

# **JOE GQABI**

**DISTRICT MUNICIPALITY**



**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2014**

# JOE GQABI DISTRICT MUNICIPALITY

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# JOE GQABI DISTRICT MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Joe Gqabi District Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

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

#### JURISDICTION

The Joe Gqabi District Municipality includes the following areas:

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

#### MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	Z I Dumzela	
Speaker	N P Mposelwa	
Councillor	B Salman	Portfolio head: Financial Services
Councillor	T Z Notyeke	Portfolio head: Technical Services
Councillor	N Ngubo	Portfolio head: Corporate Services
Councillor	D D Mvumvu	Portfolio head: Community Services

#### MUNICIPAL MANAGER

Mr Z A Williams

#### CHIEF FINANCIAL OFFICER

Mr J M Jackson

#### 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

#### REGISTERED OFFICE

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

#### AUDITORS

Office of the Auditor General (EC)  
Vincent  
East London

#### ATTORNEYS

MI Ntshiba & Associates Mthatha 5099	Smith Tabata Attorneys King Williams Town 5601	Greyvenstein & Spence Barkly East 9786
PH Songo Attorneys Ngcobo 5050	Mjululwa Hlalukana Attorneys Mthatha 5099	

#### PRINCIPAL BANKERS

ABSA  
P O Box 323  
Bloemfontein  
9300

# JOE GQABI DISTRICT MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### GENERAL INFORMATION

#### AUDIT COMMITTEE

Z Luswazi	- Chairperson
J Emslie	- Member
P G Du Toit	- Member
F K P Ntlemeza	- 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 2 of 2002  
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  
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 1969  
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 105 of 1987  
Pension Funds Act 25 of 1956  
Preferential Procurement Policy Framework Act 5 of 2000

# JOE GQABI DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## GENERAL INFORMATION

### RELEVANT LEGISLATION (CONTINUED)

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 6 of 2005  
Reconstruction and Development Programme Fund Act 7 of 1994  
Regional Services Councils Act 109 of 1985  
Regulation of Gatherings Act 205 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  
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

#### PROPORTIONAL ELECTED COUNCILLORS

Executive Mayor	Z I Dumzela
Speaker	N P Mposelwa
Councillors: JGDM	S Mei V Mbulawa D F Hartkopf X G Motloi 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
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

## APPROVAL OF ANNUAL FINANCIAL STATEMENTS

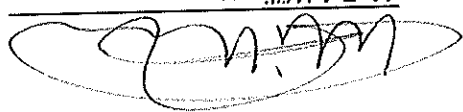
I am responsible for the preparation of these annual financial statements period ended 30 June 2014, which are set out on pages 1 to 75 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been 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 Municipality's cash flow forecast for the year to 30 June 2015 and I am satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

I certify that the remuneration of Councilors 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

29 August 2014  
Date

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Notes	2014 R	2013 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>1 204 083 948</b>	<b>1 218 889 615</b>
Accumulated Surplus		1 204 083 948	1 218 889 615
<b>Non-Current Liabilities from Exchange Transactions</b>		<b>5 653 603</b>	<b>6 098 601</b>
Long-term Liabilities	2	5 653 603	6 098 601
<b>Non-Current Liabilities</b>		<b>28 367 675</b>	<b>26 336 119</b>
Employee Benefits	3	28 367 675	26 336 119
<b>Current Liabilities</b>		<b>18 357 574</b>	<b>15 069 329</b>
Current Employee Benefits	4	18 357 574	15 069 329
<b>Current Liabilities from Exchange Transactions</b>		<b>66 495 054</b>	<b>45 784 537</b>
Consumer Deposits	5	834 552	170 749
Payables from Exchange Transactions	6	65 214 629	45 213 396
Current Portion of Long-term Liabilities	2	445 873	400 392
<b>Current Liabilities from Non-Exchange Transactions</b>		<b>33 645 489</b>	<b>14 836 809</b>
Unspent Conditional Government Grants and Receipts	7	33 645 489	14 836 809
<b>Total Net Assets and Liabilities</b>		<b>1 356 603 343</b>	<b>1 327 015 010</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>1 288 306 246</b>	<b>1 232 917 053</b>
Property, Plant and Equipment	9	1 280 255 845	1 224 298 078
Investment Property	10	2 620 956	2 666 452
Intangible Assets	11	2 234 050	2 855 618
Non-Current Investments	12	3 195 395	3 096 905
<b>Current Assets</b>		<b>41 241 075</b>	<b>25 552 407</b>
Inventory	13	3 018 121	1 706 530
Cash and Cash Equivalents	15	38 222 954	23 845 877
<b>Current Assets from Exchange Transactions</b>		<b>22 434 224</b>	<b>19 998 798</b>
Receivables from Exchange Transactions	14	15 300 762	12 255 069
South African Revenue Services	8	7 133 462	7 743 729
<b>Current Assets from Non-Exchange Transactions</b>		<b>4 621 798</b>	<b>48 546 752</b>
Unpaid Conditional Government Grants and Receipts	7	4 621 798	48 546 752
<b>Total Assets</b>		<b>1 356 603 343</b>	<b>1 327 015 010</b>

**JOE GQABI DISTRICT MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 R	2013 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>433 582 576</b>	<b>401 158 794</b>
<b>Transfer Revenue</b>		<b>433 582 576</b>	<b>401 158 794</b>
Government Grants and Subsidies - Capital	16	106 143 911	105 089 764
Government Grants and Subsidies - Operating	16	317 698 881	294 976 607
Public Contributions and Donations	17	4 325 630	235 978
Transfer of Function	18	2 429 142	683 933
Foreign Exchange Gains	19	722 904	172 512
Actuarial Gains	20	2 257 635	-
Reversal of Impairments	21	4 473	-
<b>Revenue from Exchange Transactions</b>		<b>67 499 535</b>	<b>50 839 481</b>
Service Charges	22	40 747 884	27 719 413
Government Services	23	18 400 177	17 216 476
Interest Earned - External Investments	24	3 239 584	3 142 983
Interest Earned - Outstanding Debtors	25	4 379 314	1 391 970
Other Income	26	732 576	1 368 639
<b>Total Revenue</b>		<b>501 082 111</b>	<b>451 998 275</b>
<b>EXPENDITURE</b>			
Employee Related Costs	27	130 364 218	104 339 481
Remuneration of Councillors	28	5 024 336	4 310 179
Debt Impairment	29	41 522 420	13 397 865
Impairments	30	45 831 406	5 716 564
Depreciation and Amortisation	31	42 363 332	42 488 120
Repairs and Maintenance	32	30 931 788	15 623 511
Actuarial Losses	20	-	1 515 882
Finance Charges	33	3 967 934	2 706 692
Contracted services	34	20 790 503	47 388 756
Bulk Purchases	35	2 473 512	7 698 710
Grants and Subsidies Paid	36	5 154 594	12 285 780
Inventory Adjustments		(24 383)	(17 586)
Operating Grant Expenditure	37	111 148 245	104 129 211
Emergency Drought Relief		3 940 821	456 066
General Expenses	38	69 197 755	41 652 119
Loss on disposal of Property, Plant and Equipment	39	3 201 291	120 015
<b>Total Expenditure</b>		<b>515 887 773</b>	<b>403 811 365</b>
<b>NET (DEFICIT)/SURPLUS FOR THE YEAR</b>		<b>(14 805 662)</b>	<b>48 186 909</b>



JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	<b>Accumulated Surplus</b>
	<b>R</b>
<b>Balance at 1 July 2012</b>	<b>1 170 964 562</b>
Correction of error restatement - note 40.1	(261 858)
<b>Restated balance at 1 July 2012</b>	<b>1 170 702 704</b>
Net Surplus for the year	48 186 910
<b>Balance at 30 June 2013</b>	<b>1 218 889 615</b>
Net Deficit for the year	(14 805 666)
<b>Balance at 30 June 2014</b>	<b>1 204 083 948</b>

**JOE GQABI DISTRICT MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 R	2013 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Service charges and other		23 038 227	31 916 415
Government grants		441 467 923	408 139 996
Interest		7 618 898	4 534 953
<b>Payments</b>			
Suppliers and Employees		(353 809 730)	(330 092 144)
Finance Charges		(721 338)	(764 112)
Transfers and Grants		(3 129 000)	(12 285 780)
<b>Net Cash from Operating Activities</b>	<b>41</b>	<b>114 464 981</b>	<b>101 449 329</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(100 212 690)	(95 009 470)
Proceeds from sale of Property, Plant and Equipment		-	150 000
Purchase of Intangible Assets		-	(2 358)
Purchase of Investment Property		-	(100 000)
(Increase)/Decrease in Non-current Investments		(94 017)	218 962
<b>Net Cash from Investing Activities</b>		<b>(100 306 707)</b>	<b>(94 742 866)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Increase in Consumer Deposits		663 803	170 749
Decrease in Long-term Liabilities		(445 000)	(399 450)
<b>Net Cash from Financing Activities</b>		<b>218 803</b>	<b>(228 701)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>14 377 077</b>	<b>6 477 762</b>
Cash and Cash Equivalents at the beginning of the year		23 845 877	17 368 115
Cash and Cash Equivalents at the end of the year	<b>42</b>	38 222 954	23 845 877
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>14 377 077</b>	<b>6 477 762</b>

**JOE QQABI DISTRICT MUNICIPALITY**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2014**

	<b>ORIGINAL BUDGET R</b>	<b>ADJUSTMENTS R</b>	<b>FINAL BUDGET R</b>	<b>ACTUAL R</b>	<b>ACTUAL VS FINAL BUDGET R</b>
<b>STATEMENT OF FINANCIAL POSITION</b>					
Total current assets	49 130 231	(4 118 249)	45 011 982	68 297 097	23 285 115
Total non-current assets	1 287 645 201	20 105 662	1 307 750 863	1 288 306 246	(19 444 617)
Total current liabilities	59 128 461	26 185 332	85 313 792	118 498 117	33 184 325
Total non-current liabilities	20 106 211	22 016 469	42 122 680	34 021 278	(8 101 402)
<b>Total Net Assets</b>	<b>1 257 540 761</b>	<b>(32 214 388)</b>	<b>1 225 326 373</b>	<b>1 204 083 948</b>	<b>(21 242 425)</b>

**STATEMENT OF FINANCIAL PERFORMANCE**

**Revenue**

Government Grants and Subsidies - Capital	185 294 000	31 284 000	216 578 000	106 143 911	(110 434 089)
Government Grants and Subsidies - Operating	227 467 835	52 888 000	280 355 835	317 698 881	37 343 046
Public Contributions and Donations	-	3 365 000	3 365 000	4 325 630	960 630
Transfer of Function	-	27 553 163	27 553 163	2 429 142	(25 124 021)
Foreign Exchange Gains	-	-	-	722 904	722 904
Actuarial Gains	-	-	-	2 257 635	2 257 635
Reversal of Impairment	-	-	-	4 473	4 473
Service Charges	23 680 424	16 024 693	39 705 117	40 747 884	1 042 767
Government Services	17 826 000	3 998 616	21 824 616	18 400 177	(3 424 439)
Interest Earned - External Investments	2 665 900	645 445	3 311 345	3 239 584	(71 761)
Interest Earned - Outstanding Debtors	1 533 199	2 131 355	3 664 554	4 379 314	714 760
Other Income	2 628 268	987 000	3 615 268	732 576	(2 882 692)
<b>Total Revenue</b>	<b>461 095 626</b>	<b>138 877 272</b>	<b>599 972 898</b>	<b>501 082 111</b>	<b>(98 890 787)</b>

**Expenditure**

Employee Related Costs	120 544 494	19 998 389	140 542 883	130 364 218	(10 178 665)
Remuneration of Councillors	5 352 231	(84 219)	5 268 012	5 024 336	(243 676)
Debt Impairment	8 386 214	43 144 262	51 530 476	41 522 420	(10 008 056)
Impairments	8 274 425	40 133 500	48 407 925	45 831 406	(2 576 519)
Depreciation and Amortisation	44 812 137	1 170 000	45 982 137	42 363 332	(3 618 805)
Repairs and Maintenance	27 151 905	9 001 979	36 153 884	30 931 788	(5 222 096)
Finance Charges	3 271 543	780 849	4 052 392	3 967 934	(84 458)
Contracted services	47 274 724	(22 461 227)	24 813 497	20 790 503	(4 022 994)
Bulk Purchases	742 000	3 258 000	4 000 000	2 473 512	(1 526 488)
Grants and Subsidies Paid	14 132 998	(8 358 998)	5 774 000	5 154 594	(619 406)
Inventory Adjustments	27 030	19 100	46 130	(24 383)	(70 513)
Operating Grant Expenditure	71 683 994	51 534 464	123 218 458	111 148 245	(12 070 213)
Emergency Drought Relief	848 000	3 612 000	4 460 000	3 940 821	(519 179)
General Expenses	72 676 836	8 480 238	81 157 074	69 197 755	(11 959 319)
Loss on disposal of Property, Plant and Equipment	310 655	-	310 655	3 201 291	2 890 636
<b>Total Expenditure</b>	<b>425 489 186</b>	<b>150 228 337</b>	<b>575 717 523</b>	<b>515 887 773</b>	<b>(59 829 750)</b>
<b>Net surplus for the year</b>	<b>35 606 440</b>	<b>(11 351 065)</b>	<b>24 255 375</b>	<b>(14 805 662)</b>	<b>(39 061 037)</b>

**CASH FLOW STATEMENT**

Net Cash Flow from Operating Activities	92 263 416	16 162 318	108 425 734	114 464 981	6 039 247
Net Cash Flow from Investing Activities	(92 377 227)	(21 052 611)	(113 429 838)	(100 306 707)	13 123 131
Net Cash Flow from Financing Activities	(395 811)	(359 567)	(755 378)	218 803	974 181
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(509 622)</b>	<b>(5 249 860)</b>	<b>(5 759 482)</b>	<b>14 377 077</b>	<b>20 136 559</b>

**OPERATING EXPENDITURE BY VOTE**

Management Services	24 540 874	9 540 697	34 081 571	30 877 973	(3 203 598)
Financial Services	24 054 778	618 306	24 673 084	21 888 005	(2 785 079)
Corporate Services	32 750 731	5 050 047	37 800 778	35 914 870	(1 885 908)
Technical Services	273 009 535	154 837 187	427 846 722	385 466 545	(42 380 177)
Community Services	71 133 268	(19 817 900)	51 315 368	41 740 379	(9 574 989)
<b>Total</b>	<b>425 489 186</b>	<b>150 228 337</b>	<b>575 717 523</b>	<b>515 887 772</b>	<b>(59 829 751)</b>

**CAPITAL EXPENDITURE BY VOTE**

Management Services	378 000	(268 000)	110 000	-	(110 000)
Financial Services	250 000	-	250 000	21 750	(228 250)
Corporate Services	145 000	783 000	928 000	412 072	(515 928)
Technical Services	105 745 614	67 005 590	172 751 204	99 610 310	(73 140 894)
Community Services	-	534 768	534 768	168 557	(366 211)
<b>Total</b>	<b>106 518 614</b>	<b>68 055 358</b>	<b>174 573 972</b>	<b>100 212 689</b>	<b>(74 361 283)</b>

*Refer to note 56.01 for explanations of material variances between the original and final budget.*

*Refer to note 56.02 for explanations of material variances between actual amounts and the final budget.*

*Material variances are considered to be any variances greater than R4 million.*

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

##### 1.1. BASIS OF PREPARATION

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

The 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.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised – Feb 2013)	Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations)	1 April 2014

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 financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

##### 1.2. PRESENTATION CURRENCY

Amounts reflected in the 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 financial statements have been prepared on a going concern basis.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### 1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the 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.

#### 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 financial statements. The principal amendments to matters disclosed in the current 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 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. 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 Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

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

**JOE GQABI DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**1.8. 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 Municipality:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 6 (Revised – Nov 2010)</b>	<p><b>Consolidated and Separate Financial Statements</b></p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality already complies with most of the changes.</p>	<b>Unknown</b>
<b>GRAP 8 (Revised – Nov 2010)</b>	<p><b>Interest in Joint Ventures</b></p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	<b>Unknown</b>
<b>GRAP 18 (Original – Feb 2011)</b>	<p><b>Segment Reporting</b></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact expected as information to a large extent is already included in the financial statements.</p>	<b>1 April 2015</b>

**JOE GQABI DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

<p><b>GRAP 20</b> <b>(Original – June 2011)</b></p>	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Municipality’s financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<p align="center"><b>Unknown</b></p>
<p><b>GRAP 32</b> <b>(Original – Aug 2013)</b></p>	<p><b>Service Concession Arrangements: Grantor</b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No significant impact is expected as the Municipality’s current treatment is already in line with the Standards treatment.</p>	<p align="center"><b>Unknown</b></p>
<p><b>GRAP 105</b> <b>(Original – Nov 2010)</b></p>	<p><b>Transfer of Functions Between Entities Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p align="center"><b>1 April 2015</b></p>
<p><b>GRAP 106</b> <b>(Original – Nov 2010)</b></p>	<p><b>Transfer of Functions Between Entities Not Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>The Municipality has already adopted the principles as set out in GRAP 106 to formulate its own accounting policy.</p>	<p align="center"><b>1 April 2015</b></p>
<p><b>GRAP 107</b> <b>(Original – Nov 2010)</b></p>	<p><b>Mergers</b></p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p align="center"><b>1 April 2015</b></p>

**JOE GQABI DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

<p><b>GRAP 108</b> <b>(Original – Sept 2013)</b></p>	<p><b>Statutory Receivables</b> The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<p align="center"><b>Unknown</b></p>
<p><b>IGRAP 11</b></p>	<p><b>Consolidation - Special Purpose Entities (SPE)</b> The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	<p align="center"><b>Unknown</b></p>
<p><b>IGRAP 12</b></p>	<p><b>Jointly Controlled Entities non-monetary contributions</b> The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	<p align="center"><b>Unknown</b></p>
<p><b>IGRAP 17</b></p>	<p><b>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</b> The objective of this Interpretation of the Standard is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Municipality does not have any Concession Arrangements at this stage.</p>	<p align="center"><b>Unknown</b></p>

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



## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### **1.9. LEASES**

##### **1.9.1 Municipality 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 Municipality. 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 Municipality 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 Municipality 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.

##### **1.9.2 Municipality as Lessor**

Under a finance lease, the Municipality 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 Municipality, 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 Municipality 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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### **1.10. 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 Municipality 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 Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

#### **1.11. 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 Municipality 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.

#### **1.12. PROVISIONS**

Provisions are recognised when the Municipality 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 Municipality 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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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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 Municipality 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 Municipality 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.

#### **1.13. EMPLOYEE BENEFITS**

Defined contribution plans are post-employment benefit plans under which the Municipality 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.

##### **1.13.1 Post Retirement Medical Obligations**

The Municipality 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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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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 Municipality 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.

#### **1.13.2 Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality'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.

#### **1.13.3 Ex gratia Gratuities**

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality 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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### **1.13.4 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.

#### **1.13.5 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.

#### **1.13.6 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.

#### **1.13.7 Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality 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.

#### **1.13.8 Other Short-term Employee Benefits**

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality 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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### **1.14. PROPERTY, PLANT AND EQUIPMENT**

##### **1.14.1 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 Municipality, 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 Municipality. 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 Municipality 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 Municipality 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.

##### **1.14.2 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 Municipality 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.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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**1.14.3 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:

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

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.

**1.14.4 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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### 1.15. INTANGIBLE ASSETS

##### 1.15.1 *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 Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality 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 Municipality 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 Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality 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.

##### 1.15.2 *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.



## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### **1.15.3 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

#### **1.15.4 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.

#### **1.16. INVESTMENT PROPERTY**

##### **1.16.1 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 Municipality, 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 Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is 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 property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### **1.16.2 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.

#### **1.16.3 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

#### **1.16.4 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.

### **1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS**

#### **1.17.1 Cash-generating assets**

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

The Municipality 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 Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality 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 Municipality 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 Municipality 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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality 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 Municipality 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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### 1.17.2 *Non-cash-generating assets*

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

The Municipality 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 Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality 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 Municipality 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 Municipality 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 Municipality 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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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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 Municipality 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 Municipality 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.

#### 1.18. INVENTORIES

##### 1.18.1 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 Municipality, 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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

#### **1.18.2 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.

#### **1.19. 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.

##### **1.19.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality 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 Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

##### **1.19.2 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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### 1.19.2.1 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 Municipality 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 Municipality 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 municipality. 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.

#### 1.19.2.2 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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### 1.19.2.3 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 on hand, highly liquid deposits and net of bank overdrafts. The Municipality 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.

#### 1.19.2.4 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.

#### **1.19.3 De-recognition of Financial Instruments**

##### 1.19.3.1 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 Municipality 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 Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality 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 Municipality's continuing involvement in the asset.



## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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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 Municipality 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 Municipality's continuing involvement is the amount of the transferred asset that the Municipality 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 Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.19.3.2 *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.

#### **1.19.4 *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

### **1.20. REVENUE**

#### **1.20.1 *Revenue from Non-Exchange Transactions***

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

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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality'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 Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the 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.

#### **1.20.2 Revenue from Exchange Transactions**

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

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality 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 Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will 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 Municipality 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 Municipality.

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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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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.

#### 1.21 TRANSFER OF FUNCTION (Municipality as the acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality'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 Municipality 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 Municipality or from other rights and obligations.

The Municipality 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 (Municipality);
- (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 Municipality 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 Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

#### 1.22. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality 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 Municipality or an entity related to the Municipality. 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).

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

- (a) all members of the governing body of the Municipality;
- (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 Municipality;
- (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 Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, 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 Municipality 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 Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality 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 Municipality.

The Municipality 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

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### **1.23. 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.

#### **1.24. 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 Municipality'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.

#### **1.25. 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.

#### **1.26. 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 Municipality. 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 Municipality 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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### **1.27. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality'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 financial statements:

##### **1.27.1 *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 financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

##### **1.27.2 *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.

##### **1.27.3 *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 Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.



## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### **1.27.4 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 Municipality and other municipalities to determine the useful life of the assets.

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

#### **1.27.6 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.

#### **1.27.7 Revenue Recognition**

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

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 Municipality, 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 Municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### **1.27.8 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.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### **1.27.9 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.

#### **1.28. 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.

#### **1.29. CAPITAL COMMITMENTS**

Capital commitments disclosed in the 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.

#### **1.30. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types 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 Municipality discloses the nature and an estimate of the financial effect.

#### **1.31 BORROWING COSTS**

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
2	<b>LONG-TERM LIABILITIES</b>		
	Annuity Loans - At amortised cost	6 099 476	6 498 993
	Less: Current Portion transferred to Current Liabilities	(445 873)	(400 392)
	<b>Total - At amortised cost using the effective interest rate method</b>	<b>5 653 603</b>	<b>6 098 601</b>
	Annuity loans at amortised cost are calculated at 10.00% - 11.52% interest rate, with the first maturity date of 30 June 2016 and the last maturity date of 31 December 2024. The loans are for the main municipal building in Barkly East and sanitation infrastructure.		
	Included in Non-current Investments as per note 12 is an amount of R1 301 340 (2013 - R1 207 323) held as guarantee by the DBSA.		
	The obligations under annuity loans are scheduled below:		
	Amounts payable under annuity loans:		<b>Minimum annuity payments</b>
	Payable within one year	1 132 215	1 132 215
	Payable within two to five years	4 038 766	4 202 130
	Payable after five years	5 328 676	6 297 527
		10 499 657	11 631 871
	<b>Less:</b> Future finance obligations	(4 400 181)	(5 132 878)
	<b>Present value of annuity obligations</b>	<b>6 099 476</b>	<b>6 498 993</b>
3	<b>EMPLOYEE BENEFITS</b>		
	Post Retirement Medical Obligations - refer to note 3.1	24 819 557	22 739 019
	Ex Gratia Gratuities - refer to note 3.2	241 443	242 687
	Long Service Awards - refer to note 3.3	3 306 675	3 354 413
	<b>Total Non-current Employee Benefit Liabilities</b>	<b>28 367 675</b>	<b>26 336 119</b>
	<b><u>Post Retirement Medical Obligations</u></b>		
	Balance 1 July	23 852 475	17 613 224
	Contribution for the year	4 415 368	3 082 264
	Expenditure for the year	(954 766)	(923 468)
	Actuarial (Gain)/Loss	(1 792 476)	1 995 028
	Transfer of function from Local Municipalities - note 18	521 990	2 085 427
	<b>Total post retirement medical obligation 30 June</b>	<b>26 042 591</b>	<b>23 852 475</b>
	<b>Less:</b> Transfer of current portion to Current Employee Benefits - note 4	(1 223 034)	(1 113 456)
	<b>Balance 30 June</b>	<b>24 819 557</b>	<b>22 739 019</b>
	<b><u>Ex Gratia Gratuities</u></b>		
	Balance 1 July	458 511	524 447
	Contribution for the year	47 087	66 823
	Expenditure for the year	(52 167)	-
	Actuarial Gain	(14 502)	(132 759)
	<b>Total ex gratia provision 30 June</b>	<b>438 929</b>	<b>458 511</b>
	<b>Less:</b> Transfer of current portion to Current Employee Benefits - note 4	(197 486)	(215 824)
	<b>Balance 30 June</b>	<b>241 443</b>	<b>242 687</b>
	<b><u>Long Service Awards</u></b>		
	Balance 1 July	3 865 395	2 735 252
	Contribution for the year	861 623	828 785
	Expenditure for the year	(276 079)	(120 082)
	Actuarial Gain	(450 657)	(346 387)
	Transfer of function from Local Municipalities - note 18	390 886	767 827
	<b>Total long service 30 June</b>	<b>4 391 168</b>	<b>3 865 395</b>
	<b>Less:</b> Transfer of current portion to Current Employee Benefits - note 4	(1 084 493)	(510 982)
	<b>Balance 30 June</b>	<b>3 306 675</b>	<b>3 354 413</b>

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b><u>TOTAL EMPLOYEE BENEFITS</u></b>		
Balance 1 July	28 176 381	20 872 923
Contribution for the year	5 324 078	3 977 872
Expenditure for the year	(1 283 012)	(1 043 550)
Actuarial (Gain)/Loss	(2 257 635)	1 515 882
Transfer of function from Local Municipalities - note 18	912 876	2 853 254
<b>Total employee benefits 30 June</b>	<b>30 872 688</b>	<b>28 176 381</b>
<b>Less:</b> Transfer of current portion to Current Employee Benefits - note 4	(2 505 013)	(1 840 262)
<b>Balance 30 June</b>	<b>28 367 675</b>	<b>26 336 119</b>

	2014 Employees	2013 Employees
<b>3.1 Post Retirement Medical Obligations</b>		
The Post Retirement Medical Obligation is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	175	194
Continuation members (e.g. Retirees, widows, orphans)	34	37
<b>Total Members</b>	<b>209</b>	<b>231</b>

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

Bonitas  
LA Health  
Hosmed  
SAMWU Medical Aid

	2014 %	2013 %
Key actuarial assumptions used:		
<b>i) Rate of interest</b>		
Discount rate	9.09	8.95
Health Care Cost Inflation Rate	8.34	7.99
Net Effective Discount Rate	0.70	0.89

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, rated down by 1 year of age.

**iii) Normal retirement age**

The normal retirement age for employees of the Municipality is:

Male : 63 years  
Female: 58 years

	In-Service Members R	Continuation Members R	Present value of fund obligations R
<b>The liability in respect of past service recognised in the Statement of Financial Position is as follows:</b>			
30 June 2014	16 280 000	9 762 591	26 042 591
30 June 2013	13 959 000	9 893 475	23 852 475
30 June 2012	7 546 000	10 067 224	17 613 224
30 June 2011	5 027 000	9 387 811	14 414 811
30 June 2010	6 127 444	8 626 501	14 753 945

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

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
<b>Experience adjustments were calculated as follows:</b>		
30 June 2014	2 068 000	-
30 June 2013	5 866 000	-
30 June 2012	815 000	-
30 June 2011	(4 109 000)	-
30 June 2010	(416 000)	-

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	23 852 475	17 613 224
Total contributions	3 460 602	2 158 796
Current service cost	1 816 619	1 337 289
Interest Cost	2 598 749	1 744 975
Benefits Paid	(954 766)	(923 468)
Actuarial (Gain)/Loss	(1 792 476)	1 995 028
Transfer of function from Local Municipalities - note 18	521 990	2 085 427
Present value of fund obligation at the end of the year	26 042 591	23 852 475
<b>Less:</b> Transfer of current portion to Current Employee Benefits - note 4	(1 223 034)	(1 113 456)
<b>Balance 30 June</b>	<b>24 819 557</b>	<b>22 739 019</b>

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

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Central Assumptions		1 816 619	2 598 749	4 415 368	
Health care inflation	+1%	2 254 600	3 021 900	5 276 500	20%
Health care inflation	-1%	1 478 600	2 256 200	3 734 800	-15%
Post-retirement mortality	-1 year	1 880 800	2 706 300	4 587 100	4%
Average retirement age	-1 year	1 898 900	2 790 600	4 689 500	6%
Withdrawal Rate	-50%	2 159 300	2 763 600	4 922 900	11%

2014  
%                      2013  
%

**3.2 Ex Gratia Gratuities**

The Ex Gratia Gratuities plans are defined benefit plans. As at year end 46 employees (2013 - 56) were eligible for Ex Gratia Gratuities

Key actuarial assumptions used:

**i) Rate of interest**

Discount rate	7.80	7.17
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The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

**Present value of fund obligations**

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

30 June 2014	438 929
30 June 2013	458 511
30 June 2012	524 447
30 June 2011	516 817
30 June 2010	548 160

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

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
<b>Experience adjustments were calculated as follows:</b>		
30 June 2014	(7 526)	-
30 June 2013	76 238	-
30 June 2012	91 931	-
30 June 2011	23 956	-
30 June 2010	101 109	-

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	458 511	524 447
Total contributions	(5 080)	66 823
Current service cost	19 185	23 216
Interest Cost	27 902	43 607
Benefits Paid	(52 167)	-
Actuarial Gain	(14 502)	(132 759)
Present value of fund obligation at the end of the year	438 929	458 511
<b>Less:</b> Transfer of current portion to Current Employee Benefits - note 4	(197 486)	(140 702)
Present value of fund obligation at the end of the year	<b>241 443</b>	<b>317 809</b>

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		19 185	27 902	47 087	
Discount Rate	+1%	18 841	30 818	49 659	5%
Discount Rate	-1%	19 553	24 801	44 354	-6%
Average retirement age	-1 year	19 988	29 086	49 074	2%
Withdrawal Rate	-50%	19 250	27 994	47 244	0%

**3.3 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans. Long service awards were calculated for 502 employees (2013 - 416), but they are not all eligible for payment in the same year.

Key actuarial assumptions used:	2014 %	2013 %
<b>i) Rate of interest</b>		
Discount rate	7.59	6.91
General Salary Inflation (long-term)	6.89	6.70
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.65	0.20

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 service recognised in the Statement of Financial Position is as follows:	Present value of fund obligations R
30 June 2014	4 391 168
30 June 2013	3 865 395
30 June 2012	2 735 252
30 June 2011	1 871 614
30 June 2010	1 582 371

The Municipality 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 2014	54 616	-
30 June 2013	762 433	-
30 June 2012	325 639	-
30 June 2011	(82 814)	-
30 June 2010	(322 434)	-

JOE QGABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	3 865 395	2 735 252
Total contributions	585 544	708 703
Current service cost	611 937	674 787
Interest Cost	249 686	153 998
Benefits Paid	(276 079)	(120 082)
Actuarial Gain	(450 657)	(346 387)
Transfer of function from Local Municipalities - note 18	390 886	767 827
Present value of fund obligation at the end of the year	4 391 168	3 865 395
<b>Less:</b> Transfer of current portion to Current Employee Benefits - note 4	(1 084 493)	(510 982)
<b>Balance 30 June</b>	<b>3 306 675</b>	<b>3 354 413</b>

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		611 937	249 686	861 623	
General salary inflation	+1%	649 800	263 000	912 800	6%
General salary inflation	-1%	577 400	237 400	814 800	-5%
Average retirement age	-2 years	567 700	225 700	793 400	-8%
Average retirement age	+2 years	646 500	266 500	913 000	6%
Withdrawal Rate	-50%	767 800	296 400	1 064 200	24%

**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 GRAP 25, a multi-employer plan is defined as defined benefit plans. GRAP 25 also states that when insufficient information is available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

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

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claimed that the pensioner data is confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality 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 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 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

2014 R	2013 R
5 847 969	5 367 242

**DEFINED CONTRIBUTION FUNDS**

Council contributes to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund, SAMWU 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

Government Employees Pension Fund	696 309	652 994
Municipal Councillors Pension Fund	370 068	333 469
IMATU Retirement Fund	35 777	38 285
SAMWU National Provident Fund	2 365 580	1 945 586
SALA Pension Fund	904 090	592 442
	<b>4 371 825</b>	<b>3 562 777</b>

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4	<b>CURRENT EMPLOYEE BENEFITS</b>	<b>2014</b> <b>R</b>	<b>2013</b> <b>R</b>
	Staff Bonuses Accrued	3 828 927	3 305 720
	Provision for Staff Leave	9 477 788	7 821 446
	Provision for Performance Bonuses	2 162 028	1 475 159
	Other Provisions	383 819	626 742
	Current Portion of Non-Current Employee Benefits	2 505 013	1 840 262
	Current Portion of Post Retirement Benefits - note 3	1 223 034	1 113 456
	Current Portion of Ex Gratia Gratuities - note 3	197 486	215 824
	Current Portion of Long-Service Awards - note 3	1 084 493	510 982
	<b>Total Current Employee Benefits</b>	<b>18 357 574</b>	<b>15 069 329</b>

The movement in current employee benefits is reconciled as follows:

**Staff Bonuses Accrued**

Balance at beginning of year	3 305 720	2 489 454
Contribution to current portion	3 679 260	3 305 720
Expenditure incurred	(3 305 720)	(3 135 033)
Transfer of function from Local Municipalities - note 18	149 667	645 579
Balance at end of year	<b>3 828 927</b>	<b>3 305 720</b>

Bonuses are being paid to all municipal staff, excluding Directors Technical Services, Community Services and Financial Services who have structured their contracts 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	7 821 446	4 835 578
Contribution to current portion	2 194 316	2 129 149
Expenditure incurred	(926 148)	(674 416)
Transfer of function from Local Municipalities - note 18	388 173	1 531 135
Balance at end of year	<b>9 477 788</b>	<b>7 821 446</b>

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 realised as employees take leave or when employment is terminated.

**Provision for Performance Bonuses**

Balance at beginning of year	1 475 159	1 324 525
Contribution to current portion	1 634 150	815 931
Expenditure incurred	(947 281)	(665 297)
Balance at end of year	<b>2 162 028</b>	<b>1 475 159</b>

Performance bonuses are being provided for and only paid to the Municipal Manager and Directors after an evaluation of performance by the council.

**Other Provisions**

Balance at beginning of year	626 742	626 742
Finance charges	370 259	-
Expenditure incurred	(613 182)	-
Balance at year end	<b>383 819</b>	<b>626 742</b>

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 -0.94%. Local authorities, including the Municipality, 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.



JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>5 CONSUMER DEPOSITS</b>		
Water	834 552	170 749
<b>Total Consumer Deposits</b>	<b>834 552</b>	<b>170 749</b>

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

	2014 R	2013 R
<b>6 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Payables	54 854 719	27 240 551
Interest Accrued	174 231	185 590
Payments received in advance	3 402 963	4 510 784
Local Municipalities	6 782 716	13 276 471
Elundini Local Municipality	1 474 221	5 041 910
Senqu Local Municipality	5 308 495	8 234 561
<b>Total Payables from Exchange Transactions</b>	<b>65 214 629</b>	<b>45 213 396</b>
As previously reported		42 799 744
Correction of error restatement - note 40.2		2 413 652
Restated balance		<b>45 213 396</b>

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.

Deposits amounting to R486 744 (2013 - R74 261) serve as security for Payables. The remainder of Payables are unsecured.

	2014 R	2013 R
<b>7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
<b>Unspent Grants</b>	33 645 489	14 836 809
National Government Grants	24 144 435	4 937 571
Provincial Government Grants	9 501 054	9 899 238
Other Grant Providers	-	-
<b>Less: Unpaid Grants</b>	<b>(4 621 798)</b>	<b>(48 546 752)</b>
National Government Grants	(554 145)	(46 373 350)
Claimed amount	(50 114 905)	(50 800 611)
Impairment	49 560 760	4 427 261
Provincial Government Grants	(2 735 232)	(122 618)
Other Grant Providers	(1 332 421)	(2 050 784)
Claimed amount	(2 030 328)	(2 050 784)
Impairment	697 907	-
<b>Total Conditional Grants and Receipts</b>	<b>29 023 691</b>	<b>(33 709 942)</b>
As previously reported		(33 094 635)
Correction of error restatement - note 40.3		(615 308)
Restated balance		<b>(33 709 942)</b>

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends. No grants were withheld during the current year.

Included in unpaid grants is an amount of R49 560 760 from National Government which arose due to a published Provincial Government Gazette with regards to drought relief. The payments were not honoured due to a mistake by DLGTA which meant they did not have the authority to publish the gazette. The Municipality is challenging their stance and have taken the matter up with the SG, COGTA and National Treasury. A full impairment was raised on this grant.

**Reconciliation of Provision for Impairment**

Balance at beginning of the year	4 427 261	-
Contributions to provision	45 831 406	4 427 261
<b>Balance at end of year</b>	<b>50 258 667</b>	<b>4 427 261</b>
National Government Grants	49 560 760	4 427 261
Other Grant Providers	697 907	-

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>8 SOUTH AFRICAN REVENUE SERVICES</b>		
VAT Receivable	1 997 927	5 212 240
VAT Input in Suspense	5 762 035	2 956 797
VAT Output in Suspense - net	(626 500)	(425 308)
VAT Output in Suspense	(5 006 722)	(1 636 646)
Less: VAT on Provision for Debt Impairment	4 380 222	1 211 338
<b>Total South African Revenue Services</b>	<b>7 133 462</b>	<b>7 743 729</b>
As previously reported		6 790 618
Correction of error restatement - note 40.2		(30 391)
Correction of error restatement - note 40.4		983 502
Restated balance		<u>7 743 729</u>
VAT is payable/receivable on the cash basis.		
<b>Reconciliation of VAT on Provision for Debt Impairment</b>		
Opening balance	1 211 338	-
Transfer of function from Local Municipalities - note 18	2 565 277	1 220 198
Debt Impairment for current year - note 29	603 607	(8 860)
Closing balance	<u>4 380 222</u>	<u>1 211 338</u>

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Transfers and non-exchange additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Transfers and non-exchange additions	Depreciation Charge	Disposals		Closing Balance
	R	R	R	R	R	R	R	R	R	R		R
<b>Land and Buildings</b>	<b>17 434 118</b>	<b>247 931</b>	-	-	-	<b>17 682 048</b>	<b>3 621 022</b>	-	<b>570 381</b>	-	<b>4 191 402</b>	<b>13 490 646</b>
Land	2 043 000	-	-	-	-	2 043 000	-	-	-	-	-	2 043 000
Buildings	15 391 118	247 931	-	-	-	15 639 048	3 621 022	-	570 381	-	4 191 402	11 447 646
<b>Infrastructure</b>	<b>1 401 735 107</b>	<b>94 551 932</b>	-	<b>(5 246 759)</b>	-	<b>1 491 040 280</b>	<b>203 107 725</b>	-	<b>38 592 262</b>	<b>(2 069 605)</b>	<b>239 630 382</b>	<b>1 251 409 898</b>
Sewerage network	269 489 040	-	-	(14 158)	20 656 542	290 131 424	45 855 342	-	8 755 922	(14 157)	54 597 107	235 534 317
Water network	938 256 668	-	-	(5 232 601)	12 024 020	945 048 087	157 252 383	-	29 836 340	(2 055 447)	185 033 275	760 014 811
Work in Progress	193 989 399	94 551 932	-	-	(32 680 562)	255 860 769	-	-	-	-	-	255 860 769
<b>Other Assets</b>	<b>25 332 771</b>	<b>5 412 827</b>	<b>2 668 232</b>	<b>(2 862 955)</b>	-	<b>30 550 874</b>	<b>13 475 170</b>	-	<b>2 533 625</b>	<b>(813 223)</b>	<b>15 195 572</b>	<b>15 355 301</b>
Office Equipment	1 964 786	65 493	154 475	(39 971)	-	2 144 783	990 842	-	255 949	(36 971)	1 209 820	934 964
Furniture & Fittings	2 906 048	63 710	182 636	(47 326)	-	3 105 068	2 046 820	-	314 983	(44 841)	2 316 961	788 107
Motor Vehicles	6 206 775	1 010 152	116 990	-	-	7 333 917	2 964 407	-	525 512	-	3 489 919	3 843 997
Fire Engines	8 924 094	-	-	-	-	8 924 094	3 916 074	-	887 452	-	4 803 526	4 120 568
Computer Equipment	2 841 510	123 462	76 529	(691 373)	-	2 350 127	2 000 465	-	173 209	(679 780)	1 493 894	856 234
Special Vehicles	935 945	3 902 364	22 965	(11 000)	-	4 850 274	404 641	-	286 853	(9 284)	682 211	4 168 063
Tools and Equipment	1 553 613	247 646	2 114 637	(2 073 285)	-	1 842 611	1 151 921	-	89 668	(42 347)	1 199 242	643 368
	<b>1 444 501 995</b>	<b>100 212 690</b>	<b>2 668 232</b>	<b>(8 109 714)</b>	-	<b>1 539 273 202</b>	<b>220 203 917</b>	-	<b>41 696 268</b>	<b>(2 882 828)</b>	<b>259 017 357</b>	<b>1 280 255 845</b>

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 are no impairment identified for Property, Plant and Equipment. No Property, Plant and Equipment are pledged as security for liabilities.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30 JUNE 2013

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Transfers and non-exchange additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Transfers and non-exchange additions	Depreciation Charge	Disposals		Closing Balance
	R	R	R	R	R	R	R	R	R	R	R	
<b>Land and Buildings</b>	<b>17 404 118</b>	-	<b>30 000</b>	-	-	<b>17 434 118</b>	<b>3 051 368</b>	<b>2 668</b>	<b>566 985</b>	-	<b>3 621 022</b>	<b>13 813 096</b>
Land	2 027 000	-	16 000	-	-	2 043 000	-	-	-	-	-	2 043 000
Buildings	15 377 118	-	14 000	-	-	15 391 118	3 051 368	2 668	566 985	-	3 621 022	11 770 096
<b>Infrastructure</b>	<b>1 309 261 364</b>	<b>92 473 743</b>	-	-	-	<b>1 401 735 107</b>	<b>165 302 994</b>	-	<b>37 804 731</b>	-	<b>203 107 725</b>	<b>1 198 627 382</b>
Sewerage network	258 072 218	-	-	-	11 416 822	269 489 040	37 537 590	-	8 317 751	-	45 855 342	223 633 698
Water network	908 140 166	-	-	-	30 116 502	938 256 668	127 765 404	-	29 486 979	-	157 252 383	781 004 285
Work in Progress	143 048 980	92 473 743	-	-	(41 533 324)	193 989 399	-	-	-	-	-	193 989 399
<b>Other Assets</b>	<b>23 583 537</b>	<b>2 535 727</b>	<b>247 347</b>	<b>(1 033 840)</b>	-	<b>25 332 771</b>	<b>10 785 605</b>	-	<b>3 453 390</b>	<b>(763 825)</b>	<b>13 475 170</b>	<b>11 857 601</b>
Office Equipment	1 835 560	117 665	22 635	(11 074)	-	1 964 786	744 850	-	252 046	(6 054)	990 842	973 944
Furniture & Fittings	2 735 886	94 525	86 900	(11 264)	-	2 906 048	1 740 456	-	315 793	(9 430)	2 046 820	859 228
Motor Vehicles	5 373 942	1 598 893	68 000	(834 060)	-	6 206 775	2 820 176	-	745 149	(600 918)	2 964 407	3 242 368
Fire Engines	8 924 094	-	-	-	-	8 924 094	2 388 613	-	1 527 460	-	3 916 074	5 008 020
Computer Equipment	2 435 029	564 276	9 648	(167 442)	-	2 841 510	1 766 131	-	373 040	(138 706)	2 000 465	841 045
Special Vehicles	945 945	-	-	(10 000)	-	935 945	328 943	-	84 415	(8 716)	404 641	531 304
Tools and Equipment	1 333 081	160 368	60 164	-	-	1 553 613	996 435	-	155 486	-	1 151 921	401 692
	<b>1 350 249 018</b>	<b>95 009 470</b>	<b>277 347</b>	<b>(1 033 840)</b>	-	<b>1 444 501 995</b>	<b>179 139 968</b>	<b>2 668</b>	<b>41 825 105</b>	<b>(763 825)</b>	<b>220 203 917</b>	<b>1 224 298 078</b>

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>10 INVESTMENT PROPERTY</b>		
Net Carrying amount at 1 July	<b>2 666 452</b>	<b>2 639 279</b>
Cost	2 883 357	2 813 357
Accumulated Depreciation	(216 905)	(174 078)
Additions	-	100 000
Disposals/Transfers	-	(27 332)
- Cost	-	(30 000)
- Accumulated Depreciation	-	2 668
Depreciation for the year	(45 496)	(45 496)
<b>Net Carrying amount at 30 June</b>	<b>2 620 956</b>	<b>2 666 452</b>
Cost	2 883 357	2 883 357
Accumulated Depreciation	(262 401)	(216 905)
Revenue derived from the rental of investment property.	37 306	10 200

No operating expenditure was incurred on investment property during the 2013/2014 and 2012/2013 financial years.

There are no restrictions on the realisability of Investment Property or the remittance 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.

	2014 R	2013 R
<b>11 INTANGIBLE ASSETS</b>		
<b>Computer Software</b>		
<b>Net Carrying amount at 1 July</b>	<b>2 855 618</b>	<b>3 470 779</b>
Cost	4 395 576	4 393 218
Accumulated Amortisation	(1 539 958)	(922 439)
Additions and transfers from work in progress	-	2 358
Amortisation	(621 568)	(617 519)
<b>Net Carrying amount at 30 June</b>	<b>2 234 050</b>	<b>2 855 618</b>
Cost	4 395 576	4 395 576
Accumulated Amortisation	(2 161 526)	(1 539 958)

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.

The following material intangible asset is included in the carrying value above

Description	Remaining Period	Carrying Value	
		2014 R	2013 R
SAMRAS (Accounting system)	6 years	1 808 118	2 094 418

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>12 NON-CURRENT INVESTMENTS</b>		
<b>Financial Instruments</b>		
Fixed Deposits	1 301 340	1 207 323
<b>Unlisted</b>		
Municipal Entity - Joe Gqabi Economic Development Agency (Soc) Ltd	1 894 055	1 889 582
Cost	6 886 141	6 886 141
Provision for Impairment	(4 992 086)	(4 996 559)
<b>Total Non-Current Investments</b>	<b>3 195 395</b>	<b>3 096 905</b>

The Municipality has a 100% shareholding in Joe Gqabi Economic Development Agency (Soc) Ltd (JoGEDA). The purpose of the entity is to promote economic development in the district.

Prior to 1 July 2012, JoGEDA was still in its establishment phase. All contributions made by the Municipality during the establishment phase was capitalised as part of the investment. In the 2012/13 year, JoGEDA has become operational as a result thereof, contributions made by the Municipality are no longer capitalised. These contributions are treated as Grants and Subsidies Paid.

The provision for impairment is based on the difference between the amount invested and the net asset value of JoGEDA. The provision for impairment is calculated on an annual basis.

Fixed Deposits are investments with a maturity period of more than 12 months and an average interest rate of 9.13% per annum. (2013 - 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 Municipality'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 deposit consist of the following accounts:

ABSA - Acc no 660000135	- Building - DBSA Loan	1 301 340	1 207 323
		<u>1 301 340</u>	<u>1 207 323</u>

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

	2014 R	2013 R
<b>13 INVENTORY</b>		
Fuel and oil - at cost	1 196 974	810 277
Stationery and materials - at cost	122 457	30 905
Spare parts - at cost	1 327 619	634 785
Water stock - net realisable value	371 071	230 563
<b>Total Inventory</b>	<b>3 018 121</b>	<b>1 706 530</b>
Consumable stores materials losses/(gains) identified during stock counts	(24 383)	(17 586)
Inventory recognised as an expense during the year	6 886 784	4 837 904

No inventory was pledged as security.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

14 RECEIVABLES FROM EXCHANGE TRANSACTIONS	2014 R	2013 R
Water	34 856 431	10 834 898
Sewerage	22 565 996	6 085 355
Joe Gqabi Economic Development Agency (Soc) Ltd	1 237 839	1 572 078
Local Municipalities	16 779 229	4 789 982
Gariiep Local Municipality	5 520 860	-
Maletswai Local Municipality	11 258 369	4 789 982
Other Receivables	7 881 542	3 022 492
Working for Wetlands	2 435 600	309 049
Deposits	486 774	74 261
Other Debtors	2 120 952	1 527 904
Staff Debtors	210 570	180 722
Ex-Staff Debtors	828 990	653 521
Pensioners	453 971	277 034
Expenses paid in advance	1 344 685	-
Less: Allowance for Doubtful Debts	(68 020 275)	(14 049 736)
<b>Total Net Receivables from Exchange Transactions</b>	<b>15 300 762</b>	<b>12 255 069</b>

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 Maletswai Local Municipality and Gariiep Local Municipality owe the Municipality for revenue received for water and sanitation as per the billing agreement.

**Reconciliation of the Total Doubtful Debt Provision**

Balance at beginning of the year	14 049 736	951 848
Transfer of function from Local Municipalities - note 18	26 314 429	12 473 862
Contributions to provision	42 126 027	13 389 005
Doubtful debts written off against provision	(14 469 918)	(12 764 979)
<b>Balance at end of year</b>	<b>68 020 274</b>	<b>14 049 736</b>
Water	29 693 415	7 674 736
Sewerage	20 872 298	5 006 825
Local Municipalities	15 409 620	-
Other Receivables	2 044 942	1 368 175

Concentrations of credit risk with respect to receivables are limited due to the Municipality's large number of customers as administered by the local municipalities. The Municipality'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 Municipality's trade receivables.

	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
<b>2014</b>			
Water	34 856 431	(29 693 415)	5 163 016
Sewerage	22 565 996	(20 872 298)	1 693 698
Joe Gqabi Economic Development Agency (Soc) Ltd	1 237 839	-	1 237 839
Local Municipalities	16 779 229	(15 409 620)	1 369 609
Other Receivables	7 881 542	(2 044 942)	5 836 600
<b>Total</b>	<b>83 321 037</b>	<b>(68 020 275)</b>	<b>15 300 762</b>
<b>2013</b>			
Water	10 834 898	(7 674 736)	3 160 162
Sewerage	6 085 355	(5 006 825)	1 078 530
Joe Gqabi Economic Development Agency (Soc) Ltd	1 572 078	-	1 572 078
Local Municipalities	4 789 982	-	4 789 982
Other Receivables	3 022 492	(1 368 175)	1 654 317
<b>Total</b>	<b>26 304 805</b>	<b>(14 049 736)</b>	<b>12 255 069</b>

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>Ageing of Receivables from Exchange Transactions</b>		
<u>Water:</u>		
Current (0 - 30 days)	4 081 737	2 074 361
31 - 60 Days	2 941 861	512 658
61 - 90 Days	2 284 471	429 695
91 - 120 Days	1 997 949	268 386
121 - 150 Days	4 533 789	228 779
150+ Days	19 016 623	7 321 019
<b>Total</b>	<b>34 856 431</b>	<b>10 834 898</b>
<u>Sewerage:</u>		
Current (0 - 30 days)	1 327 116	493 159
31 - 60 Days	1 084 216	230 602
61 - 90 Days	1 026 833	185 987
91 - 120 Days	993 343	175 421
121 - 150 Days	1 459 340	166 002
150+ Days	16 675 147	4 834 184
<b>Total</b>	<b>22 565 996</b>	<b>6 085 355</b>
<u>Other Receivables: Ageing</u>		
Current (0 - 30 days)	2 574 378	328 880
31 - 60 Days	122 934	27 742
61 - 90 Days	15 966	18 047
+ 90 Days	5 168 264	2 647 823
<b>Total</b>	<b>7 881 542</b>	<b>3 022 492</b>

15 CASH AND CASH EQUIVALENTS

	2014 R	2013 R
<u>Assets</u>		
Call Investments Deposits	35 093 101	13 408 476
Primary Bank Account	3 113 553	10 422 101
Cash Floats	16 300	15 300
<b>Total Cash and Cash Equivalents - Assets</b>	<b>38 222 954</b>	<b>23 845 877</b>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investment Deposits amounting to R33 659 213 are held to fund Unspent Conditional Grants (2013 - R13 326 854).

The Municipality has the following bank accounts:

Current Accounts

**ABSA - account no 2380000019 (primary account)**

Cash book balance at beginning of year	10 422 101	1 949 326
Cash book balance at end of year	3 113 553	10 422 101
Bank statement balance at beginning of year	10 453 499	1 982 887
Bank statement balance at end of year	3 113 553	10 453 499

Call Investments Deposits

ABSA - Acc no 9084169245 - MIG	23 650 602	1 765 558
ABSA - Acc no 9185426744 - General Fund Operational Funds	189 291	763 927
ABSA - Acc no 9072226158 - Public Works Special Programme	30 434	2 456 466
ABSA - Acc no 9122637071 - Wetlands Projects	218 469	197 826
ABSA - Acc no 9270029895 - Environmental Affairs Mazibuyele Emasasweni	807 850	920 783
ABSA - Acc no 9276836949 - Joe Gqabi Capital Purchasing	196 455	2 303 916
Standard Bank - Acc no 58809373001 - Joe Gqabi District Municipality	-	5 000 000
Nedbank - Acc no 1039818803 - Joe Gqabi District Municipality	10 000 000	-
	<b>35 093 101</b>	<b>13 408 476</b>

The cash which backs up the unspent grants is invested as individual investments or part of the general investments of the Municipality until it is utilised.



JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>16 GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Unconditional Grants</b>	<b>179 534 973</b>	<b>166 368 902</b>
Equitable Share	179 049 300	165 965 000
LG Seta	485 673	403 902
<b>Conditional Grants</b>	<b>244 307 819</b>	<b>233 697 470</b>
Accelerated Community Infrastructure Programme (ACIP)	14 991 219	8 543 925
Alphine Tourism	-	58 937
Department Water Affairs	-	1 314 653
DWA Bylaws	796 812	-
Environmental Health Practitioners	2 929 302	2 883 104
EPWP Programme	1 000 000	1 940 000
Finance Management Grant (FMG)	1 248 439	1 261 366
Grant for Gariep	-	1 500 000
Heritage, Tourism & Economic Strategy	-	8 314
Heritage Management Plan (UCG)	-	292 959
Invoice Based Finance	-	556 921
LED Capacity	556 887	233 365
Municipal Infrastructure Grant (MIG)	168 619 075	166 144 882
Municipal Systems Improvement Grant (MSIG)	661 247	1 236 112
Municipal Water Infrastructure Grant (MWIG)	15 004 290	-
Orio	1 987 916	1 179 652
Public Works - Special Programme	24 824 711	32 485 803
Rural Households Infrastructure Grant	3 996 000	-
Rural Roads Asset Management Grant	1 777 845	2 929 187
Stimulation of Economy through Marketing	-	50 500
Water Services Operating Subsidy	5 914 076	11 077 790
<b>Total Government Grants and Subsidies</b>	<b>423 842 792</b>	<b>400 066 372</b>
Government Grants and Subsidies - Capital	106 143 911	105 089 764
Government Grants and Subsidies - Operating	317 698 881	294 976 607
	<b>423 842 792</b>	<b>400 066 372</b>
As previously reported		399 623 577
Correction of error restatement - note 40.3		442 795
Restated balance		<b>400 066 372</b>
The Municipality does not expect any significant changes to the level of grants. No grants were withheld during the current year.		
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	179 049 300	165 965 000
Management Services	1 218 134	1 236 112
Financial Services	1 248 439	1 261 366
Corporate Services	485 673	403 902
Technical Services	238 911 945	218 571 967
Community Services	2 929 302	12 628 025
	<b>423 842 792</b>	<b>400 066 372</b>
<b>16.01 Equitable share</b>		
Opening balance	-	-
Grants received	179 049 300	165 965 000
Conditions met - Operating	(179 049 300)	(165 965 000)
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 108 of 1996) to the municipality by the National Treasury		
<b>16.02 Finance Management Grant (FMG)</b>		
Opening balance	898	12 265
Grants received	1 250 000	1 250 000
Conditions met - Operating	(1 248 439)	(1 261 366)
Conditions met - Capital	-	-
Conditions still to be met	<b>2 459</b>	<b>898</b>
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>16.03 Municipal Systems Improvement Grant (MSIG)</b>		
Opening balance	320 547	556 659
Grants received	890 000	1 000 000
Conditions met - Operating	(661 247)	(1 236 112)
Conditions met - Capital	-	-
Paid back to Treasury	(549 300)	-
Conditions still to be met	<u>-</u>	<u>320 547</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>16.04 Municipal Infrastructure Grant (MIG)</b>		
Opening balance	4 089 916	(4 394 202)
Grants received	184 055 000	174 629 000
Conditions met - Operating	(95 368 365)	(81 856 485)
Conditions met - Capital	(73 250 710)	(84 288 397)
Conditions still to be met	<u>19 525 842</u>	<u>4 089 916</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 Municipality's programmes covers both Sanitation and Water projects.</p>		
<b>16.05 Public Works - Special Programme</b>		
Opening balance	(461 004)	(2 959 136)
Grants received	24 824 711	34 983 935
Conditions met - Operating	(24 824 711)	(32 485 803)
Conditions met - Capital	-	-
Grant expenditure to be recovered	<u>(461 004)</u>	<u>(461 004)</u>
<p>This grant is used for the maintenance of gravel roads in the Gariep and Maletswai parts of the district. At times special projects are also allocated to the Municipality by the Department of Roads and Public Works in other parts of the district.</p>		
<b>16.06 Accelerated Community Infrastructure Programme (ACIP)</b>		
Opening balance	(773 098)	-
Grants received	15 679 215	7 770 827
Conditions met - Operating	-	-
Conditions met - Capital	(14 991 219)	(8 543 925)
Conditions still to be met	<u>(85 102)</u>	<u>(773 098)</u>
<p>This grant is used for the upgrade of infrastructure.</p>		
<b>16.07 Water Services Operating Subsidy</b>		
Opening balance	526 210	-
Grants received	10 000 000	11 604 000
Conditions met - Operating	-	-
Conditions met - Capital	(5 914 076)	(11 077 790)
Conditions still to be met	<u>4 612 134</u>	<u>526 210</u>
<p>This grant is used for the refurbishment of water infrastructure.</p>		
<b>16.08 Environmental Health Practitioners</b>		
Opening balance	(122 618)	(1 452 724)
Grants received	316 688	4 213 210
Conditions met - Operating	(2 929 302)	(2 883 104)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	<u>(2 735 232)</u>	<u>(122 618)</u>
<p>This grant is paid by the Department of Health and was initiated when the EHP staff from the province were transferred to the district municipalities. This grant is used for the EHP staff's salaries.</p>		
<b>16.09 Municipal Water Infrastructure Grant (MWIG)</b>		
Opening balance	-	-
Grants received	15 002 000	-
Conditions met - Operating	(5 004 300)	-
Conditions met - Capital	(9 999 990)	-
Conditions still to be met	<u>(2 290)</u>	<u>-</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>		

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>16.10 Rural Households Infrastructure Grant</b>		
Opening balance	-	-
Grants received	4 000 000	-
Conditions met - Operating	(3 996 000)	-
Conditions met - Capital	-	-
Conditions still to be met	<u>4 000</u>	<u>-</u>
This grant is used to provide specific capital funding for the reduction of rural sanitation backlogs and to target existing households where bulk-dependent services are not viable		
<b>16.11 Other Grants</b>		
Opening balance	(41 718 055)	(37 801 178)
Grants received	6 950 309	6 724 025
Conditions met - Operating	(4 617 217)	(9 288 737)
Conditions met - Capital	(1 987 916)	(1 179 652)
Foreign Exchange Gains	(722 904)	(172 512)
Grant expenditure to be recovered	<u>(42 095 784)</u>	<u>(41 718 055)</u>

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

Department Water Affairs

Implementation of Water Service Authority business plan to supply water.

Emergency Drought Relief

To supply water when district was declared a disaster area.

Disaster Management Forum

To ensure operation of the disaster management forum.

Disaster Management Establishment of Centres

Construct and equip disaster centres.

Disaster Management Plan

To develop and review disaster management plan.

Disaster Management Fire & Emergency Services

Support to run a fire service.

Disaster Management Policy Framework

Development of disaster policies.

EPWP Programme

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

LED Capacity

This grant is funded by Local Government to pay for the salary and administration costs of the LED specialist for the JGDM area.

DWA Bylaws

This grant is for the review of the bylaws of water and sanitation function.

Stimulation of Economy through Marketing

This is an European Union funded grant for the implementation of the tourism master plan.

Alpine Tourism

This is an European Union funded grant for the assessment of potential of highlying areas of Senqu Municipal area for tourism.

DBSA Municipal Support Framework

To assess Local Municipalities' requirements for support by JGDM.

Grant for Gariep

This grant was received to assist Gariep LM in their financial recovery.

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 municipality.

Orio

This grant is used to assist in providing water in the Elundini rural areas. This grant is funded by the Netherlands Government.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Other Grants received during the year:		
EPWP Programme	1 000 000	1 940 000
DWA Bylaws	597 360	-
Invoice Based Finance	-	333 591
LED Capacity	358 000	771 245
Grant for Gariep	-	1 500 000
Rural Roads Asset Management Grant	1 778 000	1 776 000
LG Seta	486 134	403 189
Orio	2 730 815	-
<b>Total Other Grants received during the year</b>	<b>6 950 309</b>	<b>6 724 025</b>
Other Grants consist out of the following:		
Department Water Affairs	(5 749)	(5 749)
Emergency Drought Relief	(49 560 760)	(49 560 760)
Disaster Management Forum	36 115	36 115
Disaster Management Establishment of Centres	5 449 773	5 449 773
Disaster Management Plan	1 497 929	1 497 929
Disaster Management Fire & Emergency Services	1 667 736	1 667 736
Disaster Management Policy Framework	338 434	338 434
EPWP Programme	-	-
LED Capacity	381 528	580 415
DWA Bylaws	100 548	300 000
DBSA Municipal Support Framework	(697 907)	(697 907)
Rural Roads Asset Management Grant	28 991	28 836
LG Seta	(252)	(713)
Orio	(1 332 169)	(1 352 164)
<b>Total unpaid Other Grants</b>	<b>(42 095 783)</b>	<b>(41 718 055)</b>
<b>16.12 Total Grants</b>		
Opening balance	(38 137 204)	(46 038 317)
Grants received	442 017 223	408 139 996
Conditions met - Operating	(317 698 881)	(294 976 607)
Conditions met - Capital	(106 143 911)	(105 089 764)
Paid back to Treasury	(549 300)	-
Foreign Exchange Gains	(722 904)	(172 512)
<b>Grant expenditure to be recovered</b>	<b>(21 234 977)</b>	<b>(38 137 204)</b>
<u>Disclosed as follows as per note 7</u>		
Unspent Conditional Government Grants and Receipts	33 645 489	14 836 809
Unpaid Conditional Government Grants and Receipts	(54 880 466)	(52 974 013)
	<b>(21 234 977)</b>	<b>(38 137 204)</b>
<b>17 PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Property, Plant and Equipment	2 668 232	235 978
Inventory	1 492 398	-
Cash	165 000	-
<b>Total Public Contributions and Donations</b>	<b>4 325 630</b>	<b>235 978</b>

Property, Plant and Equipment relates to the water services which were taken over from the service provider Amatola Water as well as Senqu Plastics which was transferred from Senqu Local Municipality.

Inventory relates to the water services which was taken over from the service provider Amatola Water.

The cash received was from the COGTA VUNA awards for having maintained an unqualified audit opinion for three consecutive years.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>18 TRANSFER OF FUNCTION</b>		
<b>18.01 Transfer of Water and Sanitation Function from Local Municipalities</b>		
The water and sanitation service was transferred on 1 July 2012 from Senqu, Elundini and Maletswai Local Municipalities while Gariep Local Municipality was transferred on 1 July 2013. The assets and liabilities related to the service were transferred to the Municipality as a going concern. This transfer also included the related employees. Assets and liabilities were valued at fair value as on recognition date.		
<b>Assets</b>		
Receivables from Exchange Transactions - fair value	4 212 255	5 910 199
Gross contractual amounts receivable	30 526 684	18 384 061
Contractual cash flows not expected to be collected	(26 314 429)	(12 473 862)
Inventory	75 847	367 387
<b>Fair value of assets associated with transfer of function</b>	<b>4 288 102</b>	<b>6 277 586</b>
<b>Liabilities</b>		
Employee Benefits	(912 876)	(2 853 254)
Post Retirement Medical Obligations	(521 990)	(2 085 427)
Long Service Awards	(390 886)	(767 827)
Current Employee Benefits	(537 840)	(2 176 714)
Bonuses Accrued	(149 667)	(645 579)
Provision for Staff Leave	(388 173)	(1 531 135)
South African Revenue Service	(408 244)	(575 055)
Output VAT amount as per gross contractual amounts receivable	(2 973 521)	(1 795 254)
Output VAT amount on contractual cash flows not expected to be collected	2 565 277	1 220 198
<b>Fair value of liabilities associated with transfer of function</b>	<b>(1 858 960)</b>	<b>(5 605 023)</b>
<b>Net asset value transferred</b>	<b>2 429 142</b>	<b>672 562</b>
<b>18.02 Transfer of Municipal Health Services</b>		
The Provincial Department of Health transferred the municipal health service function to the Municipality with effect from 1 July 2012. This involved the transfer of movable assets. Assets and liabilities were valued at fair value as on recognition date, 1 July 2012.		
<b>Assets</b>		
Property, Plant and Equipment	-	11 370
<b>Fair value of assets associated with transfer of function</b>	<b>-</b>	<b>11 370</b>
<b>18.03 Total Transfer of Function</b>		
Transfer of Water and Sanitation Function from Local Municipalities	2 429 142	672 562
Transfer of Municipal Health Services	-	11 370
<b>Total net asset value transferred</b>	<b>2 429 142</b>	<b>683 933</b>
<b>19 FOREIGN EXCHANGE GAINS</b>		
Orio Grant	722 904	172 512
<b>Total Foreign Exchange Gains</b>	<b>722 904</b>	<b>172 512</b>
As previously reported		-
Correction of error restatement - note 40.3		172 512
Restated balance		172 512
Foreign exchange gains relate to the Orio grant which is denominated in Euro. Claims submitted to Orio are done by using an exchange rate of R11.33 to the Euro as per the agreement. Payment are made in Euro at the exchange rate as on date of payment. Subsequently, the Rand has devalued against the Euro and has an exchange rate of R14.46 as on 30 June 2014 (2013 - R12.99).		

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>20 ACTUARIAL (GAINS)/LOSSES</b>		
Post Retirement Medical Obligations	(1 792 476)	1 995 028
Ex Gratia Gratuities	(14 502)	(132 759)
Long Service Awards	(450 657)	(346 387)
<b>Total Actuarial Losses</b>	<b>(2 257 635)</b>	<b>1 515 882</b>
Actuarial gains or losses are calculated at year-end when the actuarial valuation is performed.		
<b>21 REVERSAL OF IMPAIRMENTS</b>		
Investment in Municipal Entity - Joe Gqabi Economic Development Agency (Soc) Ltd - note 12	4 473	-
<b>Total Reversal of Impairments</b>	<b>4 473</b>	<b>-</b>
<b>22 SERVICE CHARGES</b>		
Water	47 361 455	29 014 375
Sewerage and Sanitation Charges	20 256 460	12 399 801
	<b>67 617 915</b>	<b>41 414 176</b>
Less: Rebates (including free basic services for indigents)	(26 870 031)	(13 694 763)
<b>Total Service Charges</b>	<b>40 747 884</b>	<b>27 719 413</b>
As previously reported		27 502 337
Correction of error restatement - note 40.2		217 076
Restated balance		<b>27 719 413</b>
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
<b>23 GOVERNMENT SERVICES</b>		
Working for Water	12 553 203	13 833 427
Working for Wetlands	5 846 974	3 383 049
<b>Total Government Services</b>	<b>18 400 177</b>	<b>17 216 476</b>
As previously reported		19 615 738
Correction of error restatement - note 40.2		(2 399 262)
Restated balance		<b>17 216 476</b>
<b>24 INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Call Investment Deposits	2 932 902	2 833 131
Primary Bank Account	212 665	215 835
Fixed Deposits	94 017	94 017
<b>Total Interest Earned - External Investments</b>	<b>3 239 584</b>	<b>3 142 983</b>
<b>25 INTEREST EARNED - OUTSTANDING DEBTORS</b>		
Water Debtors	2 590 168	986 757
Sewerage Debtors	1 789 146	405 213
<b>Total Interest Earned - Outstanding Debtors</b>	<b>4 379 314</b>	<b>1 391 970</b>
<b>26 OTHER INCOME</b>		
Sundry Income	561 816	657 551
Rental of Facilities and Equipment	37 306	10 200
Unknown Receipts recognised as income	-	594 899
Insurance claims	133 454	105 989
<b>Total Other Income</b>	<b>732 576</b>	<b>1 368 639</b>

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

27	EMPLOYEE RELATED COSTS	2014 R	2013 R
	Bonuses	6 257 104	4 830 597
	Contribution to current employee benefits - Staff Leave - Note 4	2 194 316	2 129 149
	Contribution to non-current employee benefits - Long Service Awards - Note 3	611 937	674 787
	Contribution to non-current employee benefits - Post Retirement Medical - Note 3	1 816 619	1 337 289
	Contribution to non-current employee benefits - Ex Gratia Gratuities - Note 3	19 185	23 216
	Contributions for UIF, Pensions and Medical Aids	17 636 598	14 613 873
	Salaries and Wages	81 723 961	66 457 646
	Housing Benefits and Allowances	907 427	766 802
	Overtime Payments	6 079 713	3 519 838
	Performance Bonuses	1 634 150	815 931
	Travel, Motor Car, Telephone, Subsistence and Other Allowances	11 483 208	9 170 353
	<b>Total Employee Related Costs</b>	<b>130 364 218</b>	<b>104 339 481</b>
	<b>REMUNERATION OF MANAGEMENT PERSONNEL</b>		
	The Municipal Manager and all Section 57 Managers are appointed on a 5-year fixed contract.		
	<b>Municipal Manager - Z A Williams</b>		
	Annual Remuneration	1 240 475	1 145 535
	Performance Bonuses	211 161	197 643
	Travel Allowance	112 200	112 200
	Telephone allowance	30 000	36 000
	Contributions to UIF, Medical and Pension Funds	192 755	177 474
	<b>Total</b>	<b>1 786 591</b>	<b>1 668 852</b>
	<b>Director Technical Services - R J Fortuin</b>		
	Annual Remuneration	1 037 310	930 403
	Performance Bonuses	167 996	155 996
	Travel Allowance	170 220	170 220
	Telephone allowance	12 597	11 120
	Contributions to UIF, Medical and Pension Funds	83 499	110 178
	<b>Total</b>	<b>1 471 623</b>	<b>1 377 917</b>
	<b>Director Corporate Services - H Z Jantjie</b>		
	Annual Remuneration	1 132 274	1 050 613
	Performance Bonuses	167 996	143 997
	Travel Allowance	84 000	84 000
	Telephone allowance	12 597	11 278
	Contributions to UIF, Medical and Pension Funds	70 107	64 111
	<b>Total</b>	<b>1 466 975</b>	<b>1 353 999</b>
	<b>Director Financial Services - J M Jackson</b>		
	Annual Remuneration	1 126 792	1 053 255
	Performance Bonuses	90 998	95 998
	Travel Allowance	98 400	98 400
	Telephone allowance	12 597	11 278
	Contributions to UIF, Medical and Pension Funds	65 210	58 401
	<b>Total</b>	<b>1 393 997</b>	<b>1 317 333</b>
	<b>Director Community Services - F J Sephton</b>		
	Annual Remuneration	1 130 916	1 056 460
	Performance Bonuses	167 996	155 996
	Travel Allowance	156 000	156 000
	Telephone allowance	12 597	11 278
	Contributions to UIF, Medical and Pension Funds	16 224	15 083
	<b>Total</b>	<b>1 483 733</b>	<b>1 394 818</b>
	<b>Chief Operations Officer - N Mshumi</b>		
	Annual Remuneration	839 674	776 198
	Performance Bonuses	141 133	
	Travel Allowance	60 000	60 000
	Contributions to UIF, Medical and Pension Funds	196 060	180 372
	<b>Total</b>	<b>1 236 868</b>	<b>1 016 570</b>

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>28 REMUNERATION OF COUNCILLORS</b>		
Members of the Mayoral Committee	3 124 302	3 328 635
ZI Dumzela - Executive Mayor	750 758	719 174
B Salman - Speaker (resigned October 2013)	187 977	562 653
NP Mposelwa - Speaker (appointed November 2013)	403 427	-
GS Brown - Portfolio Head: Financial Services (resigned August 2012)	-	83 328
TZ Ntuyeke - Portfolio Head: Financial Services (February 2013 - October 2013)	110 703	178 336
B Salman - Portfolio Head: Financial Services (appointed November 2013)	376 768	-
LN Gova - Portfolio Head: Community Services (resigned February 2013)	-	409 069
D Mvumvu - Portfolio Head: Community Services (appointed February 2013)	305 725	100 772
NP Mposelwa - Portfolio Head: Technical Services (resigned October 2013)	176 720	530 177
TZ Ntuyeke - Portfolio Head: Technical Services (appointed November 2013)	266 980	-
XG Motloi - Portfolio Head: Corporate Services (resigned February 2013)	-	405 512
N Ngubo - Portfolio Head: Corporate Services (appointed February 2013)	545 244	339 613
Proportional elected Councillors	1 674 442	880 412
S Mei	292 741	165 168
DF Hartkopf	302 924	219 071
V Mbulawa	236 539	218 746
MC Manxeba (deceased January 2014)	144 948	218 709
MW Mpelwane	176 153	58 718
LN Gova	237 388	-
XG Motloi	232 974	-
NF Mphithi (appointed April 2014)	50 774	-
Representative Councillors	225 593	101 132
<b>Total Councillors Remuneration</b>	<b>5 024 336</b>	<b>4 310 179</b>
<b><i>In-kind Benefits</i></b>		
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 may utilise official Council transportation when engaged in official duties.		
<b>29 DEBT IMPAIRMENT</b>		
Contributions to provision - note 14	42 126 027	13 389 005
Less: Portion relating to VAT - note 8	(603 607)	8 860
<b>Total Debt Impairment</b>	<b>41 522 420</b>	<b>13 397 865</b>
<b>30 IMPAIRMENTS</b>		
Investment in Municipal Entity - Joe Gqabi Economic Development Agency (Soc) Ltd - note 12	-	1 289 303
Unpaid Government Grants - note 7	45 831 406	4 427 261
<b>Total Impairments</b>	<b>45 831 406</b>	<b>5 716 564</b>
<b>31 DEPRECIATION AND AMORTISATION</b>		
Property, Plant and Equipment - note 9	41 696 268	41 825 105
Investment Property - note 10	45 496	45 496
Intangible Assets - note 11	621 568	617 519
<b>Total Depreciation and Amortisation</b>	<b>42 363 332</b>	<b>42 488 120</b>
<b>32 REPAIRS AND MAINTENANCE</b>		
Infrastructure	29 174 665	14 928 705
Land and Buildings	185 686	142 584
Other Assets	1 571 437	552 222
<b>Total Repairs and Maintenance</b>	<b>30 931 788</b>	<b>15 623 511</b>



JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>33 FINANCE CHARGES</b>		
Long-term Liabilities	721 338	763 711
Non-current Employee Benefits	2 876 337	1 942 580
Finance charges on pension fund shortfall	370 259	-
Other	-	401
<b>Total Finance Charges</b>	<b>3 967 934</b>	<b>2 706 692</b>
<b>34 CONTRACTED SERVICES</b>		
Water Services	5 216 720	34 845 152
Local Municipalities	4 821 494	3 442 651
Other Contractors	395 226	31 402 501
Sanitation Services	15 573 783	12 543 604
Local Municipalities	2 884 996	1 926 226
Other Contractors	12 688 787	10 617 378
<b>Total Contracted Services</b>	<b>20 790 503</b>	<b>47 388 756</b>
<p>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 printed per service.</p>		
<b>35 BULK PURCHASES</b>		
Water	2 473 512	7 698 710
<b>Total Bulk Purchases</b>	<b>2 473 512</b>	<b>7 698 710</b>
As previously reported		8 682 212
Correction of error - note 40.4		(983 502)
Restated balance		<b>7 698 710</b>
<b>36 GRANTS AND SUBSIDIES PAID</b>		
Gariep Local Municipality	-	10 710 780
Joe Gqabi Economic Development Agency (SoC) Ltd	5 154 594	1 575 000
<b>Total Grants and Subsidies Paid</b>	<b>5 154 594</b>	<b>12 285 780</b>
<p>The Municipality has been in the process of taking over water service provision from local municipalities. The last remaining agreement, with Gariep Municipality, was terminated on 30 June 2013. No subsidy was therefore paid to any municipality in 2013/14.</p> <p>The grant paid to Joe Gqabi Economic Development Agency (SoC) Ltd (JoGEDA) is in terms of the service level agreement with the IDC. This grant is used for operating activities by JoGEDA.</p>		
<b>37 OPERATING GRANT EXPENDITURE</b>		
Management Services	636 010	1 302 094
Financial Services	181 292	781 485
Corporate Services	1 393 672	743 980
Technical Services	96 369 585	86 243 424
Community Services	12 567 686	15 058 228
<b>Total Operating Grant Expenditure</b>	<b>111 148 245</b>	<b>104 129 211</b>

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>38 GENERAL EXPENSES</b>		
Audit Fees	4 770 494	4 780 425
Advertising Fees	656 848	202 293
Bank Charges	128 791	93 921
Chemicals	5 640 623	1 369 934
Computer Charges	1 279 053	1 331 958
Consulting Fees	4 531 761	1 792 957
Entertainment	70 027	57 699
Fuel and oil	7 012 077	3 790 675
Insurance	2 264 044	2 919 535
Legal Fees	380 137	311 781
Material and protective clothing	959 712	298 974
Marketing	206 158	134 633
Membership Fees	439 542	656 122
Postage	15 906	9 015
Printing and Stationary	587 999	357 698
Rentals	3 819 752	356 400
Security	1 589 845	295 238
Services	379 031	420 075
Special programmes	1 584 462	913 620
Telephone	1 501 837	1 317 370
Training	542 571	255 051
Travel and Subsistence	11 224 719	7 534 460
Water and Electricity	17 444 679	11 298 388
Other	2 167 687	1 153 897
<b>Total General Expenses</b>	<b>69 197 755</b>	<b>41 652 119</b>

The take over of water services from Gariep Local Municipality and Amatole resulted in changes in expenditure patterns to the prior year.

<b>39 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>		
Carrying value of Property, Plant and Equipment disposed or written off	(5 226 886)	(270 015)
Proceeds from Disposal of Property, Plant and Equipment	-	150 000
Property, Plant and Equipment transferred to JoGEDA (included in Grants and Subsidies Paid)	2 025 594	-
<b>Total Loss on Disposal of Property, Plant and Equipment</b>	<b>(3 201 291)</b>	<b>(120 015)</b>

	2013 R
<b>40 CORRECTION OF ERROR IN TERMS OF GRAP 3</b>	
<b>40.1 Accumulated Surplus</b>	
Payables from Exchange Transactions - note 40.2	(261 858)
Total	(261 858)

**40.2 Payables from Exchange Transactions**

The Municipality and the Department of Environmental Affairs have different reporting periods. This has meant that the matching of advances from the Department to the Municipality and its claims to be misaligned. The Municipality and the Department have undertaken and extensive reconciliation of advances made and claims. This exercise has revealed that revenue in the prior years has been overstated. The Municipality and the Department are now satisfied that the amounts of advances and claims are aligned.

The Municipality captures the water and sanitation transactions from a report generated by the Elundini Local Municipality's accounting system. This report does not include direct sundry receipts which includes sundry water sales, connection fees, reconnection fees and sewerage removal. Therefore, these income were not recognised in the previous year, resulting that Service Charges, Output VAT were understated, while Payables from Exchange Transactions were overstated.

Refer to Payables from Exchange Transactions - note 6	(2 413 652)
Refer to South African Revenue Service - note 8	(30 391)
Refer to Service Charges - note 22	(217 076)
Refer to Government Services - note 23	2 399 262
Refer to Accumulated Surplus - note 40.1	261 858

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2013  
R

40.3 Unspent Government Grants and Receipts

In the prior year, the Elundini Rural Water Programme was assumed to be funded by the Municipal Infrastructure Grant (MIG). However, this programme was co-funded by Orio. The Orio grant is a grant received from the Netherlands Government and is denominated in Euro, which also resulted in foreign exchange gains not recognised in the prior year. Accordingly, MIG income was overstated by R1 509 955 while Orio income was understated by R1 179 652. In addition, foreign exchange gains amounting to R172 512 were not recognised.

In addition, an accrual expenditure relating to Accelerated Community Infrastructure Programme (ACIP) grant amounting to R773 098 was not recognised as income during 2012/13. In addition, ACIP grant income was also incorrectly classified as operating grant income, as it should in actual fact have been recognised as capital grant income.

Refer to Unspent Government Grants and Receipts - note 7  
Refer to Government Grants and Subsidies - note 16  
Refer to Foreign Exchange Gains - note 19

615 308  
(442 795)  
(172 512)

40.4 South African Revenue Services

In the prior year an accrual was raised for Department of Water Affairs relating to extraction costs. VAT was not separately raised on this accrual, resulting that VAT Input in Suspense was understated and Bulk Purchases was overstated.

Refer to South African Revenue Services - note 8  
Refer to Bulk Purchases - note 35

983 502  
(983 502)

40.5 Capital Commitments

The Capital Commitments disclosed by the Municipality are substantially funded by the Municipal Infrastructure Grant. This grant is for capital projects to address backlogs in the community. A critical project is rural sanitation in the District. These projects, once completed are not recorded as assets as they do meet the accounting standards on Property, Plant and Equipment. Historically, these projects have been included in capital commitments. During the current reporting period it was discovered that these projects are not, by accounting standard definition, capital in nature.

Refer to Capital Commitments - note 48

(110 349 795)

2014  
R

2013  
R

41 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS

(Deficit)/Surplus for the year

(14 805 662) 48 186 909

**Adjustments for:**

Depreciation 42 363 332  
Contribution from/to employee benefits - non-current 5 324 078  
Contribution from/to employee benefits - non-current - expenditure incurrec (1 283 012)  
Contribution from/to employee benefits - non-current - actuarial losses (2 257 635)  
Contribution to employee benefits – current 7 877 985  
Contribution to employee benefits – current - expenditure incurrec (5 792 331)  
Contribution to/of provisions – Allowance for Doubtful Debt 42 126 027  
Bad debts written off (14 469 918)  
Transfer of function (2 429 142)  
Public Contributions in the form of movable assets or inventory (4 160 630)  
Impairments 45 831 406  
Loss on disposal of Property, Plant and Equipment 3 201 291  
Grants Received 441 467 923  
Grant Expenditure (423 842 792)  
Foreign Exchange Gain (722 904)  
Transferred Property, Plant and Equipment included in Grants and Subsidies Paic 2 025 594  
Reversal of Impairments (4 473)

42 488 120  
3 977 872  
(1 043 550)  
1 515 882  
6 250 800  
(4 474 745)  
13 389 005  
(12 764 979)  
(683 933)  
(235 978)  
5 716 564  
120 015  
408 139 996  
(400 066 371)  
(172 512)  
-  
-

Operating Surplus before changes in working capital 120 449 138  
Changes in working capital (5 984 157)

110 343 096  
(8 893 767)

Decrease in Payables from Exchange Transactions 20 001 233  
Increase in Current Portion of Long-term Liabilities 45 481  
Decrease in South African Revenue Service 202 023  
(Decrease)/Increase in Inventory 256 654  
Increase in Receivables from Exchange transactions (26 489 548)

(7 184 055)  
40 825  
2 340 180  
(127 403)  
(3 963 313)

**Cash generated by operations**

**114 464 981 101 449 329**

JOE QGABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>42 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - note 15	35 093 101	13 408 476
Cash Floats - note 15	16 300	15 300
Bank - note 15	3 113 553	10 422 101
<b>Total cash and cash equivalents</b>	<b>38 222 954</b>	<b>23 845 877</b>

<b>43 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - note 42	38 222 954	23 845 877
Investments - note 12	1 301 340	1 207 323
	39 524 294	25 053 200
Less:	34 645 489	14 836 809
Unspent Committed Conditional Grants - note 7	33 645 489	14 836 809
Commitment to JoGEDA	1 000 000	-
<b>Net cash resources available for internal distribution</b>	<b>4 878 805</b>	<b>10 216 391</b>

<b>44 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - note 2	5 653 603	6 098 601
Used to finance property, plant and equipment - at cost	(5 653 603)	(6 098 601)
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>
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.		

**45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**45.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

Opening balance	164 753	-
Unauthorised expenditure current year - operating	-	164 753
Unauthorised expenditure current year - capital	-	9 725 407
Authorised by Council	-	(9 725 407)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<b>164 753</b>	<b>164 753</b>

Incident	Disciplinary steps
Over expenditure on votes.	None

	Actual R	Final Budget R	Variance R	Unauthorised Expenditure R
<b>Operating Expenditure by Vote</b>				
Management Services	30 877 973	34 081 571	(3 203 598)	-
Financial Services	21 888 005	24 673 084	(2 785 079)	-
Corporate Services	35 914 870	37 800 778	(1 885 908)	-
Technical Services	385 466 545	427 846 722	(42 380 177)	-
Community Services	41 740 379	51 315 368	(9 574 989)	-
	<b>515 887 772</b>	<b>575 717 523</b>	<b>(59 829 751)</b>	<b>-</b>
<b>Capital Expenditure by Vote</b>				
Management Services	-	110 000	(110 000)	-
Financial Services	21 750	250 000	(228 250)	-
Corporate Services	412 072	928 000	(515 928)	-
Technical Services	99 610 310	172 751 204	(73 140 894)	-
Community Services	168 557	534 768	(366 211)	-
	<b>100 212 689</b>	<b>174 573 972</b>	<b>(74 361 283)</b>	<b>-</b>

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>45.2 Fruitless and wasteful expenditure</b>		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	434 638	745 962
Fruitless and wasteful expenditure current year	68 528	434 638
Written off by Council	-	(745 962)
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting write-off approval	<u>503 166</u>	<u>434 638</u>

Incident	Disciplinary steps
<i>Interest paid to Telkom, Eskom and on utility bills not paid within 30 days.</i>	<i>None</i>
<i>Payments made to the incorrect supplier's bank account</i>	<i>Yes</i>
<i>Stolen laptop not covered by insurance due to negligence.</i>	<i>Not yet</i>

56 534	64 874
-	369 764
11 994	-
<u>68 528</u>	<u>434 638</u>

The Municipality made a payment of R373 274 to the incorrect supplier's bank account in December 2012. The Municipality's banker's contacted management on 2 January 2013, in respect of a suspicious banking transaction, as a result of measures put in place prior to the holiday break. The transaction has been revealed as fraudulent. The Municipality's banker has been able to recover an amount of R121 000 and discussions with the insurer could lead to a further recovery of the balance of R252 000. The matter was accordingly reported to the SAPS and the investigation into the matter is on-going. A Member of the Municipality's finance department was found guilty of Gross Negligence following an internal disciplinary hearing.

Interest paid to Telkom, Eskom and on utility bills not paid within 30 days are a direct result of original invoices being delayed in the post. Payment needs to be effected for the interest or the service will be terminated.

**45.3 Irregular expenditure**

Reconciliation of irregular expenditure:		
Opening balance	5 392 392	13 361 915
Irregular expenditure current year	-	5 392 392
Condoned	-	(13 361 915)
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting condonement	<u>5 392 392</u>	<u>5 392 392</u>

Council supported the condonement of irregular expenditure amounting to R14 440 947. This amount has not yet been condoned by National Treasury.

Incident	Disciplinary steps
<i>Vouchers not compliant with SCM requirements</i>	<i>None yet.</i>
<i>Invalid Tax Clearance Certificates</i>	<i>None yet.</i>
<i>Formal quote process not followed</i>	<i>None yet.</i>

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

**46 MATERIAL LOSSES**

**Water distribution losses**

Kilo litres disinfected/purified/purchased	13 723 817	8 552 442
Kilo litres sold	(6 624 108)	(5 470 711)
Kilo litres lost	7 099 709	3 081 731
Percentage lost during distribution	51.7%	36.0%
Average cost per kilolitre in Rands	11.68	11.21
Loss in Rand value	82 959 731	34 546 205

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<b>47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>47.1 <u>SALGA Contributions - [MFMA 125 (1)(b)]</u></b>		
Opening balance	-	88 043
Council subscriptions	316 018	643 248
Amount paid - current year	(316 018)	(731 291)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>47.2 <u>Audit fees - [MFMA 125 (1)(b)]</u></b>		
Opening balance	123 846	289 040
Current year audit fee	6 358 848	3 546 862
External Audit - Auditor-General	5 016 591	4 350 269
Internal Audit	1 342 258	450 571
Amount paid	(6 469 497)	(3 712 056)
<b>Balance unpaid (included in payables)</b>	<b>13 197</b>	<b>123 846</b>
<b>47.3 <u>VAT - [MFMA 125 (1)(b)]</u></b>		
Opening balance	5 212 240	8 616 680
Amounts received - current year	(37 471 461)	(22 925 942)
Amounts claimed - current year	34 257 148	19 521 502
<b>Balance receivable</b>	<b>1 997 927</b>	<b>5 212 240</b>
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.		
<b>47.4 <u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u></b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	18 172 341	14 386 653
Amount paid - current year	(18 172 341)	(14 386 653)
<b>Balance receivable</b>	<b>-</b>	<b>-</b>
<b>47.5 <u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u></b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	25 185 451	19 817 213
Amount paid - current year	(25 185 451)	(19 817 213)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>47.6 <u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u></b>		
There are no overdue councillor accounts.		
<b>47.7 <u>Deviations - Supply Chain Management</u></b>		
Deviations with the Supply Chain Management Regulations were identified and categorised as follow:		
- Emergencies	47 882 972	5 018 873
- Goods or services are produced or available from a single provider only	2 429 265	266 996
- Other exceptional cases where it is impractical or impossible to follow the official procurement processes	15 831 444	4 275 780
	<b>66 143 681</b>	<b>9 561 649</b>
Deviations per department		
- Office of the Municipal Manager	1 676 334	354 015
- Financial Services	176 474	211 121
- Corporate Services	2 604 232	1 136 991
- Community Services	10 101 698	1 218 574
- Technical Services	51 584 943	6 561 868
- Expenditure incurred on behalf of JoGEDA	-	79 080
	<b>66 143 681</b>	<b>9 561 649</b>

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
<b>48</b>	<b>CAPITAL COMMITMENTS</b>		
	<b>Commitments in respect of capital expenditure:</b>		
	Approved and contracted for:		
	- Infrastructure	385 788 471	213 988 630
	<b>Total</b>	<u><u>385 788 471</u></u>	<u><u>213 988 630</u></u>
	This expenditure will be financed from:		
	Government Grants	370 293 050	210 755 843
	Own Resources	15 495 421	3 232 787
		<u><u>385 788 471</u></u>	<u><u>213 988 630</u></u>
	As previously reported		324 338 426
	Correction of error restatement - note 40.5		(110 349 795)
	Restated balance		<u><u>213 988 630</u></u>

**49 FINANCIAL RISK MANAGEMENT**

The activities of the Municipality 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 Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

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

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

0.5% (2013 - 0.5%) Increase in interest rates	225 317	140 346
0.5% (2013 - 0.5%) Decrease in interest rates	(225 317)	(140 346)

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.

**(d) Credit Risk**

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 Municipality to incur a financial loss.

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.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 Municipality effectively has the right to terminate services to customers, but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction 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.

All services are payable within 30 days from invoice date. Refer to note 14 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Balances past due not impaired:

	2014 R	2013 R
Water	23 099 958	8 760 537
Sewerage	366 582	585 371
Local Municipalities	1 369 609	4 789 982
Other Receivables	3 262 222	1 325 437
	<u>28 098 370</u>	<u>15 461 328</u>

No receivables are pledged as security for financial liabilities.

The Municipality 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.

The banks utilised 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.

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.

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.

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

Receivables from Exchange Transactions	83 321 037	26 304 805
Cash and Cash Equivalents	38 222 954	23 845 877
Non-current Investments	1 301 340	1 207 323
Unpaid Conditional Grants and Subsidies	4 621 798	48 546 752
	<u>127 467 129</u>	<u>99 904 757</u>



JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R		
<b>(e) Liquidity Risk</b>				
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 Municipality's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.				
The table below analyses the Municipality'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.				
	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>2014</b>				
Long Term liabilities	1 132 215	4 038 766	5 328 676	10 499 657
Capital repayments	445 354	1 792 985	3 861 137	6 099 476
Interest	686 861	2 245 781	1 467 539	4 400 181
Payables from exchange transactions	61 811 666	-	-	61 811 666
Unspent Conditional Government Grants and Receipts	33 645 489	-	-	33 645 489
	<u>96 589 370</u>	<u>4 038 766</u>	<u>5 328 676</u>	<u>105 956 812</u>
<b>2013</b>				
Long Term liabilities	1 132 215	4 202 130	6 297 527	11 631 871
Capital repayments	400 392	1 758 586	4 340 015	6 498 993
Interest	731 823	2 443 544	1 957 512	5 132 878
Payables from exchange transactions	40 702 612	-	-	40 702 612
Unspent Conditional Government Grants and Receipts	14 836 809	-	-	14 836 809
	<u>56 671 636</u>	<u>4 202 130</u>	<u>6 297 527</u>	<u>67 171 292</u>

**50 FINANCIAL INSTRUMENTS**

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

**50.1 Financial Assets**

**Financial instruments at amortised cost**

Non-Current Investments		
- Fixed Deposits	1 301 340	1 207 323
- Municipal Entity - Joe Gqabi Economic Development Agency (Soc) Ltd	1 894 055	1 889 582
Receivables from Exchange Transactions	15 300 762	12 255 069
Cash and Cash Equivalents	38 222 954	23 845 877
Unpaid Conditional Government Grants and Receipts	4 621 798	48 546 752
<b>Total carrying amount of financial assets</b>	<u><b>61 340 909</b></u>	<u><b>87 744 603</b></u>

**50.2 Financial Liability**

**Financial instruments at amortised cost**

Long-term Liabilities	5 653 603	6 098 601
Trade and Other Payables	61 811 666	40 702 612
Current Portion of Long-term Liabilities	445 873	400 392
Unspent Conditional Government Grants and Receipts	33 645 489	14 836 809
<b>Total carrying amount of financial liabilities</b>	<u><b>101 556 631</b></u>	<u><b>62 038 415</b></u>

	2014 R	2013 R
<b>51</b>		
<b>EVENTS AFTER THE REPORTING DATE</b>		
	<p>The Municipality has noted the unfavourable weather conditions that have persisted in the last quarter ended 30 June 2014. All indications and information at hand indicates 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. The outflow of resources is expected to exceed R20 million.</p>	
<b>52</b>		
<b>IN-KIND DONATIONS AND ASSISTANCE</b>		
	<p>The National Treasury has provided support to the Municipality in terms of Municipal Finance Improvement Programme (MFIP). This support included the budget compilation and updated movable asset register.</p>	
<b>53</b>		
<b>PRIVATE PUBLIC PARTNERSHIPS</b>		
	<p>Council has not entered into any private public partnerships during the financial year.</p>	
<b>54</b>		
<b>CONTINGENT LIABILITY</b>		
	<p>Council has the following contingent liabilities at the end of the financial year 2013/2014:</p>	
	<p><u>Outstanding litigation claims</u></p>	
	<p>A claim of R326 014 was filed against the Municipality by a service provider for services rendered. Council has filed a counter claim. The Municipality considers the likelihood of the case being lost by the Municipality as being low. No court date has been set as on the reporting date.</p>	
	<p>The Municipality is contesting a labour matter in respect of its junior fire fighters. The claim is for back-pay, stand-by allowances and other allowances. The Commissioner at the CCMA issued an award. The award was that the 28 junior fire fighters be paid an amount of R340 327.95 each on this matter. This amounts to R9 529 182.60. The Municipality has contested this award. This matter is now pending and a date has not been set on the roll at the Labour Court.</p>	
	<p>In addition, the Commissioner also issued an award that the 28 junior fire fighters be paid an amount of R211 870 each based on TASK grading, amounting to R5 932 360 in total. This arbitration award has also been referred for review.</p>	
	<p>The Municipality is contesting a claim for damages. The claim was lodged by Mr B Ramsay 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 when entering a site in Aliwal North. The site relates to diggings on a road for the purpose of effecting repairs to water infrastructure. The complainants believe that the Municipality is responsible for the accident that occurred. The Municipality is contesting this claim.</p>	
	<p>The Department of Water and Sanitation is claiming an amount R37 660 353 from the Municipality for raw water extraction costs. This amount is made up of a number of invoices, dating back as far as 2002. The Municipality has had extensive interactions with the Department, but this amount has not been finalised. The Municipality's Management is of the opinion that this amount is firstly grossly overstated and in some cases refers to areas outside the District's jurisdiction. An accrual of R10 531 551 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 Municipality 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.</p>	

**JOE GQABI DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>55 RELATED PARTIES</b>		
No business transactions took place between the Municipality and management personnel and their close family members (including close members of family members) during the year under review.		
<b>55.01 Related Party Loans</b>		
Since 1 July 2004 loans to Councillors and Senior Management Employees are not permitted.		
Prior to the above mentioned date, a loan in respect of the former Municipal Manager was made. The loan is included in Other receivables from exchange transactions as per note 14. A provision for impairment is made for the outstanding amount of R165 955 as it is uncertain that it will be collected.		
<b>55.02 Compensation of management personnel</b>		
The compensation of management personnel is set out in note 27 and 28 to the financial statements.		
<b>55.03 Investment in Municipal Entity</b>		
The Municipality has a 100% shareholding in Joe Gqabi Economic Development Agency (Soc) Ltd (JoGEDA) as set out in note 12 to the financial statements. The Municipality incurred expenditure on behalf of JoGEDA. At year-end JoGEDA still owed the Municipality R1 237 839 (2013 - R1 572 078) of outstanding reimbursements as set out in note 14.		
The Municipality paid a grant of R5 154 594 (2013 - R1 575 000) to JoGEDA as disclosed in note 36.		
<b>56 EXPLANATORY NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS</b>		
<b>56.01 ORIGINAL BUDGET vs FINAL BUDGET</b>		
<b><u>General activities effecting the budget</u></b>		
The Municipality's Council approved the take over of the water and sanitation function from Gariep Local Municipality. This approval was done after the approval of the original budget on 30 May 2013. The original budget provided for the payment of grants and subsidies to Gariep Local Municipality. The final budget required the Municipality to provide for expenditure in terms of standard line items relating to the water and sanitation function.		
Amatola Water was responsible for the water function in some parts of the Senqu area, while Sintec provided water functions in parts of the Elundini area. During the year these services was taken back by the Municipality and all employees were transferred from Amatola Water and Sintec to the Municipality. The original budget provided for the payment of contracted services to these entities. The final budget required the Municipality to provide for expenditure in terms of standard line items relating to the water function.		
The 2012/13 financial year was the first year that the Municipality took over the water and sanitation function from the Local Municipalities, except for Gariep Local Municipality. There were 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.		
<b><u>Statement of Financial Position</u></b>		
Movement in Current Assets consist of consumer debtors which were decreased by R5 million in order to be more in line with the audited outcome of 30 June 2013.		
The calculation of the Property, Plant and Equipment balance as per the original budget was done incorrectly, but was corrected with final budget		
Current Liabilities were increased due to the following:		
- Current Employee Benefits were increased by R16 million in order to be in line with the audited outcome of 30 June 2013 and to take into account items which were not budgeted for in the original budget.		
- Unspent Conditional Grants and Receipts were increased by R13 million in order to take into account grants which will not be spent during 2013/14. This was not budgeted for in the original budget.		
Non-Current Liabilities were increased due to the following		
- Non-Current Employee Benefits were increased by R16 million in order to be in line with the audited outcome of 30 June 2013 and to take into account items which were not budgeted for in the original budget.		
- Long-term Liabilities were also increased by R5 million as there was an intention to borrow money to finance the installation of water meters		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

**Statement of Financial Performance - Revenue**

Capital Government Grants and Subsidies were increased due to following:

- Additional MIG funding (R18 million) allocator
- Water Services Operating Grants (R10 million) - incorrectly classified as Operating Government Grants and Subsidies in the original budget
- Additional RBIG funding (R2.5 million) allocator

Operating Government Grants and Subsidies were increased due a combination of the following:

- Anticipated allocation from DWA (R43 million)
- Additional allocation from Rural Household Infrastructure Grant (R4 million)
- Additional allocation from ACIP (R15 million)
- Water Services Operating Grants (R10 million) - incorrectly classified as Operating Government Grants and Subsidies in the original budget

Transfer of function was increased by R27 million in expectation of debtors to be received from Gariep Local Municipalities with the transfer of function

Service charges were increased by R8 million to take into account water and sanitation services transferred from Gariep Local Municipality. In addition, service charges relating to the remaining areas (Senqu, Maletswai and Elundini) were increased by R8 million in order to be in line with the audit outcome of 30 June 2013.

**Statement of Financial Performance - Expenditure**

Employee Related Costs were increased due to the following:

- R5 million to take into account current and non-current employee benefits which was not budgeted for in the original budget
- Employees transferred from Gariep Local Municipality, Amatole and Sintec amounting to R15 million

Debt Impairment was increased by R43 million in order to be more in line with the audit outcome of 30 June 2013 (R12 million), and also to take into account bad debts relating consumer debtors received from Gariep Local Municipality (R31 million)

Impairments were increased by R40 million in order to fully provide for unpaid Emergency Drought Relief grant monies owed by DWA

Repairs and Maintenance was increased by R8.5 million to accommodate the take over of the water and sanitation functions as stipulated under "General Activities affecting the budget".

Contracted Services were decreased by R25.5 million as the water function operated by Amatole Water and Sintec were now operated by the Municipality

Grants and subsidies paid was decreased by R9.5 million as Gariep Local Municipality no longer receives a grant in order to act as the water service provider

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. The major contributor was chemical expenditure which was increased by R5 million.

**Cash Flow Statement**

Increase in Net Cash from Operating Activities was largely due to an increase in additional Capital Grant monies as mentioned above under the "Statement of Financial Performance - Revenue" as well as additional expenditure as mentioned under "Statement of Financial Performance - Expenditure".

Decrease in Net Cash from Investing Activities was due the adjustment made to the capital budget in respect of additional capital grant monies received as mentioned under "Statement of Financial Performance - Revenue".

**Operating Expenditure by vote**

Management Services were increased with following items:

- The section Social Economic Development amounting to R6 million was incorrectly budgeted for under Community Services.
- Grants and Subsidies Paid was also increased by R2 million to take into account the transfer of Senqu Plastics to JoGEDA.

Corporate Services were increased with

- Employee Related costs were increased by R5 million to take into account current and non-current employee benefits which was not budgeted for in the original budget.

Technical Services were increased with the following items:

- Operating Grant Expenditure was increased by R48 million to take into account additional funding received from ACIP (R1 million), DWA (R8 million) and Rural Household Infrastructure Grants (R3.5 million). VIP Toilets were also under budgeted for by R31 million in the original budget. MWIG funds (R4.5 million) allocated from capital budget to operating budget.
- Impairments were increased by R45 million to take into account the impairment relating to unpaid emergency drought relief monies
- Debt Impairment was increased by R34 million to take into account historic data trends as well as to provide for consumer debtors transferred from Gariep Local Municipality.
- Water Service Provider expenditure amounting to R24 million was incorrectly budgeted for under Community Services (Water Service Authority)
- Bulk Purchases amounting to R4 million were incorrectly budgeted Technical Services and should have been budgeted for Community Services
- Employee Related Costs were increased by R3.5 million to take into account the possibility of the 14th relating to the Bargaining Council.
- Fuel and Oil for the Roads section was underbudgeted for by R2 million

Community Services were decreased as a result of the nett effect of the following items:

- Water Service Provider expenditure amounting to R24 million was incorrectly budgeted for under Community Services (Water Service Authority). It should have been budgeted for under Technical Services.
- The section Social Economic Development amounting to R6 million was incorrectly budgeted under Community Services.
- Bulk Purchases amounting to R4 million were incorrectly budgeted Technical Services and should have been budgeted for Community Services
- Operating Expenditure for Working for Water and Wetlands was also increased by R3 million to take into account additional funding received from Environmental Affairs and SANBI.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

**Capital Expenditure by vote**

Technical Services increased due to the following:

- Anticipated allocation from DWA (R30 million) relating to drought relief
- Water Service Operating Grant expenditure (R9 million) was not budgeted for in the original budget
- Additional funds were made available from own revenue in order to purchase bakkies amounting R12 million
- Additional MIG funding received amounting to R16 million.

**56.02 ACTUAL AMOUNTS vs FINAL BUDGET**

**Statement of Financial Position**

Total Current Assets exceeds the final budget due to increase in cash on hand as creditors at year-end has not been paid.

Total Non-Current Assets is less than budget due to the roll over of additional MIG allocations.

Total Current Liabilities is more than budget due to year-end creditors not being paid.

Total Non-Current Liabilities is less than budget due to the ABSA loan not taken up.

**Statement of Financial Performance - Revenue**

Capital Government Grants is under collected due to grants incorrectly classified as capital rather operating viz. MIG and MWIG. In addition, drought relief grant was budgeted for an amount of R29.8 million was not received.

Operating Government Grants and Subsidies is more than budgeted for as grants were incorrectly classified as capital rather operating viz. MIG and MWIG.

Transfer of Function was incorrectly budget for.

**Statement of Financial Performance - Expenditure**

Employee Related Costs are underspent by provision for bargaining council decisions of R5 million and TASK grade evaluations not implemented. The Municipality had a number of vacant posts in the WSP, PMU, Disaster, BTO and OHS which was not filled during the year.

Debt Impairment for the take over of the water and sanitation function was separately budgeted for where as it should have been budgeted for as Transfer of Function.

Repairs and Maintenance are underspent due to orders that were not fulfilled by the year-end.

Operating Grant Expenditure was underspent due to the amount of drought relief grant that was not received as anticipated.

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

**Cash Flow Statement**

Net Cash from Operating Activities was better than forecasted due to creditors not being paid at the year-end.

Net Cash from Investing Activities was below expectations due to the increased MIG allocation not utilised and due for roll over.

**Operating Expenditure by vote**

Technical Services were over budgeted for with respect to the following: Employee Costs, Debt Impairment on service charges, water services operating grant and general expenses. Refer to budget comparison of Statement of Financial Performance (Expenditure) for detail.

Community Services is underspent due to the over-provision in budgeted bulk services. Saving on General Expenses due to austerity measures

**Capital Expenditure by vote**

Technical Services is underspent on capital due to the additional MIG allocation of R18 million being rolled over, the drought relief grant (R29 million) that was anticipated but not received and the ABSA loans (R15 million) for motor vehicles and water meters had not been taken up by year-end. In addition the Municipality did not incur expenditure on the RBIG and WSOS by year-end and these are expected to be rolled over.

**APPENDIX A - Unaudited  
JOE QQABI DISTRICT MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014**

<b>EXTERNAL LOANS</b>	<b>Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Maturity Date</b>	<b>Balance at 30 June 2013</b>	<b>Received during the period</b>	<b>Redeemed during the period</b>	<b>Balance at 30 April 2014</b>
<b>ANNUITY LOANS</b>					<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
DBSA - Building - c/o Graham and Cole street, Barkly East	11.5%	100878	6 monthly	31 Dec 2024	6 084 486	-	274 614	5 809 871
DBSA - Sanitation Infrastructure	10%	9980	6 monthly	30 Jun 2016	414 508	-	124 903	289 604
<b>Total Annuity Loans</b>					<b>6 498 993</b>	<b>-</b>	<b>399 517</b>	<b>6 099 476</b>
<b>TOTAL EXTERNAL LOANS</b>					<b>6 498 993</b>	<b>-</b>	<b>399 517</b>	<b>6 099 476</b>

**APPENDIX B - Unaudited**  
**JOE GQABI DISTRICT MUNICIPALITY**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2014**

	Cost/Revaluation							Accumulated Depreciation				Carrying Value	
	Opening Balance	Residual Value Opening Balance	Additions	Residual Value Additions	Under Construction	Disposals	Residual Value Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
<b>Land and Buildings</b>													
Land	2 043 000	-	-	-	-	-	-	2 043 000	-	-	-	-	2 043 000
Buildings	15 391 118	-	247 931	-	-	-	-	15 639 048	3 621 022	570 381	-	4 191 402	11 447 646
	<b>17 434 118</b>	<b>-</b>	<b>247 931</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17 682 048</b>	<b>3 621 022</b>	<b>570 381</b>	<b>-</b>	<b>4 191 402</b>	<b>13 490 646</b>
<b>Infrastructure</b>													
Sewerage Network	269 489 040	-	20 656 542	-	35 905 813	(14 158)	-	326 037 237	45 855 342	8 755 922	(14 157)	54 597 107	271 440 130
Water Network	938 256 668	-	12 024 020	-	219 954 959	(5 232 601)	-	1 165 003 045	157 252 383	29 836 340	(2 055 447)	185 033 275	979 969 770
	<b>1 207 745 708</b>	<b>-</b>	<b>32 680 562</b>	<b>-</b>	<b>255 860 771</b>	<b>(5 246 759)</b>	<b>-</b>	<b>1 491 040 282</b>	<b>203 107 725</b>	<b>38 592 262</b>	<b>(2 069 605)</b>	<b>239 630 382</b>	<b>1 251 409 900</b>
<b>Other Assets</b>													
Office Equipment	1 964 786	-	219 968	-	-	39 971	-	2 144 783	990 842	255 949	36 971	1 209 820	934 964
Furniture & Fittings	2 906 048	-	246 346	-	-	47 326	-	3 105 068	2 046 820	314 983	44 841	2 316 961	788 107
Motor Vehicles	5 806 117	400 658	1 026 127	101 015	-	-	-	7 333 917	2 964 407	525 512	-	3 489 919	3 843 997
Fire Engines	8 031 685	892 409	-	-	-	-	-	8 924 094	3 916 074	887 452	-	4 803 526	4 120 568
Computer Equipment	2 841 510	-	199 990	-	-	691 373	-	2 350 127	2 000 465	173 209	679 780	1 493 894	856 234
Special Vehicles	842 350	93 595	3 535 093	390 237	-	-	11 000	4 850 274	404 641	286 853	9 284	682 211	4 168 063
Tools and Equipment	1 553 613	-	2 362 283	-	-	2 073 285	-	1 842 611	1 151 921	89 668	42 347	1 199 242	643 368
	<b>23 946 109</b>	<b>1 386 662</b>	<b>7 589 807</b>	<b>491 252</b>	<b>-</b>	<b>2 851 955</b>	<b>11 000</b>	<b>30 550 874</b>	<b>13 475 170</b>	<b>2 533 625</b>	<b>813 223</b>	<b>15 195 572</b>	<b>15 355 301</b>
<b>Total</b>	<b>1 249 125 934</b>	<b>1 386 662</b>	<b>40 518 299</b>	<b>491 252</b>	<b>255 860 771</b>	<b>-2 394 803</b>	<b>11 000</b>	<b>1 539 273 204</b>	<b>220 203 917</b>	<b>41 696 268</b>	<b>-1 256 382</b>	<b>53 437 523</b>	<b>1 280 255 847</b>

**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2013**

	Cost/Revaluation							Accumulated Depreciation				Carrying Value	
	Opening Balance	Residual Value Opening Balance	Additions	Residual Value Additions	Under Construction	Disposals	Residual Value Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
<b>Land and Buildings</b>													
Land	2 027 000	-	16 000	-	-	-	-	2 043 000	-	-	-	-	2 043 000
Buildings	15 377 118	-	14 000	-	-	-	-	15 391 118	3 051 368	569 653	-	3 621 022	11 770 096
	<b>17 404 118</b>	<b>-</b>	<b>30 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17 434 118</b>	<b>3 051 368</b>	<b>569 653</b>	<b>-</b>	<b>3 621 022</b>	<b>13 813 096</b>
<b>Infrastructure</b>													
Sewerage Network	258 072 218	-	11 416 822	-	24 645 494	-	-	294 134 534	37 537 590	8 317 751	-	45 855 342	248 279 192
Water Network	908 140 166	-	30 116 502	-	169 343 907	-	-	1 107 600 574	127 765 404	29 486 979	-	157 252 383	950 348 191
	<b>1 166 212 384</b>	<b>-</b>	<b>41 533 324</b>	<b>-</b>	<b>193 989 401</b>	<b>-</b>	<b>-</b>	<b>1 401 735 109</b>	<b>165 302 994</b>	<b>37 804 731</b>	<b>-</b>	<b>203 107 725</b>	<b>1 198 627 383</b>
<b>Other Assets</b>													
Office Equipment	1 835 560	-	140 300	-	-	11 074	-	1 964 786	744 850	252 046	6 054	990 842	973 944
Furniture & Fittings	2 735 886	-	181 426	-	-	11 264	-	2 906 048	1 740 456	315 793	9 430	2 046 820	859 228
Motor Vehicles	4 703 136	670 806	1 666 893	-	-	834 060	-	6 206 775	2 820 176	745 149	600 918	2 964 407	3 242 368
Fire Engines	7 953 639	970 455	-	-	-	-	-	8 924 094	2 388 613	1 527 460	-	3 916 074	5 008 020
Computer Equipment	2 435 029	-	573 923	-	-	167 442	-	2 841 510	1 766 131	373 040	138 706	2 000 465	841 045
Special Vehicles	851 351	94 594	-	-	-	10 000	-	935 945	328 943	84 415	8 716	404 641	531 304
Tools and Equipment	1 333 081	-	220 532	-	-	-	-	1 553 613	996 435	155 486	-	1 151 921	401 692
	<b>21 847 682</b>	<b>1 735 855</b>	<b>2 783 074</b>	<b>-</b>	<b>-</b>	<b>1 033 840</b>	<b>-</b>	<b>25 332 771</b>	<b>10 785 605</b>	<b>3 453 390</b>	<b>763 825</b>	<b>13 475 170</b>	<b>11 857 601</b>
<b>Total</b>	<b>1 205 464 184</b>	<b>1 735 855</b>	<b>44 346 397</b>	<b>-</b>	<b>193 989 401</b>	<b>1 033 840</b>	<b>-</b>	<b>1 444 501 997</b>	<b>179 139 968</b>	<b>41 827 774</b>	<b>763 825</b>	<b>53 437 523</b>	<b>1 224 298 080</b>

**APPENDIX C - Unaudited**  
**JOE GQABI DISTRICT MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

	Balance 1 July 2013 R	Contributions during the year R	Paid back to Treasury R	Foreign Exchange Gains R	Operating Expenditure Transferred to Revenue R	Capital Expenditure Transferred to Revenue R	Balance 30 June 2014 R	Unspent 30 June 2013 (Creditor) R	Unpaid 30 June 2013 (Debtor) R
<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>									
<b><u>National Government Grants</u></b>									
Accelerated Community Infrastructure Programme (Municipal Infrastructure Grant (MIG) Department Water Affairs Emergency Drought Relief EPWP Programme Equitable Share Finance Management Grant (FMG) Municipal Systems Improvement Grant (MSIG) Public Works - Special Programme Water Services Operating Subsidy Municipal Water Infrastructure Grant (MWIG) Rural Households Infrastructure Grant	(773 098) 4 089 916 (5 749) (49 560 760) - - 898 320 547 (461 004) 526 210 - -	15 679 215 184 055 000 - - 1 000 000 179 049 300 1 250 000 890 000 24 824 711 10 000 000 15 002 000 4 000 000	- - - - - - - (549 300) - - - -	- - - - - - - - - - -	- (95 368 365) - - (1 000 000) (179 049 300) (1 248 439) (661 247) (24 824 711) - - (5 004 300) (3 996 000)	(14 991 219) (73 250 710) - - - - - - (5 914 076) (9 999 990) -	(85 102) 19 525 842 (5 749) (49 560 760) - - 2 459 - (461 004) 4 612 134 (2 290) 4 000	- 19 525 842 - - - - 2 459 - - 4 612 134 - - 4 000	(85 102) - (5 749) (49 560 760) - - - - - (461 004) - (2 290) -
<b>Total National Government Grants</b>	<b>(45 863 040)</b>	<b>435 750 226</b>	<b>(549 300)</b>	<b>-</b>	<b>(311 152 361)</b>	<b>(104 155 995)</b>	<b>(25 970 470)</b>	<b>24 144 435</b>	<b>(50 114 905)</b>
<b><u>Provincial Government Grants</u></b>									
Disaster Management Forum Disaster Management Establishment of Centres Disaster Management Plan Disaster Management Fire & Emergency Services Disaster Management Policy Framework LED Capacity DWA Bylaws Environmental Health Practitioners Rural Roads Asset Management Grant	36 115 5 449 773 1 497 929 1 667 736 338 434 580 415 300 000 (122 618) 28 836	- - - - - 358 000 597 360 316 688 1 778 000	- - - - - - - - -	- - - - - - - - -	- - - - - (556 887) (796 812) (2 929 302) (1 777 845)	- - - - - - - - -	36 115 5 449 773 1 497 929 1 667 736 338 434 381 528 100 548 (2 735 232) 28 991	36 115 5 449 773 1 497 929 1 667 736 338 434 381 528 100 548 - 28 991	- - - - - - - (2 735 232) -
<b>Total Provincial Government Grants</b>	<b>9 776 621</b>	<b>3 050 048</b>	<b>-</b>	<b>-</b>	<b>(6 060 846)</b>	<b>-</b>	<b>6 765 822</b>	<b>9 501 054</b>	<b>(2 735 232)</b>
<b><u>Other Grant Providers</u></b>									
DBSA Municipal Support Framework LG Seta Orio	(697 907) (713) (1 352 164)	- 486 134 2 730 815	- - -	- - (722 904)	- (485 673) -	- - (1 987 916)	(697 907) (252) (1 332 169)	- - -	(697 907) (252) (1 332 169)
<b>Total Other Grant Providers</b>	<b>(2 050 784)</b>	<b>3 216 949</b>	<b>-</b>	<b>(722 904)</b>	<b>(485 673)</b>	<b>(1 987 916)</b>	<b>(2 030 328)</b>	<b>-</b>	<b>(2 030 328)</b>
<b>TOTAL</b>	<b>(38 137 204)</b>	<b>442 017 223</b>	<b>(549 300)</b>	<b>(722 904)</b>	<b>(317 698 881)</b>	<b>(106 143 911)</b>	<b>(21 234 976)</b>	<b>33 645 489</b>	<b>(54 880 465)</b>