains	-	-	-	-
Written off/Paid back to National Treasury	-	-	-	-
Grant expenditure to be recovered	(7 248 378)	(11 608 807)	(7 248 378)	(11 862 648)

Other Grants consist of the following and is utilized as follows:

EPWP Programme

Incentive grant for creating jobs, whereby unemployed persons get employed on projects to create employment.

DBSA Municipal Support Framework

To assess Local Municipalities' requirements for support by JGDJ.

Rural Roads Asset Management Grant (Public Transport)

This grant is to determine the extent of the municipal road network, the condition and maintenance requirements.

LG Seta

This grant is used to assist with the training needs of the Economic Entity.

Other Grants received during the year:

EPWP Programme	1 474 000	1 379 000	1 474 000	1 379 000
Regional Bulk Infrastructure Grant	16 573 434	2 331 511	16 573 434	2 331 511
Rural Roads Asset Management Grant	2 136 000	2 090 000	2 136 000	2 090 000
LG Seta	1 319 080	1 181 569	1 319 080	1 181 569
<b>Total Other Grants received during the year</b>	<b>21 502 514</b>	<b>6 972 079</b>	<b>21 502 514</b>	<b>6 972 079</b>

<b>17.13 Total Grants</b>				
Opening balance	(27 396 881)	9 836 078	(27 753 818)	9 309 388
Correction on opening balance	-	-	-	-
Grants received	577 135 488	491 811 457	577 135 488	488 264 807
Conditions met - Operating	(316 173 487)	(325 838 828)	(314 818 828)	(321 911 106)
Conditions met - Capital	(248 298 810)	(203 358 328)	(248 298 810)	(203 358 328)
Paid back to Treasury/Provided for as impairment	(998 828)	(49 700)	(998 828)	(49 700)
Foreign Exchange Gains	-	-	-	-
Grant expenditure to be recovered	(14 730 151)	(27 386 422)	(14 730 151)	(27 753 260)

Disclosed as follows as per note 7:

Unspent Conditional Government Grants and Receipts	7 433 400	1 373 003	7 433 400	1 016 165
Unpaid Conditional Government Grants and Receipts	(22 183 551)	(31 276 063)	(22 183 551)	(31 276 063)
	(14 730 150)	(29 902 060)	(14 730 150)	(30 259 897)

<b>18 ACTUARIAL (GAINS)/LOSSES</b>				
Pension Retirement Medical Obligations - Refer to note 12	(8 455 386)	(1 515 799)	(8 455 386)	(1 515 799)
Ex Gratia Gratuities - Refer to note 12	8 610	54 270	8 610	54 270
Long Service Awards - Refer to note 12	(48 189)	(806 573)	(48 189)	(806 573)
<b>Total Actuarial Losses</b>	<b>(8 484 957)</b>	<b>(2 328 102)</b>	<b>(8 484 957)</b>	<b>(2 328 102)</b>

Actuarial gains or losses are calculated at year-end when the actuarial valuation is performed.

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	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>19 REVERSAL OF IMPAIRMENTS</b>				
Investment in Municipal Entity - note 12				
<b>Total Reversal of Impairments</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>20 SERVICE CHARGES</b>				
Water	77 562 920	69 001 692	77 562 920	69 001 692
Sewerage and Sanitation Charges	37 527 863	35 579 737	37 527 693	35 679 737
	<u>116 090 613</u>	<u>104 581 429</u>	<u>115 090 613</u>	<u>104 681 429</u>
Less: Rebates (including free basic services for indigents)	(23 419 576)	(23 870 566)	(23 419 576)	(23 870 566)
<b>Total Service Charges</b>	<u>91 671 035</u>	<u>80 710 863</u>	<u>91 671 035</u>	<u>80 810 863</u>
Rebates can be defined as any income that the Economic Entity is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.				
<b>21 GOVERNMENT SERVICES</b>				
Working for Water	982 593	4 247 913	982 598	4 247 913
Working for Wetlands	8 123 297	5 069 050	8 123 297	5 069 050
<b>Total Government Services</b>	<u>9 105 890</u>	<u>9 316 963</u>	<u>9 105 896</u>	<u>9 316 963</u>
<b>22 INTEREST EARNED - EXTERNAL INVESTMENTS</b>				
Call Investment Deposits	2 837 632	4 004 328	2 794 769	4 037 606
Primary Bank Account	514 697	290 682	514 697	290 682
Fixed Deposits	-	-	-	-
<b>Total Interest Earned - External Investments</b>	<u>3 352 329</u>	<u>4 295 010</u>	<u>3 309 466</u>	<u>4 328 288</u>
<b>23 INTEREST EARNED - OUTSTANDING DEBTORS</b>				
Water Debtors	15 298 267	5 496 619	15 298 267	5 496 619
Sewerage Debtors	8 794 113	(149 167)	8 794 113	(149 167)
<b>Total Interest Earned - Outstanding Debtors</b>	<u>24 092 380</u>	<u>5 347 452</u>	<u>24 092 380</u>	<u>5 347 452</u>
<b>24 OTHER INCOME</b>				
Sundry Income	368 376	841 105	331 281	803 621
Administration fee	470 623	-	470 623	-
Rental of Facilities and Equipment	15 232	45 414	15 232	45 414
Unknown Receipts recognised as Income	-	-	-	-
Insurance claims	189 506	396 828	101 639	396 828
<b>Total Other Income</b>	<u>1 023 737</u>	<u>1 263 347</u>	<u>918 775</u>	<u>1 245 863</u>



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	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>18 EMPLOYEE RELATED COSTS</b>				
Bonuses	10 397 510	8 549 937	10 256 914	8 425 033
Contribution to current employee benefits - Staff Leases - Note 13	3 418 253	642 546	3 385 056	416 982
Contribution to non-current employee benefits - Long Service Awards - Note 12	708 054	787 171	706 634	767 171
Contribution to non-current employee benefits - Post Retirement Medical - Note 12	2 601 983	2 413 048	2 601 983	2 413 038
Contribution to non-current employee benefits - Ex Gratia Gratuities - Note 12	29 779	66 061	29 779	66 061
Contributions for UIF, Pensions and Medical Aids	26 936 180	23 821 761	25 834 310	23 718 696
Salaries and Wages	121 183 782	107 612 885	117 929 769	104 773 359
Housing Benefits and Allowances	1 303 825	987 473	1 303 825	987 473
Overtime Payments	10 717 868	8 184 583	10 717 868	8 184 583
Performance Bonuses	1 632 087	1 506 760	1 632 087	1 506 760
Travel, Motor Car, Telephone, Subsistence and Other Allowances	12 685 478	12 838 343	12 480 976	12 478 033
<b>Total Employee Related Costs</b>	<b>196 580 905</b>	<b>167 090 606</b>	<b>186 838 516</b>	<b>163 740 422</b>

**REMUNERATION OF MANAGEMENT PERSONNEL**

The Municipal Manager and all Section 57 Managers are appointed on a 5-year fixed contract.

**Municipal Manager - Z.A Williams**

Salary and other allowances	1 558 511	1 434 851	1 558 511	1 434 851
Performance Bonuses 13-14	210 094	-	210 094	-
Performance bonuses 14-15	224 359	-	224 359	-
Travel Allowance	64 260	64 200	64 200	64 200
Telephone allowance	33 000	33 000	33 000	33 000
Contributions to UIF, Medical and Pension Funds	247 866	225 551	247 866	225 551
<b>Total</b>	<b>2 338 031</b>	<b>1 757 702</b>	<b>2 338 031</b>	<b>1 757 702</b>

**Director Technical Services - R.J Fortuin**

Salary and other allowances	1 303 083	1 206 021	1 303 083	1 205 021
Performance Bonuses 13-14	178 580	-	178 580	-
Performance bonuses 14-15	190 706	-	190 706	-
Travel Allowance	170 220	170 220	170 220	170 220
Telephone allowance	19 200	19 200	19 200	19 200
Contributions to UIF, Medical and Pension Funds	92 453	83 967	92 453	83 967
<b>Total</b>	<b>1 954 251</b>	<b>1 478 408</b>	<b>1 954 251</b>	<b>1 478 408</b>

**Director Corporate Services - H.Z Janjic**

Salary and other allowances	1 506 784	1 286 691	1 506 784	1 286 691
Performance Bonuses 13-14	163 069	-	163 069	-
Performance bonuses 14-15	190 706	-	190 706	-
Travel Allowance	84 000	84 000	84 000	84 000
Telephone allowance	19 200	19 200	19 200	19 200
Contributions to UIF, Medical and Pension Funds	33 840	78 182	33 840	78 182
<b>Total</b>	<b>2 047 599</b>	<b>1 458 083</b>	<b>2 047 599</b>	<b>1 458 083</b>

**JOE GQABI DISTRICT MUNICIPALITY**  
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An Acting Chief Financial Officer has been appointed effective 16 April 2015 until the position will be filled.

Acting Director Financial Services - S de Toit - Effective 16 April 2015

Salary and other allowances	1 143 345	1 035 153	1 143 345	1 035 153
Performance bonuses 14-16	22 703	-	22 703	-
Acting allowance	135 731	128 638	135 731	128 638
Travel Allowance	120 000	120 000	120 000	120 000
Telephone allowance	19 200	19 200	19 200	19 200
Contributions to UIF, Medical and Pension Funds	67 278	18 915	67 278	18 915
<b>Total</b>	<b>1 498 258</b>	<b>1 321 907</b>	<b>1 498 258</b>	<b>1 321 907</b>

Director Community Services - F J Sefhok

Salary and other allowances	1 679 426	1 296 567	1 679 426	1 296 567
Performance bonuses 13-14	178 550	-	178 550	-
Performance bonuses 14-16	190 796	-	190 796	-
Travel Allowance	156 000	156 000	156 000	156 000
Telephone allowance	19 200	19 200	19 200	19 200
Contributions to UIF, Medical and Pension Funds	22 824	16 296	22 824	16 296
<b>Total</b>	<b>2 146 794</b>	<b>1 468 063</b>	<b>2 146 794</b>	<b>1 468 063</b>

Chief Operations Officer - N Mshumi

Salary and other allowances	1 013 048	925 727	1 013 048	925 727
Performance bonuses 13-14	151 990	-	151 990	-
Performance bonuses 14-16	162 310	-	162 310	-
Travel Allowance	60 000	60 000	60 000	60 000
Contributions to UIF, Medical and Pension Funds	243 162	218 821	243 162	218 821
<b>Total</b>	<b>1 630 507</b>	<b>1 204 548</b>	<b>1 630 507</b>	<b>1 204 548</b>

Manager Water Service provision Manager - D Luswena

Salary and other allowances	863 350	871 805	863 350	871 805
Performance bonuses 14-16	67 200	-	67 200	-
Contributions to UIF, Medical and Pension Funds	216 178	165 631	216 178	165 631
<b>Total</b>	<b>1 146 728</b>	<b>1 037 436</b>	<b>1 146 728</b>	<b>1 037 436</b>

Chief Executive Officer of JoGEDA - A Gqoboka

Salary and other allowances	1 103 862	1 093 077	-	-
Travel and other allowances	155 000	145 551	-	-
Contributions to UIF, Medical and Pension Funds	14 136	14 271	-	-
<b>Total</b>	<b>1 274 098</b>	<b>1 242 899</b>	<b>-</b>	<b>-</b>

**JOE GOABI DISTRICT MUNICIPALITY**  
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26 REMUNERATION OF COUNCILLORS AND DIRECTORS

26.1 REMUNERATION OF COUNCILLORS

	ECONOMIC ENTITY		MUNICIPALITY	
	2017	2016	2017	2016
	R	R	R	R
Councillors	4 584 264	4 871 503	4 584 264	4 871 506
Councillors' Pension and Medical Aid Contributions	817 648	857 865	817 648	857 865
Total Remuneration of Councillors	5 201 912	5 309 512	5 201 912	5 309 512

*fr-Aid/ Benefits*

The Executive Mayor, Speaker and Mayoral Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor and the Speaker may utilise official Council transportation when engaged in official duties.

2017

	Remuneration	Contributions	Total
<b>Members of the Mayoral Committee</b>	3 310 460	516 115	3 826 595
ZI Dutshele	679 504	182 754	862 258
TZ Nqoyelo	805 393	40 161	845 543
EM Lubabane	485 151	84 903	570 054
D Msimvu	547 837	52 972	600 809
S Msi	539 861	35 743	595 604
L Tshwe	452 744	59 562	592 308
<b>Proportional elected Councillors</b>	1 197 545	80 440	1 277 989
NU Helenana	489 289	34 514	523 801
M Ngweniwe	232 211	18 234	250 445
AM Van Zyl	339 539	13 239	342 064
M Yikru	232 211	19 467	240 678
Representatives Councillors and serving until 8 August 2016	85 493	10 836	96 329
<b>Total Councillors Remuneration</b>	4 504 926	697 361	5 201 912

**JOE GOABI DISTRICT MUNICIPALITY**  
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2016

Members of the Mayoral Committee	Remuneration	Contributions	Total
- Executive Mayor	644 894	447 238	3 481 333
- Speaker	370 088	36 050	617 787
- Portfolio Head: Financial Services	538 920	33 472	658 136
- Portfolio Head: Community Services	381 815	3 009	818 382
- Portfolio Head: Technical Services	378 357	3 004	386 416
- Portfolio Head: Corporate Services	505 250	114 197	390 161
Proportional elected Councillors	1 533 482	188 528	615 447
S.Mel	313 063	19 032	1 778 010
D.R.Hankoff	328 922	3 004	332 195
V.Mulder	214 564	49 132	331 946
M.W.Mocheane	-	-	263 596
L.N.Gone	233 639	30 087	263 716
X.G.Mobel	219 547	44 139	263 796
N.F.Mphahlele	223 947	44 084	267 741
Representative Councillors	118 750	5 289	125 149
Total Councillors Remuneration	4 687 326	642 208	5 308 912

**26.2 REMUNERATION OF BOARD OF DIRECTORS**

ECONOMIC ENTITY	MUNICIPALITY	
	2017	2016
R	R	R
344 000	428 600	-
344 000	428 600	-
48 000	87 600	-
64 000	100 000	-
87 000	72 500	-
55 000	93 500	-
70 000	78 000	-
344 000	428 600	-

Members of the board of directors are all non-executive directors, except A. Gopobika (CEO) who is an executive member.

Sliding allowance per director was as follows:

V.Zhumeno	87 600
N.Sivuyiye	100 000
G.Mphahlele	72 500
M.Sigabhi	93 500
M.Menjo	78 000
Total Remuneration of Directors	428 600

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	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>27 DEBT IMPAIRMENT</b>				
Contributions to provision - note 8	44 918 410	84 359 835	44 913 410	78 808 835
Less: Portion relating to VAT - note 6	(7 239 943)	(13 215 483)	(7 239 943)	(13 215 483)
<b>Total Debt Impairment</b>	<u>37 678 468</u>	<u>71 144 352</u>	<u>37 673 468</u>	<u>65 593 352</u>
<b>28 IMPAIRMENTS</b>				
Investment in Municipal Entity - note 12	-	-	-	-
Property Plant and Equipment - note 9	-	290 493	-	290 493
<b>Total Impairments</b>	<u>-</u>	<u>290 493</u>	<u>-</u>	<u>290 493</u>
<b>29 DEPRECIATION AND AMORTISATION</b>				
Property, Plant and Equipment - note 8	47 987 186	45 858 585	47 810 953	45 707 949
Investment Property - note 9	257 838	42 983	266 656	41 705
Intangible Assets - note 10	483 187	453 217	448 200	449 644
<b>Total Depreciation and Amortisation</b>	<u>48 698 211</u>	<u>46 354 785</u>	<u>48 525 409</u>	<u>46 159 298</u>
<b>30 REPAIRS AND MAINTENANCE</b>				
Infrastructure	10 905 042	4 382 819	10 985 042	4 382 819
Land and Buildings	373 197	985 522	373 197	395 522
Other Assets	700 849	1 587 378	697 828	1 510 185
<b>Total Repairs and Maintenance</b>	<u>12 056 888</u>	<u>6 315 419</u>	<u>12 055 967</u>	<u>6 258 296</u>
It should be noted that a substantial amount of Repairs and Maintenance that were done are reflecting under the Operating Grant expenditure votes.				
<b>31 FINANCE CHARGES</b>				
Long-term Liabilities	890 258	1 124 027	890 258	1 124 027
Finance leases	457 750	632 045	457 750	632 045
Non-current Employee Benefits	4 458 120	3 880 173	4 458 120	3 880 173
Finance charges on pension fund shortfall	-	89 458	-	89 168
Other provisions	-	-	-	-
<b>Total Finance Charges</b>	<u>5 918 128</u>	<u>5 735 402</u>	<u>5 918 128</u>	<u>5 735 432</u>
<b>32 CONTRACTED SERVICES</b>				
Water Services	-	8 768	-	8 768
Local Municipalities	-	8 768	-	8 768
Other Contractors	-	-	-	-
Sanitation Services	14 441 985	15 129 221	14 441 985	15 129 221
Local Municipalities	-	70	-	70
Other Contractors	14 441 985	15 129 221	14 441 985	15 129 221
<b>Total Contracted Services</b>	<u>14 441 985</u>	<u>15 138 089</u>	<u>14 441 985</u>	<u>15 138 089</u>
Contracted services paid to Local Municipalities include a 15% collection fee of all monies collected by the Local Municipalities on behalf of Joe Gqabi District Municipality as well as a standard rate per monthly statement paid for services.				
The other contractors relate to Honey Sticking that has been done by outside contractors throughout the district for the year under review.				
<b>33 BULK PURCHASES</b>				
Water	4 183 590	383 875	4 183 590	383 875
<b>Total Bulk Purchases</b>	<u>4 183 590</u>	<u>383 875</u>	<u>4 183 590</u>	<u>383 875</u>

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	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>34 GRANTS AND SUBSIDIES PAID</b>				
Gatep Local Municipality	108 861	1 588 000	108 861	1 588 000
Papier Mills	2 600	7 800	2 600	7 800
Joe Qgabi Economic Development Agency (EOC) Ltd	-	-	7 258 142	3 908 767
<b>Total Grants and Subsidies Paid</b>	<u>111 461</u>	<u>1 595 800</u>	<u>7 369 603</u>	<u>4 998 777</u>
<p>The Economic Entity has been in the process of taking over water service provision from local municipalities.</p> <p>The grant paid to Joe Qgabi Economic Development Agency (EOC) Ltd (JQEDA) is in terms of the service level agreement with the IDC. This grant is used for operating activities by JQEDA. The grant paid also included an amount of R800 000 received from DEDEAT for the Bheqa Plastic project during 2015/2016.</p>				
<b>35 OPERATING GRANT EXPENDITURE</b>				
Management Services	-	-	-	-
Financial Services	569 591	1 576 222	359 691	1 576 222
Corporate Services	1 123 305	1 324 884	1 123 305	1 324 884
Technical Services	61 302 515	74 251 665	61 302 515	74 251 665
Community Services	8 323 001	6 254 940	8 323 001	6 254 940
<b>Total Operating Grant Expenditure</b>	<u>71 898 412</u>	<u>83 407 790</u>	<u>71 608 412</u>	<u>83 407 790</u>
<b>36 EMERGENCY DROUGHT RELIEF</b>				
Watercarting	321 639	640 345	321 639	640 345
<b>Total Operating Grant Expenditure</b>	<u>321 639</u>	<u>640 345</u>	<u>321 639</u>	<u>640 345</u>
<b>37 GENERAL EXPENSES</b>				
Audit Fees	6 501 715	5 837 130	5 108 458	5 268 906
Advertising Fees	613 895	652 230	486 401	642 024
Bank Charges	363 183	312 797	358 211	308 411
Chemicals	7 116 639	8 202 647	7 116 639	8 202 647
Computer Charges	-	85 220	-	86 380
Consulting Fees	7 851 176	9 747 697	7 052 545	9 197 814
Contracting and Capexation	300 000	-	600 000	-
Entertainment	176 215	94 818	91 497	38 932
Fire Extinguishers	214 554	-	214 654	-
Fuel and oil	8 360 600	6 595 909	8 350 508	6 595 309
IT Cost	454 019	-	454 019	-
Insurance	5 147 640	2 672 298	6 109 828	2 930 708
Legal Fees	1 940 200	2 551 723	1 429 012	2 260 406
Material and protective clothing	234 185	1 831 693	234 185	1 831 693
Marketing	368 189	365 785	368 189	365 783
Membership Fees	2 480 724	44 340	2 480 724	44 340
Postage	4 073	11 803	4 073	11 803
Printing and Stationary	1 307 368	1 006 642	1 263 213	906 091
Rentals	731 638	811 706	878 688	780 869
Security	3 223 703	3 636 028	3 216 839	3 090 767
Services	1 903	545 698	1 903	545 698
Special programmes	1 482 076	1 814 706	1 482 076	1 814 706
SPLUMA	31 887	-	31 887	-
Telephone	4 028 607	4 707 851	4 026 607	4 707 851
Training	1 481 047	763 809	1 481 047	785 809
Travel and Subsistence	16 477 102	16 022 462	15 942 880	15 332 874
Vehicle Rental	2 456 811	1 812 833	2 456 811	1 812 833
Water and Electricity	9 745 731	9 631 623	9 743 731	9 631 623
Water Testing & Quality Monitoring	3 069 454	2 101 744	3 069 454	2 101 744
Other	2 265 251	2 226 515	2 239 535	1 692 016
<b>Total General Expenses</b>	<u>88 398 283</u>	<u>83 321 356</u>	<u>84 987 964</u>	<u>88 626 188</u>

The take over of water services from Gatep Local Municipality and Amathole Water Board resulted in changes in expenditure patterns to the prior year. The average increase in General expenditure is only 4% for the year. There has been a shift of spending between types of expenditure and not necessarily a material increase overall.



**JOE GQABI DISTRICT MUNICIPALITY**  
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	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>38 LOSSES ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>				
Carrying value of Property, Plant and Equipment disposed or written off	852 953	880 684	675 678	656 721
Proceeds from Disposal of Property, Plant and Equipment	-	-	-	-
Property, Plant and Equipment transferred to JoGEDA	-	-	-	-
<b>Total Loss on Disposal of Property, Plant and Equipment</b>	<u>852 953</u>	<u>880 684</u>	<u>675 678</u>	<u>656 721</u>
The loss on disposal of assets to the amount of R852 953 (R860 584- 2016) relates to assets that were written off.				
<b>39 CORRECTION OF ERROR IN TERMS OF GRAP 3</b>				
<b>39.1 NET SURPLUS(DEFICIT) FOR THE YEAR 2016</b>				
Certain errors were detected which relates to the prior year and were restated retrospectively. The effects of these restatements are listed below:				
Surplus reported on 30 June 2016		169 827 648		169 827 648
General Expenses incurred due to invoices received late and dispute resolved - Refer note 18		(488 061)		(458 091)
Interest received on Non-Current Investment understated during 2015/2016 - Refer note 11		78 426		78 426
Correction on Government grants and subsidies - operational due to overstatement on revenue recognition on PMU expenditure - Refer note 7		(2 805 079)		(2 805 079)
Correction on overstatements on Water and Sanitation during 2015/2016 corrected - Refer note 6		(280 284)		(280 284)
Correction on overstatement of the provision of bad debts during 2015/2016 due to VAT portion being included in Provision for bad debts - Refer note 8		13 215 483		13 215 483
Restated surplus for the year ended 30 June 2016		<u>179 628 144</u>		<u>179 628 144</u>
<b>39.2 PAYABLES FROM EXCHANGE TRANSACTIONS</b>				
Balance previously reported		78 212 883		78 212 853
Correction on understatement of Trade payables due to late receipt of invoices and a dispute that has been resolved - Note 38,1		458 051		458 051
Restated Balance on 30 June 2016		<u>78 670 934</u>		<u>78 670 904</u>
<b>39.3 NON-CURRENT INVESTMENTS</b>				
Balance previously reported		3 385 081		3 385 081
Correction on understatement of Interest recognized on the non current investment for the year 2015/2016 - Note 38,1		78 426		78 426
Restated Balance on 30 June 2016		<u>3 463 507</u>		<u>3 463 507</u>
<b>39.4 UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>				
Balance previously reported		(30 288 897)		(30 288 897)
Correction on overstatement of MIG grant income due to the PMU portion being overstated - Note 38,1		2 805 079		2 805 079
Restated Balance on 30 June 2016		<u>(27 483 818)</u>		<u>(27 483 818)</u>
<b>39.5 RECEIVABLE FROM EXCHANGE TRANSACTIONS</b>				
Balance previously reported		68 995 623		68 995 623
Correction on overstatement on Sanitation services billing - Note 38,1		(87 421)		(87 421)
Correction on overstatement on Water services billing - Note 38,1		(78 214)		(78 214)
Correction on overstatement on Monies received from Ekurhuleni local Municipality - Note 38,1		(66 818)		(66 818)
Restated Balance on 30 June 2016		<u>68 763 369</u>		<u>68 763 369</u>
<b>39.6 SOUTH AFRICAN REVENUE SERVICES</b>				
Balance previously reported		(3 689 634)		(3 689 634)
Correction on understatement of Interest recognized on the non current investment for the year 2015/2016 - Note 38,1		13 215 483		13 215 483
Restated Balance on 30 June 2016		<u>9 525 849</u>		<u>9 525 849</u>

**JOE QQABI DISTRICT MUNICIPALITY**  
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	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY</b>				
<b>NET CASH FROM OPERATING ACTIVITIES</b>				
Net Surplus/(Deficit) for the year	220 159 481	187 043 632	220 108 043	179 628 144
Adjusted for:				
<b>Non-Cash Expenditure and Revenue</b>	<b>85 000 867</b>	<b>119 694 435</b>	<b>84 730 640</b>	<b>119 694 435</b>
Actuarial Gains	(8 494 047)	(2 338 808)	(8 494 047)	(2 328 102)
Debt Impairment	37 878 486	70 804 901	37 878 486	70 806 865
Depreciation and amortisation	48 698 265	48 262 764	48 516 733	48 199 258
Impairments	-	290 483	-	280 483
Finance charges	4 458 126	3 879 320	4 458 126	3 879 329
Loss on disposal of PPE	992 953	690 684	576 678	656 721
<b>Contributions - Provisions and Employee Benefits</b>	<b>22 833 650</b>	<b>13 895 034</b>	<b>22 833 650</b>	<b>13 895 034</b>
Post Retirement Medical Benefits	6 890 291	2 413 038	6 600 291	2 413 038
Long Service Awards	1 078 166	787 171	1 078 166	787 171
Ex-Gratia	58 988	86 061	59 698	68 061
Performance bonuses	1 632 087	1 608 760	1 632 087	1 608 760
Bonuses	9 880 073	8 480 188	8 480 073	8 426 033
Staff leave	3 385 656	418 982	3 385 059	418 982
<b>Expenditure - Provisions and Employee Benefits</b>	<b>(14 784 838)</b>	<b>(11 255 733)</b>	<b>(14 784 838)</b>	<b>(11 285 733)</b>
Post Retirement Medical Benefits	(3 078 835)	(963 470)	(3 078 835)	(963 470)
Long Service Awards	(233 697)	(260 520)	(233 697)	(260 520)
Ex-Gratia	(109 436)	(118 423)	(109 436)	(118 423)
Performance bonuses	(2 687 740)	-	(2 687 740)	-
Bonuses	(8 286 778)	(8 418 111)	(8 286 775)	(8 418 111)
Staff leave	(1 370 351)	(1 397 269)	(1 370 351)	(1 397 269)
<b>Other adjustments</b>	<b>(111 064 624)</b>	<b>(6 644 266)</b>	<b>(111 064 624)</b>	<b>(6 644 266)</b>
Bad debts Written off	(111 064 624)	(6 644 266)	(111 064 624)	(6 644 266)
<b>Operating surplus before changes in working capital</b>	<b>201 864 548</b>	<b>285 017 119</b>	<b>201 677 947</b>	<b>285 017 119</b>
<b>Movement in working capital</b>	<b>22 957 348</b>	<b>(133 642 802)</b>	<b>23 281 702</b>	<b>(133 642 802)</b>
Receivables from exchange transactions	8 404 519	(88 694 202)	8 321 348	(88 694 202)
Inventory	277 771	713 373	277 771	713 373
Payables from exchange transactions	20 928 892	(5 789 433)	20 690 711	(4 828 563)
Unspent Conditional Government Grants	8 417 235	(22 701 884)	9 417 235	(22 701 894)
Unpaid Conditional government grants	6 606 433	(16 696 370)	6 606 433	(16 666 370)
Taxes	(19 678 296)	8 992 065	(19 641 736)	8 634 653
<b>Cash Flow from Operating Activities</b>	<b>224 821 894</b>	<b>151 474 318</b>	<b>224 818 653</b>	<b>161 474 318</b>

**JOE QOABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>41 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>				
Cash and Cash Equivalents - note 3	2 764 339	2 918 123	2 155 156	2 421 813
Investments - note 11	1 583 453	1 411 026	1 583 453	1 411 026
	4 337 791	4 327 149	3 738 609	3 832 839
Less:	7 433 400	1 018 165	7 433 400	1 018 165
Unspent Committed Conditional Grants - note 7	7 433 400	1 018 165	7 433 400	1 018 165
<b>Net cash resources available for internal distribution</b>	<b>(3 095 609)</b>	<b>(3 310 984)</b>	<b>(3 694 791)</b>	<b>(2 814 406)</b>
<b>42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>				
Long-term Liabilities - note 18	6 667 005	12 813 456	6 667 005	12 813 456
Used to finance property, plant and equipment - at cost	(6 667 005)	(12 813 456)	(6 667 005)	(12 813 456)
Cash invested for repayment of long-term liabilities	-	-	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 10% and 11.52% and will be repaid by 2024.

**JOE QQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

43	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE	ECONOMIC ENTITY		MUNICIPALITY	
		2017 R	2016 R	2017 R	2016 R
43.1	<b>Unauthorized expenditure</b>				
	Reconciliation of unauthorized expenditure:				
	Opening balance	164 753	164 753	164 753	164 753
	Unauthorized expenditure current year - operating	-	-	-	-
	Unauthorized expenditure current year - capital	-	-	-	-
	Authorised by Council	-	-	-	-
	Transfer to receivables for recovery	-	-	-	-
	Unauthorized expenditure awaiting authorisation	164 753	164 753	164 753	164 753
	<b>Incident</b>				
	<b>Disciplinary steps</b>				
	Over expenditure on votes	None	None		
		<b>Actual R</b>	<b>Final Budget R</b>	<b>Variance R</b>	<b>Unauthorized Expenditure R</b>
	<b>Operating Expenditure by Vote</b>				
	Management Services	45 788 676	54 309 638	8 508 063	-
	Financial Services	60 038 680	72 886 833	12 801 094	-
	Corporate Services	45 684 973	48 018 033	2 434 030	-
	Technical Services	270 340 238	315 523 333	45 177 095	-
	Community Services	48 831 971	56 174 428	7 342 458	-
		<b>470 680 443</b>	<b>546 913 096</b>	<b>67 232 481</b>	
	<b>Capital Expenditure by Vote</b>				
	Management Services	-	2 600 000	2 600 000	-
	Financial Services	-	200 000	200 000	-
	Corporate Services	1 289 703	1 433 000	133 297	-
	Technical Services	228 054 711	255 618 000	30 655 289	-
	Community Services	-	-	-	-
		<b>227 054 414</b>	<b>259 813 000</b>	<b>42 488 586</b>	
43.2	<b>Fruitless and wasteful expenditure</b>				
	Reconciliation of fruitless and wasteful expenditure:				
	Opening balance	751 388	721 727	717 407	687 448
	Fruitless and wasteful expenditure current year	-	29 861	-	29 661
	Written off by Council	(717 107)	-	(717 107)	-
	Transfer to receivables for recovery	-	-	-	-
	Fruitless and wasteful expenditure awaiting write-off approval	34 381	781 388	-	717 407
	<b>Incident</b>				
	<b>Disciplinary steps</b>				
	Interest paid to Telkom, Eskom and on utility bills not paid within 30 days and paid within 30 days but after due date of the service providers	None	None		
		-	29 661	-	29 661
		-	29 661	-	29 661
43.3	<b>Irregular expenditure</b>				
	Reconciliation of irregular expenditure:				
	Opening balance	9 192 359	9 190 312	9 192 359	9 190 312
	Irregular expenditure - current year	-	2 047	-	2 047
	Irregular expenditure - prior year (identified during current year)	-	-	-	-
	Condoned	-	-	-	-
	Written off by Council awaiting condonation	(9 192 359)	-	(9 192 359)	-
	Transfer to receivables for recovery	-	-	-	-
	Irregular expenditure	-	9 192 359	-	9 192 359
	Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. Council did consider it and resolved that it is irrecoverable.				
	The irregular expenditure were only as minor breaches by the Accounting Officer in terms of the Supply Chain regulations 36(1)(b) and in line with the Municipality Supply Chain policy.				

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	ECONOMIC ENTITY		MUNICIPALITY	
	2017	2016	2017	2016
	R	R	R	R
<b>44 MATERIAL LOSSES</b>				
<b>Water distribution losses</b>				
Kilo litres distributed/purified/purchased	14 580 714	14 772 076	14 580 714	14 772 076
Kilo litres sold	(7 838 749)	(8 011 414)	(7 838 749)	(8 011 414)
Kilo litres lost	6 741 974	6 760 662	6 741 974	6 760 662
Percentage lost during distribution	46.2%	45.8%	46.2%	45.8%
Average cost per Kilo litre in Rands	7.38	10.18	7.38	10.18
Loss in Rand value	49 755 784	68 668 325	49 755 784	68 668 325

The above increase in water losses are mainly due to water losses increased in Water Bakuiv and Elmudra this past year but a few factors beyond the control of JGDm that influenced the result are explained below.

- There are consumers who are billed on an uncorrected tariff in line with council's tariff policy, however the consumption of these households are not known and is added to the loss. The Economic Entity is in process of installing pre paid meters.
- A date cleansing exercise was done in the previous Galesop area during 2016/2018 and the results resulted in a low water loss due to the fact that consumers were identified with interim billings for very long periods and during the take over the Municipality corrected it. The consumption billing in 2015/2016 this was abnormal high. The current loss is however inline with the years prior to 2016/2018.
- In August 2015 the water system in the town of Ugie was negatively affected by an oil spillage upstream of the abstraction point that negatively affected the whole system. All pipes and reservoirs had to be repeatedly scouted to restore water quality. A disaster was declared in Ugie due to the inability to cope with the oil spill, on 4 December 2015. The disaster continued for the whole of 2016/2017.
- Further to this, the repeated switching on and off of water in Madelar, Burgardorp and Alwal North influenced the pressure in the pipes and exacerbated stresses on old infrastructure which increased the number of water leaks. Problems from this period are still being addressed.

The results indicate that JGDm requires a strategy in order to better manage and assess its systems in future. In the preceding financial year, a WCDMP outline has been proposed to aid in achieving better management and conservation of water. This strategy has been mentioned again as it is still applicable for the area.

**45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**45.1 SAJLOA Contributions - (MFMA 122 (1)(b))**

Opening balance	-	-	-	-
Council subscriptions	1 944 430	1 447 800	1 944 430	1 447 800
Amount paid - current year	(1 944 430)	(1 447 800)	(1 944 430)	(1 447 800)
Balance unpaid (included in creditors)	-	-	-	-

**45.2 Audit fees - (MFMA 122 (1)(b))**

Opening balance	626 231	-	626 231	-
Current year audit fees	7 132 999	6 049 058	5 737 742	5 868 874
Amount paid	(7 491 445)	(5 422 067)	(6 296 180)	(5 042 642)
Balance unpaid (included in payables)	67 784	636 231	67 784	626 231

**45.3 VAT - (MFMA 122 (1)(b))**

Opening balance	10 221 742	5 034 058	9 625 629	4 901 766
Amounts received - current year	(8 343 381)	(12 898 537)	(8 627 258)	(13 282 450)
Amounts claimed - current year	30 632 332	17 874 220	31 228 245	16 096 513
Balance receivable/payable	32 510 694	10 211 742	31 226 617	9 626 829

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year. Bulk of the Claims for the 18/17 year was only paid to the Economic Entity during July 2017 contributing to the cashflow challenges we experienced.

**45.4 PAYE, SDL and UIF - (MFMA 122 (1)(b))**

Opening balance	-	-	-	-
Current year payroll deductions and Council Contributions	26 903 552	23 507 485	26 903 552	23 507 485
Amount paid - current year	(26 903 552)	(23 507 485)	(26 903 552)	(23 507 485)
Balance receivable	-	-	-	-

**45.6 Pension and Medical Aid Deductions - (MFMA 122 (1)(b))**

Opening balance	-	-	-	-
Current year payroll deductions and Council Contributions	35 349 797	33 237 720	35 349 797	33 237 720
Amount paid - current year	(35 349 797)	(33 237 720)	(35 349 797)	(33 237 720)
Balance unpaid (included in payables)	-	-	-	-

**45.6 Council's other consumer accounts - (MFMA 122 (1)(b))**

There are no overdue council accounts.

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	ECONOMIC ENTITY		MUNICIPALITY	
	2017 R	2016 R	2017 R	2016 R
<b>45.4 Deviations - Supply Chain Management</b>				
Deviations with the Supply Chain Management Regulations were identified and categorised as follows:				
- Emergencies			25 076 426	26 607 137
- Goods or services are produced or available from a single provider only			13 969 121	19 400
- Other exceptional cases where it is impractical or impossible to follow the official procurement processes				18 797 328
			<u>38 745 547</u>	<u>44 323 865</u>

**Deviations per department**

- Office of the Municipal Manager			39 305	43 481
- Financial Services				26 774
- Corporate Services			2 988 787	1 074 094
- Community Services			479 029	590 422
- Technical Services			35 228 428	39 811 268
- Expenditure incurred on behalf of JoGEDA				5 815
			<u>38 745 547</u>	<u>44 323 865</u>

**46 CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditures:**

**Approved and contracted for:**

- Infrastructure	374 116 020	455 062 901	374 116 020	455 062 901
<b>Total</b>	<u>374 116 020</u>	<u>455 062 901</u>	<u>374 116 020</u>	<u>455 062 901</u>

**This expenditure will be financed from:**

- Capital Replacement Reserve				
- Government Grants	374 116 020	455 062 901	374 116 020	455 062 901
- Own Resources				
	<u>374 116 020</u>	<u>455 062 901</u>	<u>374 116 020</u>	<u>455 062 901</u>

**47 FINANCIAL RISK MANAGEMENT**

The activities of the Economic Entity expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Economic Entity's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Economic Entity's financial performance.

**(a) Foreign Exchange Currency Risk**

The Economic Entity does not engage in foreign currency transactions.

**(b) Price risk**

The Municipality is not exposed to price risk.

**(c) Interest Rate Risk**

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, non-current investments and loan payables.

The Economic Entity analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the Economic Entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for cash and cash equivalents and non-current investments as the interest rate on loan payables are fixed.

The Economic Entity did not hedge against any interest rate risks during the current year.

The potential impact on the Economic Entity's surplus/deficit for the year due to changes in interest rates were as follows:

0,5% (2016 - 0,5%) Increase in interest rates	995 985	312 066	995 985	312 066
0,5% (2016 - 0,5%) Decrease in interest rates	(995 985)	(312 066)	(995 985)	(312 066)

The potential impact on the fair value of loans payable due to changes in interest rates is insignificant as the carrying value represents the fair value based on the underlying assets.



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	ECONOMIC ENTITY		MUNICIPALITY																																																													
	2017 R	2016 R	2017 R	2016 R																																																												
<b>(d) Credit Risk</b>																																																																
<p>Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Economic Entity to incur a financial loss.</p> <p>Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.</p> <p>Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of consumers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer receivables the Economic Entity effectively has the right to terminate services to customers, but its practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council and/or owners to collect such accounts by "laying of penalty charges", "demand for payment", "suspension of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.</p> <p>All services are payable within 30 days from invoice date. Refer to note 15 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.</p> <p>Balances past due not impaired:</p> <table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2016</th> <th>2017</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Water</td> <td>77 844 650</td> <td>80 846 288</td> <td>77 844 650</td> <td>20 618 253</td> </tr> <tr> <td>Sewerage</td> <td>34 402 826</td> <td>6 721 490</td> <td>34 402 826</td> <td>6 721 498</td> </tr> <tr> <td>Local Municipalities</td> <td>1 646 564</td> <td>3 176 874</td> <td>1 646 564</td> <td>3 176 874</td> </tr> <tr> <td>Other Receivables</td> <td>2 997 793</td> <td>5 819 452</td> <td>2 997 793</td> <td>5 819 452</td> </tr> <tr> <td></td> <td><u>118 992 134</u></td> <td><u>46 533 097</u></td> <td><u>118 992 138</u></td> <td><u>46 433 097</u></td> </tr> </tbody> </table> <p>No receivables are pledged as security for financial liabilities.</p> <p>The Economic Entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure is disclosed below.</p> <p>The bank utilized by the Economic Entity for current and non-current investments are all listed on the JSE (ABSA Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.</p> <p>Although the risk pertaining to unpaid conditional grants and subsidies are considered to be very low, the maximum exposure is disclosed below. Amounts are receivable from national and provincial government and there are no expectation of counter party default.</p> <p>Receivables from exchange transactions are individually evaluated annually at Financial Position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. The maximum exposure is disclosed below.</p> <p>Financial assets exposed to credit risk at year end are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2016</th> <th>2017</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Receivables from Exchange Transactions</td> <td>258 752 513</td> <td>268 955 805</td> <td>258 732 658</td> <td>268 043 345</td> </tr> <tr> <td>Cash and Cash Equivalents</td> <td>801 524</td> <td>2 818 123</td> <td>-</td> <td>2 421 545</td> </tr> <tr> <td>Non-current Investments</td> <td>1 543 453</td> <td>1 411 026</td> <td>1 543 453</td> <td>1 411 026</td> </tr> <tr> <td>Unpaid Conditional Grants and Subsidies</td> <td>22 163 551</td> <td>31 276 093</td> <td>22 163 551</td> <td>31 276 063</td> </tr> <tr> <td></td> <td><u>292 191 040</u></td> <td><u>304 558 097</u></td> <td><u>292 479 661</u></td> <td><u>304 050 979</u></td> </tr> </tbody> </table>		2017	2016	2017	2016	Water	77 844 650	80 846 288	77 844 650	20 618 253	Sewerage	34 402 826	6 721 490	34 402 826	6 721 498	Local Municipalities	1 646 564	3 176 874	1 646 564	3 176 874	Other Receivables	2 997 793	5 819 452	2 997 793	5 819 452		<u>118 992 134</u>	<u>46 533 097</u>	<u>118 992 138</u>	<u>46 433 097</u>		2017	2016	2017	2016	Receivables from Exchange Transactions	258 752 513	268 955 805	258 732 658	268 043 345	Cash and Cash Equivalents	801 524	2 818 123	-	2 421 545	Non-current Investments	1 543 453	1 411 026	1 543 453	1 411 026	Unpaid Conditional Grants and Subsidies	22 163 551	31 276 093	22 163 551	31 276 063		<u>292 191 040</u>	<u>304 558 097</u>	<u>292 479 661</u>	<u>304 050 979</u>				
	2017	2016	2017	2016																																																												
Water	77 844 650	80 846 288	77 844 650	20 618 253																																																												
Sewerage	34 402 826	6 721 490	34 402 826	6 721 498																																																												
Local Municipalities	1 646 564	3 176 874	1 646 564	3 176 874																																																												
Other Receivables	2 997 793	5 819 452	2 997 793	5 819 452																																																												
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	<u>292 191 040</u>	<u>304 558 097</u>	<u>292 479 661</u>	<u>304 050 979</u>																																																												

**(e) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

The table below analyses the Economic Entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Economic Entity	2017				2016			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
<b>2017</b>								
Long Term Liabilities and Finance Leases	6 604 221	6 441 600	2 422 126	15 727 946	4 911 312	12 338 870	3 380 876	20 639 258
Capital repayments	5 647 344	4 823 631	2 035 702	12 606 577	3 456 162	9 855 874	2 710 003	16 061 739
Interest	918 877	1 618 009	386 423	3 121 309	1 458 150	2 441 296	680 873	4 677 519
Payables from exchange transactions	97 351 325	-	-	97 351 325	76 570 614	-	-	76 570 614
Unspent Conditional Government Grants and Receipts	7 433 400	-	-	7 433 400	1 016 185	-	-	1 016 185
	<u>111 928 946</u>	<u>6 441 600</u>	<u>2 422 126</u>	<u>120 792 672</u>	<u>82 598 092</u>	<u>12 338 970</u>	<u>3 380 976</u>	<u>98 318 038</u>
<b>2016</b>								
Long Term Liabilities and Finance Leases	6 604 221	6 441 600	2 422 126	15 727 946	4 911 312	12 338 870	3 380 876	20 639 258
Capital repayments	5 647 344	4 823 631	2 035 702	12 606 577	3 456 162	9 855 874	2 710 003	16 061 739
Interest	918 877	1 618 009	386 423	3 121 309	1 458 150	2 441 296	680 873	4 677 519
Payables from exchange transactions	97 351 325	-	-	97 351 325	76 570 614	-	-	76 570 614
Unspent Conditional Government Grants and Receipts	7 433 400	-	-	7 433 400	1 016 185	-	-	1 016 185
	<u>111 928 946</u>	<u>6 441 600</u>	<u>2 422 126</u>	<u>120 792 672</u>	<u>82 598 092</u>	<u>12 338 970</u>	<u>3 380 976</u>	<u>98 318 038</u>

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

Municipality	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
<b>2017</b>				
Long Term Liabilities and Finance Leases	8 004 221	6 441 600	2 422 120	15 727 940
Capital repayments	5 947 344	4 623 531	2 035 702	12 606 577
Interest	916 877	1 518 069	386 423	3 121 369
Payables from exchange transactions	87 331 325	-	-	-
Unspent Conditional Government Grants and Receipts	7 433 400	-	-	-
	<u>111 628 843</u>	<u>8 441 600</u>	<u>2 422 120</u>	<u>15 727 940</u>
<b>2016</b>				
Long Term Liabilities and Finance Leases	4 911 312	12 336 970	3 390 978	20 639 258
Capital repayments	3 455 182	9 856 674	2 710 903	16 061 759
Interest	1 456 150	2 441 296	680 075	4 577 519
Payables from exchange transactions	78 870 614	-	-	-
Unspent Conditional Government Grants and Receipts	1 010 165	-	-	-
	<u>82 598 092</u>	<u>12 336 970</u>	<u>3 390 978</u>	<u>20 639 258</u>
	<b>ECONOMIC ENTITY</b>	<b>MUNICIPALITY</b>		
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>

**46 FINANCIAL INSTRUMENTS**

In accordance with GRAP 104 the financial instruments of the Economic Entity are classified as follows:

**46.1 Financial Assets**

**Financial Instruments at amortised cost**

Non-Current Investments				
- Fixed Deposits	1 583 453	1 411 028	1 583 453	1 411 028
- Municipal Entity - Joe Gqabi Economic Development Agency (Soc) Ltd	1 894 055	1 894 055	1 894 055	1 894 055
Receivables from Exchange Transactions	118 692 136	59 905 623	118 692 136	59 905 623
Cash and Cash Equivalents	-	2 421 545	-	2 421 545
Unpaid Conditional Government Grants and Receipts	22 163 551	31 275 063	22 163 551	31 275 063
<b>Total carrying amount of financial assets</b>	<u>142 633 194</u>	<u>94 997 312</u>	<u>142 633 194</u>	<u>94 997 312</u>

**46.2 Financial Liability**

**Financial Instruments at amortised cost**

Long-term Liabilities	6 667 005	12 613 456	6 667 005	12 613 456
Trade and Other Payables	87 331 325	76 670 614	87 331 325	76 670 614
Current Portion of Long-term Liabilities	5 947 344	3 355 052	5 947 344	3 355 052
Unspent Conditional Government Grants and Receipts	7 433 400	1 010 165	7 433 400	1 010 165
<b>Total carrying amount of financial liabilities</b>	<u>117 379 074</u>	<u>93 652 287</u>	<u>117 379 074</u>	<u>93 652 287</u>

**49 EVENTS AFTER THE REPORTING DATE**

The Economic Entity has noted the unfavourable weather conditions that have persisted in the last quarter ended 30 June 2017. All indications and information at hand indicate that the District will have a period of drought that will in all probability result in the outflow of economic resources in the post reporting period. Water levels in the Senqa Lady Clay and Water Sling - Burgardorp is extremely low and it is expected that watering might be needed. The outflow of resources is expected to exceed R10 million.

**50 IN-KIND DONATIONS AND ASSISTANCE**

None

**51 PRIVATE PUBLIC PARTNERSHIPS**

Council has not entered into any private public partnerships during the financial year.

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

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**COURT/ARBITRATION**

Council has the following contingent liabilities at the end of the financial year 2016/2017:

Outstanding litigation claims

A claim was filed against the Economic Entity by a service provider disputing the award of a tender to another service provider. Judgement was received on the 26th of May 2016 in favour of the municipality, however the plaintiff has appealed the whole judgement. Judgement was received in the favour of the Municipality again from a full bench appeal and the plaintiff has opted to appeal again. The case is currently at the Supreme Court of Appeal in Bloemfontein.

1 597 373      1 097 373,80

The Economic Entity was contesting a labour matter in respect of its junior fire fighters. The labour court reviewed and set aside the decision of the commissioner to pay the employees the amount of and referred the matter back to arbitration before a new commissioner. The matter sat on arbitration and the employer representative raised points in time which resulted in the commissioner dismissing the application on grounds of prescription but advising the employees to apply for condonation should they want to pursue the matter. The applicant for condonation to SALGBO and the application was dismissed on 10 April 2017. Currently the employees have filed an application to review or set aside the decision of the commissioner who dismissed the application.

9 528 183

In addition, the Commissioner also issued an award that the 28 junior fire fighters be paid an amount of R211 870 each based on TARIK grading. This arbitration award has also been referred for review. The matter will be supposed to sit on the 28th and 29th of October 2016, however the case was removed from the roll on the date in question due to the issues surrounding the non-filing of the record by the bargaining council as well as the junior fire fighters attorneys. Their attorneys of record withdrew subsequently and to date we have not received a new date from the labour court.

6 347 518      6 347 518

The Municipality is contesting a claim for damages amounting to R754 702. The claim was lodged by Mr B Ransay and his spouse for damages, pain and suffering and future medical costs. The claim relates to a motor vehicle accident wherein the vehicle was damaged while entering a site in Alwal North. The site relates to diggings on a road for the purpose of affixing repairs to water infrastructure. The complainants believe that the Economic Entity is responsible for the accident that occurred. The Economic Entity is contesting the claim and the matter has been set down for trial on the 11 October 2016 and then was removed from the roll on basis of they wanted to file their expert witness evidence. The Economic Entity is awaiting the new trial date.

754 702      754 702

The Department of Water and Sanitation is claiming an amount R37 680 353 from the Economic Entity for raw water extraction costs. This amount is made up of a number of invoices, dating back as far as 2002. The Economic Entity has had extensive interactions with the Department, but the amount has not been finalised. The Economic Entity's Management is of the opinion that this amount is fully provably established and in some cases refers to areas outside the District's jurisdiction. An accrual of R10 531 553 for bulk water purchases has been made and this amount is considered to be due and payable to the Department. The net amount of the contingency is R27 128 802. The Economic Entity is in ongoing negotiations with the Department. The Department submitted a request to its Minister and Director General to write off the amount. This decision is still pending. The Department is also considering drought relief measures for the current year's raw water extraction costs. This decision is also pending.

A summons and a notice of intention has been filed against the Economic Entity. This matter relates to an employee of the Economic Entity had an accident and a house of a resident was damaged in the process. The Economic Entity considers the likelihood of the case being lost by the Economic Entity as being medium. This matter is awaiting a court date.

272 555      272 555

There was an accident which occurred between a vehicle of Senqu Municipality and a truck driven by an employee of the Economic Entity. The insurance is claiming for damage from the Economic Entity and the Economic Entity is contesting the claim. This matter is pending before court for trial.

485 661      485 661

A claim was filed against the Economic Entity by a service provider for services rendered. Council has filed a counter claim. The Economic Entity considers the likelihood of the case being lost by the Economic Entity as being low. No court date has been set as on the reporting date.

600 000      600 000

Council has the following contingent assets at the end of the financial year 2016/2017:

A case against a former employee has been before labour court for fraud. The matter has been finalised and a debtor was created during 2016/2017.

(300 000)

The municipality identified possible fraud which is currently under investigation by the SARS and the outcome is unsure at this stage. The matter has been referred to the Economic Entity attorneys to claim from the medical aid scheme in question. No court date has been set on the reporting date

(5 500 000)

53

**RELATED PARTIES**

No business transactions took place between the Economic Entity and management personnel and their close family members (including close members of family members) during the year under review.

**53.1 Related Party Loans**

Since 1 July 2004 loans to Councilors and Senior Management Employees are not permitted.

**53.2 Compensation of management personnel**

The compensation of management personnel is set out in note 25, 26 and to the financial statements.

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

**54 EXPLANATORY NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

**54.1 ORIGINAL BUDGET vs FINAL BUDGET**

General activities affecting the budget

The Economic Entity's Council approved the take over of the water and sanitation function from all the Local Municipalities. 2016/2017 is the third year and ability of collection is having a direct impact on our budget assumptions vs actual during the year.

The Economic Entity experienced some challenges with drought during the year with specific, Abeni North and Ekundini areas effected.

There were still limited historic data available in order to draft an accurate original budget. Subsequently, more accurate historic data became available during the year which was taken into account during the drafting of the final budget. The billing responsibility contributed mainly to the challenges experienced during the year with specific reference to cashflow challenges and ageing infrastructure that was transferred with the function.

Statement of Financial Position

The budget figures on receivable remains a challenge due to factors such as historic experience by consumers as well as ability to pay.

Current Liabilities were increased due to the following:

- Current Employee Benefits were increased in order to be in line with the audited outcome of 30 June 2016 and to take into account items which were not budgeted for in the original budget.

- The Trade payables were increased due the continuous cash flow challenges of the Economic Entity

Non-Current Liabilities were increased due to the following:

- Non-Current Employee Benefits were increased in order to be in line with the audited outcome of 30 June 2016 and to take into account items which were not budgeted for in the original budget.
- Long-term Liabilities were also increased by as there was an intention to enter into a finance lease.

Statement of Financial Performance - Revenue

Capital Government Grants and Subsidies were increased due to following:

- Additional funding not initially included
- Misalignment in the initial budget and the Drought funding

Statement of Financial Performance - Expenditure

Contracted Services was decreased due to the Economic Entity being able to perform the duties itself.

Operating Grant Expenditure was increased in order to accommodate additional operating grant funding received and correction of errors as discussed under "Statement of Financial Performance - Revenue"

General Expenses was increased to accommodate the take over of the water and sanitation functions and the drought challenges experienced during the year.

Operating Expenditure by vote

Changes noted was due to the reasons explained above affecting all votes within the municipality

Capital Expenditure by vote

Budget decreased due to cashflow challenges

**54.2 ACTUAL AMOUNTS vs FINAL BUDGET**

Statement of Financial Position

Total Current Assets exceeds the final budget due to increase in the consumer debtors due to low payment percentage.

Total Non-Current Assets is more than budget due to the unpaid grants at year end.

Total Current Liabilities is more due to cash flow challenges experienced towards end of the financial year not anticipated, mainly due to SARS not releasing the VAT claims

Total Non-Current Liabilities is less than budget due to no increase in long term liabilities as initially anticipated.

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

Statement of Financial Performance - Revenue

Capital Government Grants is over due to mis alignment on the budget between Capital and operational

Billing was higher than anticipated and it was only the third year of billing.

The overall Revenue ratio is only 0,1% over the final budget

Statement of Financial Performance - Expenditure

Employee Related Costs are underspent. The Municipality had a number of vacant posts in the WSP, PAJ, Disaster, BTO and OHS which was not filled during the year. This was due to budget constraints and difficulty to attract the required skills.

Debt repayment is significantly more due to the third year billing as well as collection. This should improve towards the 2017/2018 year.

Contracted Services were underspent due to the municipality performing the function themselves as well as budget constraints.

General Expenses are underspent due to cash flow pressure and all departments implemented austerity measures.

The overall Revenue ratio is only 12% under the final budget due to budget constraints

Cash Flow Statement

Net Cash from Operating Activities was lower than forecasted due to poor collection of outstanding debtors

Net Cash from Investing Activities was below expectations due to under expenditure on Assets

Operating Expenditure by Vote

Cashflow challenges led to the inability to spend according to the budget as well as most functions performed internally.

Capital Expenditure by vote

Technical Services is underspent on capital due to the Provincial Treasury Grants allocated not fully spent.

APPENDIX A - Unaudited  
 JOE GOABI DISTRICT MUNICIPALITY  
 CONSOLIDATED SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Maturity Date	Balance at 30 June 2016		Received during the period		Redeemed during the period		Balance at 30 June 2017	
					R	R	R	R	R	R	R	R
<b>ANNUITY LOANS</b>												
DBSA - Building - c/o Graham and Cole street, Bertly East	11.5%	100878	6 monthly	31 Dec 2024	5 160 051	-	-	-	365 450	-	4 774 581	
ABSA - Water meter loan	10.75%		6 monthly	1 March 2020	4 198 874	-	-	-	887 105	-	3 311 769	
Total Annuity Loans					9 358 925	-	-	-	1 272 595	-	8 086 330	
<b>FINANCE LEASE</b>												
ABSA - VEHICLES	Prime		Monthly	Various	6 509 583	-	-	-	2 081 565	-	4 528 018	
Total Finance Leases					6 509 583	-	-	-	2 081 565	-	4 528 018	
<b>TOTAL EXTERNAL LOANS</b>					15 988 508	-	-	-	3 354 160	-	12 614 348	



APPENDIX A - Unaudited  
 JOE GOABI DISTRICT MUNICIPALITY  
 CONSOLIDATED SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017

EXTERNAL LOANS	Rate	Loan Number	Repayable	Maturity Date	Balance at 30 June 2016		Received during the period		Received during the period		Balance at 30 June 2017	
					R	R	R	R	R	R	R	R
<b>ANNUITY LOANS</b>												
DBSA - Building - c/o Graham and Cole street, Bantye East	11.5%	100878	8 monthly	31 Dec 2024	\$ 160 051	-	-	385 490	-	385 490	4 774 581	
ABSA - Water meter loan	10.73%		6 monthly	1 March 2020	4 198 874	-	-	887 105	-	887 105	3 311 769	
<b>Total Annuity Loans</b>					<b>9 358 925</b>			<b>1 272 595</b>		<b>8 086 330</b>		
<b>FINANCE LEASE</b>												
ABSA - VEHICLES	Prime		Monthly	Various	6 809 593	-	-	2 091 565	-	2 091 565	4 528 018	
<b>Total Finance Leases</b>					<b>6 809 593</b>			<b>2 091 565</b>		<b>4 528 018</b>		
<b>TOTAL EXTERNAL LOANS</b>					<b>15 968 508</b>			<b>3 354 160</b>		<b>12 614 348</b>		

APPENDIX B - Unaudited  
 JOE GOABI DISTRICT MUNICIPALITY  
 CONSOLIDATED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2017

ECONOMIC ENTITY	Cost/Revaluation					Accumulated Depreciation			Carrying Value		
	Opening Balance	Residual Value Opening Balance	Additions	Residual Value Additions	Under Construction	Deprecials	Residual Value Deprecials	Closing Balance		Disposals and Impairments	Closing Balance
Land and Buildings	2 048 000	-	-	-	-	-	-	2 045 000	-	5 840 538	2 043 000
Land	15 638 048	-	105 446	-	-	-	15 744 494	362 400	-	5 840 538	9 504 056
Buildings	17 582 048	-	1 865 446	-	-	-	17 787 494	552 480	-	5 840 538	11 647 055
Infrastructure	322 217 826	-	10 129 451	-	133 060 707	-	470 428 085	72 272 087	-	32 537 782	367 690 304
Sewerage Network	1 108 141 897	-	62 223 770	-	353 084 675	(680 418)	1 534 549 525	297 873 481	(374 700)	270 450 780	1 254 098 145
Water Network	1 459 889 825	-	72 383 231	-	493 140 302	(380 478)	1 964 878 911	310 745 057	(374 700)	352 988 542	1 841 988 489
Other Assets	2 365 519	-	54 315	-	-	(14 205)	2 405 389	1 690 250	(12 671)	1 815 876	599 620
Office Equipment	3 869 823	-	45 456	-	-	(124 212)	3 791 067	2 755 628	(114 782)	2 793 038	594 130
Furniture & Fittings	16 078 627	501 873	822 232	-	-	(85 000)	17 467 528	7 540 022	(31 300)	9 778 974	7 098 576
Motor Vehicles	8 051 685	862 409	267 670	-	-	-	8 924 004	4 182 208	-	6 890 596	2 053 528
Pile Engines	3 037 228	-	267 670	-	-	(177 084)	3 141 804	1 352 866	(69 111)	1 418 520	1 723 813
Computer Equipment	4 259 854	433 832	-	-	-	(510 300)	4 229 655	1 396 334	(347 078)	1 374 824	2 855 061
Special Vehicles	5 105 201	-	49 997	-	-	(108 387)	5 046 811	1 694 951	(87 007)	2 128 902	2 919 909
Tools and Equipment	48 728 397	1 877 914	1 363 843	-	-	(883 699)	44 896 738	22 783 346	(611 918)	26 188 492	18 839 238
<b>Total</b>	<b>1 480 770 711</b>	<b>1 877 914</b>	<b>79 318 353</b>	<b>-</b>	<b>493 140 302</b>	<b>(1 859 177)</b>	<b>2 057 782 264</b>	<b>338 295 362</b>	<b>(47 867 190)</b>	<b>(1 189 571)</b>	<b>1 672 664 812</b>

**APPENDIX B - Unaudited**  
**JOE GOABI DISTRICT MUNICIPALITY**  
**CONSOLIDATED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2017**

MUNICIPALITY	Contributions				Accumulated Depreciation				Carrying Value
	Opening Balance	Residual Value Opening Balance	Additions	Residual Value Additions	Disposals	Residual Value Disposals	Closing Balance	Accumulated Depreciation	
<b>Land and Buildings</b>									
Land	2 043 000	-	-	-	-	-	2 043 000	-	2 043 000
Buildings	18 829 048	-	105 448	-	-	-	18 934 496	532 480	9 806 055
	17 882 048	-	105 448	-	-	-	17 737 044	532 480	11 847 835
<b>Infrastructure</b>									
Sewerage Network	323 217 928	-	10 129 451	-	-	-	479 428 086	10 265 605	337 890 524
Water Network	1 108 141 867	-	63 223 770	-	(930 418)	(930 418)	1 244 543 825	33 151 987	1 254 069 165
	1 438 289 318	-	73 289 321	-	(868 418)	(868 418)	1 394 979 911	43 417 682	1 847 949 489
<b>Other Assets</b>									
Office Equipment	2 250 784	-	48 450	-	(10 498)	-	2 337 745	131 364	596 483
Furniture & Fixings	3 696 344	-	7 281	-	(113 570)	-	3 590 055	133 900	636 547
Motor Vehicles	16 078 327	501 073	822 232	-	(35 000)	-	17 467 522	2 269 419	7 648 577
Fire Engines	8 031 495	892 408	-	-	-	-	8 924 094	848 940	2 005 528
Computer Equipment	2 912 507	-	271 943	-	(132 876)	-	3 051 471	141 300	1 095 167
Special Vehicles	4 236 454	443 892	-	-	(918 800)	-	4 228 686	233 379	2 855 081
Tools and Equipment	3 030 405	-	48 987	-	-	-	3 129 405	130 852	1 621 313
	49 256 008	1 377 916	1 299 823	-	(802 716)	-	43 731 629	3 810 731	17 238 088
<b>Total</b>	<b>1 498 287 552</b>	<b>1 877 916</b>	<b>73 729 490</b>	<b>-</b>	<b>(1 493 124)</b>	<b>-</b>	<b>2 685 499 284</b>	<b>47 310 932</b>	<b>384 371 841</b>
									<b>1 671 128 799</b>

APPENDIX C (UNAUDITED)  
 CONSOLIDATED SEGMENTAL STATEMENTS OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2017

VOTE	30 JUNE 2017		30 JUNE 2018	
	REVENUE R	EXPENDITURE R	REVENUE R	EXPENDITURE R
<b>ECONOMIC ENTITY</b>				
Management Services	490 522	(48 345 845)	1 761 353	80 744 149
Financial Services	344 426 982	69 065 690	320 230 050	66 178 011
Corporate Services	7 739 477	(45 244 973)	3 553 003	47 259 091
Technical Services	536 364 114	270 346 235	320 369 270	290 351 477
Community Services	10 108 985	(48 631 971)	9 316 953	30 454 429
<b>TOTAL</b>	<b>699 785 097</b>	<b>(48 636 016)</b>	<b>665 279 666</b>	<b>(468 287 167)</b>
				<b>(48 636 016)</b>
<b>MUNICIPALITY</b>				
Management Services	500 000	(45 798 573)	600 000	40 252 395
Financial Services	344 426 989	69 065 690	317 481 325	55 962 545
Corporate Services	7 739 477	(45 544 573)	3 553 003	47 259 091
Technical Services	339 984 114	270 346 235	320 369 270	277 503 765
Community Services	10 105 985	(48 631 971)	9 316 953	30 454 429
<b>TOTAL</b>	<b>699 785 485</b>	<b>(479 650 445)</b>	<b>661 500 591</b>	<b>(474 872 618)</b>
				<b>(479 650 445)</b>

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX D (UNAUDITED)

CONSOLIDATED DISCLOSURE OF TRANSFERS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2017

ECONOMIC ENTITY	Operating Balance		Reserves at an opening balance		Revised opening balance		Grants Received		Return to Treasury		Transferred to Revenue (Operating)		Transferred to Revenue (Capital)		Closing Balance		Government		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
<b>NATIONAL GOVERNMENT</b>																			
Accelerated Community Infrastructure Programme (ACIP)	65 102		65 102		65 102		151 602 000					61 404 278		87 585 805		85 102		Unpaid Grants	
Municipal Infrastructure Grant (MIG)	2 532 288	(2 505 079)	27 213	5 748	27 213	5 748	1 474 000				1 474 000				27 213		Unpaid Grants		
Department Water Affairs	29 998		29 998		29 998		223 621 000				223 621 000				29 998		Unpaid Grants		
Erkabahe Scheme	139		139		139		1 250 000				1 249 864				139		Unpaid Grants		
Finance Management Grant (FMG)	300		300		300										300		Unpaid Grants		
Municipal Systems Improvement Grant (MSIG)	3 883 863		3 883 863		3 883 863		22 795 684		898 000		24 001 747				3 883 863		Unpaid Grants		
Public Works - Special Programme	(988 559)		(988 559)		(988 559)										(988 559)		Unpaid Grants		
Water Services Operating Subsidy	11 327		11 327		11 327		71 628 000				71 627 888				11 327		Unpaid Grants		
Municipal Water Infrastructure Grant (MWIG)	4 232 570		4 232 570		4 232 570		10 573 684				9 728 885				4 232 570		Unpaid Grants		
Water Services Infrastructure Grant (WSIG)	5 485 480		5 485 480		5 485 480						4 586 291				5 485 480		Unpaid Grants		
RBS	(4 000)		(4 000)		(4 000)										(4 000)		Unpaid Grants		
Department of Human Settlement																	Unpaid Grants		
Rural Households Infrastructure Grant																	Unpaid Grants		
<b>Total</b>	15 387 548	(2 805 079)	12 782 468		12 782 468		489 148 318		598 000		311 831 010		179 888 429		10 134 589				
<b>PROVINCIAL GOVERNMENT</b>																			
Environmental Health Inspections	2 023 388		2 023 388		2 023 388		42 668 560								2 023 388		Unpaid Grants		
Provincial Treasury drought relief programme	12 886 864		12 886 864		12 886 864		500 000				500 000		74 608 740		4 887 136		Unpaid Grants		
Eg Crops Amelioration support grant							1 346 500								(1 346 500)		Unpaid Grants		
MS Asset Management	(13 607)		(13 607)		(13 607)		2 138 000				1 258 300				(883 300)		Unpaid Grants		
Rural Roads Joint Management Grant	14 978 734		14 978 734		14 978 734		86 871 068				1 758 300		74 608 740		4 670 704		Unpaid Grants		
<b>Total</b>	29 802 909	(2 805 079)	27 398 880		27 398 880		377 135 968		598 000		365 475 467		348 287 169		14 730 150				
<b>OTHER</b>																			
US Setp	14 815		14 815		14 815		1 319 000				1 228 320				(75 145)		Unpaid Grants		
Industrial Development Corporation (IDC)	(285 786)		(285 786)		(285 786)						285 796								
Eastern Cape Development Corporation (ECDC)	(71 072)		(71 072)		(71 072)						71 072								
<b>Total</b>	(48 243)		(48 243)		(48 243)		1 319 000				1 585 188				(75 145)				
<b>Total</b>	29 802 909	(2 805 079)	27 398 880		27 398 880		377 135 968		598 000		365 475 467		348 287 169		14 730 150				

Monies due to Joe Gqabi District Municipality as at 30 June 2017  
 Monies not spent by Joe Gqabi District Municipality as at 30 June 2017

22,163,551  
 (7,433,400)  
 14,730,150

JOE GOABI DISTRICT MUNICIPALITY

APPENDIX D (UNAUDITED)  
 CONSOLIDATED DISCLOSURE OF TRANSFERS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2017

	Opening Balance		Reduction in opening balance		Restricted operating balance		Grants Received		Return to Treasury		Transferred to Revenue (Operating)		Transferred to Revenue (Capital)		Closing Balance		Commitment		
	R	Z	R	Z	R	Z	R	Z	R	Z	R	Z	R	Z	R	Z	R	Z	
<b>MUNICIPALITY</b>																			
<b>NATIONAL GOVERNMENT</b>																			
Accelerated Community Infrastructure Programme (ACIP)	85 102		(2 303 079)		66 982		161 002 000		-		61 484 278		87 665 905		65 102		Unpaid Grants		
Municipal Infrastructure Grant (MIG)	2 832 286				27 218		5 749								(2 504 686)		Unpaid Grants		
Department Water Affairs	5 749				29 548		1 474 000				1 474 000				6 749		Unpaid Grants		
EPWP Programme	29 896						223 631 000				223 631 000				29 898		Unpaid Grants		
Equitable Share	139				158		1 250 000				1 249 934				-		Unpaid Grants		
Finance Management Grant (FMG)	200				200										200		Unpaid Grants		
Municipal Systems Improvement Grant (MSIG)	3 883 853				3 882 843		22 796 894		988 000		24 001 747				5 089 757		Unpaid Grants		
Public Works - Special Programme	(988 595)				(988 595)										(596)		Unpaid Grants		
Water Services Operating Subsidy	11 327				11 327										11 327		Unpaid Grants		
Municipal Water Infrastructure Grant (MAMIG)							71 829 000				71 827 636				(302)		Unpaid Grants		
Water Services Infrastructure Grant (WSIG)	4 235 910				4 235 910		16 373 424				9 728 835				(2 608 660)		Unpaid Grants		
Department of Human Settlement	5 485 400				5 482 490						4 546 331				10 031 761		Unpaid Grants		
Rural Households Infrastructure Grant	(4 000)				(4 000)										(4 000)		Unpaid Grants		
<b>Total</b>	<b>16 267 848</b>	<b>(2 506 079)</b>	<b>12 762 469</b>	<b>489 146 245</b>	<b>938 060</b>	<b>311 621 610</b>	<b>173 686 423</b>	<b>14 126 269</b>	<b>988 000</b>	<b>248 267 869</b>	<b>14 126 269</b>	<b>14 126 269</b>	<b>14 126 269</b>	<b>14 126 269</b>	<b>14 126 269</b>	<b>14 126 269</b>	<b>14 126 269</b>	<b>14 126 269</b>	<b>14 126 269</b>
<b>PROVINCIAL GOVERNMENT</b>																			
Siwashembi Health Practitioners	2 023 395				2 825 388		62 896 598								2 023 395		Unpaid Grants		
Provincial Treasury through relief programme	12 908 624				12 848 354		800 000				500 000		74 808 740		4 397 128		Unpaid Grants		
EC Cape Amalgamation support grant							1 346 500										Unpaid Grants		
MIS Asset Management	(13 607)				(13 597)		2 136 000				1 255 300				(1 946 500)		Unpaid Grants		
Rural Tourism Asset Management Grant	14 978 734				14 875 734		86 671 068				1 736 300		74 696 740		(893 306)		Unpaid Grants		
<b>Total</b>	<b>14 978 734</b>	<b>(13 607)</b>	<b>14 875 734</b>	<b>86 671 068</b>	<b>14 875 734</b>	<b>1 255 300</b>	<b>74 696 740</b>	<b>14 875 734</b>	<b>1 736 300</b>	<b>74 696 740</b>	<b>14 875 734</b>	<b>14 875 734</b>	<b>14 875 734</b>	<b>14 875 734</b>	<b>14 875 734</b>	<b>14 875 734</b>	<b>14 875 734</b>	<b>14 875 734</b>	<b>14 875 734</b>
<b>OTHER</b>																			
LG Side	14 615				14 615		1 319 000				1 225 320				(75 145)		Unpaid Grants		
<b>Total</b>	<b>14 615</b>	<b>(14 615)</b>	<b>14 615</b>	<b>1 319 000</b>	<b>14 615</b>	<b>1 225 320</b>	<b>1 319 000</b>	<b>1 319 000</b>	<b>1 225 320</b>	<b>1 319 000</b>	<b>1 319 000</b>	<b>1 319 000</b>	<b>1 319 000</b>	<b>1 319 000</b>	<b>1 319 000</b>	<b>1 319 000</b>	<b>1 319 000</b>	<b>1 319 000</b>	<b>1 319 000</b>
<b>TOTAL</b>	<b>36 268 687</b>	<b>(2 520 679)</b>	<b>27 748 008</b>	<b>577 126 416</b>	<b>988 000</b>	<b>314 818 529</b>	<b>248 267 869</b>	<b>14 126 269</b>	<b>988 000</b>	<b>248 267 869</b>	<b>14 126 269</b>	<b>14 126 269</b>	<b>14 126 269</b>	<b>14 126 269</b>	<b>14 126 269</b>	<b>14 126 269</b>	<b>14 126 269</b>	<b>14 126 269</b>	<b>14 126 269</b>