

JOE GQABI

DISTRICT MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2015

JOE GQABI DISTRICT MUNICIPALITY

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JOE GQABI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

NATURE OF BUSINESS

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

COUNTRY OF ORIGIN AND LEGAL FORM

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

JURISDICTION

The Joe Gqabi District Municipality includes the following areas:

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

MEMBERS OF THE MAYORAL COMMITTEE

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

MUNICIPAL MANAGER

Mr Z A Williams

ACTING CHIEF FINANCIAL OFFICER

Ms S du Toit

OTHER DIRECTORS

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

REGISTERED OFFICE

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

AUDITORS

Office of the Auditor General (EC)
Vincent
East London

ATTORNEYS

MI Ntshiba & Associates
Mthatha
5099

Smith Tabata Attorneys
King Williams Town
5601

Peyper Attorneys
Bloemfontein
9301

Clark Laing Inc
East London
5241

Mjululwa Hlalukana Attorneys
Mthatha
5099

Kirchmanns Incorporated
East London
5241

PRINCIPAL BANKERS

ABSA
P O Box 323
Bloemfontein
9300

JOE GQABI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

AUDIT COMMITTEE

Z Luswazi	- Chairperson	Resigned 30 April 2015
J Emslie	- Chairperson	Appointed 1 May 2015
P G Du Toit	- Member	
F K P Ntlemeza	- Member	

RELEVANT LEGISLATION

Abattoir Hygiene Act 121 of 1992
Arbitration Act 42 of 1965
Basic Conditions of Employment Act 75 of 1997
Black Authorities Service Pension Act 53 of 2003
Broad Based Black Economic Empowerment Act 53 of 2003
Business Act 71 of 1991
Communal Property Associations Act 28 of 1998
Community Development Act 3 of 1996
Constitution of the Republic of South Africa Act, 1996
Deeds Registries Act 47 of 1937
Development Bank of Southern Africa Act 13 of 1997
Development Facilitation Act 67 of 1995
Disaster Management Act 57 of 2002
Division of Revenue Act 2 of 2002
Electoral Act 73 of 1998
Electoral Commission Act 51 of 1996
Electricity Act 41 of 1987
Employment Equity Act 55 of 1998
Environment Conservation Act 73 of 1989
Eskom Act 40 of 1987
Expropriation Act 63 of 1975
Financial and Fiscal Commission Act 99 of 1997
Fire Brigade Services Act 99 of 1987
Foodstuffs, Cosmetics and Disinfectants Act 54 of 1972
Formalities in respect of Leases of Land Act 18 of 1969
Hazardous Substances Act 15 of 1973
Independent Commission for the Remuneration of Public office-bearers Act 92 of 1997
Institution of Legal Proceedings against certain Organs of State Act 40 of 2002
Intergovernmental Fiscal Relations Act 97 of 1997
Intergovernmental Relations Framework Act 13 of 2005
Interim Protection of Informal Lands Rights Act 31 of 1996
Labour Relations Act 66 of 1995
Land Survey Act 8 of 1997
Less Formal Township Establishment Act 113 of 1991
Local Authorities Loans Fund Act 67 of 1984
Local Government: Municipal Demarcation Act 27 of 1998
Local Government: Municipal Electoral Act 27 of 2000
Local Government: Municipal Finance Management Act 56 of 2003
Local Government: Municipal Property Rates Act 6 of 2004
Local Government: Municipal Structures Act 117 of 1998
Local Government: Municipal Systems Act 32 of 2000
Local Government: Transition Act 209 of 1993
National and Records Services of South Africa Act 43 of 1996
National Building Regulation and Building Standards Act 103 of 1977
National Environmental Management: Air Quality Act 39 of 2004
National Environmental Management: Biodiversity Act 10 of 2004
National Environmental Management: Protected Areas Act 57 of 2003
National Veld and Forest Fire Act 101 of 1998
National Water Act 36 of 1998
National Health Act of 1997
Occupational Health and Safety Act and Regulation 85 of 1993
Organised Local Government Act 52 of 1997
Pension Benefits for Councillors of Local Authorities Act 105 of 1987
Pension Funds Act 25 of 1956
Preferential Procurement Policy Framework Act 5 of 2000

JOE GQABI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

RELEVANT LEGISLATION (CONTINUED)

Prescription Act 18 of 1943
Prescription Act 68 of 1969
Prevention and Combating of Corrupt Activities Act
Prevention of Illegal Eviction from an Unlawful Occupation of Land Act 19 of 1998
Promotion of Access to Information Act 2 of 2000
Promotion of Administrative Justice Act 3 of 2000
Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000
Protected Disclosures Act 26 of 2000
Public Audit Act 25 of 2004
Re-Determination of the Boundaries of Cross-Boundary Municipality Act 6 of 2005
Reconstruction and Development Programme Fund Act 7 of 1994
Regional Services Councils Act 109 of 1985
Regulation of Gatherings Act 205 of 1993
Removal of Restrictions Act 84 of 1967
Remuneration of Public Office Bearers Act 20 of 1998
Skills Development Act 97 of 1998
Skills Development Levies Act 9 of 1999
South African National Roads Agency Limited and National Roads Act 7 of 1998
Tobacco Products Control Act 83 of 1993
Traditional Leadership and Governance Framework Act 41 of 2003
Transfer of Staff to Municipalities Act 17 of 1998
Unemployment Insurance Act 63 of 2001
United Municipal Executive (Pension) Act 12 of 1958
Value Added Tax, 1991
Water Services Act 108 of 1997

MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY

PROPORTIONAL ELECTED COUNCILLORS

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

REPRESENTATIVE COUNCILLORS

Senqu Local Municipality	M W Mpelwane I Mosisidi A Kwinana G Mvunyiswa L Tokwe I van der Walt
Elundini Local Municipality	L S Baduza G M Moni SPMS Leteba D D Mvumvu L Piii
Maletswai Local Municipality	N S Mathetha S E Mbana
Gariep Local Municipality	T Z Notyke

JOE GQABI DISTRICT MUNICIPALITY

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

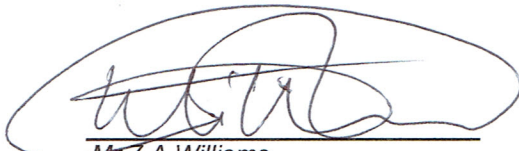
I am responsible for the preparation of these annual financial statements period ended 30 June 2015, which are set out on pages 1 to 77 in terms of Section 126 (1) of the Municipal Finance Management Act (No. 56 of 2003) and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2016 and I am satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

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



Mr Z A Williams
Municipal Manager

31 | 8 | 2015
Date

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION - YEAR ENDED 30 JUNE 2015

MUNICIPALITY

	Notes	2015 R	2014 R
NET ASSETS AND LIABILITIES			
Net Assets		1 272 748 594	1 219 733 653
Accumulated Surplus		1 272 748 594	1 219 733 653
Non-Current Liabilities from Exchange Transactions		15 464 187	5 653 603
Long-term Liabilities	2	15 464 187	5 653 603
Non-Current Liabilities		31 819 745	28 461 773
Employee Benefits	3	31 819 745	28 461 773
Current Liabilities		22 315 618	18 263 476
Current Employee Benefits	4	22 315 618	18 263 476
Current Liabilities from Exchange Transactions		83 414 713	60 889 886
Consumer Deposits	5	868 695	834 553
Payables from Exchange Transactions	6	79 331 616	59 609 460
South African Revenue Service	8	-	-
Current Portion of Long-term Liabilities	2	3 214 402	445 873
Current Liabilities from Non-Exchange Transactions		23 718 061	24 655 502
Unspent Conditional Government Grants and Receipts	7	23 718 061	24 655 502
Total Net Assets and Liabilities		1 449 480 918	1 357 657 893
ASSETS			
Non-Current Assets		1 366 838 094	1 288 280 138
Property, Plant and Equipment	9	1 359 066 192	1 280 255 845
Investment Property	10	2 575 461	2 620 956
Intangible Assets	11	1 907 029	2 207 942
Non-Current Investments	12	3 289 412	3 195 395
Current Assets		37 683 223	41 240 517
Inventory	13	3 891 214	3 018 121
Cash and Cash Equivalents	15	33 792 009	38 222 396
Current Assets from Exchange Transactions		30 550 908	23 515 440
Receivables from Exchange Transactions	14	25 642 539	16 524 496
South African Revenue Services	8	4 908 369	6 990 944
Current Assets from Non-Exchange Transactions		14 408 693	4 621 798
Unpaid Conditional Government Grants and Receipts	7	14 408 693	4 621 798
Total Assets		1 449 480 918	1 357 657 893

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

		MUNICIPALITY	
	Notes	2015 R	2014 R
REVENUE			
Revenue from Non-Exchange Transactions		443 666 995	433 582 575
Transfer Revenue		441 500 025	430 597 563
Government Grants and Subsidies - Capital	16	129 947 364	106 143 911
Government Grants and Subsidies - Operating	16	311 552 662	317 698 881
Public Contributions and Donations	17	-	4 325 630
Transfer of Function	18	-	2 429 142
Other Revenue		2 166 970	2 985 012
Foreign Exchange Gains	19	-	722 904
Actuarial Gains	20	2 166 970	2 257 635
Reversal of Impairments	21	-	4 473
Revenue from Exchange Transactions		98 300 872	68 890 271
Service Charges	22	83 995 495	41 857 414
Government Services	23	4 248 864	18 405 706
Interest Earned - External Investments	24	3 900 795	3 239 584
Interest Earned - Outstanding Debtors	25	5 808 469	4 379 314
Other Income	26	347 249	1 008 253
Total Revenue		541 967 867	502 472 846
EXPENDITURE			
Employee Related Costs	27	153 126 238	130 157 607
Remuneration of Councillors	28	5 266 072	5 024 336
Debt Impairment	29	74 777 017	41 522 420
Impairments	30	-	45 831 406
Foreign exchange loss	19	23 783	-
Depreciation and Amortisation	31	44 239 826	42 311 115
Repairs and Maintenance	32	15 717 803	30 490 687
Finance Charges	33	5 001 847	3 967 934
Contracted services	34	20 934 522	20 740 626
Bulk Purchases	35	3 003 666	2 473 512
Grants and Subsidies Paid	36	2 786 740	5 154 594
Inventory Adjustments		(10 409)	(24 383)
Operating Grant Expenditure	37	77 824 552	111 148 245
Emergency Drought Relief		4 539 939	3 940 821
General Expenses	38	77 492 824	64 696 989
Loss on disposal of Property, Plant and Equipment	39	4 228 506	3 201 291
Total Expenditure		488 952 926	510 637 201
NET SURPLUS/(DEFICIT) FOR THE YEAR		53 014 941	(8 164 355)

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	MUNICIPALITY
	Accumulated Surplus R
Balance at 1 July 2013	1 218 811 290
Correction of error restatement - note 40	9 086 724
Restated balance at 1 July 2013	1 227 898 014
Net Deficit for the year	(8 164 361)
Balance at 30 June 2014	1 219 733 653
Net Surplus for the year	53 014 941
Balance at 30 June 2015	1 272 748 594

JOE QQABI DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

		MUNICIPALITY	
		2015	2014
		R	R
Notes			
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
	Service charges and other	31 885 815	23 347 747
	Government grants	430 751 907	441 467 923
	Interest	9 709 264	7 618 898
Payments			
	Suppliers and Employees	(350 874 071)	(354 119 249)
	Finance Charges	(851 895)	(721 338)
	Transfers and Grants	(2 786 740)	(3 129 000)
	Net Cash flows from Operating Activities	117 834 280	114 464 981
41			
CASH FLOWS FROM INVESTING ACTIVITIES			
	Purchase of Property, Plant and Equipment	(126 816 898)	(100 212 690)
	Purchase of Intangible Assets	(115 374)	-
	Increase in Non-current Investments	(94 017)	(94 017)
	Net Cash flows from Investing Activities	(127 026 288)	(100 306 707)
CASH FLOWS FROM FINANCING ACTIVITIES			
	Increase in Consumer Deposits	34 141	663 803
	Increase/(Decrease) in Long-term Liabilities	4 726 922	(445 000)
	Net Cash flows from Financing Activities	4 761 064	218 803
NET INCREASE IN CASH AND CASH EQUIVALENTS		(4 430 945)	14 377 077
	Cash and Cash Equivalents at the beginning of the year	38 222 954	23 845 877
	Cash and Cash Equivalents at the end of the year	33 792 009	38 222 954
42			
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(4 430 945)	14 377 077

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2015

	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
STATEMENT OF FINANCIAL POSITION					
Total current assets	65 921 738	(37 076 809)	28 844 929	82 642 824	53 797 895
Total non-current assets	1 413 008 000	(121 460 480)	1 291 547 520	1 366 838 094	75 290 574
Total current liabilities	76 031 000	80 117 081	156 148 081	129 448 392	(26 699 688)
Total non-current liabilities	20 106 000	27 849 090	47 955 090	47 283 932	(671 158)
Total Net Assets	1 382 792 738	(266 503 459)	1 116 289 279	1 272 748 594	156 459 315
STATEMENT OF FINANCIAL PERFORMANCE					
Revenue					
Government Grants and Subsidies - Capital	209 478 000	13 637 976	223 115 976	129 947 364	(93 168 612)
Government Grants and Subsidies - Operating	254 204 227	(8 214 768)	245 989 459	311 552 662	65 563 203
Actuarial Gains	-	-	-	2 166 970	2 166 970
Service Charges	55 945 848	11 167 540	67 113 388	83 995 495	16 882 107
Government Services	-	1 072 209	1 072 209	4 248 864	3 176 655
Interest Earned - External Investments	2 393 905	1 959 136	4 353 041	3 900 795	(452 246)
Interest Earned - Outstanding Debtors	4 214 236	-	4 214 236	5 808 469	1 594 233
Other Income	2 894 784	81 885	2 976 669	347 249	(2 629 420)
Total Revenue	529 131 000	19 703 978	548 834 978	541 967 867	(6 867 111)
Expenditure					
Employee Related Costs	147 124 039	11 621 726	158 745 765	153 126 238	(5 619 527)
Remuneration of Councillors	5 743 409	-	5 743 409	5 266 072	(477 337)
Debt Impairment	26 090 958	11 511 903	37 602 861	74 777 017	37 174 156
Impairments	-	-	-	-	-
Depreciation and Amortisation	46 357 456	500 000	46 857 456	44 239 826	(2 617 630)
Repairs and Maintenance	9 220 701	5 997 028	15 217 729	15 717 803	500 074
Finance Charges	4 120 926	(1 369 139)	2 751 787	5 001 847	2 250 060
Contracted services	43 019 536	1 735 864	44 755 400	20 934 522	(23 820 878)
Bulk Purchases	5 068 800	(1 300 000)	3 768 800	3 003 666	(765 134)
Grants and Subsidies Paid	2 786 740	-	2 786 740	2 786 740	-
Inventory Adjustments	-	-	-	(10 409)	(10 409)
Operating Grant Expenditure	92 517 202	(8 601 972)	83 915 230	77 824 552	(6 090 678)
Emergency Drought Relief	5 000 000	-	5 000 000	4 539 939	(460 061)
General Expenses	91 858 652	9 245 865	101 104 517	77 492 824	(23 611 693)
Loss on disposal of Property, Plant and Equipment	-	-	-	4 228 506	4 228 506
Total Expenditure	478 908 419	29 341 275	508 249 694	488 929 143	(19 320 551)
Net surplus for the year	50 222 581	(9 637 297)	40 585 284	53 038 724	12 453 440
CASH FLOW STATEMENT					
Net Cash Flow from Operating Activities	105 241 891	(20 843 588)	84 398 303	117 834 280	33 435 977
Net Cash Flow from Investing Activities	(120 105 322)	(25 828 410)	(145 933 732)	(127 026 288)	18 907 444
Net Cash Flow from Financing Activities	(1 000 800)	15 651 119	14 650 319	4 761 064	(9 889 255)
Net increase/(decrease) in cash and cash equivalents	(15 864 230)	(31 020 880)	(46 885 110)	(4 430 945)	42 454 165
OPERATING EXPENDITURE BY VOTE					
Management Services	32 162 199	1 602 425	33 764 624	32 689 290	(1 075 334)
Financial Services	67 311 316	15 807 774	83 119 090	82 189 720	(929 370)
Corporate Services	39 723 838	8 649 324	48 373 162	44 410 866	(3 962 296)
Technical Services	293 532 401	(2 649 859)	290 882 542	286 893 610	(3 988 932)
Community Services	46 178 665	5 931 611	52 110 276	42 745 654	(9 364 622)
Total	478 908 419	29 341 275	508 249 694	488 929 140	(19 320 554)
CAPITAL EXPENDITURE BY VOTE					
Management Services	-	-	-	-	-
Financial Services	250 000	-	250 000	-	(250 000)
Corporate Services	1 584 580	16 275	1 600 855	859 941	(740 914)
Technical Services	117 801 756	25 963 135	143 764 891	125 727 878	(18 037 013)
Community Services	700 000	80 000	780 000	229 078	(550 922)
Total	120 336 336	26 059 410	146 395 746	126 816 897	(19 578 849)

Refer to note 55 for explanations of material variances between the original and final budget

Refer to note 55.02 for explanations of material variances between actual amounts and the final budget

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

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

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

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

The accounting policies applied are consistent with those used to present the previous years' financial statements, unless explicitly stated otherwise. 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 Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

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

1.3. GOING CONCERN ASSUMPTION

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

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

1.6. MATERIALITY

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

1.7. PRESENTATION OF BUDGET INFORMATION

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

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

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

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

Standard	Description	Effective Date
Directive 11	<p>Changes in Measurement Bases following Initial Adoption of Standards of GRAP</p> <p>This Directive can be applied when a Municipality elects to change the measurement bases selected for certain assets on the initial adoption of Standards of GRAP.</p> <p>No significant impact is expected as the Municipality has no intention of changing its measurement bases.</p>	1 April 2015
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	1 April 2015
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under</p>	1 April 2015

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	<p>common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 108 (Original – Sept 2013)	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	Unknown
GRAP 109	<p>Accounting by Principles and Agents</p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is</p>	1 April 2015

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	<p>to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPEc at this stage.</p>	
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCEc at this stage.</p>	1 April 2015
IGRAP17	<p>Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset</p> <p>This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown

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

1.9. LEASES

1.9.1 Municipality as Lessee

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

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments,

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which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

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

1.9.2 Municipality as Lessor

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

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

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

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

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

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

1.12. PROVISIONS

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

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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

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

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

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

1.13. EMPLOYEE BENEFITS

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

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

1.13.1 Post Retirement Medical Obligations

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

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

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

1.13.2 Long Service Awards

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

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

1.13.3 Ex gratia Gratuities

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

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

1.13.4 Provision for Staff Leave

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

1.13.5 Staff Bonuses Accrued

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

1.13.6 Provision for Performance Bonuses

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

1.13.7 Pension and retirement fund obligations

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

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in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.13.8 Other Short-term Employee Benefits

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

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

1.14. PROPERTY, PLANT AND EQUIPMENT

1.14.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, 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 Municipality expects to use them during more than one period. Similarly, if the major

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spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.14.2 Subsequent Measurement – Cost Model

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

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

1.14.3 Depreciation and Impairment

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

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

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

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

1.14.4 De-recognition

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

1.15. INTANGIBLE ASSETS

1.15.1 *Initial Recognition*

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

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

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

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

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

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

Intangible assets are initially recognised at cost.

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

1.15.2 *Subsequent Measurement – Cost Model*

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

1.15.3 Amortisation and Impairment

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

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

1.15.4 De-recognition

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

1.16. INVESTMENT PROPERTY

1.16.1 Initial Recognition

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

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

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

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

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

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1.16.2 Subsequent Measurement – Cost Model

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

1.16.3 Depreciation and Impairment – Cost Model

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

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

1.16.4 De-recognition

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

1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.17.1 Cash-generating assets

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

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

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

- (a) External sources of information
 - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
 - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
 - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

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(b) Internal sources of information

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

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

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

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

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

1.17.2 Non-cash-generating assets

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

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

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

- (a) External sources of information
 - Cessation, or near cessation, of the demand or need for services provided by the asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.
- (b) Internal sources of information
 - Evidence is available of physical damage of an asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
 - A decision to halt the construction of the asset before it is complete or in a usable condition.
 - Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

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

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

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.18. INVENTORIES

1.18.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

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

1.18.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

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

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network at lowest of cost or net realisable value.

1.19. FINANCIAL INSTRUMENTS

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

1.19.1 Initial Recognition

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

1.19.2 Subsequent Measurement

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.19.2.1 Receivables

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

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

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

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

1.19.2.2 Payables and Annuity Loans

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.19.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

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

1.19.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

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

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

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

1.19.3 **De-recognition of Financial Instruments**

1.19.3.1 Financial Assets

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

1.19.3.2 Financial Liabilities

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

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

1.19.4 Offsetting of Financial Instruments

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

1.20. REVENUE

1.20.1 Revenue from Non-Exchange Transactions

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

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

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

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

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

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

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

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

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

1.20.2 Revenue from Exchange Transactions

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

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

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

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

Service charges relating to water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual monthly reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

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

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

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

1.21 TRANSFER OF FUNCTION (Municipality as the acquirer)

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

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

An asset is identifiable if it either:

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

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

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

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

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

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

1.22. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 .
%Related Party Disclosures+

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

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

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

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

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

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

Management personnel include:

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

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

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

1.23. UNAUTHORISED EXPENDITURE

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

1.24. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

Management judgement is required when recognising and measuring contingent liabilities.

1.27. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.27.2 Impairment of Receivables

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

1.27.3 Property, Plant and Equipment

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

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

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

1.27.4 Intangible Assets

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

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

1.27.5 Investment Property

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

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

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

1.27.6 Provisions and Contingent Liabilities

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

1.27.7 Revenue Recognition

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

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

1.27.8 Provision for Performance bonuses

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

1.27.9 Componentisation of Infrastructure assets

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

1.28. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.28.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.28.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.28.3 Derecognition

The Municipality derecognises a statutory receivable when:

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

1.29. CAPITAL COMMITMENTS

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

1.30. EVENTS AFTER REPORTING DATE

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

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

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

1.31 BORROWING COSTS

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
2	LONG-TERM LIABILITIES		
	Annuity Loans - At amortised cost	18 678 589	6 099 476
	Less: Current Portion transferred to Current Liabilities	(3 214 402)	(445 873)
	Total - At amortised cost using the effective interest rate method	15 464 187	5 653 603
	Annuity loans at amortised cost are calculated at 10.00% - 11.52% interest rate, with the first maturity date of 30 June 2016 and the last maturity date of 31 December 2024. The loans are for the main municipal building in Barkly East, water meters and sanitation infrastructure. A new finance lease was taken up with ABSA for twenty five (25) bakkies and three (3) TLB's in the water service		
	Included in Non-current Investments as per note 12 is an amount of R1 301 340 (2014 - R1 301 340) held as guarantee by the DBSA.		
	The obligations under annuity loans are scheduled below:		
	Amounts payable under annuity loans:	Minimum annuity payments	
	Payable within one year	2 457 530	1 132 215
	Payable within two to five years	9 176 663	4 038 766
	Payable after five years	4 359 826	5 328 676
		15 994 020	10 499 657
	Less: Future finance obligations	(5 167 621)	(4 400 181)
	Present value of annuity obligations	10 826 398	6 099 476
	The obligations under finance leases are scheduled below:		
	Amounts payable under annuity loans:	Minimum annuity payments	
	Payable within one year	2 549 315	-
	Payable within two to five years	6 480 625	-
	Payable after five years	-	-
		9 029 940	-
	Less: Future finance obligations	(1 177 749)	-
	Present value of annuity obligations	7 852 191	-
3	EMPLOYEE BENEFITS		
	Post Retirement Medical Obligations - refer to note 3.1	27 568 916	24 913 655
	Ex Gratia Gratuities - refer to note 3.2	226 041	241 443
	Long Service Awards - refer to note 3.3	4 024 788	3 306 675
	Total Non-current Employee Benefit Liabilities	31 819 745	28 461 773
	<u>Post Retirement Medical Obligations</u>		
	Balance 1 July	26 042 591	23 852 475
	Contribution for the year	5 782 683	4 415 368
	Expenditure for the year	(955 643)	(954 766)
	Actuarial (Gain)	(2 157 631)	(1 792 476)
	Transfer of function from Local Municipalities - note 18	-	521 990
	Total post retirement medical obligation 30 June	28 712 000	26 042 591
	Less: Transfer of current portion to Current Employee Benefits - note 4	(1 143 084)	(1 128 936)
	Balance 30 June	27 568 916	24 913 655
	<u>Ex Gratia Gratuities</u>		
	Balance 1 July	438 929	458 511
	Contribution for the year	37 720	47 087
	Expenditure for the year	(21 586)	(52 167)
	Actuarial Gain	(65 118)	(14 502)
	Total ex gratia provision 30 June	389 945	438 929
	Less: Transfer of current portion to Current Employee Benefits - note 4	(163 904)	(197 486)
	Balance 30 June	226 041	241 443

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<u>Long Service Awards</u>		
Balance 1 July	4 391 168	3 865 395
Contribution for the year	983 127	861 623
Expenditure for the year	(599 734)	(276 079)
Actuarial (Gain)/Loss	55 780	(450 657)
Transfer of function from Local Municipalities - note 18	-	390 886
Total long service 30 June	4 830 341	4 391 168
Less: Transfer of current portion to Current Employee Benefits - note 4	(805 553)	(1 084 493)
Balance 30 June	4 024 788	3 306 675

TOTAL EMPLOYEE BENEFITS

Balance 1 July	30 872 688	28 176 381
Contribution for the year	6 803 530	5 324 078
Expenditure for the year	(1 576 962)	(1 283 012)
Actuarial (Gain)	(2 166 970)	(2 257 635)
Transfer of function from Local Municipalities - note 18	-	912 876
Total employee benefits 30 June	33 932 286	30 872 688
Less: Transfer of current portion to Current Employee Benefits - note 4	(2 112 541)	(2 410 915)
Balance 30 June	31 819 745	28 461 773

3.1 **Post Retirement Medical Obligations**

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

	2015 Employees	2014 Employees
In-service (employee) members	168	175
Continuation members (e.g. Retirees, widows, orphans)	32	34
Total Members	200	209

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

Bonitas
LA Health
Hosmed
SAMWU Medical Aid

	2015 %	2014 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	9.02	9.09
Health Care Cost Inflation Rate	8.18	8.34
Net Effective Discount Rate	0.78	0.70

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

ii) Mortality rates

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

iii) Normal retirement age

The normal retirement age for employees of the Municipality is:

Male : 63 years
Female: 58 years

	In-Service Members R	Continuation Members R	Present value of fund obligations R
The liability in respect of past service recognised in the Statement of Financial Position is as follows:			
30 June 2015	19 080 662	9 631 382	28 712 044
30 June 2014	16 280 000	9 762 591	26 042 591
30 June 2013	13 959 000	9 893 475	23 852 475
30 June 2012	7 546 000	10 067 224	17 613 224
30 June 2011	5 027 000	9 387 811	14 414 811
30 June 2010	6 127 444	8 626 501	14 753 945

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
Experience adjustments were calculated as follows:		
30 June 2015	(875 000)	-
30 June 2014	2 068 000	-
30 June 2013	5 866 000	-
30 June 2012	815 000	-
30 June 2011	(4 109 000)	-
30 June 2010	(416 000)	-
	2015	2014
	R	R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	26 042 591	23 852 475
Total contributions	4 827 040	3 460 602
Current service cost	2 541 768	1 816 619
Interest Cost	3 240 915	2 598 749
Benefits Paid	(955 643)	(954 766)
Actuarial (Gain)/Loss	(2 157 631)	(1 792 476)
Transfer of function from Local Municipalities - note 18	-	521 990
Present value of fund obligation at the end of the year	28 712 000	26 042 591
Less: Transfer of current portion to Current Employee Benefits - note 4	(1 143 084)	(1 128 936)
Balance 30 June	27 568 916	24 913 655

Sensitivity Analysis on the Current-service and Interest Costs:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Central Assumptions		2 541 800	3 240 900	5 782 700	
Health care inflation	+1%	3 158 300	3 021 900	6 180 200	20%
Health care inflation	-1%	2 066 400	2 256 200	4 322 600	-16%
Discount rate	+1%	2 091 900	3 106 100	5 198 000	-10%
Discount rate	-1%	3 131 100	3 383 000	6 514 100	13%
Post-retirement mortality	-1 year	2 633 500	2 706 300	5 339 800	4%
Average retirement age	-1 year	2 556 100	2 790 600	5 346 700	4%
				2015	2014
				%	%

3.2 Ex Gratia Gratuities

The Ex Gratia Gratuities plans are defined benefit plans. As at year end 39 employees (2013 - 46) were eligible for Ex Gratia Gratuities.

Key actuarial assumptions used:

i) Rate of interest

Discount rate	7.97	7.80
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The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

Present value of fund obligations

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

30 June 2015	389 945
30 June 2014	438 929
30 June 2013	458 511
30 June 2012	524 447
30 June 2011	516 817
30 June 2010	548 160

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
Experience adjustments were calculated as follows:		
30 June 2015	112 184	-
30 June 2014	(7 526)	-
30 June 2013	76 238	-
30 June 2012	91 931	-
30 June 2011	23 956	-
30 June 2010	101 109	-

	2015 R	2014 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	438 929	458 511
Total contributions	16 134	(5 080)
Current service cost	11 028	19 185
Interest Cost	26 692	27 902
Benefits Paid	(21 586)	(52 167)
Actuarial (Gain)	(65 118)	(14 502)
Present value of fund obligation at the end of the year	389 945	438 929
Less: Transfer of current portion to Current Employee Benefits - note 4	(163 904)	(197 486)
Present value of fund obligation at the end of the year	226 041	241 443

The liability is unfunded.

Sensitivity Analysis on the Current-service and Interest Costs:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Central Assumptions		11 028	26 692	37 720	
Discount Rate	+1%	10 752	29 221	39 973	6%
Discount Rate	-1%	11 322	24 007	35 329	-6%
Average retirement age	-1 year	10 056	26 525	36 581	-3%

3.3 Long Service Bonuses

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

Key actuarial assumptions used:

i) Rate of interest

	2015 %	2014 %
Discount rate	7.78	7.59
General Salary Inflation (long-term)	6.96	6.89
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.77	0.65

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

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

	Present value of fund obligations R
30 June 2015	4 830 341
30 June 2014	4 391 167
30 June 2013	3 865 395
30 June 2012	2 735 251
30 June 2011	1 871 614
30 June 2010	1 582 371

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
Experience adjustments were calculated as follows:		
30 June 2015	577 526	-
30 June 2014	54 616	-
30 June 2013	762 433	-
30 June 2012	325 639	-
30 June 2011	(82 814)	-
30 June 2010	(322 434)	-
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	4 391 168	3 865 395
Total contributions	383 393	585 544
Current service cost	690 301	611 937
Interest Cost	292 826	249 686
Benefits Paid	(599 734)	(276 079)
Actuarial Loss/(Gain)	55 780	(450 657)
Transfer of function from Local Municipalities - note 18	-	390 886
Present value of fund obligation at the end of the year	4 830 341	4 391 168
Less: Transfer of current portion to Current Employee Benefits - note 4	(805 553)	(1 084 493)
Balance 30 June	4 024 788	3 306 675

The liability is unfunded.

Sensitivity Analysis on the Current-service and Interest Costs:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Central Assumptions		690 300	292 800	983 100	
General salary inflation	+1%	734 700	308 800	1 043 500	6%
General salary inflation	-1%	650 000	278 200	928 200	-6%
Average retirement age	-2 years	642 200	264 500	906 700	-8%
Average retirement age	+2 years	730 500	312 900	1 043 400	6%
Withdrawal Rate	-50%	871 300	348 100	1 219 400	24%
				2015 R	2014 R

3.4 Retirement Funds

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

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

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

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

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund was in a sound financial position with a funding level of 100.2% (30 June 2012 - 99.9%).

Contributions paid recognised in the Statement of Financial Performance	7 035 588	5 847 969
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JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<u>DEFINED CONTRIBUTION FUNDS</u>		
Council contributes to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund, SAMWU National Provident Fund and SALA Pension fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
Contributions paid recognised in the Statement of Financial Performance		
Government Employees Pension Fund	699 120	696 309
Municipal Councillors Pension Fund	392 931	370 068
IMATU Retirement Fund	23 491	35 777
SAMWU National Provident Fund	2 647 174	2 365 580
SALA Pension Fund	1 227 846	904 090
	4 990 563	4 371 825

4 **CURRENT EMPLOYEE BENEFITS**

Staff Bonuses Accrued	4 418 437	3 828 927
Provision for Staff Leave	12 430 338	9 477 787
Provision for Performance Bonuses	2 920 609	2 162 028
Other Provisions	433 694	383 819
Current Portion of Non-Current Employee Benefits	2 112 541	2 410 915
Current Portion of Post Retirement Benefits - note 3	1 143 084	1 128 936
Current Portion of Ex Gratia Gratuities - note 3	163 904	197 486
Current Portion of Long-Service Awards - note 3	805 553	1 084 493
Total Current Employee Benefits	22 315 618	18 263 476

The movement in current employee benefits is reconciled as follows:

Staff Bonuses Accrued

Balance at beginning of year	3 828 927	3 305 720
Contribution to current portion	8 211 420	3 679 260
Expenditure incurred	(7 621 910)	(3 305 720)
Transfer of function from Local Municipalities - note 18	-	149 667
Balance at end of year	4 418 437	3 828 927

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

Provision for Staff Leave

Balance at beginning of year	9 477 787	7 821 446
Contribution to current portion	4 547 929	2 194 316
Expenditure incurred	(1 595 378)	(926 148)
Transfer of function from Local Municipalities - note 18	-	388 173
Balance at end of year	12 430 338	9 477 787

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

Provision for Performance Bonuses

Balance at beginning of year	2 162 028	1 475 159
Contribution to current portion	2 136 073	1 634 150
Expenditure incurred	(1 377 492)	(947 281)
Balance at end of year	2 920 609	2 162 028

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
<u>Other Provisions</u>		
Balance at beginning of year	383 819	626 742
Finance charges	49 875	370 259
Expenditure incurred	-	(613 182)
Balance at year end	<u>433 694</u>	<u>383 819</u>

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

Shortfall in annual earnings of Cape Joint Pension Fund

It was reported that the established investment return of the fund for the 2009 financial year was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets.

5 CONSUMER DEPOSITS

Water	868 694	834 552
Total Consumer Deposits	<u>868 694</u>	<u>834 552</u>

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

6 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	70 708 330	49 973 778
Interest Accrued	339 177	174 231
Other Payables	101 514	-
Unallocated Receipts	29 102	-
Payments received in advance	3 202 226	3 397 434
Local Municipalities	4 951 267	6 064 017
Elundini Local Municipality	-	1 109 390
Senqu Local Municipality	4 951 267	4 954 627
Total Payables from Exchange Transactions	<u>79 331 616</u>	<u>59 609 460</u>

As previously reported

Correction of error (Local Municipalities - Elundini Local Municipality) - note 40.3

Correction of error (Trade Payables) - note 40.3

Restated balance

Payables are being recognised net of any discounts.

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

The carrying value of payables approximates its fair value.

Deposits amounting to R486 744 (2014 - R486 744) serve as security for Payables. The remainder of Payables are unsecured.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants	23 718 061	24 655 502
National Government Grants	23 688 598	24 144 435
Provincial Government Grants	29 463	511 067
Less: Unpaid Grants	(14 408 693)	(4 621 798)
National Government Grants	(12 142 345)	(554 145)
Claimed amount	(12 142 345)	(50 114 905)
Impairment	-	49 560 760
Provincial Government Grants	(2 023 388)	(2 735 232)
Other Grant Providers	(242 960)	(1 332 421)
Claimed amount	(242 960)	(2 030 328)
Impairment	-	697 907
Total Conditional Grants and Receipts	9 309 368	20 033 704
As previously reported		29 023 691
##		(8 989 987)
Restated balance		<u>20 033 704</u>

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

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

Reconciliation of Provision for Impairment

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

8 SOUTH AFRICAN REVENUE SERVICES

VAT Receivable	4 901 766	1 997 927
VAT Input in Suspense	9 827 418	5 767 322
VAT Output in Suspense - net	(9 820 815)	(774 305)
VAT Output in Suspense	(15 937 638)	(5 154 527)
Less: VAT on Provision for Debt Impairment	6 116 823	4 380 222
Total South African Revenue Services	4 908 369	6 990 944

Disclosed as follow:

Current Liabilities from Exchange Transactions	-	-
Current Assets from Exchange Transactions	4 908 369	6 990 944
	<u>4 908 369</u>	<u>6 990 944</u>

Reconciliation of VAT on Provision for Debt Impairment

Opening balance	4 380 222	1 211 338
Transfer of function from Local Municipalities - note 18	-	2 565 277
Debt Impairment for current year - note 29	1 736 601	603 607
Closing balance	6 116 823	4 380 222

JOE GQABI DISTRICT MUNICIPALITY

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

9 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2015

Reconciliation of Carrying Value

	Cost						Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Transfers and non-exchange additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Transfers and non-exchange additions	Depreciation Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	17 682 048	-	-	-	-	17 682 048	4 191 402	-	582 480	-	4 773 883	12 908 166
Land	2 043 000	-	-	-	-	2 043 000	-	-	-	-	-	2 043 000
Buildings	15 639 048	-	-	-	-	15 639 048	4 191 402	-	582 480	-	4 773 883	10 865 166
Infrastructure	1 491 040 280	114 374 304	-	(13 731 457)	-	1 591 683 127	239 630 382	-	39 692 533	(9 575 330)	269 747 585	1 321 935 542
Sewerage network	290 131 424	-	-	(3 167 192)	34 313 968	321 278 200	54 597 107	-	9 453 240	(1 486 138)	62 564 209	258 713 992
Water network	945 048 087	-	-	(10 564 265)	83 209 891	1 017 693 712	185 033 275	-	30 239 293	(8 089 192)	207 183 376	810 510 336
Work in Progress	255 860 769	114 374 304	-	-	(117 523 858)	252 711 215	-	-	-	-	-	252 711 215
Other Assets	30 550 874	12 442 592	-	(245 260)	-	42 748 206	15 195 572	-	3 503 030	(172 880)	18 525 722	24 222 484
Office Equipment	2 144 783	145 839	-	(3 639)	-	2 286 984	1 209 820	-	234 142	(385)	1 443 577	843 406
Furniture & Fittings	3 105 068	374 917	-	(1 559)	-	3 478 425	2 316 961	-	208 098	(1 392)	2 523 667	954 758
Motor Vehicles	7 333 917	9 875 798	-	(179 347)	-	17 030 367	3 489 919	-	1 685 954	(150 240)	5 025 633	12 004 734
Fire Engines	8 924 094	-	-	-	-	8 924 094	4 803 526	-	693 475	-	5 497 001	3 427 093
Computer Equipment	2 350 127	859 941	-	(45 890)	-	3 164 178	1 493 894	-	152 394	(16 917)	1 629 370	1 534 808
Special Vehicles	4 850 274	-	-	-	-	4 850 274	682 211	-	391 072	-	1 073 283	3 776 991
Tools and Equipment	1 842 611	1 186 098	-	(14 825)	-	3 013 884	1 199 242	-	137 894	(3 946)	1 333 191	1 680 693
	1 539 273 202	126 816 897	-	(13 976 717)	-	1 652 113 382	259 017 357	-	43 778 043	(9 748 211)	293 047 189	1 359 066 192

There are no assets fully depreciated which is still in use or any assets held for disposal or any temporary idle assets as on date of financial position. There has been no impairment identified for Property, Plant and Equipment. No Property, Plant and Equipment are pledged as security for liabilities.

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

JOE GQABI DISTRICT MUNICIPALITY

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

30 JUNE 2014

Reconciliation of Carrying Value

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
10 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	2 620 956	2 666 452
Cost	2 883 357	2 883 357
Accumulated Depreciation	(262 401)	(216 905)
Accumulated Impairment	-	-
Additions	-	-
Depreciation for the year	(45 496)	(45 496)
Impairment	-	-
Net Carrying amount at 30 June	2 575 461	2 620 956
Cost	2 883 357	2 883 357
Accumulated Depreciation	(307 896)	(262 401)
Accumulated Impairment	-	-
Revenue derived from the rental of investment property.	33 243	37 306

No operating expenditure was incurred on investment property during the 2013/2014 and 2014/2015 financial years.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop the investment property or for repairs, maintenance or enhancements.

11 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July

Cost	4 395 576	4 395 576
Accumulated Amortisation	(2 187 634)	(1 618 283)
Additions and transfers from work in progress	115 374	-
Amortisation	(416 287)	(569 351)

Net Carrying amount at 30 June

Cost	4 510 950	4 395 576
Accumulated Amortisation	(2 603 921)	(2 187 634)

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

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

Description	Remaining Period	Carrying Value	
		2015 R	2014 R
SAMRAS (Accounting system)	4 years	1 205 412	1 808 118

12 NON-CURRENT INVESTMENTS

Financial Instruments

Fixed Deposits	1 395 357	1 301 340
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Unlisted

Municipal Entity - Joe Gqabi Economic Development Agency (Soc) Ltd	1 894 055	1 894 055
Cost	6 886 141	6 886 141
Provision for Impairment	(4 992 086)	(4 992 086)

Total Non-Current Investments

3 289 412	3 195 395
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The Municipality has a 100% shareholding in Joe Gqabi Economic Development Agency (Soc) Ltd (JoGEDA). The purpose of the entity is to promote economic development in the district.

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Fixed Deposits are investments with a maturity period of more than 12 months and an average interest rate of 9.13% per annum. (2014 - 9.13%). Interest rates are considered to be market related. The carrying amount of these fixed deposits approximates their fair value.

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

Fixed deposit consist of the following accounts:

ABSA - Acc no 660000135	- Building - DBSA Loan	1 395 357	1 301 340
		1 395 357	1 301 340

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

13 INVENTORY

Fuel and oil - at cost	488 741	1 196 974
Stationery and materials - at cost	1 346 059	122 457
Spare parts - at cost	1 664 306	1 327 619
Water stock - net realisable value	392 108	371 071
Total Inventory	3 891 214	3 018 121
Consumable stores materials (gains) identified during stock counts	(10 409)	(24 383)
Inventory recognised as an expense during the year	7 141 981	6 886 784

No inventory was pledged as security.

14 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Water	97 173 232	34 794 443
Sewerage	41 193 157	23 831 537
Joe Gqabi Economic Development Agency (Soc) Ltd	6 544 266	1 237 839
Local Municipalities	19 462 687	16 799 410
Gariep Local Municipality	10 077 396	5 520 860
Elundini Local Municipality	2 406 503	-
Maletswai Local Municipality	6 978 788	11 278 550
Other Receivables	5 864 489	7 881 542
Working for Wetlands	1 425 536	2 435 600
Deposits	114 261	486 774
Other Debtors	1 435 758	2 120 952
Staff Debtors	225 723	210 570
Ex-Staff Debtors	-	828 990
Pensioners	1 640 988	453 971
Expenses paid in advance	1 022 223	1 344 685
	170 237 831	84 544 771
Less: Allowance for Doubtful Debts	(144 595 292)	(68 020 274)
Total Net Receivables from Exchange Transactions	25 642 539	16 524 497

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

Both Maletswai Local Municipality, Elundini and Gariep Local Municipality owe the Municipality for revenue received for water and sanitation as per the billing agreement.

Reconciliation of the Total Doubtful Debt Provision

Balance at beginning of the year	68 020 274	14 049 736
Transfer of function from Local Municipalities - note 18	-	26 314 429
Contributions to provision	76 575 018	42 126 027
Doubtful debts written off against provision	-	(14 469 918)
Balance at end of year	144 595 292	68 020 274
Water	87 973 927	29 693 415
Sewerage	39 166 803	20 872 298
Local Municipalities	15 409 620	15 409 620
Other Receivables	2 044 942	2 044 942

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Municipality

2015

Water	97 173 232	(87 973 927)	9 199 305
Sewerage	41 193 157	(39 166 803)	2 026 354
Joe Gqabi Economic Development Agency (Soc) Ltd	6 544 266	-	6 544 266
Local Municipalities	19 462 687	(15 409 620)	4 053 067
Other Receivables	5 864 489	(2 044 942)	3 819 547
Total	170 237 831	(144 595 292)	25 642 539

2014

Water	34 794 443	(29 693 415)	5 101 028
Sewerage	23 831 537	(20 872 298)	2 959 239
Joe Gqabi Economic Development Agency (Soc) Ltd	1 237 839	-	1 237 839
Local Municipalities	16 799 410	(15 409 620)	1 389 790
Other Receivables	7 881 542	(2 044 942)	5 836 600
Total	84 544 771	(68 020 275)	16 524 496

Ageing of Receivables from Exchange Transactions

Water:

	2015 R	2014 R
Current (0 - 30 days)	6 476 864	4 081 737
31 - 60 Days	8 940 432	2 941 861
61 - 90 Days	5 442 490	2 284 471
91 - 120 Days	6 896 665	1 997 949
121 - 150 Days	6 878 668	4 533 789
150+ Days	62 538 247	18 954 635
Total	97 173 232	34 794 443

Sewerage:

Current (0 - 30 days)	2 026 289	1 327 116
31 - 60 Days	1 846 784	1 084 216
61 - 90 Days	1 629 977	1 026 833
91 - 120 Days	1 621 259	993 343
121 - 150 Days	1 550 826	1 459 340
150+ Days	32 518 023	17 940 688
Total	41 193 157	23 831 537

Other Receivables: Ageing

Current (0 - 30 days)	1 425 536	2 574 378
31 - 60 Days	-	122 934
61 - 90 Days	-	15 966
+ 90 Days	4 438 953	5 168 264
Total	5 864 489	7 881 542

15 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	35 920 001	35 093 101
Primary Bank Account	(2 144 292)	3 112 995
Cash Floats	16 300	16 300
Total Cash and Cash Equivalents - Assets	33 792 009	38 222 396

As previously reported		38 222 954
Correction of error - note		(558)
Restated balance		38 222 396

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

An amount of R2 000 000 was transferred into the Primary Bank account on the 30th of June 2015. Since the request is done via letter to the local branch, it was transferred by them and instead of transferring R2 000 000 only R200 000 was transferred. They only corrected this mistake on the 1 July 2015.

Call Investment Deposits amounting to R35 920 001 are held to fund Unspent Conditional Grants (2014 - R33 659 213)

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
ABSA - account no 23-8000-0019 (Municipality)		
Cash book balance at beginning of year	3 113 553	10 422 101
Cash book balance at end of year	(2 144 292)	3 113 553
Bank statement balance at beginning of year	3 113 553	10 453 499
Bank statement balance at end of year	262 119	3 113 553
Call Investments Deposits		
ABSA - Acc no 9084169245 - MIG	22 827 971	23 650 602
ABSA - Acc no 9185426744 - General Fund Operational Funds	266 642	189 291
ABSA - Acc no 9072226158 - Public Works Special Programme	32 047	30 434
ABSA - Acc no 9122637071 - Wetlands Projects	33 666	218 469
ABSA - Acc no 9270029895 - Environmental Affairs Mazibuyele Emasasweni	30 776	807 850
ABSA - Acc no 9276836949 - Joe Gqabi Capital Purchasing	14 528 990	196 455
Nedbank - Acc no 1039818803 - Joe Gqabi District Municipality	-	10 000 000
	37 720 092	35 093 101

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

16 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants

Equitable Share
LG Seta

Conditional Grants

Accelerated Community Infrastructure Programme (ACIP)
DWA Bylaws
Environmental Health Practitioners
EPWP Programme
Finance Management Grant (FMG)
LED Capacity
Municipal Infrastructure Grant (MIG)
Municipal Systems Improvement Grant (MSIG)
Municipal Water Infrastructure Grant (MWIG)
RBIG
Orio
Public Works - Special Programme
Rural Households Infrastructure Grant
Rural Roads Asset Management Grant
Department of Human Settlement
Water Services Operating Subsidy

Total Government Grants and Subsidies

Government Grants and Subsidies - Capital
Government Grants and Subsidies - Operating

	2015 R	2014 R
Unconditional Grants	196 162 583	179 534 973
Equitable Share	194 848 000	179 049 300
LG Seta	1 314 583	485 673
Conditional Grants	245 337 443	244 307 819
Accelerated Community Infrastructure Programme (ACIP)	-	14 991 219
DWA Bylaws	100 548	796 812
Environmental Health Practitioners	-	2 929 302
EPWP Programme	1 309 437	1 000 000
Finance Management Grant (FMG)	1 252 424	1 248 439
LED Capacity	381 528	556 887
Municipal Infrastructure Grant (MIG)	167 359 944	168 619 075
Municipal Systems Improvement Grant (MSIG)	932 878	661 247
Municipal Water Infrastructure Grant (MWIG)	19 992 600	15 004 290
RBIG	2 177 404	-
Orio	-	1 987 916
Public Works - Special Programme	30 034 952	24 824 711
Rural Households Infrastructure Grant	-	3 996 000
Rural Roads Asset Management Grant	2 083 528	1 777 845
Department of Human Settlement	5 134 499	-
Water Services Operating Subsidy	14 577 701	5 914 076
Total Government Grants and Subsidies	441 500 026	423 842 792
Government Grants and Subsidies - Capital	129 947 364	106 143 911
Government Grants and Subsidies - Operating	311 552 662	317 698 881
	441 500 025	423 842 792

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

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

Equitable share
Management Services
Financial Services
Corporate Services
Technical Services
Community Services

	2015 R	2014 R
Equitable share	194 848 000	179 049 300
Management Services	1 314 406	1 218 134
Financial Services	1 252 424	1 248 439
Corporate Services	1 314 583	485 673
Technical Services	242 770 613	238 911 945
Community Services	-	2 929 302
	441 500 026	423 842 793

16.01 Equitable share

Opening balance
Grants received
Conditions met - Operating
Conditions met - Capital

Conditions still to be met/(Grant expenditure to be recovered)

	2015 R	2014 R
Opening balance	-	-
Grants received	194 848 000	179 049 300
Conditions met - Operating	(194 848 000)	(179 049 300)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act No. 108 of 1996) to the Municipality by the National Treasury.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
16.02 Finance Management Grant (FMG)		
Opening balance	2 459	898
Grants received	1 250 000	1 250 000
Conditions met - Operating	(1 252 424)	(1 248 439)
Conditions met - Capital	-	-
Conditions still to be met	<u>35</u>	<u>2 459</u>

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

16.03 Municipal Systems Improvement Grant (MSIG)		
Opening balance	0	320 547
Grants received	934 000	890 000
Conditions met - Operating	(932 878)	(661 247)
Conditions met - Capital	-	-
Paid back to Treasury	-	(549 300)
Conditions still to be met	<u>1 122</u>	<u>0</u>

The purpose of the grant is to support municipalities in implementing new systems as provided in the Municipal Systems Act, Municipal Structures Act and other related local government policy and legislation so that they can carry out mandated functions effectively.

16.04 Municipal Infrastructure Grant (MIG)		
Opening balance	19 525 842	4 089 916
Grants received	171 469 000	184 055 000
Conditions met - Operating	(75 486 434)	(95 368 365)
Conditions met - Capital	(91 873 510)	(73 250 710)
Conditions still to be met	<u>23 634 898</u>	<u>19 525 842</u>

The vision of the MIG programme is to provide all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. This also includes the rehabilitation and upgrading of existing infrastructure. The Municipality's programmes covers both Sanitation and Water projects.

16.05 Public Works - Special Programme		
Opening balance	(461 004)	(461 004)
Grants received	25 302 627	24 824 711
Conditions met - Operating	(30 034 952)	(24 824 711)
Conditions met - Capital	-	-
Grant expenditure to be recovered	<u>(5 193 329)</u>	<u>(461 004)</u>

This grant is used for the maintenance of gravel roads in the Gariep and Maletswai parts of the district. At times special projects are also allocated to the Municipality by the Department of Roads and Public Works in other parts of the district.

16.06 Accelerated Community Infrastructure Programme (ACIP)		
Opening balance	(85 102)	(773 098)
Grants received	-	15 679 215
Conditions met - Operating	-	-
Conditions met - Capital	-	(14 991 219)
Grant expenditure to be recovered	<u>(85 102)</u>	<u>(85 102)</u>

This grant is used for the upgrade of infrastructure.

16.07 Water Services Operating Subsidy		
Opening balance	4 612 134	526 210
Grants received	10 000 000	10 000 000
Conditions met - Operating	-	-
Conditions met - Capital	(14 577 701)	(5 914 076)
Conditions still to be met	<u>34 433</u>	<u>4 612 134</u>

This grant is used for the refurbishment of water infrastructure.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
16.08 Environmental Health Practitioners		
Opening balance	(2 735 232)	(122 618)
Grants received	711 844	316 688
Conditions met - Operating	-	(2 929 302)
Conditions met - Capital	-	-
(Grant expenditure to be recovered)	(2 023 388)	(2 735 232)
This grant is paid by the Department of Health and was initiated when the EHP staff from the province were transferred to the district municipalities. This grant is used for the EHP staff's salaries.		
16.09 Municipal Water Infrastructure Grant (MWIG)		
Opening balance	(2 290)	-
Grants received	20 009 000	15 002 000
Conditions met - Operating	(3 808 350)	(5 004 300)
Conditions met - Capital	(16 184 250)	(9 999 990)
Conditions still to be met/(Grant expenditure to be recovered)	14 109	(2 290)
This grant is used to facilitate the planning, acceleration and implementation of various projects that will insure water supply to communities identified as not receiving a basic water supply service.		
16.10 Rural Households Infrastructure Grant		
Opening balance	4 000	-
Grants received	-	4 000 000
Conditions met - Operating	-	(3 996 000)
Conditions met - Capital	-	-
Conditions still to be met	4 000	4 000
This grant is used to provide specific capital funding for the reduction of rural sanitation backlogs and to target existing households where bulk-dependent services are not viable		
16.11 Other Grants		
Opening balance	(42 095 783)	(41 718 055)
Grants received	6 227 435	6 950 309
Conditions met - Operating	(5 189 624)	(4 617 217)
Conditions met - Capital	(7 311 903)	(1 987 916)
Foreign Exchange Gains	23 783	(722 904)
VAT portion on unpaid grant monies	-	-
Grant expenditure to be recovered	(48 346 091)	(42 095 784)

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

Department Water Affairs

Implementation of Water Service Authority business plan to supply water.

Emergency Drought Relief

To supply water when district was declared a disaster area.

EPWP Programme

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

LED Capacity

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

DWA Bylaws

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

DBSA Municipal Support Framework

To assess Local Municipalities' requirements for support by JGDM.

Grant for Gariep

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

Rural Roads Asset Management Grant (Public Transport)

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

LG Seta

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

Orio

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Other Grants received during the year:		
EPWP Programme	1 309 000	1 000 000
DWA Bylaws	-	597 360
Industrial Development Corporation (IDC)	-	-
Invoice Based Finance	-	-
LED Capacity	-	358 000
Grant for Gariep	-	-
Rural Roads Asset Management Grant	2 084 000	1 778 000
LG Seta	1 071 875	486 134
Orio	1 308 386	2 730 815
Elundini Local Municipality	-	-
Senqu Local Municipality	-	-
Total Other Grants received during the year	5 773 261	6 950 309
Other Grants consist out of the following:		
Department Water Affairs	-	(5 749)
Emergency Drought Relief	-	(49 560 760)
Disaster Management Forum	-	36 115
Disaster Management Establishment of Centres	-	5 449 773
Disaster Management Plan	-	1 497 929
Disaster Management Fire & Emergency Services	-	1 667 736
Disaster Management Policy Framework	-	338 434
EPWP Programme	(1 309 437)	-
LED Capacity	(381 528)	381 528
DWA Bylaws	(100 548)	100 548
DBSA Municipal Support Framework	-	(697 907)
Rural Roads Asset Management Grant	(2 083 528)	28 991
Department of Human Settlement	(5 134 499)	-
LG Seta	(1 314 583)	(252)
Orio	-	(1 332 169)
Total unpaid Other Grants	(10 324 123)	(42 095 783)
16.12 Total Grants		
Opening balance	(21 234 976)	(38 137 204)
Correction on opening balance	(8 989 987)	-
Grants received	430 751 907	442 017 223
Conditions met - Operating	(311 552 662)	(317 698 881)
Conditions met - Capital	(129 947 364)	(106 143 911)
Paid back to Treasury/Provided for as impairment	50 258 667	(549 300)
Foreign Exchange Gains	23 783	(722 904)
VAT portion on unpaid grant monies	-	-
Grant expenditure to be recovered	9 309 368	(21 234 977)
<u>Disclosed as follows as per note 7</u>		
Unspent Conditional Government Grants and Receipts	23 718 061	33 645 489
Unpaid Conditional Government Grants and Receipts	(14 408 694)	(54 880 466)
	9 309 367	(21 234 977)
17 PUBLIC CONTRIBUTIONS AND DONATIONS		
Property, Plant and Equipment	-	2 668 232
Inventory	-	1 492 398
Cash	-	165 000
Total Public Contributions and Donations	-	4 325 630
Property, Plant and Equipment relates to the water services which were taken over from the service provider Amatola Water as well as Senqu Plastics which was transferred from Senqu Local Municipality.		
Inventory relates to the water services which was taken over from the service provider Amatola Water.		
The cash received (R165 000) was from the COGTA VUNA awards for having maintained an unqualified audit opinion for three consecutive years. The remaining cash received was from ABSA Bank for the hosting of a business breakfast with the IDC.		

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
18 TRANSFER OF FUNCTION		
18.01 Transfer of Water and Sanitation Function from Local Municipalities		
<p>The water and sanitation service was transferred on 1 July 2012 from Senqu, Elundini and Maletswai Local Municipalities while Gariiep Local Municipality was transferred on 1 July 2013. The assets and liabilities related to the service were transferred to the Municipality as a going concern. This transfer also included the related employees. Assets and liabilities were valued at fair value as on recognition date.</p>		
Assets		
Receivables from Exchange Transactions - fair value	-	4 212 255
Gross contractual amounts receivable	-	30 526 684
Contractual cash flows not expected to be collected	-	(26 314 429)
Inventory	-	75 847
Fair value of assets associated with transfer of function	-	4 288 102
Liabilities		
Employee Benefits	-	(912 876)
Post Retirement Medical Obligations	-	(521 990)
Long Service Awards	-	(390 886)
Current Employee Benefits	-	(537 840)
Bonuses Accrued	-	(149 667)
Provision for Staff Leave	-	(388 173)
South African Revenue Service	-	(408 244)
Output VAT as per gross contractual amounts receivable	-	(2 973 521)
Output VAT on contractual cash flows not expected to be collected	-	2 565 277
Fair value of liabilities associated with transfer of function	-	(1 858 960)
Net asset value transferred	-	2 429 142
18.02 Total Transfer of Function		
Transfer of Water and Sanitation Function from Local Municipalities	-	2 429 142
Transfer of Municipal Health Services	-	-
Total net asset value transferred	-	2 429 142
19 FOREIGN EXCHANGE GAINS/(LOSS)		
Orio Grant	(23 783)	722 904
Total Foreign Exchange Gains	(23 783)	722 904
<p>Foreign exchange gains relate to the Orio grant which is denominated in Euro. Claims submitted to Orio are done by using an exchange rate of R11.33 to the Euro as per the agreement. Payment are made in Euro at the exchange rate as on date of payment. Subsequently, the Rand has devalued against the Euro and has an exchange rate of R14.46 as on 30 June 2015 (2014 - R12.99).</p>		
20 ACTUARIAL (GAINS)		
Post Retirement Medical Obligations	(2 157 631)	(1 792 476)
Ex Gratia Gratuities	(65 118)	(14 502)
Long Service Awards	55 780	(450 657)
Total Actuarial Losses	(2 166 970)	(2 257 635)
<p>Actuarial gains or losses are calculated at year-end when the actuarial valuation is performed.</p>		
21 REVERSAL OF IMPAIRMENTS		
Investment in Municipal Entity - note 12	-	4 473
Total Reversal of Impairments	-	4 473
22 SERVICE CHARGES		
Water	74 798 318	47 104 436
Sewerage and Sanitation Charges	28 065 749	20 220 599
	102 864 067	67 325 035
Less: Rebates (including free basic services for indigents)	(18 868 573)	(25 467 621)
Total Service Charges	83 995 495	41 857 414

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
23 GOVERNMENT SERVICES		
Working for Water	1 063 148	12 558 732
Working for Wetlands	3 185 716	5 846 974
Total Government Services	4 248 864	18 405 706
24 INTEREST EARNED - EXTERNAL INVESTMENTS		
Call Investment Deposits	3 549 300	2 932 902
Primary Bank Account	351 495	212 665
Fixed Deposits	-	94 017
Total Interest Earned - External Investments	3 900 795	3 239 584
25 INTEREST EARNED - OUTSTANDING DEBTORS		
Water Debtors	3 836 774	2 590 168
Sewerage Debtors	1 971 695	1 789 146
Total Interest Earned - Outstanding Debtors	5 808 469	4 379 314
26 OTHER INCOME		
Sundry Income	314 006	837 493
Rental of Facilities and Equipment	33 243	37 306
Unknown Receipts recognised as income	-	-
Insurance claims	-	133 454
Total Other Income	347 249	1 008 253
27 EMPLOYEE RELATED COSTS		
Bonuses	8 211 420	6 257 104
Contribution to current employee benefits - Staff Leave - Note 4	4 547 929	2 194 316
Contribution to non-current employee benefits - Long Service Awards - Note 3	690 301	611 937
Contribution to non-current employee benefits - Post Retirement Medical - Note 3	2 541 768	1 816 619
Contribution to non-current employee benefits - Ex Gratia Gratuities - Note 3	11 028	19 185
Contributions for UIF, Pensions and Medical Aids	20 841 044	17 636 598
Salaries and Wages	97 481 730	81 456 425
Housing Benefits and Allowances	727 063	907 427
Overtime Payments	4 509 038	6 140 638
Performance Bonuses	2 136 073	1 634 150
Travel, Motor Car, Telephone, Subsistence and Other Allowances	11 428 844	11 483 208
Total Employee Related Costs	153 126 238	130 157 607
As previously reported		130 425 143
Correction of error - note		(267 536)
Restated balance		130 157 607
REMUNERATION OF MANAGEMENT PERSONNEL		
The Municipal Manager and all Section 57 Managers are appointed on a 5-year fixed contract.		
Municipal Manager - Z A Williams		
Annual Remuneration	1 316 325	1 240 475
Performance Bonuses	224 359	211 161
Travel Allowance	108 200	112 200
Telephone allowance	30 000	30 000
Contributions to UIF, Medical and Pension Funds	208 923	192 755
Total	1 887 807	1 786 591
Director Technical Services - R J Fortuin		
Annual Remuneration	1 126 843	1 037 310
Performance Bonuses	190 706	167 996
Travel Allowance	170 220	170 220
Telephone allowance	13 857	12 597
Contributions to UIF, Medical and Pension Funds	81 612	83 499
Total	1 583 237	1 471 623
Director Corporate Services - H Z Jantjie		
Annual Remuneration	1 216 933	1 132 274
Performance Bonuses	190 706	167 996
Travel Allowance	84 000	84 000
Telephone allowance	13 857	12 597
Contributions to UIF, Medical and Pension Funds	75 074	70 107
Total	1 580 569	1 466 975

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Director Financial Services - J M Jackson - Resigned 30 April 2015		
Annual Remuneration	1 003 742	1 126 792
Performance Bonuses	190 706	90 998
Travel Allowance	82 000	98 400
Telephone allowance	11 547	12 597
Contributions to UIF, Medical and Pension Funds	64 907	65 210
Total	1 352 902	1 393 997

An Acting Chief Financial Officer has been appointed effective 15 April 2015 until the position will be filled.

Director Community Services - F J Sephton		
Annual Remuneration	1 208 695	1 130 916
Performance Bonuses	190 706	167 996
Travel Allowance	156 000	156 000
Telephone allowance	13 857	12 597
Contributions to UIF, Medical and Pension Funds	17 256	16 224
Total	1 586 514	1 483 733

Chief Operations Officer - N Mshumi		
Annual Remuneration	893 150	839 674
Performance Bonuses	162 310	141 133
Travel Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	191 975	196 060
Total	1 307 435	1 236 868

28 REMUNERATION OF COUNCILLORS

Councillors	4 681 578	4 483 239
Councillors' Pension and Medical Aid Contributions	584 494	541 097
Total Remuneration of Councillors	5 266 072	5 024 336

In-kind Benefits

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

	Remuneration	Contributions	Total
2015			
Members of the Mayoral Committee	2 885 199	415 747	3 300 946
ZI Dumzela - Executive Mayor	635 911	140 596	776 507
NP Mposelwa - Speaker	542 435	83 611	626 046
B Salman - Portfolio Head: Financial Services	511 569	76 877	588 445
D Mvumvu - Portfolio Head: Community Services	357 859	2 347	360 206
TZ Notyeke - Portfolio Head: Technical Services	357 904	3 375	361 279
N Ngubo - Portfolio Head: Corporate Services	479 522	108 941	588 463
Proportional elected Councillors	1 461 952	162 458	1 624 410
S Mei	301 646	12 818	314 464
DF Hartkopf	311 845	2 697	314 542
V Mbulawa	205 699	44 911	250 610
LN Gova	222 560	27 611	250 170
XG Motloi	210 567	40 096	250 663
NF Mphithi	209 636	34 325	243 961
Representative Councillors	334 427	6 290	336 639
Total Councillors Remuneration	4 681 578	584 494	5 261 994

2014

Members of the Mayoral Committee	2 720 019	404 283	3 124 302
ZI Dumzela - Executive Mayor	613 532	137 226	750 758
B Salman - Speaker (resigned October 2013)	161 946	26 032	187 977
NP Mposelwa - Speaker (appointed November 2013)	348 924	54 503	403 427
TZ Notyeke - Portfolio Head: Financial Services (February 2013 - October 2013)	109 619	1 084	110 703
B Salman - Portfolio Head: Financial Services (appointed November 2013)	326 312	50 456	376 768
D Mvumvu - Portfolio Head: Community Services (appointed February 2013)	302 876	2 850	305 725
NP Mposelwa - Portfolio Head: Technical Services (resigned October 2013)	152 313	24 407	176 720
TZ Notyeke - Portfolio Head: Technical Services (appointed November 2013)	264 364	2 616	266 980
N Ngubo - Portfolio Head: Corporate Services (appointed February 2013)	440 134	105 110	545 244
Proportional elected Councillors	1 539 839	134 603	1 674 442
S Mei	289 957	2 784	292 741
DF Hartkopf	300 180	2 744	302 924
V Mbulawa	192 898	43 641	236 539
MC Manxeba (deceased January 2014)	127 322	17 626	144 948
MW Mpelwane	174 655	1 498	176 153
LN Gova	210 485	26 903	237 388
XG Motloi	194 070	38 904	232 974
NF Mphithi (appointed April 2014)	50 272	503	50 774
Representative Councillors	223 381	2 211	225 593
Total Councillors Remuneration	4 483 239	541 097	5 024 336

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
29 DEBT IMPAIRMENT		
Contributions to provision - note 14	76 575 018	42 126 027
Less: Portion relating to VAT - note 8	(1 798 001)	(603 607)
Total Debt Impairment	74 777 017	41 522 420
30 IMPAIRMENTS		
Investment in Municipal Entity - note 12	-	-
Unpaid Government Grants - note 7	-	45 831 406
Investment Property - note 10	-	-
Total Impairments	-	45 831 406
31 DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment - note 9	43 778 043	41 696 268
Investment Property - note 10	45 496	45 496
Intangible Assets - note 11	416 287	569 351
Total Depreciation and Amortisation	44 239 826	42 311 115
32 REPAIRS AND MAINTENANCE		
Infrastructure	13 396 357	28 753 978
Land and Buildings	916 932	185 686
Other Assets	1 404 514	1 551 023
Total Repairs and Maintenance	15 717 803	30 490 687
<p>It should be noted that a substantial amount of Repairs and Maintenance that were done are reflecting under the Operating Grant expenditure votes.</p>		
33 FINANCE CHARGES		
Long-term Liabilities	851 895	721 338
Finance leases	539 644	-
Non-current Employee Benefits	3 560 433	2 876 337
Finance charges on pension fund shortfall	49 875	370 259
Other	-	-
Total Finance Charges	5 001 847	3 967 934
34 CONTRACTED SERVICES		
Water Services	1 868 386	5 179 676
Local Municipalities	1 868 386	4 784 450
Other Contractors	-	395 226
Sanitation Services	19 066 136	15 560 950
Local Municipalities	1 456 044	2 872 163
Other Contractors	17 610 092	12 688 787
Total Contracted Services	20 934 522	20 740 626
<p>Contracted services paid to Local Municipalities include a 15% collection fee of all monies collected by the Local Municipalities on behalf of Joe Gqabi District Municipality as well as a standard rate per monthly statement printed per service.</p> <p>The other contractors relate to Honey Sucking that has been done by outside contractors throughout the district for the year under review.</p>		
35 BULK PURCHASES		
Water	3 003 666	2 473 512
Total Bulk Purchases	3 003 666	2 473 512
36 GRANTS AND SUBSIDIES PAID		
Joe Gqabi Economic Development Agency (SoC) Ltd	2 786 740	5 154 594
Total Grants and Subsidies Paid	2 786 740	5 154 594
<p>The grant paid to Joe Gqabi Economic Development Agency (SoC) Ltd (JoGEDA) is in terms of the service level agreement with the IDC. This grant is used for operating activities by JoGEDA.</p>		

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
37 OPERATING GRANT EXPENDITURE		
Management Services	972 766	636 010
Financial Services	287 243	181 292
Corporate Services	1 161 564	1 393 672
Technical Services	71 527 165	96 369 585
Community Services	3 875 814	12 567 686
Total Operating Grant Expenditure	77 824 552	111 148 245
38 GENERAL EXPENSES		
Audit Fees	6 197 044	4 770 494
Advertising Fees	740 164	659 479
Bank Charges	259 711	128 791
Chemicals	5 621 840	5 640 623
Computer Charges	(37 657)	1 279 053
Consulting Fees	13 124 849	4 834 883
Entertainment	89 784	70 027
Fuel and oil	6 688 179	7 144 787
Insurance	2 228 123	2 264 044
Legal Fees	465 218	380 137
Material and protective clothing	848 726	959 712
Marketing	270 855	206 158
Membership Fees	1 238 519	439 542
Postage	11 116	15 906
Printing and Stationary	776 733	588 485
Rentals	3 318 411	3 821 904
Security	2 266 489	1 589 845
Services	550 266	379 031
Special programmes	1 411 969	1 584 462
Telephone	2 322 482	1 501 837
Training	639 066	542 571
Travel and Subsistence	12 249 261	11 224 719
Water and Electricity	12 991 088	12 502 813
Water Testing & Quality Monitoring	1 592 147	-
Other	1 628 441	2 167 686
Total General Expenses	77 492 824	64 696 989
As previously reported		69 638 855
Correction of error restatement - note 40.1		(4 941 866)
Restated balance		64 696 989
<p>The take over of water services from Gariiep Local Municipality and Amatola Water Board resulted in changes in expenditure patterns to the prior year. The average increase in General expenditure is only 10% for the year. There has been a shift of spending between types of expenditure and not necessarily a material increase overall.</p>		
39 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
Carrying value of Property, Plant and Equipment disposed or written off	(4 228 506)	(5 226 886)
Property, Plant and Equipment transferred to JoGEDA	-	2 025 594
Total Loss on Disposal of Property, Plant and Equipment	(4 228 506)	(3 201 291)
<p>The loss on disposal of assets to the amount of R72 379 relates to assets that were written off due to various claims from the Insurance.</p>		
40 CORRECTION OF ERROR IN TERMS OF GRAP 3		
Accumulated Surplus		1 218 811 290
Cash and Cash Equivalents - note 40.1		(558)
Unspent Government Grants and Receipts - note 40.2		8 989 987
Payables from Exchange Transactions - note 40.3		97 295
Total		1 227 898 014
NET SURPLUS/(DEFICIT) FOR THE YEAR		-
Deficit reported on 30 June 2014		(13 373 757)
General Expenses - note 38		4 941 866
Employee Related Cost - note 27		267 536
Total		(8 164 355)

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

40.1 Cash and Cash Equivalents

During the 2012/2013 financial year a transaction was incorrectly passed on the bank vote for monies paid back to a previous employee for a medical contribution. The monies was however never paid and this amount has been outstanding on the bank reconciliation since then. This has now been corrected.

Refer to Cash and Cash Equivalents - note 15 (558)

40.2 Unspent Government Grants and Receipts

During 2008/2009 the Municipality received grants from Dept Local government and Traditional affairs for Disaster Management. These monies were utilised during 2012/2013 during the disaster period relating to drought. The income was never recognised and there has been no movement since 2009 on these unspent grants. The revenue has now been recognised. No monies is due to COGHTA and has not been claimed for the past 5 financial years.

Refer to Unspent Government Grants and Receipts - note 7 (8 989 987)

40.3 Payables from Exchange-Transactions

An Accrual was raised in 2013/14 to the amount of R4 941 866 due to Elundini Local Municipality for Services. On confirmation with the Local Municipality it was confirmed that this was an error and that the amount of R1 474 221 disclosed separately under Trade payables are indeed the only creditor as at 30 June 2014. The General Expenditure in the previous financial year has therefore been overstated by R4 941 866.

During the transfer of the Operational employees from Elundini Local Municipality, billing staff were also transferred and paid by Joe Gqabi District Municipality. These employees were suppose to be paid by the Local municipality as per the agreement and therefore the Payable for 2012/2013 was overstated with R97 295 and the 2013/2014 was overstated with R267 536. The Employee cost for the 2013/2014 comparative has been overstated with the same amount.

Refer to Payables from Exchange Transactions - Trade payables - note 6 (4 941 866)

Refer to Payables from Exchange Transactions - Local Municipalities: Elundini Local Municipalities - note 6 (97 295)

Refer to Payables from Exchange Transactions - Local Municipalities: Elundini Local Municipalities - note 6 (267 536)

	2015 R	2014 R
41 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
Surplus/(Deficit) for the year	53 014 941	(8 164 355)
Adjustments for:		
Depreciation	44 239 826	42 311 115
Contribution from/to employee benefits - non-current	6 803 530	5 324 078
Contribution from/to employee benefits - non-current - expenditure incurred	(1 576 962)	(1 283 012)
Contribution from/to employee benefits - non-current - actuarial losses	(2 166 970)	(2 257 635)
Contribution to employee benefits - current	14 945 296	7 877 985
Contribution to employee benefits - current - expenditure incurred	(10 594 780)	(5 792 331)
Contribution to/of provisions - Allowance for Doubtful Debt	76 575 018	42 126 027
Bad debts written off	-	(14 469 918)
Transfer of function	-	(2 429 142)
Public Contributions in the form of movable assets or inventory	-	(4 160 630)
Impairments	-	45 831 406
Loss on disposal of Property, Plant and Equipment	4 228 506	3 201 291
Grants Received	430 751 907	441 467 923
Grant Expenditure	(436 416 923)	(423 842 792)
Foreign Exchange Gain	23 783	(722 904)
Transferred Property, Plant and Equipment included in Grants and Subsidies Paid	-	2 025 594
Reversal of Impairments	-	(4 473)
Operating Surplus before changes in working capital	179 827 172	127 038 228
Changes in working capital	(61 992 893)	(12 573 247)
Increase in Payables from Exchange Transactions	19 722 156	14 493 359
Increase in Current Portion of Long-term Liabilities	2 768 529	45 481
Decrease in South African Revenue Service	2 082 575	344 541
(Decrease)/Increase in Inventory	(873 093)	256 654
Increase in Receivables from Exchange transactions	(85 693 060)	(27 713 282)
Cash generated by operations	117 834 280	114 464 981

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
42 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - note 15	35 920 001	35 093 101
Cash Floats - note 15	16 300	16 300
Bank - note 15	(2 144 292)	3 112 995
Total cash and cash equivalents	33 792 009	38 222 396

43 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - note 42	33 792 009	38 222 396
Investments - note 12	1 395 357	1 301 340
	35 187 366	39 523 736
Less:	28 718 061	25 655 502
Unspent Committed Conditional Grants - note 7	23 718 061	24 655 502
Commitment to JoGEDA		1 000 000
ABSA Loan to be paid back	5 000 000	-
Net cash resources available for internal distribution	6 469 305	13 868 234

44 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - note 2	15 464 187	5 653 603
Used to finance property, plant and equipment - at cost	(10 464 187)	(5 653 603)
Cash invested for repayment of long-term liabilities	5 000 000	-

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.

The ABSA loan obtained during the year has not been spent as at 30 June 2015.

45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	164 753	164 753
Unauthorised expenditure current year - operating	-	-
Unauthorised expenditure current year - capital	-	-
Authorised by Council	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	164 753	164 753

Incident	Disciplinary steps
Over expenditure on votes.	None

	Actual R	Final Budget R	Variance R	Unauthorised Expenditure R
Operating Expenditure by Vote				
Management Services	32 689 290	33 764 624	(1 075 334)	-
Financial Services	82 189 720	83 119 090	(929 370)	-
Corporate Services	44 410 866	48 373 162	(3 962 296)	-
Technical Services	286 893 610	290 882 542	(3 988 932)	-
Community Services	42 745 654	52 110 276	(9 364 622)	-
	488 929 140	508 249 694	(19 320 554)	-
Capital Expenditure by Vote				
Management Services	-	-	-	-
Financial Services	-	250 000	(250 000)	-
Corporate Services	859 941	1 600 855	(740 914)	-
Technical Services	125 727 878	143 764 891	(18 037 013)	-
Community Services	229 078	780 000	(550 922)	-
	126 816 897	146 395 746	(19 578 849)	-

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
45.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	503 166	434 638
Fruitless and wasteful expenditure current year	184 280	68 528
Written off by Council	-	-
Transfer to receivables for recovery	-	-
	<u>687 446</u>	<u>503 166</u>

Incident	Disciplinary steps
Interest paid to Telkom, Eskom and on utility bills not paid within 30 days.	None
Payments made to the incorrect supplier's bank account	Yes
Damages to rental vehicles	Under investigation
Meeting postpone and caterer not informed	None

31 601	64 874
-	369 764
139 679	-
13 000	-
<u>184 280</u>	<u>434 638</u>

	2015 R	2014 R
45.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	8 412 125	8 048 124
Irregular expenditure - current year	778 186	-
Irregular expenditure - prior year (identified during current year)	-	364 001
Condoned	-	-
Transfer to receivables for recovery	-	-
	<u>9 190 312</u>	<u>8 412 125</u>

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

The irregular expenditures were ratified as minor breaches by the Accounting Officer in terms of the Supply Chain regulations 36(1)(b) and in line with the Municipalities Supply Chain policy.

46 MATERIAL LOSSES

Water distribution losses

Kilo litres disinfected/purified/purchased	12 155 028	13 723 817
Kilo litres sold	(7 344 702)	(6 624 108)
	<u>4 810 326</u>	<u>7 099 709</u>
Percentage lost during distribution	39.6%	51.7%
Average cost per kilolitre in Rands	11.21	11.68
Loss in Rand value	53 923 757	82 924 601

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

47.1 SALGA Contributions - [MFMA 125 (1)(b)]

Opening balance	-	-
Council subscriptions	1 238 020	316 018
Amount paid - current year	(1 238 020)	(316 018)
	<u>-</u>	<u>-</u>

Balance unpaid (included in creditors)

47.2 Audit fees - [MFMA 125 (1)(b)]

Opening balance	13 197	123 846
Current year audit fee	6 345 651	6 358 848
External Audit - Auditor-General	5 003 394	5 016 591
Internal Audit	1 342 258	1 342 258
Amount paid	(6 358 849)	(6 469 497)
	<u>-</u>	<u>13 197</u>

Balance unpaid (included in payables)

47.3 VAT - [MFMA 125 (1)(b)]

Opening balance	1 997 927	5 212 240
Amounts received - current year	(37 471 461)	(37 471 461)
Amounts claimed - current year	40 375 300	34 257 148
	<u>4 901 766</u>	<u>1 997 927</u>

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.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
47.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	21 335 984	18 172 341
Amount paid - current year	(21 335 984)	(18 172 341)
Balance receivable	-	-
47.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	29 438 311	25 185 451
Amount paid - current year	(29 438 311)	(25 185 451)
Balance unpaid (included in payables)	-	-
47.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]		
There are no overdue councillor accounts.		
47.7 Deviations - Supply Chain Management		
Deviations with the Supply Chain Management Regulations were identified and categorised as follow:		
- Emergencies	42 677 924	53 217 643
- Goods or services are produced or available from a single provider only	1 567 726	2 429 265
- Other exceptional cases where it is impractical or impossible to follow the official procurement processes	15 736 190	17 049 266
	59 981 840	72 696 174
Deviations per department		
- Office of the Municipal Manager	296 318	1 712 989
- Financial Services	296 667	186 816
- Corporate Services	2 432 160	3 490 520
- Community Services	4 674 032	10 206 241
- Technical Services	52 278 559	57 036 263
- Expenditure incurred on behalf of JoGEDA	4 104	63 345
	59 981 840	72 696 174
CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for:		
- Infrastructure	387 266 397	386 085 300
Total	387 266 397	386 085 300
	2015	2014
	R	R
This expenditure will be financed from:		
Capital Replacement Reserve	-	-
Government Grants	387 266 397	370 589 879
Own Resources	-	15 495 421
	387 266 397	386 085 300

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

48 FINANCIAL RISK MANAGEMENT

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

(a) Foreign Exchange Currency Risk

The Municipality does not engage in foreign currency transactions.

(b) Price risk

The Municipality is not exposed to price risk.

(c) Interest Rate Risk

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

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

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

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

0.5% (2013 - 0.5%) Increase in interest rates	225 007	231 332
0.5% (2013 - 0.5%) Decrease in interest rates	(225 007)	(231 332)

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

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of consumers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer receivables the Municipality effectively has the right to terminate services to customers, but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

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

Balances past due not impaired:

Water	2 722 576	1 019 291
Sewerage	66	1 632 123
Local Municipalities	4 053 067	1 389 790
Other Receivables	2 394 011	3 262 222
	<u>9 169 719</u>	<u>7 303 425</u>

No receivables are pledged as security for financial liabilities.

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

The bank utilised by the Municipality for current and non-current investments are all listed on the JSE (ABSA Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
Although the risk pertaining to unpaid conditional grants and subsidies are considered to be very low, the maximum exposure is disclosed below. Amounts are receivable from national and provincial government and there are no expectation of counter party default.		
Receivables from exchange transactions are individually evaluated annually at Financial Position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. The maximum exposure is disclosed below.		
Financial assets exposed to credit risk at year end are as follows:		
Receivables from Exchange Transactions	170 237 831	84 544 771
Cash and Cash Equivalents	33 792 009	38 222 396
Non-current Investments	1 395 357	1 301 340
Unpaid Conditional Grants and Subsidies	14 408 693	4 621 798
	219 833 890	128 690 305

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

Municipality

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
2015				
Long Term liabilities and Finance Leases	4 982 253	16 650 731	3 390 976	25 023 959
Capital repayments	3 214 401	12 753 285	2 710 903	18 678 589
Interest	1 767 852	3 897 446	680 073	6 345 370
Payables from exchange transactions	-	-	-	-
Unspent Conditional Government Grants and Receipts	-	-	-	-
	4 982 253	16 650 731	3 390 976	25 023 959
2014				
Long Term liabilities	1 132 215	4 038 766	5 328 676	10 499 657
Capital repayments	445 354	1 792 985	3 861 137	6 099 476
Interest	686 861	2 245 781	1 467 539	4 400 181
Payables from exchange transactions	-	-	-	-
Unspent Conditional Government Grants and Receipts	-	-	-	-
	1 132 215	4 038 766	5 328 676	10 499 657

49 FINANCIAL INSTRUMENTS

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

	2015	2014
	R	R
49.1 Financial Assets		
Financial instruments at amortised cost		
Non-Current Investments		
- Fixed Deposits	1 395 357	1 301 340
- Municipal Entity - Joe Gqabi Economic Development Agency (Soc) Ltd	1 894 055	1 894 055
Receivables from Exchange Transactions	25 642 539	16 524 497
Cash and Cash Equivalents	33 792 009	38 222 396
Unpaid Conditional Government Grants and Receipts	14 408 693	4 621 798
Total carrying amount of financial assets	77 132 653	62 564 086
49.2 Financial Liability		
Financial instruments at amortised cost		
Long-term Liabilities	15 464 187	5 653 603
Trade and Other Payables	76 129 390	56 212 026
Current Portion of Long-term Liabilities	3 214 402	445 873
Unspent Conditional Government Grants and Receipts	23 718 061	24 655 502
Total carrying amount of financial liabilities	118 526 040	86 967 004

50 EVENTS AFTER THE REPORTING DATE

The Municipality has noted the unfavourable weather conditions that have persisted in the last quarter ended 30 June 2015. All indications and information at hand indicates that the District will have a period of drought that will in all probability result in the outflow of economic resources in the post reporting period. The outflow of resources is expected to exceed R20 million.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

51 IN-KIND DONATIONS AND ASSISTANCE

None

52 PRIVATE PUBLIC PARTNERSHIPS

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

53 CONTINGENT LIABILITY

Council has the following contingent liabilities at the end of the financial year 2014/2015:

Outstanding litigation claims

A claim of R800 000 was filed against the Municipality by a service provider for services rendered. Council has filed a counter claim. The Municipality considers the likelihood of the case being lost by the Municipality as being low. No court date has been set as on the reporting date.

A claim of R606 640 was filed against the Municipality by a service provider for services rendered. Council has filed a counter claim. The Municipality considers the likelihood of the case being lost by the Municipality as being medium. No court date has been set as on the reporting date.

A claim was filed against the Municipality by a service provider disputing the award of a tender to another service provider. The Municipality considers the likelihood of the case being lost by the Municipality as being medium. No court date has been set as on the reporting date.

The Municipality is contesting a labour matter in respect of its junior fire fighters. The claim is for back-pay, stand-by allowances and other allowances. The Commissioner at the CCMA issued an award. The award was that the 28 junior fire fighters be paid an amount of R340 327.95 each on this matter. This amounts to R9 529 182.60. The Municipality has contested this award. This matter is now pending and a date has not been set on the roll at the Labour Court.

In addition, the Commissioner also issued an award that the 28 junior fire fighters be paid an amount of R211 870 each based on TASK grading, amounting to R5 932 360 in total. This arbitration award has also been referred for review.

The municipality is currently having a labour related matter in front of the labour court and the estimated amount is R300 000. This case is currently under review.

The Municipality is contesting a claim for damages amounting to R754 702. The claim was lodged by Mr B Ramsay and his spouse for damages, pain and suffering and future medical costs. The claim relates to a motor vehicle accident wherein the vehicle was damaged when entering a site in Aliwal North. The site relates to diggings on a road for the purpose of effecting repairs to water infrastructure. The complainants believe that the Municipality is responsible for the accident that occurred. The Municipality is contesting this claim.

The Department of Water and Sanitation is claiming an amount R37 660 353 from the Municipality for raw water extraction costs. This amount is made up of a number of invoices, dating back as far as 2002. The Municipality has had extensive interactions with the Department, but this amount has not been finalised. The Municipality's Management is of the opinion that this amount is firstly grossly overstated and in some cases refers to areas outside the District's jurisdiction. An accrual of R10 531 551 for bulk water purchases has been made and this amount is considered to be due and payable to the Department. The net amount of the contingency is R27 128 802. The Municipality is in ongoing negotiations with the Department. The Department submitted a request to its Minister and Director General to write off the amount. This decision is still pending. The Department is also considering drought relief measures for the current year's raw water extraction costs. This decision is also pending.

54 RELATED PARTIES

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

54.01 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 Receivables from exchange transactions as per note 14. A provision for impairment is made for the outstanding amount of R165 955 as it is uncertain that it will be collected.

54.02 Compensation of management personnel

The compensation of management personnel is set out in note 27, 28 and to the financial statements.

54.03 Investment in Municipal Entity

The Municipality has a 100% shareholding in Joe Gqabi Economic Development Agency (Soc) Ltd (JoGEDA) as set out in note 12 to the financial statements. The Municipality incurred expenditure on behalf of JoGEDA. At year-end JoGEDA still owed the Municipality R6 738 739 (2014 - R1 237 839) of outstanding reimbursements as set out in note 14.

The Municipality paid a grant to JoGEDA as disclosed in note 36.

55 EXPLANATORY NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**55.01 ORIGINAL BUDGET vs FINAL BUDGET**General activities effecting the budget

The Municipality's Council approved the take over of the water and sanitation function from all the Local Municipalities. 2014/2015 was the first financial year to be responsible for the billing of Maletswai Local area and Senqu Local Area.

Amatola Water was responsible for the water function in some parts of the Senqu area, while Sintec provided water functions in parts of the Elundini area. During the year these services were taken back by the Municipality and all employees were transferred from Amatola Water and Sintec to the Municipality. The original budget provided for the payment of contracted services to these entities. The final budget required the Municipality to provide for expenditure in terms of standard line items relating to the water function.

The 2012/13 financial year was the first year that the Municipality took over the water and sanitation function from the Local Municipalities, except for Gariep Local Municipality which was only done in 2013/2014. There were still limited historic data available in order to draft an accurate original budget. Subsequently, more accurate historic data became available during the year which was taken into account during the drafting of the final budget. The billing responsibility contributed mainly to the challenges experienced during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Statement of Financial Position

Movement in Current Assets consist of consumer debtors which were decreased by R5 million in order to be more in line with the audited outcome of 30 June 2013.

Current Liabilities were increased due to the following:

- Current Employee Benefits were increased in order to be in line with the audited outcome of 30 June 2014 and to take into account items which were not budgeted for in the original budget.
- Unspent Conditional Grants and Receipts were increased in order to take into account grants which will not be spent during 2014/15. This was not budgeted for in the original budget.
-
- The Trade payables were increased due the continuous cash flow challenges of the Municipality

Non-Current Liabilities were increased due to the following:

- Non-Current Employee Benefits were increased in order to be in line with the audited outcome of 30 June 2014 and to take into account items which were not budgeted for in the original budget.
- Long-term Liabilities were also increased by as there was an intention to borrow money to finance the water infrastructure.

Statement of Financial Performance - Revenue

Capital Government Grants and Subsidies were increased due to following:

- Additional MIG funding (R20 million) allocation
-
-

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

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

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

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

Statement of Financial Performance - Expenditure

Employee Related Costs were increased due to the following:

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

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

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

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

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

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

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

General Expenses was increased to accommodate the take over of the water and sanitation functions. The major contributor was chemical expenditure which was increased by R5 million.

Cash Flow Statement

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

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

Operating Expenditure by vote

Management Services were increased with following items:

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

Corporate Services were increased with

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

Technical Services were increased with the following items:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Capital Expenditure by vote

Technical Services increased due to the following:

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

55.02 ACTUAL AMOUNTS vs FINAL BUDGET**Statement of Financial Position**

Total Current Assets exceeds the final budget due to increase in cash on hand is creditors at year-end has not been paid and increase in the consumer debtors due to low payment percentage.

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

Total Current Liabilities is more less than the budget due to year-end creditors not being paid but lower than anticipated.

Total Non-Current Liabilities is less than budget but in line with a difference of below R4million.

Statement of Financial Performance - Revenue

Capital Government Grants is under collected due to grants incorrectly classified as capital rather operating viz. MIG and MWIG. The municipality also did not spent the full allocation for the financial year.

Capital Government Grants is under collected due to grants incorrectly classified as capital rather operating viz. MIG and MWIG. The municipality also did not spent the full allocation for the financial year. The netto effect of Capital and Operational more or less equal the unspent portion at year end.

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

Statement of Financial Performance - Expenditure

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

Dept impairment is significantly more due to the first time billing as well as collection. This should improve towards the 2016/2017 year.

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

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

Cash Flow Statement

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

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

Operating Expenditure by vote

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

Community Services is underspent due to the over-provision in budgeted bulk services. Saving on General Expenses due to austerity measures. The Working for Water monies were not paid over by the department and hence no expenditure was incurred.

Capital Expenditure by vote

Technical Services is underspent on capital due to the additional MIG allocation of R20 million being rolled over.

APPENDIX A - Unaudited
JOE GQABI DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Maturity Date	Balance at 30 June 2014	Received during the period	Redeemed during the period	Balance at 30 June 2015
					R	R	R	R
ANNUITY LOANS								
DBSA - Building - c/o Graham and Cole street, Barkly East	11.5%	100878	6 monthly	31 Dec 2024	5 809 872	-	307 513	5 502 358
DBSA - Sanitation Infrastructure	10.00%	9980	6 monthly	30 Jun 2016	289 604	-	137 753	151 851
ABSA - Water meter loan	10.73%		6 monthly	1 March 2020	-	5 000 000	-	5 000 000
Total Annuity Loans					6 099 476	5 000 000	445 266	10 654 210
FINANCE LEASE								
ABSA - VEHICLES	Prime		Monthly	Various	-	9 875 798	1 851 418	8 024 380
Total Finance Leases					-	9 875 798	1 851 418	8 024 380
TOTAL EXTERNAL LOANS					6 099 476	5 000 000	2 296 684	18 678 589

APPENDIX B - Unaudited
JOE QGABI DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2015

	Cost/Revaluation							Accumulated Depreciation				Carrying Value	
	Opening Balance	Residual Value Opening Balance	Additions	Residual Value Additions	Under Construction	Disposals	Residual Value Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
Land and Buildings													
Land	2 043 000	-	-	-	-	-	-	2 043 000	-	-	-	-	2 043 000
Buildings	15 639 048	-	-	-	-	-	-	15 639 048	4 191 402	582 480	-	4 773 883	10 865 166
	17 682 048	-	-	-	-	-	-	17 682 048	4 191 402	582 480	-	4 773 883	12 908 166
Infrastructure													
Sewerage Network	290 131 424	-	34 313 968	-	9 614 409	(3 167 192)	-	330 892 609	54 597 107	9 453 240	(1 486 138)	62 564 209	268 328 401
Water Network	945 048 087	-	83 209 891	-	243 096 808	(10 564 265)	-	1 260 790 520	185 033 275	30 239 293	(8 089 192)	207 183 376	1 053 607 143
	1 235 179 511	-	117 523 858	-	252 711 217	(13 731 457)	-	1 591 683 129	239 630 382	39 692 533	(9 575 330)	269 747 585	1 321 935 544
Other Assets													
Office Equipment	2 144 783	-	145 839	-	-	(3 639)	-	2 286 984	1 209 820	234 142	-385	1 443 577	843 406
Furniture & Fittings	3 105 068	-	374 917	-	-	(1 559)	-	3 478 425	2 316 961	208 098	-1 392	2 523 667	954 758
Motor Vehicles	7 333 917	501 673	9 875 798	3 874 382	-	(179 347)	17 935	17 030 367	3 489 919	1 685 954	-150 240	5 025 633	12 004 734
Fire Engines	8 924 094	892 409	-	-	-	-	-	8 924 094	4 803 526	693 475	-	5 497 001	3 427 093
Computer Equipment	2 350 127	-	859 941	-	-	(45 890)	-	3 164 178	1 493 894	152 394	-16 917	1 629 370	1 534 808
Special Vehicles	4 850 274	483 832	-	-	-	-	-	4 850 274	682 211	391 072	-	1 073 283	3 776 991
Tools and Equipment	1 842 611	-	1 186 098	-	-	(14 825)	-	3 013 884	1 199 242	137 894	-3 946	1 333 191	1 680 693
	30 550 874	1 877 914	12 442 592	3 874 382	-	(245 260)	17 935	42 748 206	15 195 572	3 503 030	-172 880	18 525 722	24 222 484
Total	1 283 412 433	1 877 914	129 966 451	3 874 382	252 711 217	-13 976 717	17 935	1 652 113 384	259 017 357	43 778 043	-9 748 211	293 047 189	1 359 066 194

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2014

	Cost/Revaluation								Accumulated Depreciation				Carrying Value
	Opening Balance	Residual Value Opening Balance	Additions	Residual Value Additions	Under Construction	Disposals	Residual Value Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings													
Land	2 043 000	-	-	-	-	-	-	2 043 000	-	-	-	-	2 043 000
Buildings	15 391 118	-	247 931	-	-	-	-	15 639 048	3 621 022	570 381	-	4 191 402	11 447 646
	17 434 118	-	247 931	-	-	-	-	17 682 048	3 621 022	570 381	-	4 191 402	13 490 646
Infrastructure													
Sewerage Network	269 489 040	-	20 656 542	-	24 645 494	14 158	-	314 776 918	45 855 342	8 755 922	14 157	54 597 107	260 179 812
Water Network	938 256 668	-	12 024 020	-	231 215 277	5 232 601	-	1 176 263 363	157 252 383	29 836 340	2 055 447	185 033 275	991 230 088
	1 207 745 708	-	32 680 562	-	255 860 771	5 246 759	-	1 491 040 282	203 107 725	38 592 262	2 069 605	239 630 382	1 251 409 900
Other Assets													
Office Equipment	1 964 786	-	219 968	-	-	39 971	-	2 144 783	990 842	255 949	36 971	1 209 820	934 964
Furniture & Fittings	2 906 048	-	246 346	-	-	47 326	-	3 105 068	2 046 820	314 983	44 841	2 316 961	788 107
Motor Vehicles	5 535 969	670 806	1 127 142	-	-	-	-	7 333 917	2 964 407	525 512	-	3 489 919	3 843 997
Fire Engines	7 953 639	970 455	-	-	-	-	-	8 924 094	3 916 074	887 452	-	4 803 526	4 120 568
Computer Equipment	2 841 510	-	199 990	-	-	691 373	-	2 350 127	2 000 465	173 209	679 780	1 493 894	856 234
Special Vehicles	841 351	94 594	3 925 329	-	-	11 000	-	4 850 274	404 641	286 853	9 284	682 211	4 168 063
Tools and Equipment	1 553 613	-	2 362 283	-	-	2 073 285	-	1 842 611	1 151 921	89 668	42 347	1 199 242	643 368
	23 596 916	1 735 855	8 081 058	-	-	2 862 955	-	30 550 874	13 475 170	2 533 625	813 223	15 195 572	15 355 301
Total	1 248 776 741	1 735 855	41 009 551	-	255 860 771	8 109 714	-	1 539 273 204	220 203 917	41 696 268	2 882 828	53 437 523	1 280 255 847

APPENDIX C - Unaudited
JOE GQABI DISTRICT MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, NO. 56 OF 2003

	Balance 1 July 2014 R	Correction of error R	Restated 1 July 2014 R	Contributions during the year R	Paid back Treasury/Provide R	Foreign Exchange Gains R	Operating Expenditure Transferred to Revenue R	Capital Expenditure Transferred to Revenue R	Balance 30 June 2015 R	Unspent 30 June 2015 (Creditor) R	Unpaid 30 June 2015 (Debtor) R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS											
<u>National Government Grants</u>											
Accelerated Community Infrastructure Programme (/	(85 102)		(85 102)	-	-	-	-	-	(85 102)	-	(85 102)
Municipal Infrastructure Grant (MIG)	19 525 842		19 525 842	171 469 000	-	-	(75 486 434)	(91 873 510)	23 634 898	23 634 898	-
Department Water Affairs	(5 749)		(5 749)	-	-	-	-	-	(5 749)	-	(5 749)
Emergency Drought Relief	(49 560 760)		(49 560 760)	-	49 560 760	-	-	-	-	-	-
EPWP Programme	-		-	1 309 000	-	-	(1 309 437)	-	(437)	-	(437)
Equitable Share	-		-	194 848 000	-	-	(194 848 000)	-	-	-	-
Finance Management Grant (FMG)	2 459		2 459	1 250 000	-	-	(1 252 424)	-	35	35	-
Municipal Systems Improvement Grant (MSIG)	-		-	934 000	-	-	(932 878)	-	1 122	1 122	-
Public Works - Special Programme	(461 004)		(461 004)	25 302 627	-	-	(30 034 952)	-	(5 193 329)	-	(5 193 329)
Water Services Operating Subsidy	4 612 134		4 612 134	10 000 000	-	-	-	(14 577 701)	34 433	34 433	-
Municipal Water Infrastructure Grant (MWIG)	(2 290)		(2 290)	20 009 000	-	-	(3 808 350)	(16 184 250)	14 110	14 110	-
RBIG	-		-	454 175	-	-	-	(2 177 404)	(1 723 229)	-	(1 723 229)
Department of Human Settlement	-		-	-	-	-	-	(5 134 499)	(5 134 499)	-	(5 134 499)
Rural Households Infrastructure Grant	4 000		4 000	-	-	-	-	-	4 000	4 000	-
Total National Government Grants	(25 970 470)	-	(25 970 470)	425 575 802	49 560 760	-	(307 672 475)	(129 947 364)	11 546 253	23 688 598	(12 142 345)
<u>Provincial Government Grants</u>											
Disaster Management Forum	36 115	(36 115)	-	-	-	-	-	-	-	-	-
Disaster Management Establishment of Centres	5 449 773	(5 449 773)	-	-	-	-	-	-	-	-	-
Disaster Management Plan	1 497 929	(1 497 929)	-	-	-	-	-	-	-	-	-
Disaster Management Fire & Emergency Services	1 667 736	(1 667 736)	-	-	-	-	-	-	-	-	-
Disaster Management Policy Framework	338 434	(338 434)	-	-	-	-	-	-	-	-	-
LED Capacity	381 528		381 528	-	-	-	(381 528)	-	-	-	-
DWA Bylaws	100 548		100 548	-	-	-	(100 548)	-	-	-	-
Environmental Health Practitioners	(2 735 232)		(2 735 232)	711 844	-	-	-	-	(2 023 388)	-	(2 023 388)
Rural Roads Asset Management Grant	28 991		28 991	2 084 000	-	-	(2 083 528)	-	29 463	29 463	-
Total Provincial Government Grants	6 765 822	(8 989 987)	(2 224 165)	2 795 844	-	-	(2 565 604)	-	(1 993 924)	29 463	(2 023 388)
<u>Other Grant Providers</u>											
DBSA Municipal Support Framework	(697 907)		(697 907)	-	697 907	-	-	-	-	-	-
LG Seta	(252)		(252)	1 071 875	-	-	(1 314 583)	-	(242 960)	-	(242 960)
Orio	(1 332 169)		(1 332 169)	1 308 386	-	23 783	-	-	(0)	-	(0)
Total Other Grant Providers	(2 030 328)			2 380 261	697 907	23 783	(1 314 583)	-	(242 960)	-	(242 960)
TOTAL	(21 234 976)	(8 989 987)	(28 194 635)	430 751 907	50 258 667	23 783	(311 552 662)	(129 947 364)	9 309 368	23 718 061	(14 408 693)

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

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