

JOE GQABI

DISTRICT MUNICIPALITY



ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2011

JOE GQABI DISTRICT MUNICIPALITY

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JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 (Macleary, Ugie and Mount Fletcher)

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	Z I Dumzela	
Speaker	B Salman	
Councillor	G S Brown	Portfolio head: Financial Services
Councillor	N P Mposelwa	Portfolio head: Technical Services
Councillor	X G Motloi	Portfolio head: Corporate Services
Councillor	N L Gova	Portfolio head: Community Services

MUNICIPAL MANAGER

Mr Z A Williams

ACTING CHIEF FINANCIAL OFFICER

Mr J J Burger

OTHER DIRECTORS

Mr R J Fortuin	- Director: Technical Services
Ms F J Sephton	- Director: Community Services and Planning
Mr H Z Jantjie	- Director: Corporate Services

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

Douglas and Botha
Aliwal North
9750

PRINCIPAL BANKERS

ABSA
P O Box 323
Bloemfontein
9300

AUDIT COMMITTEE

Z Luswazi	- Chairperson
C R Venter	- Member
P G Du Toit	- Member
T de Beer	- Member

JOE GQABI DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Remuneration of Public Office Bearers' Act (Act 20 of 1998)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALGBC Leave Regulations
National Environmental Management Act
Preferential Procurement Policy Framework Act, 200
Occupational Health and Safety Act
Companies Act of South Africa, 1973

MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY

PROPORTIONAL ELECTED COUNCILLORS

Executive Mayor	Z I Dumzela
Speaker	B Salman
Councillors: JGDM	N P Mposelwa G S Brown V Mbulawa D F Hartkopf X G Motloi N Ngubo L N Gova C N Manxeba

REPRESENTATIVE COUNCILLORS

Senqu Local Municipality	M W Mpelwane SS Tindleni A Kwinana G Mvunyiswa L Tokwe I van der Walt
Elundini Local Municipality	L S Baduza G M Moni A M Ntaba M R Moore D D Mvumvu
Maletswai Local Municipality	N S Mathetha S E Mbana
Gariep Local Municipality	T Z Notyke

JOE GQABI DISTRICT MUNICIPALITY

APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

I am responsible for the preparation of these annual consolidated financial statements, which are set out on pages 1 to 73 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Economic Entity.

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

Mr Z A Williams
Municipal Manager

Date

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	ECONOMIC ENTITY		MUNICIPALITY	
		2011 R	Restated 2010 R	2011 R	Restated 2010 R
NET ASSETS AND LIABILITIES					
Net Assets		1 157 798 996	1 130 169 485	1 157 797 397	1 130 163 448
Accumulated Surplus		1 157 798 996	1 130 169 485	1 157 797 397	1 130 163 448
Non-Current Liabilities from Exchange Transactions		6 855 304	7 178 072	6 855 304	7 178 072
Long-term Liabilities	2	6 855 304	7 178 072	6 855 304	7 178 072
Non-Current Liabilities		15 611 492	15 712 225	15 611 492	15 712 225
Employee Benefits	3	15 611 492	15 712 225	15 611 492	15 712 225
Current Liabilities		13 486 981	11 115 120	13 486 981	11 115 120
Current Employee Benefits	4	13 486 981	11 115 120	13 486 981	11 115 120
Current Liabilities from Exchange Transactions		66 204 711	77 226 560	66 204 711	77 226 560
Payables from Exchange Transactions	5	65 881 792	76 870 540	65 881 792	76 870 540
Current Portion of Long-term Liabilities	2	322 919	356 020	322 919	356 020
Current Liabilities from Non-Exchange Transactions		24 053 263	21 432 884	24 053 263	21 432 884
Unspent Conditional Government Grants and Receipts	6	24 053 263	21 432 884	24 053 263	21 432 884
Total Net Assets and Liabilities		1 284 010 747	1 262 834 346	1 284 009 148	1 262 828 309
ASSETS					
Non-Current Assets		1 200 229 826	1 143 401 427	1 200 229 827	1 143 395 390
Property, Plant and Equipment	8	1 190 757 823	1 136 431 139	1 190 515 754	1 136 384 838
Investment Property	9	4 669 888	5 200 576	2 685 567	5 200 576
Intangible Assets	10	4 162 800	1 145 927	4 162 800	1 145 927
Non-Current Investments	11	639 315	623 785	2 865 706	664 049
Current Assets		5 227 827	67 599 487	5 227 827	67 599 487
Inventory	12	1 227 420	710 559	1 227 420	710 559
Cash and Cash Equivalents	14	4 000 407	66 888 928	4 000 407	66 888 928
Current Assets from Exchange Transactions		28 078 587	11 038 943	28 076 987	11 038 943
Receivables from Exchange Transactions	13	8 481 742	1 799 185	8 464 392	1 799 185
South African Revenue Services	7	19 596 845	9 239 758	19 612 595	9 239 758
Current Assets from Non-Exchange Transactions		50 474 507	40 794 489	50 474 507	40 794 489
Unpaid Conditional Government Grants and Receipts	6	50 474 507	40 794 489	50 474 507	40 794 489
Total Assets		1 284 010 747	1 262 834 346	1 284 009 148	1 262 828 309

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Notes	ECONOMIC ENTITY		MUNICIPALITY	
		2011 R	Restated 2010 R	2011 R	Restated 2010 R
REVENUE					
Revenue from Non-exchange Transactions		328 703 170	275 677 591	328 703 170	275 677 591
Transfer Revenue		324 746 001	275 677 291	324 746 001	275 677 291
Government Grants and Subsidies - Capital	15	97 592 480	100 750 756	97 592 480	100 750 756
Government Grants and Subsidies - Operating	15	227 153 521	174 926 535	227 153 521	174 926 535
Other Revenue		3 957 169	300	3 957 169	300
Fines		-	300	-	300
Reversal of Provision for Impairment	23	3 957 169	-	3 957 169	-
Revenue from Exchange Transactions		20 619 363	31 480 086	20 619 363	31 480 086
Government Services	16	17 534 765	10 889 897	17 534 765	10 889 897
Water and Sanitation Services	17	-	15 358 017	-	15 358 017
Interest Earned - External Investments	18	2 807 076	4 870 140	2 807 076	4 870 140
Other Income	19	277 522	362 032	277 522	362 032
Fair Value Gains		2 248 541	1 832 335	2 248 541	1 832 335
Actuarial Gains		2 248 541	1 832 335	2 248 541	1 832 335
Total Revenue		351 571 074	308 990 012	351 571 074	308 990 012
EXPENDITURE					
Employee Related Costs	20	72 716 566	60 179 924	72 635 031	60 179 924
Remuneration of Councillors	21	3 754 665	3 571 362	3 754 665	3 571 362
Remuneration of Directors	22	69 000	-	-	-
Debt Impairment	23	-	2 547 530	-	2 547 530
Impairments	24	-	-	521 548	1 154 072
Depreciation and Amortisation	25	38 815 492	38 250 801	38 787 554	38 250 699
Repairs and Maintenance	26	10 798 427	16 742 422	10 798 427	16 742 422
Finance Charges	27	2 803 664	2 410 010	2 803 664	2 410 010
Contracted services	28	43 341 167	25 673 204	43 341 167	25 673 204
Grants and Subsidies Paid	29	33 920 909	20 476 678	33 920 909	20 476 678
Inventory Adjustments		10 474	17 774	10 474	17 774
Operating Grant Expenditure	30	42 088 148	47 110 648	42 088 148	47 110 648
Emergency Drought Relief		23 424 201	34 964 634	23 424 201	34 964 634
General Expenses	31	49 746 303	29 714 952	49 399 544	28 567 019
Loss on disposal of Property, Plant and Equipment		518 593	765 518	517 838	765 518
Total Expenditure		322 007 609	282 425 457	322 003 170	282 431 494
NET SURPLUS FOR THE YEAR - BEFORE DISCONTINUED OPERATIONS		29 563 465	26 564 555	29 567 904	26 558 518
Discontinued Operations	32	(1 933 948)	3 153 811	(1 933 948)	3 153 811
NET SURPLUS FOR THE YEAR		27 629 517	29 718 366	27 633 956	29 712 329

JOE GQABI DISTRICT MUNICIPALITY

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED
30 JUNE 2011**

	ECONOMIC ENTITY	MUNICIPALITY
	Accumulated Surplus	Accumulated Surplus
	R	R
Balance at 1 JULY 2009	312 627 335	312 627 335
Correction of error restatement - Refer to note 33.20	787 823 781	787 823 781
Rounding	3	3
Restated Balance at 1 JULY 2009	1 100 451 119	1 100 451 119
Net Surplus for the year	29 718 366	29 712 329
Balance at 30 JUNE 2010	1 130 169 485	1 130 163 448
Net Surplus for the year	27 629 517	27 633 956
Rounding	(6)	(7)
Balance at 30 JUNE 2011	1 157 798 996	1 157 797 397

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	ECONOMIC ENTITY		MUNICIPAL ENTITY	
		2011 R	Restated 2010 R	2011 R	Restated 2010 R
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Other		8 633 830	37 696 163	8 635 430	37 696 163
Government - Operating		228 768 363	155 143 753	228 768 363	155 143 753
Government - Capital		94 694 000	81 234 100	94 694 000	81 234 100
Interest		2 807 076	4 870 140	2 807 076	4 870 140
Payments					
Suppliers and Employees		(260 625 476)	(162 029 072)	(260 128 182)	(160 881 139)
Finance Charges		(2 803 664)	(2 410 010)	(2 803 664)	(2 410 010)
Transfers and Grants		(33 920 909)	(20 476 678)	(33 920 909)	(20 476 678)
Net Cash from Operating Activities	34	37 553 220	94 028 397	38 052 114	95 176 330
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of Property, Plant and Equipment		(96 826 851)	(92 971 157)	(96 606 257)	(92 924 755)
Purchase of Intangible Assets		(3 244 178)	(1 145 927)	(3 244 178)	(1 145 927)
Increase in Non-current Investments		(14 844)	(25 122)	(734 330)	(1 219 458)
Net Cash from Investing Activities		(100 085 873)	(94 142 207)	(100 584 765)	(95 290 140)
CASH FLOW FROM FINANCING ACTIVITIES					
Decrease in Long-term Liabilities		(355 869)	(395 813)	(355 869)	(395 813)
Rounding		1	1	(1)	2
Net Cash from Financing Activities		(355 868)	(395 812)	(355 870)	(395 811)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(62 888 521)	(509 622)	(62 888 521)	(509 622)
Cash and Cash Equivalents at the beginning of the year		66 888 928	67 398 550	66 888 928	67 398 550
Cash and Cash Equivalents at the end of the year	35	4 000 407	66 888 928	4 000 407	66 888 928
NET INCREASE IN CASH AND CASH EQUIVALENTS		(62 888 521)	(509 622)	(62 888 521)	(509 622)

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

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

The annual financial statements have been prepared in accordance with the 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).

The standards are summarised as follows:

GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 101	Agriculture
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

JOE QQABI DISTRICT MUNICIPALITY

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2011**

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

Standard	Description	Effective Date
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

The Economic Entity resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Economic Entity applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual 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. CONSOLIDATED FINANCIAL STATEMENTS

The Economic Entity's financial statements incorporate the financial statements of the parent entity, Joe Gqabi District Municipality, and all its municipal entities, presented as a single entity and consolidated at the same reporting date as the parent entity.

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

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

JOE GQABI DISTRICT MUNICIPALITY

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2011**

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

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

Standard	Description	Effective Date
GRAP 6 (Revised)	Consolidated and Separate Financial Statements Information to a large extent is already included in the notes to the consolidated annual financial statements.	Unknown
GRAP 7 (Revised)	Investments in Associate No significant impact is expected as the Economic Entity does not participate in such business transactions.	Unknown
GRAP 8 (Revised)	Interest in Joint Ventures No significant impact is expected as the Economic Entity does not participate in such business transactions.	Unknown
GRAP 18	Segment Reporting Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 24	Presentation of Budget Information in Financial Statements Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 25	Employee Benefits Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 103	Heritage Assets No adjustments necessary as the Economic Entity has no heritage assets.	1 April 2012
GRAP 104	Financial Instruments Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 105	Transfer of Functions Between Entities Under Common Control No significant impact is expected as the Economic Entity does not participate in such business transactions.	Unknown
GRAP 106	Transfer of Functions Between Entities Not Under Common Control No significant impact is expected as the Economic Entity does not participate in such business transactions.	Unknown
GRAP 107	Mergers No significant impact is expected as the Economic Entity does not participate in such business transactions.	Unknown

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.7. 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. In general, materiality is determined as 1% of total expenditure.

1.8. LEASES

1.8.1 *Economic Entity as Lessee*

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

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

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.

1.8.2 *Economic Entity as Lessor*

Under a finance lease, the Economic Entity recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Economic Entity, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition 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 rentals are recognised on a straight-line basis over the term of the relevant lease.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

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

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

1.10. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11. EMPLOYEE BENEFITS

1.11.1 *Post Retirement Medical obligations*

The Economic Entity provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

These contributions are charged to 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 fair value of the obligation. Payments made by the Economic Entity are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against 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 charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.11.2 Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Economic Entity. The Economic Entity's obligation under these plans is valued by independent qualified actuaries periodically 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 charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

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

1.11.3 Ex gratia Gratuities

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

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

1.11.4 Accrued Leave Pay

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.

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1.11.5 Staff Bonuses

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.

1.11.6 Performance bonuses

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

1.11.7 Pension and retirement fund obligations

The Economic Entity provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. 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 charged against income 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.

1.12. PROVISIONS

Provisions are recognised when the Economic Entity has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits 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. 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 (for example in the case of obligations for the rehabilitation of land).

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

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.

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

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

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

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. 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 shall be reversed.

1.13. PROPERTY, PLANT AND EQUIPMENT

1.13.1 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. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Economic Entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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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 was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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

1.13.2 Subsequent Measurement – Cost Model

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

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

1.13.3 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:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Water	15 - 50	Special Vehicles	10 – 17
Sewerage	15 - 50	Motor vehicles	5 – 17
		Office Equipment	5 – 12
<u>Land and Buildings</u>		Furniture and Fittings	7 – 20
Buildings	20 - 30	Tool and Equipment	5 – 15
		Computer Equipment	3 – 12
		Fire Engines	5 – 10

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 charged to 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.

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1.13.4 De-recognition

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

1.13.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Economic Entity opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Economic Entity applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.14. INTANGIBLE ASSETS

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

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

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

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

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 was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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1.14.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.14.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their 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>	Years
Computer Software	3 - 10

1.14.4 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.

1.15. INVESTMENT PROPERTY

1.15.1 Initial Recognition

Investment property shall be 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 entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

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At initial recognition, the Economic Entity measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Economic Entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.15.2 Subsequent Measurement – Cost Model

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

1.15.3 Depreciation and Impairment

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

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

1.15.4 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.

1.15.5 Application of deemed cost - Directive 7

The Economic Entity opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Economic Entity applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

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1.16. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.16.1 Cash-generating assets

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

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

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.

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

1.16.2 Non-cash-generating assets

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

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

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 recorded in the Statement of Financial Performance.

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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:

- *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.
- *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.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.17. NON CURRENT INVESTMENTS

Financial instruments, 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 period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to 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.

1.18. INVENTORIES

1.18.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus 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.

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

1.18.2 Subsequent Measurement

Inventories, consisting of consumable stores and raw materials 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 in this way. 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.

In general, the basis of allocating cost to inventory items is the weighted average method.

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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 transactions and non-exchange transactions).

1.19.1 *Initial Recognition*

Financial instruments are initially recognised when the Economic Entity becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

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, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.19.2.1 Receivables

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

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

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

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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, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.19.2.3 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 Economic Entity categorises cash and cash equivalents as financial assets carried at amortised cost.

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

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

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

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

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When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Economic Entity's continuing involvement is the amount of the transferred asset that the Economic Entity may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Economic Entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

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

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

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

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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 shall be measured at the fair value of the consideration received or receivable.

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

1.20.2 Revenue from Exchange Transactions

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

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. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. 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 from sanitation are 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.

Dividends are recognised on the date that the Economic Entity becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Revenue shall be 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 entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

1.20.3 Grants, Transfers and Donations (Non-Exchange Revenue)

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 raised 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.

1.21 TAXATION

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

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

1.22. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

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

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

1.24. 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 in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

JOE QQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Economic Entity's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure 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

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 entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.27. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 paragraph 14 to 18 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

1.28.2 Impairment of Receivables

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.28.3 Property, plant and equipment

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

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.28.4 Intangible assets

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

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

1.28.5 Investment Property

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

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.28.6 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.28.7 Revenue Recognition

Accounting Policy 1.20.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.20.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Economic Entity.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Economic Entity, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Economic Entity is satisfied that recognition of the revenue in the current year is appropriate.

1.28.8 Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Economic Entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Economic Entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Economic Entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Economic Entity to realise the net deferred tax assets recorded at the reporting date could be impacted.

1.29. TAXES – VALUE ADDED TAX

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

1.30. 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 fundamental errors, and the treatment of assets financed by external grants.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
2 LONG-TERM LIABILITIES				
Annuity Loans - At amortised cost	7 178 223	7 534 092	7 178 223	7 534 092
Less: Current Portion transferred to Current Liabilities	(322 919)	(356 020)	(322 919)	(356 020)
Total - At amortised cost using the effective interest rate method	6 855 304	7 178 072	6 855 304	7 178 072

Annuity loans at amortised cost is calculated at 10.00% - 11.52% interest rate, with first maturity date of 30 June 2016 and last maturity date of 31 December 2024.

Included in Non-current Investments as per note 11 is an amount of R339 660 held as guarantee by the DBSA.

The obligations under annuity loans are scheduled below:

	Minimum annuity payments			
Amounts payable under annuity loans:				
Payable within one year	1 132 215	1 202 523	1 132 215	1 202 523
Payable within two to five years	4 528 859	4 528 859	4 528 859	4 528 859
Payable after five years	8 235 227	9 367 442	8 235 227	9 367 442
	13 896 301	15 098 824	13 896 301	15 098 824
Less: Future finance obligations	(6 718 078)	(7 564 732)	(6 718 078)	(7 564 732)
Present value of annuity obligations	7 178 223	7 534 092	7 178 223	7 534 092

3 EMPLOYEE BENEFITS				
Post Retirement Medical Obligation - Refer to note 3.1	13 409 403	13 812 281	13 409 403	13 812 281
Ex Gratia Gratuities - Refer to note 3.2	516 817	548 160	516 817	548 160
As previously reported		680 099		680 099
Correction of error restatement - Refer to note 33.04		(131 940)		(131 940)
Long Service Awards - Refer to note 3.3	1 685 272	1 351 784	1 685 272	1 351 784
Total Non-current Employee Benefit Liabilities	15 611 492	15 712 225	15 611 492	15 712 225

Post Retirement Medical Obligation

Balance 1 July	14 753 945	14 859 063	14 753 945	14 859 063
Contribution for the year	2 838 250	1 919 635	2 838 250	1 919 635
Expenditure for the year	(992 888)	(888 576)	(992 888)	(888 576)
Actuarial Loss/(Gain)	(2 184 496)	(1 136 177)	(2 184 496)	(1 136 177)
Total post retirement medical obligation 30 June	14 414 811	14 753 945	14 414 811	14 753 945
Less: Transfer of Current Portion - Note 4	(1 005 408)	(941 664)	(1 005 408)	(941 664)
Balance 30 June	13 409 403	13 812 281	13 409 403	13 812 281

Ex Gratia Gratuities

Balance 1 July	548 160	523 857	548 160	523 857
Contribution for the year	79 534	71 618	79 534	71 618
Expenditure for the year	-	-	-	-
Actuarial Loss/(Gain)	(110 877)	(47 315)	(110 877)	(47 315)
Total ex gratia provision 30 June	516 817	548 160	516 817	548 160
Less: Transfer of Current Portion to Current Provisions - Note 4	-	-	-	-
Balance 30 June	516 817	548 160	516 817	548 160

Long Service Awards

Balance 1 July	1 582 371	1 787 693	1 582 371	1 787 693
Contribution for the year	481 191	576 464	481 191	576 464
Expenditure for the year	(238 781)	(132 943)	(238 781)	(132 943)
Actuarial Loss/(Gain)	46 833	(648 843)	46 833	(648 843)
Total long service 30 June	1 871 614	1 582 371	1 871 614	1 582 371
Less: Transfer of Current Portion - Note 4	(186 342)	(230 587)	(186 342)	(230 587)
Balance 30 June	1 685 272	1 351 784	1 685 272	1 351 784

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
<u>TOTAL EMPLOYEE BENEFITS</u>				
Balance 1 July	16 884 476	17 170 613	16 884 476	17 170 613
Contribution for the year	3 398 975	2 567 717	3 398 975	2 567 717
Expenditure for the year	(1 231 669)	(1 021 519)	(1 231 669)	(1 021 519)
Actuarial Loss/(Gain)	(2 248 540)	(1 832 335)	(2 248 540)	(1 832 335)
Total employee benefits 30 June	16 803 242	16 884 476	16 803 242	16 884 476
Less: Transfer of Current Portion - Note 4	(1 191 750)	(1 172 251)	(1 191 750)	(1 172 251)
Balance 30 June	15 611 492	15 712 225	15 611 492	15 712 225

3.1 Post Retirement Medical Obligation	2011 Employees	2010 Employees	2011 Employees	2010 Employees
The Post Retirement Medical Obligation is a defined benefit plan, of which the members are made up as follows:				
In-service (employee) members	92	108	92	108
Continuation members (e.g. Retirees, widows, orphans)	40	42	40	42
Total Members	132	150	132	150

	2011 R	2010 R	2011 R	2010 R
The liability in respect of past service has been estimated to be as follows:				
In-service members	5 027 000	6 127 444	5 027 000	6 127 444
Continuation members	9 387 811	8 626 501	9 387 811	8 626 501
Total Liability	14 414 811	14 753 945	14 414 811	14 753 945

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

Bonitas;
LA Health
Hosmed
SAMWU Medical Aid; and
Key Health.

	2011 %	2010 %	2011 %	2010 %
Key actuarial assumptions used:				
i) Rate of interest				
Discount rate	8.40	9.22	8.40	9.22
Health Care Cost Inflation Rate	7.27	7.27	7.27	7.27
Net Effective Discount Rate	1.06	1.82	1.06	1.82

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

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

Male : 63 years
Female: 58 years

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	14 414 811	14 753 945	14 414 811	14 753 945
Net liability	14 414 811	14 753 945	14 414 811	14 753 945
Reconciliation of present value of fund obligation:				
Present value of fund obligation at the beginning of the year	14 753 945	14 859 063	14 753 945	14 859 063
Total contributions	1 845 362	1 031 059	1 845 362	1 031 059
Current service cost	1 057 902	593 578	1 057 902	593 578
Interest Cost	1 780 348	1 326 057	1 780 348	1 326 057
Benefits Paid	(992 888)	(888 576)	(992 888)	(888 576)
Actuarial (gains)/losses	(2 184 496)	(1 136 177)	(2 184 496)	(1 136 177)
Present value of fund obligation at the end of the year	14 414 811	14 753 945	14 414 811	14 753 945
Less: Transfer of Current Portion - Note 4	(1 005 408)	(941 664)	(1 005 408)	(941 664)
Balance 30 June	13 409 403	13 812 281	13 409 403	13 812 281

Sensitivity Analysis on the Current-service and Interest Costs

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions - Year ending 30 June 2011	1 057 900	1 780 300	2 838 200
Central Assumptions - Year ending 30 June 2010	593 600	1 326 100	1 919 700

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Year ending 30 June 2011					
Health care inflation	+1%	1 290 800	2 037 500	3 328 300	17%
Health care inflation	-1%	874 800	1 567 900	2 442 700	-14%
Post-retirement mortality	-1 year	1 091 700	1 849 600	2 941 300	4%
Average retirement age	-1 year	1 193 300	1 898 000	3 091 300	9%
Withdrawal Rate	-50%	1 215 300	1 855 800.00	3 071 100	8%
Year ending 30 June 2010					
Health care inflation	+1%	728 800	1 503 000	2 231 800	16%
Health care inflation	-1%	487 700	1 179 300	1 667 000	-13%
Post-retirement mortality	-1 year	613 200	1 381 300	1 994 500	4%
Average retirement age	-1 year	638 000	1 384 100	2 022 100	5%
Withdrawal Rate	-50%	690 500	1 383 500	2 074 000	8%

3.2 Ex Gratia Gratuities

The Ex Gratia Gratuities plans are defined benefit plans. As at year end 60 (2010 - 68) employees were eligible for Ex Gratia Gratuities.

Key actuarial assumptions used:	2011 %	2010 %	2011 %	2010 %
i) Rate of interest				
Discount rate	8.13	8.68	8.13	8.68

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	516 817	548 160	516 817	548 160
Fair value of plan assets	-	-	-	-
Net liability	516 817	548 160	516 817	548 160
Reconciliation of present value of fund obligation:				
Present value of fund obligation at the beginning of the year	548 160	523 857	548 160	523 857
Total contributions	79 534	71 618	79 534	71 618
Current service cost	26 164	18 320	26 164	18 320
Interest Cost	53 370	53 298	53 370	53 298
Benefits Paid	-	-	-	-
Actuarial gains	(110 877)	(47 315)	(110 877)	(47 315)
Present value of fund obligation at the end of the year	516 817	548 160	516 817	548 160

Sensitivity Analysis on the Current-service and Interest Costs

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions - Year ending 30 June 2011	26 164	53 370	79 534
Central Assumptions - Year ending 30 June 2010	18 320	53 298	71 618

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Year ending 30 June 2011					
Salary Inflation	+1%	25 600	57 900	83 500	5%
Salary Inflation	-1%	26 800	48 600	75 400	-5%
Average retirement age	-1 year	28 500	60 900	89 400	12%
Withdrawal Rate	-50%	26 300	53 600	79 900	0%
Year ending 30 June 2010					
Discount Rate	+1%	17 700	57 300	75 000	5%
Discount Rate	-1%	19 000	49 000	68 000	-5%
Average retirement age	-1 year	16 300	57 300	73 600	3%
Withdrawal Rate	-50%	18 500	53 700	72 200	1%

3.3 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. Long service awards were calculated for 260 employees, but they are not all eligible for payment in the same year.

Key actuarial assumptions used:	2011 %	2010 %	2011 %	2010 %
i) Rate of interest				
Discount rate	7.49	8.91	7.49	8.91
General Salary Inflation (long-term)	6.20	6.33	6.20	6.33
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.22	2.43	1.22	2.43

	2011 R	2010 R	2011 R	2010 R
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	1 871 614	1 582 371	1 871 614	1 582 371
Net liability/(asset)	1 871 614	1 582 371	1 871 614	1 582 371

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
Reconciliation of present value of fund obligation:				
Present value of fund obligation at the beginning of the year	1 582 371	1 787 693	1 582 371	1 787 693
Total contributions	242 410	443 521	242 410	443 521
Current service cost	350 223	436 193	350 223	436 193
Interest Cost	130 968	140 271	130 968	140 271
Benefits Paid	(238 781)	(132 943)	(238 781)	(132 943)
Actuarial (gains)/losses	46 833	(648 843)	46 833	(648 843)
Present value of fund obligation at the end of the year	1 871 614	1 582 371	1 871 614	1 582 371
Less: Transfer of Current Portion - Note 4	(186 342)	(230 587)	(186 342)	(230 587)
Balance 30 June	1 685 272	1 351 784	1 685 272	1 351 784

Sensitivity Analysis on the Current-service and Interest Costs

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions - Year ending 30 June 2011	350 223	130 968	481 191
Central Assumptions - Year ending 30 June 2010	436 193	140 271	576 464

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Year ending 30 June 2011					
Salary Inflation	+1%	367 697	137 239	504 936	5%
Salary Inflation	-1%	334 271	125 127	459 398	-5%
Average retirement age	-2 years	327 372	114 668	442 040	-8%
Average retirement age	+2 years	369 456	141 368	510 824	6%
Withdrawal Rate	-50%	430 361	152 259	582 620	21%
Year ending 30 June 2010					
Salary Inflation	+1%	449 311	146 850	596 161	3%
Salary Inflation	-1%	424 176	134 143	558 319	-3%
Average retirement age	-2 years	417 321	123 998	541 319	-6%
Average retirement age	+2 years	452 527	150 647	603 174	5%
Withdrawal Rate	-50%	490 549	159 310	649 859	13%

3.4 Retirement Funds

Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of GRAP 25, these multi-employer plans are defined as defined benefit plans. GRAP 25 also state that when sufficient information is not 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 Economic Entity requested detailed employee and pensioner information as well as information on the Economic Entity's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Economic Entity is unable to determine the value of the plan assets as defined in GRAP 25.

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

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
<u>CAPE JOINT PENSION FUND</u>				
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2009 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2010 financial year.				
Contributions paid recognised in the Statement of Financial Performance	33 151	83 818	33 151	83 818

<u>CAPE RETIREMENT FUND</u>				
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).				
Contributions paid recognised in the Statement of Financial Performance	4 360 363	3 152 714	4 360 363	3 152 714

<u>DEFINED CONTRIBUTION FUNDS</u>				
Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident 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	350 827	329 942	350 827	329 942
Municipal Councillors Pension Fund	164 847	239 448	164 847	239 448
IMATU Retirement Fund	38 081	46 542	38 081	46 542
SAMWU National Provident Fund	1 235 221	1 170 296	1 235 221	1 170 296
	1 788 976	1 786 228	1 788 976	1 786 228

4 CURRENT EMPLOYEE BENEFITS

Staff Bonuses	2 396 677	2 143 138	2 396 677	2 143 138
Staff Leave	4 380 803	3 041 518	4 380 803	3 041 518
Performance Bonuses	555 004	1 284 123	555 004	1 284 123
Other Provisions	4 962 747	3 474 090	4 962 747	3 474 090
As previously reported		2 439 044		2 439 044
Correction of error restatement - Refer to note 33.12		1 035 046		1 035 046
Current Portion of Non-Current Employee Benefits	1 191 750	1 172 251	1 191 750	1 172 251
Current Portion of Post Retirement Benefits - Note 3	1 005 408	941 664	1 005 408	941 664
Current Portion of Long-Service Awards - Note 3	186 342	230 587	186 342	230 587
Total Current Employee Benefits	13 486 981	11 115 120	13 486 981	11 115 120

The movement in current employee benefits is reconciled as follows:

<u>Staff Bonuses</u>				
Balance at beginning of year	2 143 138	1 638 574	2 143 138	1 638 574
Contribution to current portion	2 396 677	2 143 138	2 396 677	2 143 138
Expenditure incurred	(2 143 138)	(1 638 574)	(2 143 138)	(1 638 574)
Balance at end of year	2 396 677	2 143 138	2 396 677	2 143 138

Bonuses are being paid to all municipal staff, excluding temporary staff and Section 57 Managers. 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.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
<u>Staff Leave</u>				
Balance at beginning of year	3 041 518	3 553 687	3 041 518	3 553 687
Contribution to current portion	2 135 180	116 707	2 135 180	116 707
Expenditure incurred	(795 895)	(628 876)	(795 895)	(628 876)
Balance at end of year	4 380 803	3 041 518	4 380 803	3 041 518

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

Performance bonuses

Balance at beginning of year	1 284 123	1 158 123	1 284 123	1 158 123
Contribution to current portion	555 004	664 224	555 004	664 224
Expenditure incurred	(1 284 123)	(538 224)	(1 284 123)	(538 224)
Balance at end of year	555 004	1 284 123	555 004	1 284 123

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

Other Provisions

Balance at beginning of year	3 474 090	-	3 474 090	-
Contribution to current portion	2 777 869	3 474 090	2 777 869	3 474 090
TASK Job Evaluation Provision	2 777 869	2 847 349	2 777 869	2 847 349
Shortfall in annual earnings of Cape Joint Pension Fund	-	626 741	-	626 741
Expenditure incurred - TASK Job Evaluation Provision	(1 289 212)	-	(1 289 212)	-
Balance at year end	4 962 747	3 474 090	4 962 747	3 474 090

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

TASK Job Evaluation Provision

The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive backpay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.

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 Economic Entity, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
5 PAYABLES FROM EXCHANGE TRANSACTIONS				
Trade Payables	58 550 596	65 828 610	58 550 596	65 828 610
As previously reported		57 238 809		57 238 809
Correction of error restatement - Refer to note 33.01		(1 193 988)		(1 193 988)
Correction of error restatement - Refer to note 33.02		2 090 095		2 090 095
Correction of error restatement - Refer to note 33.05		(28 684)		(28 684)
Correction of error restatement - Refer to note 33.07		(1 501 758)		(1 501 758)
Correction of error restatement - Refer to note 33.08		4 257 674		4 257 674
Correction of error restatement - Refer to note 33.10		(60 500)		(60 500)
Correction of error restatement - Refer to note 33.15		5 026 962		5 026 962
Interest Accrued	203 941	211 919	203 941	211 919
Unknown receipts	1 620 898	1 648 146	1 620 898	1 648 146
As previously reported		1 741 146		1 741 146
Correction of error restatement - Refer to note 33.05		(93 000)		(93 000)
Sundry Creditors	(54 659)	85 717	(54 659)	85 717
Payments received in advance	5 561 016	9 096 148	5 561 016	9 096 148
Total Trade Payables	65 881 792	76 870 540	65 881 792	76 870 540

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.

6 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	24 053 263	21 432 884	24 053 263	21 432 884
National Government Grants	13 129 642	9 293 588	13 129 642	9 293 588
Provincial Government Grants	10 726 696	11 828 820	10 726 696	11 828 820
DoRA Government Grants	91 301	-	91 301	-
Other Sources	105 624	310 476	105 624	310 476
Less: Unpaid Grants	(50 474 507)	(40 794 489)	(50 474 507)	(40 794 489)
National Government Grants	(25 369 281)	(25 369 281)	(25 369 281)	(25 369 281)
Provincial Government Grants	-	(78 291)	-	(78 291)
DoRA Government Grants	(24 407 319)	(14 695 352)	(24 407 319)	(14 695 352)
Other Sources	(697 907)	(651 565)	(697 907)	(651 565)
Total Conditional Grants and Receipts	(26 421 244)	(19 361 605)	(26 421 244)	(19 361 605)

See appendix "B" for reconciliation of grants from other spheres of government. The Economic Entity complied with the conditions attached to all grants received to the extent of revenue recognised.

Included in unpaid grants from National Government is an amount of R25 369 281 which arose due to a published Provincial Government Gazette with regards to drought relief. The process of determining liability is underway and the accountable department is still being defined.

No grants were withheld during the current year.

JOE QGABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
The movement in unspent conditional government grants and receipts are reconciled as follows:				
6.1 National Government Grants				
Opening balance	(16 075 693)	17 325 844	(16 075 693)	17 325 844
As previously reported		17 853 292		17 853 292
Correction of error restatement - Refer to note 33.13		(527 448)		(527 448)
Grants received	49 605 256	35 336 100	49 605 256	35 336 100
Operating conditions met	(45 769 202)	(67 937 637)	(45 769 202)	(67 937 637)
As previously reported		(67 519 043)		(67 519 043)
Correction of error restatement - Refer to note 33.13		(418 594)		(418 594)
Capital conditions met	-	(800 000)	-	(800 000)
	(12 239 639)	(16 075 693)	(12 239 639)	(16 075 693)
Plus: Unpaid Grants	25 369 281	25 369 281	25 369 281	25 369 281
	13 129 642	9 293 588	13 129 642	9 293 588

National Government Grants consists out the following:

Department Water Affairs - *implementation of WSA business plan to supply water*
Drought Relief Elundini - *implementation of drought relief activities in Elundini*
Drought Relief Senqu - *implementation of drought relief activities in Senqu*
IDC - *establishment of Development Agency*
Emergency Drought Relief - *to supply water when district is declared a disaster area*
Public Work - Special Programme - *maintenance of roads in the district*

6.2 Provincial Government Grants

Opening balance	11 750 529	11 184 940	11 750 529	11 184 940
As previously reported		12 760 947		12 760 947
Correction of error restatement - Refer to note 33.13		154 288		154 288
Correction of error restatement - Refer to note 33.13		(1 730 295)		(1 730 295)
Grants received	5 770 627	17 844 013	5 770 627	17 844 013
Operating conditions met	(6 794 460)	(17 278 424)	(6 794 460)	(17 278 424)
As previously reported		(17 908 728)		(17 908 728)
Correction of error restatement - Refer to note 33.13		630 304		630 304
Capital conditions met	-	-	-	-
	10 726 696	11 750 529	10 726 696	11 750 529
Plus: Unpaid Grants	-	78 291	-	78 291
	10 726 696	11 828 820	10 726 696	11 828 820

Provincial Government Grants consists out the following:

DGLTA Aliwal North WTP - *refurbish Aliwal North's treatment works*
Disaster Management Community Awareness - *disaster awareness among the community*
Disaster Management Forum - *to ensure operation of disaster management forum*
Disaster Management Establishment of Centres - *construct and equip disaster centres*
Disaster Management - *to improve operational business plan for disaster management*
Disaster Management Plan - *to develop and review disaster management*
Disaster Management Fire & Emergency Services - *run of fire service*
Disaster Management Policy Framework - *development of disaster policies*
Disaster Management Rebuild Houses - *reconstruction of houses effected by disaster*
Disaster Management Training of Volunteers - *training of volunteers to respond to disaster*
Gariep Implement Lake - *develop business plan for the development of a resort/facilities*
Heritage, Tourism & Economic Strategy - *Senqu heritage strategy*
Heritage Management Plan - *Barkly East museums*
IDP - *to adhere to all legislative requirements regarding the IDP*
Invoice Based Finance - *supply chain transformation*
ISRDP Nodal Support - *tourism and local economic development*
IT Implementation - *to investigate wireless internet as an economic enterprise*
LED Capacity - *inhanse local economic development*
LED ISRDP - *to improve IT governance*
LG Seta - *implementation of training as per the Work Place Skills plan*
Libraries - *supporting the functioning of libraries in Local Municipalities*
Performance Management System - *improving the performance management system*
Stimulation of Economy through Marketing - *implementation of tourism strategy*
Subsidy Health - *implementation of primary health services*

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
6.3 DoRA Government Grants				
Opening balance	(14 695 352)	6 569 521	(14 695 352)	6 569 521
Grants received	225 310 480	181 321 326	225 310 480	181 321 326
Operating conditions met	(137 338 666)	(101 788 454)	(137 338 666)	(101 788 454)
Capital conditions met	(97 592 480)	(100 797 745)	(97 592 480)	(100 797 745)
As previously reported		(99 923 698)		(99 923 698)
Correction of error restatement - Refer to note 33.13		(874 047)		(874 047)
	(24 316 018)	(14 695 352)	(24 316 018)	(14 695 352)
Plus: Unpaid Grants	24 407 319	14 695 352	24 407 319	14 695 352
	91 301	-	91 301	-

DoRA Government Grants consists out of the following:

- Equitable share - *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 Economic Entity by the National Treasury.*
- MIG - *To supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions. Also to provide for new municipal infrastructure and rehabilitation and upgrading of existing ones*
- FMG - *To promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA)*
- MSIG - *To assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Local Government: Municipal Systems Act.*
- EPWP Programme - *Incentive for Municipalities for job creation.*

6.4 Other Sources

Opening balance	(341 089)	(1 032 350)	(341 089)	(1 032 350)
Grants received	37 000 000	1 876 414	37 000 000	1 876 414
Operating conditions met	(37 251 194)	(1 158 095)	(37 251 194)	(1 158 095)
As previously reported		(506 530)		(506 530)
Correction of error restatement - Refer to note 33.13		(651 565)		(651 565)
Capital conditions met	-	(27 058)	-	(27 058)
	(592 283)	(341 089)	(592 283)	(341 089)
Plus: Unpaid Grants	697 907	651 565	697 907	651 565
	105 624	310 476	105 624	310 476

Other Sources consists out of the following:

- Alphine Tourism - *to investigate opportunities of tourism development in Senqu*
- DBSA Assistance - *water quality testing*
- DBSA Municipal Support and Development - *to improve inter-governmental relations*
- DBSA Municipal Support Framework - *to assess LM' requirements for DM support*
- ECDC - *enable Ugile / PG Bison development*

7 SOUTH AFRICAN REVENUE SERVICES

VAT Receivable	19 110 596	8 737 759	19 110 596	8 737 759
As previously reported		7 163 194		7 163 194
Correction of error restatement - Refer to note 33.01		(1 193 988)		(1 193 988)
Correction of error restatement - Refer to note 33.02		2 090 095		2 090 095
Correction of error restatement - Refer to note 33.03		286 556		286 556
Correction of error restatement - Refer to note 33.08		461 664		461 664
Correction of error restatement - Refer to note 33.14		(69 762)		(69 762)
PAYE Receivable	501 999	501 999	501 999	501 999
As previously reported		1 709 077		1 709 077
Correction of error restatement - Refer to note 33.16		(1 207 078)		(1 207 078)
PAYE Payable	(15 750)	-	-	-
	19 596 845	9 239 758	19 612 595	9 239 758

VAT is payable/receivable on the cash basis.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

8 PROPERTY, PLANT AND EQUIPMENT

ECONOMIC ENTITY

30 JUNE 2011

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Disposals		Closing Balance
	R	R	R	R	R	R	R	R	R	
Land and Buildings	18 216 509	-	(2 521 504)	-	15 695 005	2 341 446	576 059	(421 180)	2 496 325	13 198 680
Land	2 027 000	-	-	-	2 027 000	-	-	-	-	2 027 000
Buildings	16 189 509	-	(2 521 504)	-	13 668 005	2 341 446	576 059	(421 180)	2 496 325	11 171 680
Infrastructure	1 209 405 600	86 233 511	-	-	1 295 639 111	99 488 045	34 935 874	-	134 423 919	1 161 215 192
Sewerage network	248 244 376	-	-	28 074 482	276 318 858	23 954 786	9 278 260	-	33 233 046	243 085 812
Water network	748 763 200	-	-	1 714 615	750 477 815	75 533 260	25 657 614	-	101 190 874	649 286 941
Work in Progress	212 398 024	86 233 511	-	(29 789 097)	268 842 438	-	-	-	-	268 842 438
Lease Assets	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-
Other Assets	16 810 867	10 593 340	(3 486 542)	-	23 917 665	6 172 346	2 979 452	(1 578 084)	7 573 714	16 343 951
Office Equipment	1 689 284	259 718	(152 012)	-	1 796 990	334 312	248 381	(64 399)	518 294	1 278 696
Furniture & Fittings	2 906 100	531 310	(546 720)	-	2 890 690	1 342 998	366 725	(269 172)	1 440 551	1 450 139
Motor Vehicles	5 594 252	1 647 109	(1 603 384)	-	5 637 977	1 815 222	942 426	(534 908)	2 222 740	3 415 237
Fire Engines	1 710 915	8 043 636	(830 457)	-	8 924 094	778 251	532 167	(449 265)	861 153	8 062 941
Computer Equipment	2 691 183	111 567	(320 900)	-	2 481 850	1 061 293	614 434	(240 498)	1 435 229	1 046 621
Special Vehicles	945 945	-	-	-	945 945	159 742	84 786	-	244 528	701 417
Tools and Equipment	1 273 188	-	(33 069)	-	1 240 119	680 528	190 533	(19 842)	851 219	388 900
	1 244 432 976	96 826 851	(6 008 046)	-	1 335 251 781	108 001 837	38 491 385	(1 999 264)	144 493 958	1 190 757 823

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.

The Economic Entity opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Economic Entity applied deemed cost where the acquisition cost of an asset could not be determined. For Other Assets and Infrastructure Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

ECONOMIC ENTITY

30 JUNE 2010

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Land and Buildings	18 216 509	-	-	-	18 216 509	1 765 387	576 059	-	2 341 446	15 875 063
Land	2 027 000	-	-	-	2 027 000	-	-	-	-	2 027 000
Buildings	16 189 509	-	-	-	16 189 509	1 765 387	576 059	-	2 341 446	13 848 063
Infrastructure	1 118 948 580	90 457 020	-	-	1 209 405 600	64 634 555	34 853 490	-	99 488 045	1 109 917 555
Sewerage network	224 152 284	-	-	24 092 092	248 244 376	14 368 785	9 586 000	-	23 954 786	224 289 590
As previously reported	62 892 449	-	-	18 379 601	81 272 050	2 567 190	2 158 702	-	4 725 893	76 546 157
Correction of error restatement - note 33.18	161 259 835	-	-	5 712 491	166 972 326	11 801 595	7 427 298	-	19 228 893	147 743 433
Water network	736 508 588	-	-	12 254 612	748 763 200	50 265 770	25 267 490	-	75 533 260	673 229 940
As previously reported	63 388 626	-	-	13 250 828	76 639 454	4 552 515	1 912 317	-	6 464 832	70 174 622
Correction of error restatement - note 33.18	673 119 962	-	-	(996 216)	672 123 746	45 713 255	23 355 173	-	69 068 428	603 055 318
Work in Progress	158 287 708	90 457 020	-	(36 346 704)	212 398 024	-	-	-	-	212 398 024
As previously reported	150 205 708	87 270 670	-	(31 630 429)	205 845 949	-	-	-	-	205 845 949
Correction of error restatement - note 33.08	-	793 654	-	-	793 654	-	-	-	-	793 654
Correction of error restatement - note 33.18	8 082 000	2 392 696	-	(4 716 275)	5 758 421	-	-	-	-	5 758 421
Lease Assets	274 854	-	(274 854)	-	-	265 517	9 337	(274 854)	-	-
Lease Assets	274 854	-	(274 854)	-	-	265 517	9 337	(274 854)	-	-
Other Assets	16 984 443	2 514 138	(2 687 714)	-	16 810 867	5 900 315	2 715 676	(2 443 645)	6 172 346	10 638 521
Office Equipment	1 232 653	732 380	(275 749)	-	1 689 284	354 797	173 041	(193 526)	334 312	1 354 972
As previously reported	1 201 515	25 488	(275 749)	-	951 254	346 678	167 876	(193 526)	321 028	630 226
Correction of error restatement - note 33.08	-	706 892	-	-	706 892	-	-	-	-	706 892
Correction of error restatement - note 33.14	31 138	-	-	-	31 138	8 119	5 165	-	13 284	17 854
	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	3 487 252	48 454	(629 606)	-	2 906 100	1 499 677	413 108	(569 787)	1 342 998	1 563 102
As previously reported	3 751 706	47 128	(629 606)	-	3 169 228	1 609 803	466 418	(569 787)	1 506 434	1 662 794
Correction of error restatement - note 33.08	-	1 326	-	-	1 326	-	-	-	-	1 326
Correction of error restatement - note 33.14	(264 454)	-	-	-	(264 454)	(110 126)	(53 310)	-	(163 436)	(101 018)
Motor Vehicles	5 720 047	689 113	(814 908)	-	5 594 252	1 575 751	1 011 012	(771 541)	1 815 222	3 779 030
As previously reported	5 720 047	619 351	(814 908)	-	5 524 490	1 888 195	1 046 987	(771 541)	2 163 641	3 360 849
Correction of error restatement - note 33.14	-	69 762	-	-	69 762	(312 444)	(35 975)	-	(348 419)	418 181
Fire Engines	1 742 051	-	(31 136)	-	1 710 915	648 576	160 515	(30 840)	778 251	932 664
As previously reported	1 742 051	-	(31 136)	-	1 710 915	1 042 169	340 549	(30 840)	1 351 878	359 037
Correction of error restatement - note 33.14	-	-	-	-	-	(393 593)	(180 034)	-	(573 627)	573 627
Computer Equipment	2 350 981	1 042 437	(702 235)	-	2 691 183	1 087 274	637 661	(663 642)	1 061 293	1 629 890
As previously reported	2 347 742	928 752	(702 235)	-	2 574 259	1 499 112	525 131	(663 642)	1 360 601	1 213 658
Correction of error restatement - note 33.08	-	113 685	-	-	113 685	-	-	-	-	113 685
Correction of error restatement - note 33.14	3 239	-	-	-	3 239	(411 838)	112 530	-	(299 308)	302 547
Special Vehicles	960 945	-	(15 000)	-	945 945	83 864	86 282	(10 404)	159 742	786 203
As previously reported	960 945	-	(15 000)	-	945 945	90 223	93 615	(10 404)	173 434	772 511
Correction of error restatement - note 33.14	-	-	-	-	-	(6 359)	(7 333)	-	(13 692)	13 692
Tools and Equipment	1 490 514	1 754	(219 080)	-	1 273 188	650 376	234 057	(203 905)	680 528	592 660
As previously reported	1 432 063	1 754	(219 080)	-	1 214 737	662 938	209 814	(203 905)	668 847	545 890
Correction of error restatement - note 33.14	58 451	-	-	-	58 451	(12 562)	24 243	-	11 681	46 770
	1 154 424 386	92 971 158	(2 962 568)	-	1 244 432 976	72 565 774	38 154 562	(2 718 499)	108 001 837	1 136 431 139

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

MUNICIPALITY

30 JUNE 2011

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Land and Buildings	18 216 509	-	(2 521 504)	-	15 695 005	2 341 446	576 059	(421 180)	2 496 325	13 198 680
Land	2 027 000	-	-	-	2 027 000	-	-	-	-	2 027 000
Buildings	16 189 509	-	(2 521 504)	-	13 668 005	2 341 446	576 059	(421 180)	2 496 325	11 171 680
Infrastructure	1 209 405 600	86 233 511	-	-	1 295 639 111	99 488 045	34 935 874	-	134 423 919	1 161 215 192
Sewerage network	248 244 376	-	-	28 074 482	276 318 858	23 954 786	9 278 260	-	33 233 046	243 085 812
Water network	748 763 200	-	-	1 714 615	750 477 815	75 533 260	25 657 614	-	101 190 874	649 286 941
Work in Progress	212 398 024	86 233 511	-	(29 789 097)	268 842 438	-	-	-	-	268 842 438
Lease Assets	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-
Other Assets	16 764 464	10 372 746	(3 485 722)	-	23 651 488	6 172 244	2 955 381	(1 578 019)	7 549 606	16 101 882
Office Equipment	1 674 636	257 450	(152 012)	-	1 780 074	334 210	245 687	(64 399)	515 498	1 264 576
Furniture & Fittings	2 906 100	331 881	(545 900)	-	2 692 081	1 342 998	360 451	(269 107)	1 434 342	1 257 739
Motor Vehicles	5 594 252	1 647 109	(1 603 384)	-	5 637 977	1 815 222	942 426	(534 908)	2 222 740	3 415 237
Fire Engines	1 710 915	8 043 636	(830 457)	-	8 924 094	778 251	532 167	(449 265)	861 153	8 062 941
Computer Equipment	2 659 428	92 670	(320 900)	-	2 431 198	1 061 293	599 331	(240 498)	1 420 126	1 011 072
Special Vehicles	945 945	-	-	-	945 945	159 742	84 786	-	244 528	701 417
Tools and Equipment	1 273 188	-	(33 069)	-	1 240 119	680 528	190 533	(19 842)	851 219	388 900
	1 244 386 573	96 606 257	(6 007 226)	-	1 334 985 604	108 001 735	38 467 314	(1 999 199)	144 469 850	1 190 515 754

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.

The Economic Entity opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Economic Entity applied deemed cost where the acquisition cost of an asset could not be determined. For Other Assets and Infrastructure Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

MUNICIPALITY

30 JUNE 2010

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Land and Buildings	18 216 509	-	-	-	18 216 509	1 765 387	576 059	-	2 341 446	15 875 063
Land	2 027 000	-	-	-	2 027 000	-	-	-	-	2 027 000
Buildings	16 189 509	-	-	-	16 189 509	1 765 387	576 059	-	2 341 446	13 848 063
Infrastructure	1 118 948 580	90 457 020	-	-	1 209 405 600	64 634 555	34 853 490	-	99 488 045	1 109 917 555
Sewerage network	224 152 284	-	-	24 092 092	248 244 376	14 368 785	9 586 000	-	23 954 786	224 289 590
As previously reported	62 892 449	-	-	18 379 601	81 272 050	2 567 190	2 158 702	-	4 725 893	76 546 157
Correction of error restatement - note 33.18	161 259 835	-	-	5 712 491	166 972 326	11 801 595	7 427 298	-	19 228 893	147 743 433
Water network	736 508 588	-	-	12 254 612	748 763 200	50 265 770	25 267 490	-	75 533 260	673 229 940
As previously reported	63 388 626	-	-	13 250 828	76 639 454	4 552 515	1 912 317	-	6 464 832	70 174 622
Correction of error restatement - note 33.18	673 119 962	-	-	(996 216)	672 123 746	45 713 255	23 355 173	-	69 068 428	603 055 318
Work in Progress	158 287 708	90 457 020	-	(36 346 704)	212 398 024	-	-	-	-	212 398 024
As previously reported	150 205 708	87 270 670	-	(31 630 429)	205 845 949	-	-	-	-	205 845 949
Correction of error restatement - note 33.08	-	793 654	-	-	793 654	-	-	-	-	793 654
Correction of error restatement - note 33.18	8 082 000	2 392 696	-	(4 716 275)	5 758 421	-	-	-	-	5 758 421
Lease Assets	274 854	-	(274 854)	-	-	265 517	9 337	(274 854)	-	-
Lease Assets	274 854	-	(274 854)	-	-	265 517	9 337	(274 854)	-	-
Other Assets	16 984 443	2 467 735	(2 687 714)	-	16 764 464	5 900 315	2 715 574	(2 443 645)	6 172 244	10 592 220
Office Equipment	1 232 653	717 732	(275 749)	-	1 674 636	354 797	172 939	(193 526)	334 210	1 340 426
As previously reported	1 201 515	19 349	(275 749)	-	945 115	346 678	167 774	(193 526)	320 926	624 189
Correction of error restatement - note 33.08	-	698 383	-	-	698 383	-	-	-	-	698 383
Correction of error restatement - note 33.14	31 138	-	-	-	31 138	8 119	5 165	-	13 284	17 854
Furniture & Fittings	3 487 252	48 454	(629 606)	-	2 906 100	1 499 677	413 108	(569 787)	1 342 998	1 563 102
As previously reported	3 751 706	47 128	(629 606)	-	3 169 228	1 609 803	466 418	(569 787)	1 506 434	1 662 794
Correction of error restatement - note 33.08	-	1 326	-	-	1 326	-	-	-	-	1 326
Correction of error restatement - note 33.14	(264 454)	-	-	-	(264 454)	(110 126)	(53 310)	-	(163 436)	(101 018)
Motor Vehicles	5 720 047	689 113	(814 908)	-	5 594 252	1 575 751	1 011 012	(771 541)	1 815 222	3 779 030
As previously reported	5 720 047	619 351	(814 908)	-	5 524 490	1 888 195	1 046 987	(771 541)	2 163 641	3 360 849
Correction of error restatement - note 33.14	-	69 762	-	-	69 762	(312 444)	(35 975)	-	(348 419)	418 181
Fire Engines	1 742 051	-	(31 136)	-	1 710 915	648 576	160 515	(30 840)	778 251	932 664
As previously reported	1 742 051	-	(31 136)	-	1 710 915	1 042 169	340 549	(30 840)	1 351 878	359 037
Correction of error restatement - note 33.14	-	-	-	-	-	(393 593)	(180 034)	-	(573 627)	573 627
Computer Equipment	2 350 981	1 010 682	(702 235)	-	2 659 428	1 087 274	637 661	(663 642)	1 061 293	1 598 135
As previously reported	2 347 742	928 752	(702 235)	-	2 574 259	1 499 112	525 131	(663 642)	1 360 601	1 213 658
Correction of error restatement - note 33.08	-	81 930	-	-	81 930	-	-	-	-	81 930
Correction of error restatement - note 33.14	3 239	-	-	-	3 239	(411 838)	112 530	-	(299 308)	302 547
Special Vehicles	960 945	-	(15 000)	-	945 945	83 864	86 282	(10 404)	159 742	786 203
As previously reported	960 945	-	(15 000)	-	945 945	90 223	93 615	(10 404)	173 434	772 511
Correction of error restatement - note 33.14	-	-	-	-	-	(6 359)	(7 333)	-	(13 692)	13 692
Tools and Equipment	1 490 514	1 754	(219 080)	-	1 273 188	650 376	234 057	(203 905)	680 528	592 660
As previously reported	1 432 063	1 754	(219 080)	-	1 214 737	662 938	209 814	(203 905)	668 847	545 890
Correction of error restatement - note 33.14	58 451	-	-	-	58 451	(12 562)	24 243	-	11 681	46 770
	1 154 424 386	92 924 755	(2 962 568)	-	1 244 386 573	72 565 774	38 154 460	(2 718 499)	108 001 735	1 136 384 838

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
9 INVESTMENT PROPERTY				
Net Carrying amount at 1 July	5 200 576	11 722 072	5 200 576	5 818 265
Cost	5 382 357	5 903 807	5 382 357	5 903 807
As previously reported		5 547 807		5 547 807
Correction of error restatement - Refer to note 33.17		356 000		356 000
Accumulated Depreciation	(181 781)	(85 542)	(181 781)	(85 542)
Acquisitions	-	-	-	-
Disposals/Transfers	(2 422 073)	(521 450)	(2 422 073)	(521 450)
- Cost	(560 000)	(521 450)	(2 569 000)	(521 450)
- Accumulated Depreciation	126 115	-	146 927	-
Depreciation for the year	(96 803)	(96 239)	(92 936)	(96 239)
Net Carrying amount at 30 June	4 669 888	5 200 576	2 685 567	5 200 576
Cost	4 822 357	5 382 357	2 813 357	5 382 357
Accumulated Depreciation	(152 469)	(181 781)	(127 790)	(181 781)
Revenue derived from the rental of investment property	20 107	57 358	20 107	57 358

No operating expenditure was incurred on investment property during the 2008/2009 and 2009/2010 financial year.

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 investment property or for repairs, maintenance or enhancements.

The Economic Entity opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Economic Entity applied deemed cost where the acquisition cost of the investment property could not be determined. Fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007

10 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July	1 145 926	-	1 145 926	-
Cost	848 733	3 354 336	848 733	3 354 336
Accumulated Amortisation	-	(3 354 336)	-	(3 354 336)
Work in Progress	297 193	-	297 193	-
Additions and transfers from work in progress	2 454 162	848 733	2 454 162	848 733
As previously reported		-		-
Correction of error restatement - Refer to note 33.08		848 733		848 733
Work in Progress - Additions	790 016	297 194	790 016	297 194
As previously reported		19 299		19 299
Correction of error restatement - Refer to note 33.11		277 895		277 895
Amortisation	(227 304)	-	(227 304)	-
Net Carrying amount at 30 June	4 162 800	1 145 927	4 162 800	1 145 927
Cost	3 302 895	848 733	3 302 895	848 733
Accumulated Amortisation	(227 304)	-	(227 304)	-
Work in Progress	1 087 209	297 193	1 087 209	297 193

No intangible assets were assessed as having an indefinite useful life. There are no internally generated intangible assets at reporting date. There are no intangible assets whose title is restricted and no intangible assets pledged as security for liabilities.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
11 NON-CURRENT INVESTMENTS				
Financial Instruments				
Fixed Deposits	639 315	623 785	639 315	623 785
Unlisted				
Municipal Entity - Ukhahlamba Development Agency (Pty) Ltc			2 226 391	40 264
Cost			3 902 010	1 194 336
As previously reported				1 214 572
Correction of error restatement - Refer to note 33.08				40 264
Correction of error restatement - Refer to note 33.10				(60 500)
Provision for impairment			(1 675 619)	(1 154 072)
As previously reported				(1 214 572)
Correction of error restatement - Refer to note 33.10				60 500
Total Non-Current Investments	639 315	623 785	2 865 706	664 049

The Municipality has a 100% shareholding in Ukhahlamba Development Agency (Pty) Ltd. The purpose of the entity is to promote economic development in the district.

Fixed Deposits are investments with a maturity period of more than 12 months and average interest rate of 3.50% per annum. (2010 - 4.20%). Interest rates are considered to be market related.

The non-current investments serve as collateral security for staff housing loans and the DBSA loan.

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

Fixed deposits consist out of the following accounts:

ABSA - Acc no 2005305817	- Collateral J.W. van der Merwe	33 071	30 876	33 071	30 876
ABSA - Acc no 2043706043	- Collateral A.R. Lee Jnr	34 458	32 365	34 458	32 365
ABSA - Acc no 2045267243	- Collateral R. Bawuti	13 864	12 938	13 864	12 938
ABSA - Acc no 2046041557	- Collateral D.J. Greyling	22 710	21 165	22 710	21 165
ABSA - Acc no 2047792430	- Collateral B.D. Patu	39 497	36 841	39 497	36 841
ABSA - Acc no 2048731623	- Collateral M.J. Buyeye	36 343	33 981	36 343	33 981
ABSA - Acc no 2049602807	- Collateral A.H. Kruger	15 300	15 300	15 300	15 300
ABSA - Acc no 2051346954	- Collateral P.C. Fourie	19 500	19 500	19 500	19 500
ABSA - Acc no 2053804936	- Collateral J.C.R. Jonk	38 615	36 021	38 615	36 021
ABSA - Acc no 2058380282	- Joe Gqabi District Municipality	21 943	20 783	21 943	20 783
ABSA - Acc no 7276130255	- Joe Gqabi District Municipality	24 354	24 354	24 354	24 354
ABSA - Acc no 660000135	- Building - DBSA Loan	339 660	339 660	339 660	339 660
		639 315	623 785	639 315	623 785

12 INVENTORY				
Fuel – at cost	786 452	390 845	786 452	390 845
Stationery and materials - at cost	29 612	23 551	29 612	23 551
Spare parts - at cost	411 356	296 163	411 356	296 163
Total Inventory	1 227 420	710 559	1 227 420	710 559
Consumable stores materials losses/(gains) identified during stock counts	10 474	17 774	10 474	17 774
Inventory recognised as an expense during the year	3 470 035	4 567 459	3 470 035	4 567 459

No inventory was pledged as security.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13	RECEIVABLES FROM EXCHANGE TRANSACTIONS	ECONOMIC ENTITY		MUNICIPALITY	
		2011 R	2010 R	2011 R	2010 R
	Water Receivables	-	3 131 426	-	3 131 426
	Sanitation Receivables	-	1 932 735	-	1 932 735
	Other Receivables	8 885 999	1 096 450	8 868 649	1 096 450
	Sundry Receivables	8 676 257	833 269	8 658 907	833 269
	Irregular Expenditure	21 694	64 635	21 694	64 635
	Staff Debtors	188 047	198 546	188 047	198 546
		8 885 999	6 160 611	8 868 649	6 160 611
	Less: Allowance for Doubtful Debts	(404 257)	(4 361 426)	(404 257)	(4 361 426)
	As previously reported		(3 783 844)		(3 783 844)
	Correction of error restatement - Refer to note 33.06		(577 582)		(577 582)
	Total Net Receivables from Exchange Transactions	8 481 742	1 799 185	8 464 392	1 799 185

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.

In the current year a service level agreement was entered into with Maletswai Local Municipality. According to the agreement, Maletswai Local Municipality take ownership for the delivery of water and sanitation services. Accordingly the water and sanitation receivables were transferred to Maletswai Local Municipality.

Reconciliation of the Total Doubtful Debt Provision

Balance at beginning of the year	4 361 426	7 324 329	4 361 426	7 324 329
Contributions/(reversal) to provision	(3 957 169)	2 547 530	(3 957 169)	2 547 530
Doubtful debts written off against provision	-	(5 510 433)	-	(5 510 433)
Balance at end of year	404 257	4 361 426	404 257	4 361 426
Water Receivables	-	2 270 539	-	2 270 539
Sanitation Receivables	-	1 775 085	-	1 775 085
Other Receivables	404 257	315 802	404 257	315 802

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

	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
Economic Entity			
2011			
Other Receivables	8 885 999	(404 257)	8 481 742
	8 885 999	(404 257)	8 481 742
2010			
Water Receivables	3 131 426	(2 270 539)	860 887
Sanitation Receivables	1 932 735	(1 775 085)	157 650
Other Receivables	1 096 450	(315 802)	780 648
	6 160 611	(4 361 426)	1 799 185
Municipality			
2011			
Other Receivables	8 868 649	(404 257)	8 464 392
	8 868 649	(404 257)	8 464 392
2010			
Water Receivables	3 131 426	(2 270 539)	860 887
Sanitation Receivables	1 932 735	(1 775 085)	157 650
Other Receivables	1 096 450	(315 802)	780 648
	6 160 611	(4 361 426)	1 799 185

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
Ageing of Receivables from Exchange Transactions				
<u>(Water Receivables): Ageing</u>				
Current (0 - 30 days)	-	777 083	-	777 083
31 - 60 Days	-	411 860	-	411 860
61 - 90 Days	-	210 893	-	210 893
+ 90 Days	-	1 731 590	-	1 731 590
Total	-	3 131 426	-	3 131 426
<u>(Sanitation Receivables): Ageing</u>				
Current (0 - 30 days)	-	261 785	-	261 785
31 - 60 Days	-	145 391	-	145 391
61 - 90 Days	-	129 866	-	129 866
+ 90 Days	-	1 395 693	-	1 395 693
Total	-	1 932 735	-	1 932 735
<u>(Other Receivables): Ageing</u>				
Current (0 - 30 days)	7 780 633	-	7 764 883	-
31 - 60 Days	7 788	-	7 788	-
61 - 90 Days	7 788	-	7 788	-
+ 90 Days	1 089 790	1 096 450	1 088 190	1 096 450
Total	8 885 999	1 096 450	8 868 649	1 096 450

14 CASH AND CASH EQUIVALENTS

<u>Assets</u>				
Call Investments Deposits	2 827 428	65 318 756	2 827 428	65 318 756
Primary Bank Account	1 172 679	1 569 872	1 172 679	1 569 872
As previously reported		3 374 199		3 374 199
Correction of error restatement - Refer to note 33.05		(1 804 327)		(1 804 327)
Cash Floats	300	300	300	300
Total Cash and Cash Equivalents - Assets	4 000 407	66 888 928	4 000 407	66 888 928

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

Call Investments Deposits to an amount of R2 827 428 are held to fund the Unspent Conditional Grants (2010 - R21 432 884).

The Economic Entity has the following bank accounts:

Current Accounts

ABSA - account nr 23800000 19 (primary account)	1 172 679	1 569 872	1 172 679	1 569 872
	1 172 679	1 569 872	1 172 679	1 569 872

ABSA - account nr 23800000 19 (primary account)

Cash book balance at beginning of year	1 569 872	15 889 592	1 569 872	15 889 592
Cash book balance at end of year	1 172 679	1 569 872	1 172 679	1 569 872

Bank statement balance at beginning of year	2 357 805	21 487 993	2 357 805	21 487 993
Bank statement balance at end of year	1 212 016	2 357 805	1 212 016	2 357 805

Call Investments Deposits

ABSA - Acc no 9084169245 - MIG	312 033	12 342 346	312 033	12 342 346
ABSA - Acc no 9112771233 - Community Awareness	-	2 535	-	2 535
ABSA - Acc no 9115936822 - Department of Water Affairs	-	98 327	-	98 327
ABSA - Acc no 9083793817 - Disaster Management	-	6 774 854	-	6 774 854
ABSA - Acc no 9112772433 - Disaster Management Plans	-	241 413	-	241 413
ABSA - Acc no 9111164625 - Finance Management Grant	-	1 239 119	-	1 239 119
ABSA - Acc no 9185426744 - General Fund Operational Funds	2 223 325	9 882 051	2 223 325	9 882 051
ABSA - Acc no 9116802608 - Inter - Governmental Relations	-	1 680	-	1 680
ABSA - Acc no 9072226158 - Public Works Special Programme	26 246	1 313 387	26 246	1 313 387
ABSA - Acc no 9122637071 - Wetlands Projects	21 290	1 599 989	21 290	1 599 989
ABSA - Acc no 4050457691 - Maclear TRC	198	46 050	198	46 050
FNB - Acc no 61161929886 - Structure Plan Herschel	213 258	207 793	213 258	207 793
FNB - Acc no 71239823802 - Ukhahlamba Investment	-	20 911 890	-	20 911 890
INVESTEC - Acc no 1100456077450 - Joe Gqabi Investment	-	10 098 175	-	10 098 175
Trust Account - Greyvenstein & Spence - IDC Trust Account	31 079	559 147	31 079	559 147
	2 827 429	65 318 756	2 827 429	65 318 756

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

JOE QGABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

15

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
GOVERNMENT GRANTS AND SUBSIDIES	162 942 850	96 475 061	162 942 850	96 475 061
Unconditional Grants				
Equitable Share	125 942 850	96 475 061	125 942 850	96 475 061
ECDC	37 000 000	-	37 000 000	-
Conditional Grants	161 803 151	179 202 230	161 803 151	179 202 230
2010 Transport	126 000	-	126 000	-
Alphine Tourism	204 852	-	204 852	-
CMIP / MIG	104 767 396	102 802 019	104 767 396	102 802 019
As previously reported		101 927 970		101 927 970
Correction of error restatement - Refer to note 33.13		874 049		874 049
DBSA Assistance	-	533 588	-	533 588
DBSA Municipal Support Framework	46 342	651 565	46 342	651 565
As previously reported		-		-
Correction of error restatement - Refer to note 33.13		651 565		651 565
Department Water Affairs	8 657 384	11 203 541	8 657 384	11 203 541
DGLTA Aliwal North WTP	-	121 337	-	121 337
Disaster Management Community Awareness	-	6 842	-	6 842
As previously reported		631 379		631 379
Correction of error restatement - Refer to note 33.13		(624 537)		(624 537)
Disaster Management Establishment of Centres	-	226	-	226
Disaster Management Fire & Emergency Services	36 873	690 565	36 873	690 565
Disaster Management Forum	51 061	-	51 061	-
Disaster Management Plan	1 414	-	1 414	-
Disaster Management Policy Framework	46 355	-	46 355	-
Disaster Management Rebuild Houses	-	948 885	-	948 885
As previously reported		954 652		954 652
Correction of error restatement - Refer to note 33.13		(5 767)		(5 767)
Drought Relief Elundini	-	2 065 029	-	2 065 029
Drought Relief Senqu	-	580 420	-	580 420
Emergency Drought Relief	14 105 542	25 369 281	14 105 542	25 369 281
EPWP Programme	2 923 630	449 900	2 923 630	449 900
Finance Management Grant	642 472	722 956	642 472	722 956
Gariep Implement Lake	1 499 740	-	1 499 740	-
Heritage, Tourism & Economic Strategy	223 520	-	223 520	-
Heritage Management Plan (UCG)	75 820	-	75 820	-
IDC	-	800 000	-	800 000
IDP	-	1 439 087	-	1 439 087
Invoice Based Finance	1 100 000	-	1 100 000	-
ISRDP Nodal Support	70 421	(930)	70 421	(930)
IT Implementation	-	36 130	-	36 130
LED Capacity	197 665	350 000	197 665	350 000
LED ISRDP	-	1 101 452	-	1 101 452
LG Seta	1 014 315	179 387	1 014 315	179 387
Libraries	2 200 000	-	2 200 000	-
MSIG	654 798	459 000	654 798	459 000
Performance Management System	127 517	422 483	127 517	422 483
Public Work - Special Programme	23 006 276	28 269 467	23 006 276	28 269 467
As previously reported		27 850 873		27 850 873
Correction of error restatement - Refer to note 33.13		418 594		418 594
Stimulation of Economy through Marketing	23 758	-	23 758	-
Total Government Grants and Subsidies	324 746 001	275 677 291	324 746 001	275 677 291
Government Grants and Subsidies - Capital	97 592 480	100 750 756	97 592 480	100 750 756
Government Grants and Subsidies - Operating	227 153 521	174 926 535	227 153 521	174 926 535
	324 746 001	275 677 291	324 746 001	275 677 291
Balance previously reported		289 787 416		289 787 416
Less: Discontinued Operations - Note 32		(14 110 125)		(14 110 125)
Restated balance		275 677 291		275 677 291

The Economic Entity does not expect any significant changes to the level of grants. No grants were withheld during the current year.

Refer to note 6 for description of each grant. (See Appendix B for a reconciliation of all grants).

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
15.1 Reconciliation per Municipal Vote				
Executive & Council	19 039 012	15 387 508	19 039 012	15 387 508
Budget & Treasury	18 991 785	9 260 843	18 991 785	9 260 843
Corporate Services	7 331 618	3 895 505	7 331 618	3 895 505
Planning & Development	4 593 845	1 740 858	4 593 845	1 740 858
Health	765 642	2 435 947	765 642	2 435 947
Community & Social Services	12 707 799	11 535 068	12 707 799	11 535 068
Road Transport	25 929 905	28 719 366	25 929 905	28 719 366
Other	141 891 554	102 842 096	141 891 554	102 842 096
Waste Management	20 528 118	18 762 348	20 528 118	18 762 348
Water	72 966 725	81 097 753	72 966 725	81 097 753
Total Government Grants and Subsidies	324 746 001	275 677 292	324 746 001	275 677 292
16 GOVERNMENT SERVICES				
Working for Water	13 998 709	7 799 053	13 998 709	7 799 053
Working for Wetlands	3 536 056	3 090 844	3 536 056	3 090 844
Total Government Services	17 534 765	10 889 897	17 534 765	10 889 897
17 WATER AND SANITATION SERVICES				
Water Services	-	10 223 687	-	10 223 687
Sanitation Services	-	5 134 330	-	5 134 330
Total Water and Sanitation Services	-	15 358 017	-	15 358 017
18 INTEREST EARNED - EXTERNAL INVESTMENTS				
Call Investment Deposits	2 505 873	4 523 836	2 505 873	4 523 836
Primary Bank Account	279 345	321 182	279 345	321 182
Fixed Deposits	21 858	25 122	21 858	25 122
Total Interest Earned - External Investments	2 807 076	4 870 140	2 807 076	4 870 140
19 OTHER INCOME				
Sundry Income	257 415	304 674	257 415	304 674
Rental of Facilities and Equipment	20 107	57 358	20 107	57 358
Total Other Income	277 522	362 032	277 522	362 032
20 EMPLOYEE RELATED COSTS				
Bonuses	3 467 455	2 784 291	3 467 455	2 784 291
Contribution to current employee benefits - Staff Leave - Note 4	2 135 180	116 707	2 135 180	116 707
Contribution to current employee benefits - TASK Provision - Note 4	2 777 869	2 847 349	2 777 869	2 847 349
As previously reported		1 812 303		1 812 303
Correction of error restatement - Refer to note 33.12		1 035 046		1 035 046
Contribution to non-current employee benefits - Long Service Awards - Note 3	350 223	361 234	350 223	361 234
Contribution to non-current employee benefits - Post Retirement Medical - Note 3	1 057 902	496 992	1 057 902	496 992
Contribution to non-current employee benefits - Ex Gratia Gratuities - Note 3	26 164	18 320	26 164	18 320
As previously reported		195 632		195 632
Correction of error restatement - Refer to note 33.04		(177 312)		(177 312)
Employee related costs - Contributions for UIF, Pensions and Medical Aids	9 338 698	7 957 205	9 338 163	7 957 205
Employee related costs - Salaries and Wages	43 791 075	36 014 495	43 710 075	36 014 495
Housing Benefits and Allowances	424 970	359 867	424 970	359 867
Overtime Payments	1 844 257	1 655 969	1 844 257	1 655 969
Performance Bonuses	568 345	664 224	568 345	664 224
Travel, Motor Car, Telephone, Subsistence and Other Allowances	6 934 428	6 903 271	6 934 428	6 903 271
Total Employee Related Costs	72 716 566	60 179 924	72 635 031	60 179 924
Balance previously reported		68 936 481		68 936 481
Less: Discontinued Operations - Note 32		(8 756 557)		(8 756 557)
Restated balance		60 179 924		60 179 924

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
KEY MANAGEMENT PERSONNEL				
Municipal Manager and all Section 57 Managers are appointed on a 5-year fixed contract. The performance bonuses are only provisions which are estimates based on prior year's history. Performance bonuses are usually paid in the following year.				
REMUNERATION OF KEY MANAGEMENT PERSONNEL				
Remuneration of the Municipal Manager				
Annual Remuneration	983 494	896 933	983 494	896 933
Performance Bonuses	163 803	207 055	163 803	207 055
Travel Allowance	112 200	112 200	112 200	112 200
Telephone allowance	18 000	18 000	18 000	18 000
Contributions to UIF, Medical and Pension Funds	158 108	142 889	158 108	142 889
Total	1 435 605	1 377 077	1 435 605	1 377 077
Remuneration of the Director Technical Services				
Annual Remuneration	713 291	646 566	713 291	646 566
Performance Bonuses	138 908	104 630	138 908	104 630
Travel Allowance	170 220	170 220	170 220	170 220
Telephone allowance	9 464	8 604	9 464	8 604
Contributions to UIF, Medical and Pension Funds	185 837	166 807	185 837	166 807
Total	1 217 720	1 096 827	1 217 720	1 096 827
Remuneration of the Director Corporate Services				
Annual Remuneration	860 315	778 791	860 315	778 791
Performance Bonuses	108 730	75 218	108 730	75 218
Travel Allowance	151 964	151 964	151 964	151 964
Telephone allowance	9 464	8 604	9 464	8 604
Contributions to UIF, Medical and Pension Funds	55 061	49 096	55 061	49 096
Total	1 185 534	1 063 673	1 185 534	1 063 673
Remuneration of the Director Financial Services (resigned)				
Annual Remuneration	792 231	678 850	792 231	678 850
Performance Bonuses	-	139 092	-	139 092
Travel Allowance	152 400	152 400	152 400	152 400
Telephone allowance	9 464	8 604	9 464	8 604
Contributions to UIF, Medical and Pension Funds	148 267	147 566	148 267	147 566
Total	1 102 362	1 126 512	1 102 362	1 126 512
Remuneration of the Director Community Services and Planning				
Annual Remuneration	900 872	848 508	900 872	848 508
Performance Bonuses	143 563	138 229	143 563	138 229
Travel Allowance	156 000	156 000	156 000	156 000
Telephone allowance	9 464	8 604	9 464	8 604
Contributions to UIF, Medical and Pension Funds	14 751	12 335	14 751	12 335
Total	1 224 650	1 163 676	1 224 650	1 163 676
Remuneration of the Acting CEO - Ukhahlamba Development Agency				
Annual Remuneration	81 000	-	-	-
Contributions to UIF and SDL	535	-	-	-
Total	81 535	-	-	-
21	REMUNERATION OF COUNCILLORS			
Councillors	3 520 098	3 320 898	3 520 098	3 320 898
Councillors' Pension and Medical Aid Contributions	234 567	250 464	234 567	250 464
Total Councillors' Remuneration	3 754 665	3 571 362	3 754 665	3 571 362
In-kind Benefits				
The Executive Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Economic Entity. The Executive Mayor may utilise official Council transportation when engaged in official duties.				
22	REMUNERATION OF DIRECTORS			
Sitting Allowances	69 000	-	-	-
Total Remuneration of Directors	69 000	-	-	-
The members of the board of directors are all non-executive directors.				

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
23 DEBT IMPAIRMENT / (REVERSAL OF PROVISION FOR IMPAIRMENT)				
Contributions to provision	-	2 547 530	-	2 547 530
As previously reported		1 969 948		1 969 948
Correction of error restatement - Refer to note 33.04		577 582		577 582
Reversal of provision for impairment	(3 957 169)	-	(3 957 169)	-
Total Debt Impairment / (Reversal of provision for impairment)	(3 957 169)	2 547 530	(3 957 169)	2 547 530
24 IMPAIRMENTS				
Investment in Municipal Entity - Ukhahlamba Development Agency (Pty) Ltd	-	-	521 548	1 154 072
As previously reported				1 214 572
Correction of error restatement - Refer to note 33.10				(60 500)
Total Impairments	-	-	521 548	1 154 072
25 DEPRECIATION AND AMORTISATION				
Property, Plant and Equipment - note 8	38 491 385	38 154 562	38 467 314	38 154 460
As previously reported		7 506 805		7 506 703
Correction of error restatement - Refer to note 33.14		(134 714)		(134 714)
Correction of error restatement - Refer to note 33.18		30 782 471		30 782 471
Investment Property - note 9	96 803	96 239	92 936	96 239
Intangible Assets - note 10	227 304	-	227 304	-
Total Depreciation and Amortisation	38 815 492	38 250 801	38 787 554	38 250 699
26 REPAIRS AND MAINTENANCE				
Infrastructure	9 982 287	16 012 750	9 982 287	16 012 750
As previously reported		20 185 099		20 185 099
Correction of error restatement - Refer to note 33.04		(1 501 758)		(1 501 758)
Correction of error restatement - Refer to note 33.11		(277 895)		(277 895)
Correction of error restatement - Refer to note 33.18		(2 392 696)		(2 392 696)
Land and Buildings	179 609	254 590	179 609	254 590
As previously reported		237 250		237 250
Correction of error restatement - Refer to note 33.08		17 340		17 340
Other Assets	636 531	475 082	636 531	475 082
As previously reported		3 496 328		3 496 328
Correction of error restatement - Refer to note 33.09		(3 021 246)		(3 021 246)
Total Repairs and Maintenance	10 798 427	16 742 422	10 798 427	16 742 422
Balance previously reported		16 783 642		16 783 642
Less: Discontinued Operations - Note 32		(41 220)		(41 220)
Restated balance		16 742 422		16 742 422
27 FINANCE CHARGES				
Long-term Liabilities	838 978	889 921	838 978	889 921
Finance leases	-	464	-	464
Non-current Employee Benefits	1 964 686	1 519 625	1 964 686	1 519 625
As previously reported		1 821 612		1 821 612
Correction of error restatement - Refer to note 33.04		(301 987)		(301 987)
Total finance charges	2 803 664	2 410 010	2 803 664	2 410 010

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
28 CONTRACTED SERVICES				
Road maintenance	-	-	-	-
As previously reported		8 949 855		8 949 855
Correction of error restatement - Refer to note 33.08		24 888		24 888
Correction of error restatement - Refer to note 33.09		(8 974 743)		(8 974 743)
Water and sanitation charges - Other contractors	43 341 167	10 361 194	43 341 167	10 361 194
Water and sanitation charges - Local Municipalities	-	15 312 010	-	15 312 010
As previously reported		13 377 677		13 377 677
Correction of error restatement - Refer to note 33.08		1 934 333		1 934 333
Total Contracted Services	43 341 167	25 673 204	43 341 167	25 673 204
29 GRANTS AND SUBSIDIES PAID				
Local Municipalities	33 920 909	20 476 678	33 920 909	20 476 678
<p>A service level agreement was entered into with all the Local Municipalities. According to the agreement, the Local Municipalities take ownership for the delivery of water and sanitation services. A subsidy is payable to the Local Municipalities based on the projected budget deficit for the water and sanitation service delivery. The infrastructure for water and sanitation network is owned by the Economic Entity and leased to the Local Municipalities.</p>				
30 OPERATING GRANT EXPENDITURE				
Executive & Council	-	(10 000)	-	(10 000)
Budget & Treasury	911 750	813 606	911 750	813 606
As previously reported		715 673		715 673
Correction of error restatement - Refer to note 31.08		97 933		97 933
Corporate Services	971 058	470 894	971 058	470 894
Health	-	80 801	-	80 801
As previously reported		52 612		52 612
Correction of error restatement - Refer to note 31.08		28 189		28 189
Community & Social Services	7 774 210	9 288 414	7 774 210	9 288 414
As previously reported		8 884 637		8 884 637
Correction of error restatement - Refer to note 31.08		403 777		403 777
Road Transport	6 272 794	11 995 989	6 272 794	11 995 989
As previously reported		-		-
Correction of error restatement - Refer to note 33.09		11 995 989		11 995 989
Other	20 790 881	21 905 753	20 790 881	21 905 753
As previously reported		21 854 292		21 854 292
Correction of error restatement - Refer to note 31.08		51 461		51 461
Water	5 367 455	2 565 191	5 367 455	2 565 191
As previously reported		2 475 766		2 475 766
Correction of error restatement - Refer to note 31.08		89 425		89 425
Total Operating Grant Expenditure	42 088 148	47 110 648	42 088 148	47 110 648
Balance previously reported		47 567 091		47 567 091
Less: Discontinued Operations - Note 32		(456 443)		(456 443)
Restated balance		47 110 648		47 110 648

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
31 GENERAL EXPENSES				
Audit Fees	5 196 608	2 459 518	5 166 037	2 459 518
Advertising Fees	237 400	484 978	237 400	484 978
As previously reported		467 938		467 938
Correction of error restatement - Refer to note 33.08		17 040		17 040
Bank Charges	24 787	69 825	24 787	69 825
Computer Charges	1 829 552	1 787 406	1 829 552	1 787 406
Consulting Fees	1 726 328	1 461 598	1 682 849	1 461 598
As previously reported		1 365 009		1 365 009
Correction of error restatement - Refer to note 33.08		96 589		96 589
Entertainment	467 392	159 944	467 392	159 944
As previously reported		149 219		149 219
Correction of error restatement - Refer to note 33.08		10 725		10 725
Insurance	826 601	356 245	826 601	356 245
Legal Fees	365 143	196 507	364 643	196 507
Material and protective clothing	1 002 273	84 443	1 002 273	84 443
Marketing	555 203	985 540	555 203	985 540
Membership Fees	877 798	585 344	877 798	585 344
Postage	13 372	11 138	13 372	11 138
Pre-establishment costs	177 674	1 147 933	-	-
As previously reported		1 208 433		
Correction of error restatement - Refer to note 33.10		(60 500)		
Printing and Stationary	870 412	608 858	870 320	608 858
As previously reported		552 204		552 204
Correction of error restatement - Refer to note 33.08		56 654		56 654
Rentals	320 930	50 000	320 930	50 000
As previously reported		48 333		48 333
Correction of error restatement - Refer to note 33.08		1 667		1 667
Services	420 201	182 489	420 201	182 489
Special programmes	11 366 693	2 052 856	11 366 693	2 052 856
As previously reported		1 976 256		1 976 256
Correction of error restatement - Refer to note 33.05		1 250		1 250
Correction of error restatement - Refer to note 33.08		75 350		75 350
Telephone	1 053 337	976 358	1 053 337	976 358
As previously reported		947 517		947 517
Correction of error restatement - Refer to note 33.08		28 841		28 841
Training	2 827 084	2 348 904	2 827 084	2 348 904
As previously reported		2 203 985		2 203 985
Correction of error restatement - Refer to note 33.05		12 948		12 948
Correction of error restatement - Refer to note 33.08		131 971		131 971
Transfer of Water and Sanitation Receivables *	5 064 161	-	5 064 161	-
Travel and Subsistence	7 743 062	8 977 825	7 657 119	8 977 825
As previously reported		7 320 105		7 320 105
Correction of error restatement - Refer to note 33.05		1 657 720		1 657 720
Water and Electricity	3 361 402	1 192 803	3 361 402	1 192 803
Other	3 418 890	3 534 440	3 410 390	3 534 440
As previously reported		3 339 745		3 339 745
Correction of error restatement - Refer to note 33.08		194 695		194 695
Total General Expenses	49 746 303	29 714 952	49 399 544	28 567 019
Balance previously reported		31 417 045		30 269 112
Less: Discontinued Operations - Note 32		(1 702 093)		(1 702 093)
Restated balance		<u>29 714 952</u>		<u>28 567 019</u>

Transfer of Water and Sanitation Receivables

In the current year, a service level agreement was entered into with Maletswai Local Municipality. According to the agreement, Maletswai Local Municipality take ownership for the delivery of water and sanitation services. Subsequently all receivables relating to water and sanitation were transferred to Maletswai Local Municipality.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
32 DISCONTINUED OPERATIONS				
In the current year the primary health function was transferred to the Eastern Cape Provincial Department of Health. The effective date of the transfer was 1 April 2011 for employees and 30 June 2011 for all assets. All assets and staff were transferred to the Eastern Cape Provincial Department of Health.				
The Revenue and Expenditure relating to this operation:				
Revenue				
Government Grants and Subsidies	13 533 095	14 110 125	13 533 095	14 110 125
Expenditure				
Employee related costs	(9 399 548)	(8 756 557)	(9 399 548)	(8 756 557)
Repairs and maintenance	(187 507)	(41 220)	(187 507)	(41 220)
Operating Grant Expenditure	-	(456 443)	-	(456 443)
General expenses	(1 956 606)	(1 702 093)	(1 956 606)	(1 702 093)
Loss on disposal of Property, Plant and Equipment	(3 923 382)	-	(3 923 382)	-
Total Discontinued Operations	(1 933 948)	3 153 811	(1 933 948)	3 153 811

	ECONOMIC ENTITY		MUNICIPALITY	
	2010 R	2010 R	2010 R	2010 R
33 CORRECTION OF ERROR IN TERMS OF GRAP 3				
33.01 Incorrect allocation of Maletswai Local Municipality creditor payment to Value Added Tax				
In October 2009 a payment of R 1 193 988 was made to the Maletswai Local Municipality. This payment was incorrectly allocated to Value Added Tax. Therefore both the VAT Receivable and Trade Payables were overstated.				
Refer to Payables from Exchange Transactions - note 5			1 193 988	1 193 988
Refer to South African Revenue Service - note 7			(1 193 988)	(1 193 988)
33.02 Accruals raised excluding Value Added Tax				
In the prior year, the year-end accruals raised incorrectly excluded Value Added Tax. Therefore both the VAT Receivable and Trade Payables were understated.				
Refer to South African Revenue Service - note 7			2 090 095	2 090 095
Refer to Payables from Exchange Transactions - note 5			(2 090 095)	(2 090 095)
33.03 VAT on write-off's of other receivables in the 2009/2010 year				
In the prior year receivables balances for Private Works, Department of Health, Staff Debtors and Other Debtors were written off. These receivables were written off due to the fact that their existence could not be proven. The VAT relating to these debtors was not written off. Therefore, the VAT receivable were understated and Accumulated Surplus as on 1 July 2008 were understated.				
Refer to South African Revenue Service - note 7			286 556	286 556
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 33.20			(286 556)	(286 556)
33.04 2008/2009 Ex Gratia Gratuities valuation				
The Ex Gratia Gratuities valuation performed for 2008/2009 was incorrect due to incorrect information submitted to the actuaries. This resulted that the Ex Gratia Gratuities liability balance as on 30 June 2009 was overstated. Subsequently the actuarial gains, finance charges and contributions were incorrectly stated for 2009/2010 when the correct information was submitted to the actuaries to perform the 30 June 2010 valuation.				
Refer to Employee Benefits - Ex Gratia Gratuities - note 3.2			131 940	131 940
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 33.20			(3 363 353)	(3 363 353)
Refer to Employee Related Costs - note 20			(177 312)	(177 312)
Refer to Finance Charges - note 27			(301 987)	(301 987)
Refer to Statement of Financial Performance - Actuarial Gains - note 33.19			3 710 712	3 710 712

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY	MUNICIPALITY
	2010 R	2010 R
33.05 Payments not passed in Cash Book		
In the prior year several payments were made, but were never captured in cash book. These payments were reflected in the bank reconciliation. Subsequently, Unknown Receipts and Trade Payables were overstated, while General Expenses were understated.		
Refer to Payables from Exchange Transactions - note 5	93 000	93 000
Refer to Payables from Exchange Transactions - note 5	28 684	28 684
Refer to General Expenses - note 31	12 948	12 948
Refer to General Expenses - note 31	1 657 720	1 657 720
Refer to General Expenses - note 31	1 250	1 250
Refer to General Expenses - note 31	10 725	10 725
Refer to Cash and Cash Equivalents - note 14	(1 804 327)	(1 804 327)
33.06 Revaluation of Allowance for Doubtful Debt		
The allowance for doubtful debt with regards to water and sanitation receivables were reviewed in the current year. It was noted that the allowance for doubtful debts for the prior year was insufficient. Accordingly, Receivables from exchange transactions were overstated and Debt Impairment was understated.		
Refer to Debt Impairment - note 23	577 582	577 582
Refer to Receivables from Exchange Transactions - note 13	(577 582)	(577 582)
33.07 Duplication of Invoice		
In the prior year an invoice of a creditor was duplicated. Accordingly Payables from Exchange Transactions and Repairs and Maintenance were overstated.		
Refer to Payables from Exchange Transactions - note 5	1 501 758	1 501 758
Refer to Repairs and Maintenance - note 26	(1 501 758)	(1 501 758)
33.08 Unrecorded liabilities		
As a result of the audit qualification for 2009/2010 with regards to the completeness of Payables from Exchange Transactions, a comprehensive exercise was undertaken to ensure that all Payables as on 30 June 2010 were recorded. The findings resulted in the following amendments to the 2009/2010 figures:		
Refer to Payables from Exchange Transactions - note 5	(4 257 674)	(4 257 674)
Refer to South African Revenue Service - note 7	461 664	461 664
Refer to Contracted Services - note 28	24 888	24 888
Refer to Statement of Financial Performance - Emergency Drought Relief - note 33.19	15 900	15 900
Refer to General Expenses - note 31	17 040	17 040
Refer to General Expenses - note 31	96 589	96 589
Refer to General Expenses - note 31	194 695	194 695
Refer to General Expenses - note 31	56 654	56 654
Refer to General Expenses - note 31	1 667	1 667
Refer to General Expenses - note 31	75 350	75 350
Refer to General Expenses - note 31	28 841	28 841
Refer to General Expenses - note 31	131 971	131 971
Refer to Operating Grant Expenditure - note 30	97 933	97 933
Refer to Operating Grant Expenditure - note 30	403 777	403 777
Refer to Operating Grant Expenditure - note 30	28 189	28 189
Refer to Operating Grant Expenditure - note 30	51 461	51 461
Refer to Operating Grant Expenditure - note 30	89 425	89 425
Refer to Repairs and Maintenance - note 26	17 340	17 340
Refer to Non-current Investments - note 11	-	40 264
Refer to Intangible Assets - note 10	848 733	848 733
Refer to Property, Plant and Equipment - Work in Progress - note 8	793 654	793 654
Refer to Property, Plant and Equipment - Computer Equipment - note 8	113 685	81 930
Refer to Property, Plant and Equipment - Office Equipment - note 8	706 892	698 383
Refer to Property, Plant and Equipment - Furniture and Fittings - note 8	1 326	1 326
33.09 Roads Transport - Reclassification of Expenditure		
In the prior year, some expenditure of Roads and Transport were disclosed as Contracted Services and Repairs and Maintenance. These expenditure did not meet the definition of the above mentioned expenditure types and were accordingly reclassified.		
Refer to Contracted Services - note 28	(8 974 743)	(8 974 743)
Refer to Repairs and Maintenance - note 26	(3 021 246)	(3 021 246)
Refer to Operating Grant Expenditure - note 30	11 995 989	11 995 989

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY	MUNICIPALITY
	2010 R	2010 R
33.10 Investigation of Irregular Expenditure		
In the prior year an invoice to the amount of R60,500.00 was regarded as irregular expenditure. Further investigation proved that the services for the invoice was not rendered. The service provider could also not be located and subsequently the invoice was not paid and reversed.		
Refer to Payables from Exchange Transactions - note 5	60 500	60 500
Refer to Non-current Investments - note 11	-	(60 500)
Refer to Impairments - note 24	-	(60 500)
Refer to Non-current Investments - note 11	-	60 500
Refer to General Expenses - note 31	(60 500)	-
33.11 Intangible Assets		
In the prior year the procurement of an Intangible Asset (Project Tracker) was allocated to repairs and maintenance. Therefor, Intangible Assets was understated and Repair and Maintenance was overstated.		
Refer to Intangible Assets - note 10	277 895	277 895
Refer to Repairs and Maintenance - note 26	(277 895)	(277 895)
33.12 TASK Provision		
In the prior year errors were made with the TASK provision. The errors were due to the TASK provision listing not being complete with all the employees and that incorrect salaries were used with the calculation of the provision. Accordingly, both the TASK Provision and Employee Related Costs were understated.		
Refer to Employee Related Costs - note 20	1 035 046	1 035 046
Refer to Current Employee Benefits - note 4	(1 035 046)	(1 035 046)
33.13 Recognition of Non-Exchange Transactions		
The following errors were noted and corrected:		
<u>Grant income not recognised where conditions were met - refer to note 6 and 15</u>		
National Government Grants	418 594	418 594
DoRA Government Grants	874 049	874 049
Other Sources	651 565	651 565
CMIP / MIG	(874 049)	(874 049)
DBSA Municipal Support Framework	(651 565)	(651 565)
Public Work - Special Programme	(418 594)	(418 594)
<u>Grant income recognised where conditions were not met - refer to note 6 and 15</u>		
Provincial Government Grants	(630 304)	(630 304)
Disaster Management Community Awareness	624 537	624 537
Disaster Management Rebuild Houses	5 767	5 767
<u>Conditions met prior to 1 July 2009 - refer to note 6 and 15</u>		
Provincial Government Grants	1 730 295	1 730 295
National Government Grants	527 448	527 448
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 33.20	(2 257 743)	(2 257 743)
<u>Conditions not met prior to 1 July 2009 - refer to note 6 and 15</u>		
Provincial Government Grants	(154 288)	(154 288)
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 33.20	154 288	154 288

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY	MUNICIPALITY
	2010 R	2010 R
33.14 Other Assets		
The following assessments of other assets were performed in the current year which relates to the prior year:		
(a) A physical asset verification was conducted in April 2011 which resulted that 47 assets were not recorded on the asset register. The asset identified all relate to acquisitions prior to 1 July 2007. The depreciation replacement cost method was applied to establish the deemed cost of these assets.		
Refer to Property, Plant and Equipment - Tools and Equipment - note 8	58 451	58 451
Refer to Property, Plant and Equipment - Office Equipment - note 8	31 138	31 138
Refer to Property, Plant and Equipment - Furniture & Fittings - note 8	11 743	11 743
Refer to Property, Plant and Equipment - Computer Equipment - note 8	3 239	3 239
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 33.20	(104 571)	(104 571)
(b) VAT was incorrectly claimed on a BMW vehicle purchased in the 2009/2010 financial year.		
Refer to Property, Plant and Equipment - Motor Vehicles - note 8	69 762	69 762
Refer to South African Revenue Service - note 7	(69 762)	(69 762)
(c) In the prior year the deemed cost calculated for panel heaters were incorrectly done. The deemed cost were calculated with the application of Directive 7. This has been corrected during the current year.		
Refer to Property, Plant and Equipment - Furniture & Fittings - note 8	(276 197)	(276 197)
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 33.20	276 197	276 197
(d) Accumulated depreciation as on 1 July 2009 and depreciation for the 2009/2010 were corrected due to the following		
(i) residual values of assets were reassessed		
(ii) a change in usefull lives of assets were also conducted		
(iii) changes made to the cost price as indicated (a), (b) and (c)		
(iv) correction of error restatement as per note 33.08		
Refer to Property, Plant and Equipment - Office Equipment - note 8	(13 284)	(13 284)
Refer to Property, Plant and Equipment - Furniture & Fittings - note 8	163 436	163 436
Refer to Property, Plant and Equipment - Motor Vehciles - note 8	348 419	348 419
Refer to Property, Plant and Equipment - Fire Engines - note 8	573 627	573 627
Refer to Property, Plant and Equipment - Computer Equipment - note 8	299 308	299 308
Refer to Property, Plant and Equipment - Special Vehicles - note 8	13 692	13 692
Refer to Property, Plant and Equipment - Tools and Equipment - note 8	(11 681)	(11 681)
Refer to Depreciation and Amortisation - note 25	(134 714)	(134 714)
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 33.20	(1 238 803)	(1 238 803)
33.15 Payables - Maletswai Local Municipality		
Maletswai Local Municipality's loan account according to the Economic Entity's records did not agree to that of Maletswai Local Municipality's records. Upon further investigation of the variance it was evident that the loan account in the Economic Entity's records were understated. The main reason for the variance was due to water and sanitation debtors that were written off by Maletswai Local Municipality during the 2008/2009 financial year for which the Municipality had to reimburse Maletswai Local Municipality. The other reason was that for 2009/2010 financial year, the Municipality did not pay the claim submitted by Maletswai Local Municipality in full. Accordingly Payables from Exchange Transactions, Contracted Services and Accumulated Surplus were understated.		
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 33.20	3 092 629	3 092 629
Refer to Contracted Services - note 28	1 934 333	1 934 333
Refer to Payables from Exchange Transactions - note 5	(5 026 962)	(5 026 962)
33.16 PAYE Receivable		
It was noticed in the prior year that SARS made short payments on VAT claims submitted by the Economic Entity. Accordingly a receivable was created for these outstanding payments. In the current year these short payments were investigated and it was found that SARS withheld VAT claim payments to an amount of R745 962 for penalties and interest relating to PAYE, UIF and SDL. There was also an amount of R461 116 withheld for one PAYE payment not made. The monies withheld relate to financial periods from 1999/2000 to 2008/2009. Accordingly PAYE Receivables and Accumulated Surplus were overstated. The amount of R745 962 is considered to be Fruitless and Wasteful expenditure.		
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 33.20	1 207 078	1 207 078
Refer to South African Revenue Service - note 7	(1 207 078)	(1 207 078)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY	MUNICIPALITY
	2010 R	2010 R
33.17 Investment Property		
In the current year it was noted that Erf 30 Herschel was registered in name of the Economic Entity. This property is registered at the Umtata Deed Registration offices and therefore was not identified when a deed search was performed at the South African Deed Registration offices. Accordingly, Investment Property and Accumulated Surplus was understated.		
Refer to Investment Property - note 9	356 000	356 000
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 33.20	(356 000)	(356 000)
33.18 Infrastructure Assets		
(a) The audit report for 2009/2010 indicated that the infrastructure assets were incomplete. In the current year an investigation was made into all payments made for the period 1 July 2003 to 30 June 2010. It was noted that a significant amount amount payments were not captured in the asset register.		
Refer to Property, Plant and Equipment - Work in Progress - note 8	8 082 000	8 082 000
Refer to Property, Plant and Equipment - Work in Progress - note 8	2 392 696	2 392 696
Refer to Repairs and Maintenance - note 26	(2 392 696)	(2 392 696)
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 33.20	(8 082 000)	(8 082 000)
(b) Deemed cost in terms of Directive 7 was applied to infrastructure assets for which there were no information available with regards to the acquisition costs. Depreciated replacement cost as on 1 July 2007 was applied.		
Refer to Property, Plant and Equipment - Water Network 8	673 119 962	673 119 962
Refer to Property, Plant and Equipment - Sewerage Network - note 8	161 259 835	161 259 835
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 33.20	(834 379 797)	(834 379 797)
(c) Restatements as made in point (a) and (b) had the following effect on depreciation and accumulated depreciation.		
Refer to Property, Plant and Equipment - Water Network 8	(45 713 255)	(45 713 255)
Refer to Property, Plant and Equipment - Sewerage Network - note 8	(11 801 595)	(11 801 595)
Refer to Property, Plant and Equipment - Water Network 8	(23 355 173)	(23 355 173)
Refer to Property, Plant and Equipment - Sewerage Network - note 8	(7 427 298)	(7 427 298)
Depreciation and Amortisation - note 25	30 782 471	30 782 471
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 33.20	57 514 850	57 514 850
33.19 Statement of Financial Performance		
Actuarial Gains	1 832 335	1 832 335
As previously reported	5 543 047	5 543 047
Correction of error restatement - Refer to note 33.04	(3 710 712)	(3 710 712)
Emergency Drought Relief	34 964 634	34 964 634
As previously reported	34 948 734	34 948 734
Correction of error restatement - Refer to note 33.08	15 900	15 900
33.20 Accumulated Surplus - Opening balance 1 July 2009		
VAT on write-off's of other receivables in the 2009/2010 year - note 33.03	286 556	286 556
2008/2009 Ex Gratia Gratuities valuation - note 33.04	3 363 353	3 363 353
Recognition of Non-Exchange Transactions - note 33.13	2 103 455	2 103 455
Other Assets - note 33.14 (a)	104 571	104 571
Other Assets - note 33.14 (c)	(276 197)	(276 197)
Other Assets - note 33.14 (d)	1 238 803	1 238 803
Payables - Maletswai Local Municipality - note 33.15	(3 092 629)	(3 092 629)
PAYE Receivable - note 33.16	(1 207 078)	(1 207 078)
Investment Property - note 33.17	356 000	356 000
Infrastructure Assets - note 33.18 (a)	8 082 000	8 082 000
Infrastructure Assets - note 33.18 (b)	834 379 797	834 379 797
Infrastructure Assets - note 33.18 (c)	(57 514 850)	(57 514 850)
Total	787 823 781	787 823 781

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
34 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS				
Surplus for the year	27 629 517	29 718 366	27 633 956	29 712 329
Adjustments for:				
Depreciation	38 815 492	38 250 801	38 787 554	38 250 699
Contribution from/to employee benefits - non-current	3 398 975	2 567 717	3 398 975	2 567 717
Contribution from/to employee benefits - non-current - expenditure incurred	(1 231 669)	(1 021 519)	(1 231 669)	(1 021 519)
Contribution from/to employee benefits - non-current - actuarial gains	(2 248 540)	(1 832 335)	(2 248 540)	(1 832 335)
Contribution to employee benefits – current	7 864 730	6 398 159	7 864 730	6 398 159
Contribution to employee benefits – current - expenditure incurred	(5 512 368)	(2 805 674)	(5 512 368)	(2 805 674)
Contribution/(Reversal) to/of provisions – Allowance for Doubtful Debt Impairments	(3 957 169)	2 547 530	(3 957 169)	2 547 530
Loss on disposal of Property, Plant and Equipment	4 441 975	765 518	4 441 220	765 518
Operating Surplus before changes in working capital	69 200 943	74 588 564	69 698 237	75 736 497
Changes in working capital - restated 2010	(31 647 723)	19 439 833	(31 646 123)	19 439 833
Increase/(Decrease) in Payables from Exchange Transactions	(10 988 748)	47 653 354	(10 988 748)	47 653 354
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	2 620 379	(15 941 083)	2 620 379	(15 941 083)
Increase in South African Revenue Service	(10 357 087)	(1 867 629)	(10 372 837)	(1 867 629)
(Increase)/Decrease in Inventory	(516 861)	84 870	(516 861)	84 870
Decrease/(Increase) in Receivables from non-exchange transactions	(2 725 388)	26 978 797	(2 708 038)	26 978 797
(Increase)/Decrease in Unpaid Government Grants and Receipts	(9 680 018)	(37 468 476)	(9 680 018)	(37 468 476)
Cash generated by operations	37 553 220	94 028 397	38 052 114	95 176 330
35 CASH AND CASH EQUIVALENTS				
Cash and cash equivalents included in the cash flow statement comprise the following:				
Call Investments Deposits - Note 14	2 827 428	65 318 756	2 827 428	65 318 756
Cash Floats - Note 14	300	300	300	300
Bank - Note 14	1 172 679	1 569 872	1 172 679	1 569 872
Total cash and cash equivalents	4 000 407	66 888 928	4 000 407	66 888 928
36 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES				
Cash and Cash Equivalents - Note 35	4 000 407	66 888 928	4 000 407	66 888 928
Investments - Note 11	639 315	623 785	639 315	623 785
Less:	4 639 722	67 512 713	4 639 722	67 512 713
Unspent Committed Conditional Grants - Note 6	24 053 263	21 432 884	24 053 263	21 432 884
Net cash resources available for internal distribution/(resources utilised for internal distribution)	(19 413 541)	46 079 829	(19 413 541)	46 079 829
37 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term Liabilities - Note 2	6 855 304	7 178 072	6 855 304	7 178 072
Used to finance property, plant and equipment - at cost	(6 855 304)	(7 178 072)	(6 855 304)	(7 178 072)
Cash invested for repayment of long-term liabilities	-	-	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 10% and 11.52% and will be repaid by 2024.				

38.1 Economic Entity - Operational

	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Revenue by Source					
Government grants and subsidies	324 746 001	400 132 529	(75 386 528)	-18.84%	15 month MIG period resulted in an overstatement of revenue. Cashflow challenges affected expenditure patterns.
Fines	-	106 000	(106 000)	-100.00%	Traffic fines are not a revenue source nor function of the municipality and should not have been budgeted for.
Reversal of provision for impairment	3 957 169	-	3 957 169	0.00%	Given the nature of the item, revenue could not possibly be budgeted for.
Government Services	17 534 765	20 585 955	(3 051 190)	-14.82%	Insufficient budgeting for this activity.
Interest earned - external investments	2 807 076	6 572 000	(3 764 924)	-57.29%	Investments withdrawn through the year resulting in reduction in interest.
Interest earned - outstanding debtors	-	1 000	(1 000)	-100.00%	No interest charged on debtors.
Other income	277 522	1 042 842	(765 320)	-73.39%	Other income is not a determinable income and should not have been budgeted for.
Actuarial Gains	2 248 541	-	2 248 541	0.00%	Given the nature of the item, revenue could not possibly be budgeted for.
	351 571 074	428 440 326	(76 869 252)	-17.94%	
Expenditure by Nature					
Employee related costs	(72 716 566)	(61 101 388)	(11 615 178)	19.01%	TASK was insufficiently budgeted for and had a impact on the provision for leave due to the new salary scales.
Remuneration of Councillors	(3 754 665)	(4 131 991)	377 326	-9.13%	A vacancy arose in council for a short period when the then Executive Mayor was promoted to an MPL.
Remuneration of Directors	(69 000)	(217 000)	148 000	-68.20%	Pre-establishment phase ended later than anticipated.
Impairments	-	(1 600 000)	1 600 000	-100.00%	There was less impairment on JGDM's investment than expected due to not much activity in JoGEDA.
Depreciation and Amortisation	(38 815 492)	(8 043 666)	(30 771 826)	382.56%	This overexpenditure was due to the deemed cost application on Infrastructure assets.
Repairs and maintenance	(10 798 427)	(3 438 311)	(7 360 116)	214.06%	Planned maintenance was overspent due to continual failures in the Water and Sanitation environment
Finance charges	(2 803 664)	(815 000)	(1 988 664)	244.01%	Actuarial valuations interest charges were not budgeted for.
Contracted services	(43 341 167)	(24 392 517)	(18 948 650)	77.68%	VIP toilets could not be capitalised and were located here. Emergency interventions around Honey Sucking
Grants and Subsidies paid	(33 920 909)	(29 328 819)	(4 592 090)	15.66%	Agreement reached with WSP (LMs) around standardising the admin portion of subsidy resulting in an increase
Inventory adjustments	(10 474)	(1 000)	(9 474)	947.42%	Insufficient budgeting for this activity.
Operating Grant Expenditure	(42 088 148)	(75 758 667)	33 670 519	-44.44%	Cashflow restrictions reduced expenditure. Grant revenue not received resulting in reduction in programmes
Emergency Drought Relief	(23 424 201)	(18 104 000)	(5 320 201)	29.39%	Continual water shortages resulting in emergency interventions
General expenses	(49 746 303)	(42 550 417)	(7 195 886)	16.91%	The transfer of Maletswai debtors out of the books due to the signing this year of the Water Services Agreement.
Loss on disposal of PPE	(518 593)	-	(518 593)	0.00%	Given the nature of the item, revenue could not possibly be budgeted for.
	(322 007 609)	(269 482 776)	(52 524 833)	19.49%	
Surplus from continued operations	29 563 465	158 957 550	(129 394 085)	-81.40%	
Discontinued Operations	(1 933 948)	2 645 896	(4 579 844)	-173.09%	Loss with transfer of primary health assets
Surplus for the year	27 629 517	161 603 446	(133 973 929)	-82.90%	
	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Revenue by Source					
Government grants and subsidies	275 677 291	371 197 196	(95 519 905)	-25.73%	The grant amounts regarding ECDC contributions to Ugie Water Infrastructure and other not received.
Fines	300	100 000	(99 700)	-99.70%	Distribution of fines charged not paid over to Joe Gqabi DM as budgeted.
Government Services	10 889 897	15 577 528	(4 687 631)	-30.09%	Given the nature of the item, revenue could not possibly be budgeted for.
Water and Sanitation Services	15 358 017	-	15 358 017	0.00%	Budgeted as part of Government Grants and Subsidies.
Interest earned - external investments	4 870 140	8 900 000	(4 029 860)	-45.28%	Interest rate and investment lower than anticipated.
Interest earned - outstanding debtors	-	17 000	(17 000)	-100.00%	No interest charged on outstanding debtors.
Other income	362 032	1 406 652	(1 044 620)	-74.26%	Final RSC levies collected.
Actuarial Gains	1 832 335	-	1 832 335	0.00%	Given the nature of the item, revenue could not possibly be budgeted for.
	308 990 012	397 198 376	(88 208 364)	-22.21%	
Expenditure by Nature					
Employee related costs	(60 179 924)	(68 283 482)	8 103 558	-11.87%	Provision for negotiated TASK Job Evaluation and Roads Casual wages not budgeted for.
Remuneration of Councillors	(3 571 362)	(3 747 823)	176 461	-4.71%	Reasonable as more money was budgeted for that what was actually paid
Debt Impairment	-	(23 820)	23 820	-100.00%	Maletswai LM did not sign SLA. Treated as agency for Water & Sanitation services.
Impairments	-	(850 000)	850 000	-100.00%	Impairment on investment in Development Agency not budgeted for.
Depreciation and Amortisation	(38 250 801)	(21 601 455)	(16 649 346)	77.08%	Depreciation was not accurately budgeted for as the values for PPE was not known at the time of budgeting.
Repairs and maintenance	(16 742 422)	(26 601 243)	9 858 821	-37.06%	Interest on non-current employee benefits not included in budget amount.
Finance charges	(2 410 010)	(815 000)	(1 595 010)	195.71%	More maintenance was necessary at water rural plants as planned.
Contracted services	(25 673 204)	(95 400)	(25 577 804)	26811.12%	Maletswai LM did not sign SLA. Treated as agency for Water & Sewerage services. Honeysuckers services rendered.
Grants and Subsidies paid	(20 476 678)	-	(20 476 678)	0.00%	The SLA agreements with LM's entered near year-end. Maletswai not included in this expenditure item
Inventory adjustments	(17 774)	-	(17 774)	0.00%	Losses identified during stock take.
Operating Grant Expenditure	(47 110 648)	(110 998 626)	63 887 978	-57.56%	The ECDC grants towards Ugie Water Infrastructure not received and now expenditure. See revenue item.
Emergency Drought Relief	(34 964 634)	(7 597 605)	(27 367 029)	360.21%	Emergency drought relief project expenditure as a result of drought disaster announced by Premier
General expenses	(29 714 952)	(31 670 997)	1 956 045	-6.18%	Subsistence and Travelling costs increased as a result of the Essential User Scheme introduced by management.
Loss on disposal of PPE	(765 518)	-	(765 518)	0.00%	Lost on PPE assets due to asset verification process embarked on during the year.
	(279 877 927)	(272 285 451)	(7 592 476)	2.79%	
Surplus from continued operations	29 112 085	124 912 925	(95 800 840)	-76.69%	
Discontinued Operations	3 153 811	219 842	2 933 969	1334.58%	
Surplus for the year	32 265 896	125 132 767	(92 866 871)	-74.21%	

38.2 Economic Entity - Expenditure by Vote

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Actual (R)	Budget (R)	Variance (R)	Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
2011					
Executive & Council	(15 094 720)	(15 538 819)	444 099	-2.86%	Small variance, not material
Budget & Treasury	(13 211 981)	(11 743 608)	(1 468 373)	12.50%	Additional assistance required for support around financial systems and rectification of financial challenges
Corporate Services	(25 302 374)	(19 234 216)	(6 068 158)	31.55%	Employee benefit provisions not budgeted for.
Planning & Development	(4 571 030)	(2 564 904)	(2 006 126)	78.21%	Task evaluation not budgeted for effectively for the Technical Department
Health	(23 487 952)	(20 573 773)	(2 914 179)	14.16%	Loss with transfer of assets
Community & Social Services	(35 985 170)	(42 711 720)	6 726 550	-15.75%	Due to the cashflow challenges tenders were not awarded in Disaster Management section.
Road Transport	(22 746 340)	(32 235 704)	9 489 364	-29.44%	DoRT reduced the budget therefore expenditure was reduced.
Other	(26 015 727)	(41 894 794)	15 879 067	-37.90%	Revenue was overstated so expenditure was curbed to meet available revenue.
Waste Management	(48 999 162)	(21 905 809)	(27 093 353)	123.68%	Emergency Honey sucking of sewerage to limit pollution and disease. Increase in subsidy for LM's
Water	(122 147 855)	(71 222 533)	(50 925 322)	71.50%	Emergency drought relief and water carting due to shortage of availability of water. Increase in the subsidy for LM's
Municipal Entity - Development Agency	(524 187)	(1 265 000)	740 813	-58.56%	Pre-establishment phase ended later than anticipated.
	(338 086 498)	(280 890 880)	(57 195 618)	20.36%	
2010					
Executive & Council	(11 977 788)	(12 940 608)	962 820	-7.44%	Not all projects realised during the year. Variance less than 10%.
Budget & Treasury	(9 677 478)	(11 888 221)	2 210 743	-18.60%	Fewer staff appointed and asset management less than budgeted. System Administration section not implemented
Corporate Services	(15 638 450)	(16 944 033)	1 305 583	-7.71%	Security issues and building renovations plan not implemented during year as budgeted for
Planning & Development	(3 377 873)	(3 659 244)	281 371	-7.69%	Budget amount for this vote included internal charges. This was not taken into account on AFS actual expenditure.
Health	(18 466 898)	(26 537 797)	8 070 899	-30.41%	Budgeted for Provincial EHP's.
Community & Social Services	(29 081 250)	(29 363 800)	282 550	-0.96%	DBSA Development Support Framework and DBSA IER Framework funds not received.
Road Transport	(28 402 019)	(29 828 878)	1 426 859	-4.78%	Small variance. Less than 10%.
Other	(27 717 628)	(74 263 282)	46 545 654	-62.68%	Over budgeted for Working for Water and Working for Wetlands.
Waste Management	(40 667 234)	(16 825 270)	(23 841 964)	141.70%	Additional subsidies paid to Water Service Providers.
Water	(108 196 715)	(62 702 043)	(45 494 672)	72.56%	Over expenditure on water carting.
	(293 203 333)	(284 953 176)	(8 250 157)	2.90%	

38.3 Economic Entity - Capital Expenditure by Vote

	Actual (R)	Budget (R)	Variance (R)	Variance (%)	Explanation of Significant Variances greater than 5% versus Budget
2011					
Executive & Council	-	160 454	(160 454)	-100.00%	No expenditure due to cash flow challenges.
Budget & Treasury	2 063 608	1 382 721	680 887	49.24%	SAMRAS installation costs more than was budgeted under the capex vote.
Corporate Services	532 498	2 780 000	(2 247 502)	-80.85%	Extensions to the building initiated but not implemented due to cashflow challenges
Planning & Development	70 184	95 000	(24 816)	-26.12%	Planned small capex equipment bought by IT section
Health	918 795	1 424 533	(505 738)	-35.50%	Health function transferred, all repairs and extensions to clinics not implemented due to cashflow challenges
Community & Social Services	11 947 698	17 042 314	(5 094 616)	-29.89%	Cashflow problems resulted in tenders being cancelled in Disaster Management
Road Transport	-	27 000	(27 000)	-100.00%	No expenditure due to cash flow challenges.
Other	-	9 000	(9 000)	-100.00%	No expenditure due to cash flow challenges.
Waste Management	11 620 811	73 014 143	(61 393 332)	-84.08%	Some MIG projects were slow to start and others had to be excellerated to ensure compliance with MIG criteria.
Water	75 402 715	60 494 682	14 908 033	24.64%	Some MIG projects were slow to start and others had to be excellerated to ensure compliance with MIG criteria.
Municipal Entity - Development Agency	220 594	385 000	(164 406)	-42.70%	Pre-establishment phase ended later than anticipated.
	102 776 903	156 814 847	(53 709 132)	-34.25%	
2010					
Executive & Council	740 107	790 000	(49 893)	-6.32%	Furniture not purchased as no additional office space is available.
Budget & Treasury	1 181 671	193 000	988 671	512.26%	SAMRAS Accounting System costs not budgeted for.
Corporate Services	690 100	460 000	230 100	50.02%	Early arrival of printers budgeted for in the following financial year
Planning & Development	157 674	230 000	(72 326)	-31.45%	Savings on printers and laptops purchased.
Health	291 105	790 000	(498 895)	-63.15%	MHS database not purchased.
Community & Social Services	1 403 147	17 207 314	(15 804 167)	-91.85%	Fire equipment not purchased as subsidy was not received.
Road Transport	-	250 000	(250 000)	-100.00%	Infrastructure of bridge not concluded.
Other	46 999	70 000	(23 001)	-32.86%	Furniture not purchased as no additional office space is available.
Waste Management	2 353 156	20 173 900	(17 820 744)	-88.34%	Not all projects concluded.
Water	88 401 058	93 486 100	(5 085 042)	-5.44%	Not all projects concluded.
	95 265 017	133 650 314	(38 385 297)	-28.72%	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Revenue by Source					
Government grants and subsidies	324 746 001	398 532 529	(73 786 528)	-18.51%	15 month MIG period resulted in an overstatement of revenue. Cashflow challenges affected expenditure patterns.
Fines	-	106 000	(106 000)	-100.00%	Traffic fines are not a revenue source nor function of the municipality and should not have been budgeted for.
Reversal of provision for impairment	3 957 169	-	3 957 169	0.00%	Given the nature of the item, revenue could not possibly be budgeted for.
Government Services	17 534 765	20 585 955	(3 051 190)	-14.82%	Insufficient budgeting for this activity.
Interest earned - external investments	2 807 075	6 572 000	(3 764 925)	-57.29%	Investments withdrawn through the year resulting in reduction in interest.
Interest earned - outstanding debtors	-	1 000	(1 000)	-100.00%	No interest charged on debtors.
Other income	277 522	1 042 842	(765 320)	-73.39%	Other income is not a determinable income and should not have been budgeted for.
Actuarial Gains	2 248 541	-	2 248 541	0.00%	Given the nature of the item, revenue could not possibly be budgeted for.
	351 571 073	426 840 326	(75 269 253)	-17.63%	
Expenditure by Nature					
Employee related costs	(72 635 030)	(60 772 388)	(11 862 642)	19.52%	TASK was insufficiently budgeted for and had a impact on the provision for leave due to the new salary scales.
Remuneration of Councillors	(3 754 665)	(4 131 991)	377 326	-9.13%	A vacancy arose in council for a short period when the then Executive Mayor was promoted to an MPL.
Impairments	(521 548)	(1 600 000)	1 078 452	-67.40%	There was less impairment on JGDM's investment than expected due to not much activity in JoGEDA.
Depreciation and Amortisation	(38 787 554)	(8 025 666)	(30 761 888)	383.29%	This overexpenditure was due to the deemed cost application on Infrastructure assets.
Repairs and maintenance	(10 798 427)	(3 438 311)	(7 360 116)	214.06%	Planned maintenance was overspent due to continual failures in the Water and Sanitation environment
Finance charges	(2 803 664)	(815 000)	(1 988 664)	244.01%	Actuarial valuations interest charges were not budgeted for.
Contracted services	(43 341 167)	(24 392 517)	(18 948 650)	77.68%	VIP toilets could not be capitalised and were located here. Emergency interventions around Honey Sucking
Grants and Subsidies paid	(33 920 909)	(29 328 819)	(4 592 090)	15.66%	Agreement reached with WSP (LMs) around standardising the admin portion of subsidy resulting in an increase
Inventory adjustments	(10 474)	(1 000)	(9 474)	947.42%	Insufficient budgeting for this activity.
Operating Grant Expenditure	(42 088 149)	(75 758 667)	33 670 518	-44.44%	Cashflow restrictions reduced expenditure. Grant revenue not received resulting in reduction in programmes
Emergency Drought Relief	(23 424 201)	(18 104 000)	(5 320 201)	29.39%	Continual water shortages resulting in emergency interventions
General expenses	(49 399 543)	(41 850 417)	(7 549 126)	18.04%	The transfer of Maletswai debtors out of the books due to the signing this year of the Water Services Agreement.
Loss on disposal of PPE	(517 838)	-	(517 838)	0.00%	Given the nature of the item, revenue could not possibly be budgeted for.
	(322 003 169)	(268 218 776)	(53 784 393)	20.05%	
Surplus from continued operations	29 567 904	158 621 550	(129 053 646)	-81.36%	
Discontinued Operations	(1 933 948)	2 645 896	(4 579 844)	-173.09%	Loss with transfer of primary health assets
Surplus for the year	27 633 956	161 267 446	(133 633 490)	-82.86%	
	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Revenue by Source					
Government grants and subsidies	275 677 292	371 197 196	(95 519 904)	-25.73%	The grant amounts regarding ECDC contributions to Ugie Water Infrastructure and other not received.
Fines	300	100 000	(99 700)	-99.70%	Distribution of fines charged not paid over to Joe Gqabi DM as budgeted.
Government Services	10 889 897	15 577 528	(4 687 631)	-30.09%	Given the nature of the item, revenue could not possibly be budgeted for.
Water and Sanitation Services	15 358 017	-	15 358 017	0.00%	Budgeted as part of Government Grants and Subsidies.
Interest earned - external investments	4 870 140	8 900 000	(4 029 860)	-45.28%	Interest rate and investment lower than anticipated.
Interest earned - outstanding debtors	-	17 000	(17 000)	-100.00%	No interest charged on outstanding debtors.
Other income	362 032	1 406 652	(1 044 620)	-74.26%	Final RSC levies collected.
Actuarial Gains	1 832 335	-	1 832 335	0.00%	Given the nature of the item, revenue could not possibly be budgeted for.
	308 990 013	397 198 376	(88 208 363)	-22.21%	
Expenditure by Nature					
Employee related costs	(60 179 924)	(68 283 482)	8 103 558	-11.87%	Provision for negotiated TASK Job Evaluation and Roads Casual wages not budgeted for.
Remuneration of Councillors	(3 571 362)	(3 747 823)	176 461	-4.71%	Reasonable as more money was budgeted for that what was actually paid
Debt Impairment	(2 547 531)	(23 820)	(2 523 711)	10594.92%	Maletswai LM did not sign SLA. Treated as agency for Water & Sanitation services.
Impairments	(1 154 072)	(850 000)	(304 072)	35.77%	Impairment on investment in Development Agency not budgeted for.
Depreciation and Amortisation	(38 250 699)	(21 601 455)	(16 649 244)	77.07%	Depreciation was not accurately budgeted for as the values for PPE were not known at the time of budgeting.
Repairs and maintenance	(16 742 421)	(26 601 243)	9 858 822	-37.06%	Interest on non-current employee benefits not included in budget amount.
Finance charges	(2 410 011)	(815 000)	(1 595 011)	195.71%	More maintenance was necessary at water rural plants as planned.
Contracted services	(25 673 204)	(95 400)	(25 577 804)	26811.12%	Maletswai LM did not sign SLA. Treated as agency for Water & Sewerage services. Honeysuckers services rendered.
Grants and Subsidies paid	(20 476 678)	-	(20 476 678)	0.00%	The SLA agreements with LM's entered near year-end. Maletswai not included in this expenditure item
Inventory adjustments	(17 774)	-	(17 774)	0.00%	Losses identified during stock take.
Operating Grant Expenditure	(47 110 648)	(110 998 626)	63 887 978	-57.56%	The ECDC grants towards Ugie Water Infrastructure not received and now expenditure. See revenue item.
Emergency Drought Relief	(34 964 634)	(7 597 605)	(27 367 029)	360.21%	Emergency drought relief project expenditure as a result of drought disaster announced by Premier
General expenses	(28 567 017)	(31 670 997)	3 103 980	-9.80%	Subsistence and Travelling costs increased as a result of the Essential User Scheme introduced by management.
Loss on disposal of PPE	(765 518)	-	(765 518)	0.00%	Lost on PPE assets due to asset verification process embarked on during the year.
	(282 431 493)	(272 285 451)	(10 146 042)	3.73%	
Surplus from continued operations	26 558 520	124 912 925	(98 354 405)	-78.74%	
Discontinued Operations	3 153 811	219 842	2 933 969	1334.58%	
Surplus for the year	29 712 331	125 132 767	(95 420 436)	-76.26%	

38.5 Municipality - Expenditure by Vote

	Actual (R)	Budget (R)	Variance (R)	Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
2011					
Executive & Council	(15 094 720)	(15 538 819)	444 099	-2.86%	Small variance, not material
Budget & Treasury	(13 211 981)	(11 743 608)	(1 468 373)	12.50%	Additional assistance required for support around financial systems and rectification of financial challenges
Corporate Services	(25 302 374)	(19 234 216)	(6 068 158)	31.55%	Employee benefit provisions not budgeted for.
Planning & Development	(4 571 030)	(2 564 904)	(2 006 126)	78.21%	Task evaluation not budgeted for effectively for the Technical Department
Health	(23 487 952)	(20 573 773)	(2 914 179)	14.16%	Loss with transfer of assets
Community & Social Services	(35 985 170)	(42 711 720)	6 726 550	-15.75%	Due to the cashflow challenges tenders were not awarded in Disaster Management section.
Road Transport	(22 746 340)	(32 235 704)	9 489 364	-29.44%	DoRT reduced the budget therefore expenditure was reduced.
Other	(26 015 727)	(41 894 794)	15 879 067	-37.90%	Revenue was overstated so expenditure was curbed to meet available revenue.
Waste Management	(48 999 162)	(21 905 809)	(27 093 353)	123.68%	Emergency Honey sucking of sewerage to limit pollution and disease. Increase in subsidy for LM's
Water	(122 147 855)	(71 222 533)	(50 925 322)	71.50%	Emergency drought relief and water carting due to shortage of availability of water. Increase in the subsidy for LM's
	(337 562 311)	(279 625 880)	(57 936 431)	20.72%	
2010					
Executive & Council	(11 977 788)	(12 940 608)	962 820	-7.44%	Not all projects realised during the year. Variance less than 10%.
Budget & Treasury	(9 677 478)	(11 888 221)	2 210 743	-18.60%	Fewer staff appointed and asset management less than budgeted. System Administration section not implemented
Corporate Services	(15 638 450)	(16 944 033)	1 305 583	-7.71%	Security issues and building renovations plan not implemented during year as budgeted for
Planning & Development	(3 377 873)	(3 659 244)	281 371	-7.69%	Budget amount for this vote included internal charges. This was not taken into account on AFS actual expenditure.
Health	(18 466 898)	(26 537 797)	8 070 899	-30.41%	Budgeted for Provincial EHP's.
Community & Social Services	(29 081 250)	(29 363 800)	282 550	-0.96%	DBSA Development Support Framework and DBSA IER Framework funds not received.
Road Transport	(28 402 019)	(29 828 878)	1 426 859	-4.78%	Small variance. Less than 10%.
Other	(27 717 628)	(74 263 282)	46 545 654	-62.68%	Over budgeted for Working for Water and Working for Wetlands.
Waste Management	(40 667 234)	(16 825 270)	(23 841 964)	141.70%	Additional subsidies paid to Water Service Providers.
Water	(108 196 715)	(62 702 043)	(45 494 672)	72.56%	Over expenditure on water carting.
	(293 203 333)	(284 953 176)	(8 250 157)	2.90%	

38.6 Municipality - Capital Expenditure by Vote

	Actual (R)	Budget (R)	Variance (R)	Variance (%)	Explanation of Significant Variances greater than 5% versus Budget
2011					
Executive & Council	-	160 454	(160 454)	-100.00%	No expenditure due to cash flow challenges.
Budget & Treasury	2 063 608	1 382 721	680 887	49.24%	SAMRAS installation costs more than was budgeted under the capex vote.
Corporate Services	532 498	2 780 000	(2 247 502)	-80.85%	Extensions to the building initiated but not implemented due to cashflow challenges
Planning & Development	70 184	95 000	(24 816)	-26.12%	Planned small capex equipment bought by IT section
Health	918 795	1 424 533	(505 738)	-35.50%	Health function transferred, all repairs and extensions to clinics not implemented due to cashflow challenges
Community & Social Services	11 947 698	17 042 314	(5 094 616)	-29.89%	Cashflow problems resulted in tenders being cancelled in Disaster Management
Road Transport	-	27 000	(27 000)	-100.00%	No expenditure due to cash flow challenges.
Other	-	9 000	(9 000)	-100.00%	No expenditure due to cash flow challenges.
Waste Management	11 620 811	73 014 143	(61 393 332)	-84.08%	Some MIG projects were slow to start and others had to be excellerated to ensure compliance with MIG criteria.
Water	75 402 715	60 494 682	14 908 033	24.64%	Some MIG projects were slow to start and others had to be excellerated to ensure compliance with MIG criteria.
	102 556 309	156 429 847	(53 873 538)	-34.44%	
2010					
Executive & Council	740 107	790 000	(49 893)	-6.32%	Furniture not purchased as no additional office space is available.
Budget & Treasury	1 181 671	193 000	988 671	512.26%	SAMRAS Accounting System costs not budgeted for.
Corporate Services	690 100	460 000	230 100	50.02%	Early arrival of printers budgeted for in the following financial year
Planning & Development	157 674	230 000	(72 326)	-31.45%	Savings on printers and laptops purchased.
Health	291 105	790 000	(498 895)	-63.15%	MHS database not purchased.
Community & Social Services	1 403 147	17 207 314	(15 804 167)	-91.85%	Fire equipment not purchased as subsidy was not received.
Road Transport	-	250 000	(250 000)	-100.00%	Infrastructure of bridge not concluded.
Other	46 999	70 000	(23 001)	-32.86%	Furniture not purchased as no additional office space is available.
Waste Management	2 353 156	20 173 900	(17 820 744)	-88.34%	Not all projects concluded.
Water	88 401 058	93 486 100	(5 085 042)	-5.44%	Not all projects concluded.
	95 265 017	133 650 314	(38 385 297)	-28.72%	

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
39 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED				
39.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure:				
Opening balance	70 555 407	102 689 310	70 555 407	102 689 310
Unauthorised expenditure current year - capital	15 588 920	1 218 771	15 588 920	1 218 771
Unauthorised expenditure current year - operating	109 889 052	69 336 636	109 889 052	69 336 636
Approved by Council or condoned	-	(102 689 310)	-	(102 689 310)
Transfer to receivables for recovery	-	-	-	-
Unauthorised expenditure awaiting authorisation	196 033 379	70 555 407	196 033 379	70 555 407
Incident	Disciplinary steps			
Utilisation of grant monies for operational expenditure.	None			
Over expenditure on votes.	None			
39.2 Fruitless and wasteful expenditure				
Reconciliation of fruitless and wasteful expenditure:				
Opening balance	2 799 058	5 722 632	2 799 058	5 722 632
As previously reported		4 976 670		4 976 670
Correction of error restatement - Refer to note 33.16		745 962		745 962
Fruitless and wasteful expenditure current year	-	2 053 096	-	2 053 096
Condoned or written off by Council	(2 053 096)	(4 976 670)	(2 053 096)	(4 976 670)
Transfer to receivables for recovery - not condoned	-	-	-	-
Fruitless and wasteful expenditure awaiting condonement	745 962	2 799 058	745 962	2 799 058
Incident	Disciplinary steps			
SARS penalties and interest	None			
39.3 Irregular expenditure				
Reconciliation of irregular expenditure:				
Opening balance	7 496 902	-	7 496 902	-
Irregular expenditure current year	2 731 280	7 496 902	2 731 280	7 496 902
Condoned or written off by Council	-	-	-	-
Transfer to receivables for recovery - not condoned	-	-	-	-
Irregular expenditure awaiting condonement	10 228 182	7 496 902	10 228 182	7 496 902
Incident	Disciplinary steps			
Vouchers not compliant with SCM requirements	None			
Invalid Tax Clearance Certificates	None			
Formal quote process not followed	None			
40 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
40.1 SALGA Contributions - [MFMA 125 (1)(b)]				
Opening balance	-	-	-	-
Council subscriptions	872 547	584 344	872 547	584 344
Amount paid - current year	(201 039)	(584 344)	(201 039)	(584 344)
Balance unpaid (included in creditors)	671 508	-	671 508	-
40.2 Audit fees - [MFMA 125 (1)(b)]				
Opening balance	96 557	-	96 557	-
Current year audit fee	5 811 942	2 911 411	5 811 942	2 911 411
External Audit - Auditor-General	5 166 037	2 459 518	5 166 037	2 459 518
Internal Audit	645 905	451 893	645 905	451 893
Amount paid - current year	(5 349 357)	(2 814 854)	(5 349 357)	(2 814 854)
Balance unpaid (included in payables)	462 585	96 557	462 585	96 557

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
40.3 VAT - [MFMA 125 (1)(b)]				
Opening balance	8 737 759	8 292 652	8 737 759	8 292 652
Amounts received - current year	(18 089 284)	(27 021 620)	(18 089 284)	(27 021 620)
Amounts claimed - current year	28 462 121	27 466 727	28 462 121	27 466 727
Balance receivable	19 110 596	8 737 759	19 110 596	8 737 759

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.

40.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]				
Opening balance	(501 999)	(501 999)	(501 999)	(501 999)
Current year payroll deductions and Council Contributions	11 765 466	8 979 465	11 749 716	8 979 465
Amount paid - current year	(11 749 716)	(8 979 465)	(11 749 716)	(8 979 465)
Balance receivable	(486 249)	(501 999)	(501 999)	(501 999)

40.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]				
Opening balance	-	-	-	-
Current year payroll deductions and Council Contributions	(15 120 876)	9 739 279	(15 120 876)	9 739 279
Amount paid - current year	15 120 876	(9 739 279)	15 120 876	(9 739 279)
Balance unpaid (included in payables)	-	-	-	-

40.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

There are no overdue councillor accounts.

40.7 Other non-compliance - [MFMA 125(2)(e)]

Section 9(b) of the MFMA requires that annually before the start of a financial year, the name of each bank where the Economic Entity holds a bank account, and the type and number of each account should be submitted to the relevant Provincial Treasury and the Auditor-General in writing. The Economic Entity did not adhere to this section in the current year.

Section 32 (4) (a) of the MFMA states that the Accounting Officer must promptly inform the Mayor, the MEC of Local Government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the Economic Entity. The Economic Entity did not inform the relevant parties as required by the section.

The following non-compliances were identified at Ukhahlamba Development Agency (Pty) Ltd. The reasons for the non-compliances were due to Agency still being in its pre-establishment phase and a board was not yet appointed. Registration to SARS has not commenced yet, due to a bank account which has not been opened.

- The proposed budget was not submitted to the Parent Municipality 150 days prior to start of financial year.
- The revised proposed budget was not submitted to the Parent Municipality 100 days prior to start of financial year.
- The Board did not approve the budget 30 days prior to start of financial year.
- Expenditure was incurred which was not included in approved budget.
- The budget was not made public in the same way as the Parent Municipality's budget.
- A Mid-year Budget & Performance Assessment report was not submitted by the 20th January.
- The Mid-year budget and performance assessment report was not made public.
- Council of Parent Municipality did not determine upper limits of CEO and Senior managers.
- Accounting Officer did not ensure and maintain systems of Risk management and Internal control.
- Accounting Officer did not ensure the implementation of effective system of expenditure control that complies with tax, duty, pension, medical aid , audit fees and other statutory commitments.
- Loans were made to the directors of the Agency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
41 CAPITAL COMMITMENTS				
Commitments in respect of capital expenditure:				
Approved and contracted for:				
- Infrastructure	328 297 861	104 326 832	328 297 861	104 326 832
Total	328 297 861	104 326 832	328 297 861	104 326 832
This expenditure will be financed from:				
Government Grants	328 297 861	104 326 832	328 297 861	104 326 832
	328 297 861	104 326 832	328 297 861	104 326 832

42 FINANCIAL RISK MANAGEMENT

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

(a) Foreign Exchange Currency Risk

The Economic Entity does not engage in foreign currency transactions.

(b) Price risk

The Economic Entity is not exposed to price risk.

(c) Interest Rate Risk

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

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

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

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

0.5% (2010 - 0.5%) Increase in interest rates	23 197	337 562	23 197	337 562
0.5% (2010 - 0.5%) Decrease in interest rates	(23 197)	(337 562)	(23 197)	(337 562)

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 Economic Entity 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.

Debtors are disclosed net after provisions are made for impairment and bad debts. Debtors comprise of a large number of consumers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer receivables the Economic Entity effectively has the right to terminate services to customers, but 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 13 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 %	2011 R	2010 %	2010 R
Balances past due not impaired:				
Economic Entity				
<u>Exchange Receivables</u>				
Water Receivables	0%	-	10%	83 804
Sanitation Receivables	0%	-	0%	-
Other Receivables	100%	701 109	90%	780 648
	100%	701 109	100%	864 452

Municipality				
<u>Exchange Receivables</u>				
Water Receivables	0%	-	10%	83 804
Sanitation Receivables	0%	-	0%	-
Other Receivables	100%	699 509	90%	780 648
	100%	699 509	100%	864 452

No receivables are pledged as security for financial liabilities

The provision for bad debts could be allocated between the different classes of debtors as follows:

Economic Entity				
<u>Exchange Receivables</u>				
Water Receivables	0%	-	52%	2 270 539
Sanitation Receivables	0%	-	41%	1 775 085
Other Receivables	100%	404 257	7%	315 802
	100%	404 257	100%	4 361 426

Municipality				
<u>Exchange Receivables</u>				
Water Receivables	0%	-	52%	2 270 539
Sanitation Receivables	0%	-	41%	1 775 085
Other Receivables	100%	404 257	7%	315 802
	100%	404 257	100%	4 361 426

No bad debts were written of in the current year.

The Economic Entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure is disclosed below.

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.

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
Financial assets exposed to credit risk at year end are as follows:				
Receivables from Exchange Transactions	8 885 999	6 160 611	8 868 649	6 160 611
Cash and Cash Equivalents	4 000 407	66 888 928	4 000 407	66 888 928
Non-current Investments	639 315	623 785	639 315	623 785
Unpaid Conditional Grants and Subsidies	50 474 507	40 794 489	50 474 507	40 794 489
	64 000 228	114 467 813	63 982 878	114 467 813

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(e) Liquidity Risk

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

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

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

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Economic Entity and Municipality				
2011				
Long Term liabilities	1 132 215	4 529 396	8 234 691	13 896 302
Capital repayments	322 919	1 702 373	5 152 931	7 178 224
Interest	809 296	2 827 022	3 081 760	6 718 078
Payables from exchange transactions	65 881 792	-	-	65 881 792
Unspent Conditional Government Grants and Receipts	24 053 263	-	-	24 053 263
	<u>91 067 269</u>	<u>4 529 396</u>	<u>8 234 691</u>	<u>103 831 356</u>
2010				
Long Term liabilities	1 202 523	4 528 859	9 367 443	15 098 825
Capital repayments	356 020	1 528 751	5 649 323	7 534 094
Interest	846 503	3 000 108	3 718 120	7 564 732
Payables from exchange transactions	76 870 540	-	-	76 870 540
Unspent Conditional Government Grants and Receipts	21 432 884	-	-	21 432 884
	<u>99 505 947</u>	<u>4 528 859</u>	<u>9 367 443</u>	<u>113 402 249</u>

43 FINANCIAL INSTRUMENTS

Financial instruments of the Economic Entity are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

43.1 Financial Assets

Financial instruments at amortised cost

	ECONOMIC ENTITY		MUNICIPALITY	
	2011 R	2010 R	2011 R	2010 R
Non-Current Investments				
- Fixed Deposits	639 315	623 785	639 315	623 785
Receivables from Exchange Transactions	8 481 742	1 799 185	8 464 392	1 799 185
Cash and Cash Equivalents	4 000 407	66 888 928	4 000 407	66 888 928
Unpaid Conditional Government Grants and Receipts	50 474 507	40 794 489	50 474 507	40 794 489
Total Financial Instruments at amortised cost	<u>63 595 971</u>	<u>110 106 387</u>	<u>63 578 621</u>	<u>110 106 387</u>

Financial instruments at cost

Non-Current Investments				
- Municipal Entity - Ukhahlamba Development Agency (Pty) Ltd	-	-	2 226 391	40 264
Total carrying amount of financial assets	<u>63 595 971</u>	<u>110 106 387</u>	<u>65 805 012</u>	<u>110 146 651</u>

ECONOMIC ENTITY

MUNICIPALITY

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	2011 R	2010 R
43.2 Financial Liability				
Financial instruments at amortised cost				
Long-term Liabilities	6 855 304	7 178 072	6 855 304	7 178 072
Trade and Other Payables	65 881 792	76 870 540	65 881 792	76 870 540
Current Portion of Long-term Liabilities	322 919	356 020	322 919	356 020
Unspent Conditional Government Grants and Receipts	24 053 263	21 432 884	24 053 263	21 432 884
Total carrying amount of financial liabilities	97 113 278	105 837 516	97 113 278	105 837 516

44 EVENTS AFTER THE REPORTING DATE

During the current year the Chief Financial Officer resigned. As at reporting date, no permanent Chief Financial Officer has been appointed.

The Economic Entity has no other events after reporting date.

45 IN-KIND DONATIONS AND ASSISTANCE

The Entity occupies a building of Maletswai Local Municipality. Maletswai Local Municipality does not charge any rent for this occupation.

46 PRIVATE PUBLIC PARTNERSHIPS

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

47 CONTINGENT LIABILITY

Council have the following contingent liability at the end of the financial year 2010/2011:

Outstanding litigation claims

A claim of R326 014 was filed against the Economic Entity by a service provider for services rendered. Council has filed a counter claim. Council considers the likelihood of the case being lost by the Economic Entity as being low. No court date has been set as on the reporting date.

48 RELATED PARTIES

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

48.01 Related Party Loans

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 13. A provision for impairment is made, as it is not certain if the outstanding amount of R190 955 will be collected.

Refer to Irregular expenditure as per note 13 with regards to overpayment of certain Councillors' remuneration in the prior year.

Included in Receivables from Exchange Transactions as per note 13 are monies owed by the Board of Directors relating to PAYE that has not been deducted from their sitting allowances. The reason for the outstanding balances is due to the Entity not being registered at the South African Revenue Services. The outstanding PAYE will be deducted from future sitting allowances. Outstanding balances as on 30 June 2011 are as follow:

V Zitumane	4 500	-	-	-
Z P Zeka	2 250	-	-	-
G M C Orpen	2 250	-	-	-
S C Qongo	2 250	-	-	-
N Moleko	2 250	-	-	-
N Skweyiya	2 250	-	-	-
	15 750	-	-	-

48.02 Compensation of key management personnel

The compensation of key management personnel is set out in note 20, 21 and 22 to the Annual Financial Statements.

48.03 Investment in Municipal Entity

The Municipality has a 100% shareholding in Ukhahlamba Development Agency (Pty) Ltd as set out in note 11 to the Annual Financial Statements. No other transactions was entered into with this related party for the current financial year.

49 TAXATION AND DEFERRED TAX ASSET

No taxation is payable since the Economic Entity has an assessed tax loss of R1 732 722. No deferred tax asset was created for the assessed tax loss, since it is still unclear whether there will be taxable income in the future.

**APPENDIX A - Unaudited
JOE GQABI DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Maturity Date	Balance at 30 JUNE 2010	Received during the period	Redeemed during the period	Balance at 30 JUNE 2011
					R	R	R	R
ANNUITY LOANS								
DBSA - Building (R7.4m)	11.53%	100878	6 monthly	31 Dec 2024	6 744 438	-	196 652	6 547 786
DBSA - Sanitation (R1.4m)	10.00%	9980	6 monthly	30 Jun 2016	723 696	-	93 259	630 437
DBSA - Sanitation (Senqu transfer)	13.08%	12175	6 monthly	31 Dec 2010	65 958	-	65 958	-
Total Annuity Loans					7 534 092	-	355 869	7 178 223
TOTAL EXTERNAL LOANS					7 534 092	-	355 869	7 178 223

APPENDIX B - Unaudited
JOE QGABI DISTRICT MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance	Correction	Restated	Contributions	Operating	Capital	Balance	Unspent	Unpaid
	1 JULY 2009	of error	balance 1 JULY 2010	during the year	Expenditure during the year Transferred to Revenue	Expenditure during the year Transferred to Revenue	30 JUNE 2011	30 JUNE 2011 (Creditor)	30 JUNE 2011 (Debtor)
	R	R	R	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS									
CONTINUED OPERATIONS									
2010 Transport	-	-	-	126 000	126 000	-	-	-	-
Alphine Tourism	310 476	-	310 476	-	204 852	-	105 624	105 624	-
CMIP / MIG	(13 449 756)	(874 049)	(14 323 805)	94 694 000	7 174 916	97 592 480	(24 397 201)	-	(24 397 201)
DBSA Municipal Support Framework	-	(651 565)	(651 565)	-	46 342	-	(697 907)	-	(697 907)
Department Water Affairs	1 849 092	-	1 849 092	8 131 178	8 657 384	-	1 322 886	1 322 886	-
Disaster Management Community Awareness	(624 537)	624 537	-	-	-	-	-	-	-
Disaster Management Forum	87 176	-	87 176	-	51 061	-	36 115	36 115	-
Disaster Management Establishment of Centres	5 449 773	-	5 449 773	-	-	-	5 449 773	5 449 773	-
Disaster Management	(19 546)	19 546	-	-	-	-	-	-	-
Disaster Management Plan	1 499 343	-	1 499 343	-	1 414	-	1 497 929	1 497 929	-
Disaster Management Fire & Emergency Services	1 704 609	-	1 704 609	-	36 873	-	1 667 736	1 667 736	-
Disaster Management Policy Framework	384 789	-	384 789	-	46 355	-	338 434	338 434	-
Disaster Management Rebuild Houses	(5 767)	5 767	-	-	-	-	-	-	-
Drought Relief Elundini	1 505	(1 505)	-	-	-	-	-	-	-
Drought Relief Senqu	572	(572)	-	-	-	-	-	-	-
ECDC	-	-	-	37 000 000	37 000 000	-	-	-	-
Elundini Community Hall & Roac	223 392	(223 392)	-	-	-	-	-	-	-
Emergency Drought Relief	(25 369 281)	-	(25 369 281)	14 105 542	14 105 542	-	(25 369 281)	-	(25 369 281)
EPWP Programme	-	-	-	2 923 630	2 923 630	-	-	-	-
Equitable Share	-	-	-	125 942 850	125 942 850	-	-	-	-
Finance Management Grant	(367 646)	-	(367 646)	1 000 000	642 472	-	(10 118)	-	(10 118)
Gariep Implement Lake	1 999 741	-	1 999 741	-	1 499 740	-	500 001	500 001	-
Heritage, Tourism & Economic Strategy	-	-	-	241 145	223 520	-	17 625	17 625	-
Heritage Management Plan (UCG)	-	-	-	229 912	75 820	-	154 092	154 092	-
IDP	221 140	(221 140)	-	-	-	-	-	-	-
Invoice Based Finance	-	-	-	1 100 000	1 100 000	-	-	-	-
ISRDP Nodal Support	559 687	(489 266)	70 421	-	70 421	-	-	-	-
LED Capacity	-	-	-	350 000	197 665	-	152 335	152 335	-
LED ISRDP	243 548	56 452	300 000	-	-	-	300 000	300 000	-
LG Seta	127 161	-	127 161	1 201 385	1 014 315	-	314 231	314 231	-
Libraries	(78 290)	78 290	-	2 200 000	2 200 000	-	-	-	-
MSIG	(3 902)	-	(3 902)	750 000	654 798	-	91 300	91 300	-
Performance Management System	127 517	-	127 517	-	127 517	-	-	-	-
Public Work - Special Programme	8 388 461	(943 965)	7 444 496	27 368 536	23 006 276	-	11 806 756	11 806 756	-
Remuneration Of Cdw's	796 497	(796 497)	-	-	-	-	-	-	-
Stimulation of Economy through Marketing	-	-	-	322 185	23 758	-	298 427	298 427	-
	(15 944 246)	(3 417 358)	(19 361 604)	317 686 363	227 153 521	97 592 480	(26 421 242)	24 053 264	(50 474 507)
DISCONTINUED OPERATIONS									
Subsidy Health	-	-	-	5 776 000	13 430 990	102 105	(7 757 095)	-	-
TOTAL	(15 944 246)	(3 417 358)	(19 361 604)	323 462 363	240 584 512	97 694 585	(34 178 338)	24 053 264	(50 474 507)