JOE GQABI DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2016

(UNAUDITED)

Index

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
Mr Dlusawana	- Manager Water Service provider

REGISTERED OFFICE

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

GENERAL INFORMATION

AUDITORS

Office of the Auditor General (EC)
Vincent
East London

ATTORNEYS

MI Ntshiba & Associates
Mthatha
5099

Smith Tabata Attorneys
King Williams Town
5601

Clark Laing Inc
East London
5241

Mjululwa Hlalukana Attorneys
Mthatha
5099

Peyper Attorneys
Bloemfontein
9301

Kirchmanns Incorporated
East London
5241

PRINCIPAL BANKERS

ABSA
P O Box 323
Bloemfontein
9300

AUDIT COMMITTEE

J Emslie	- Chairperson
P G Du Toit	- Member
F K P Ntlemeza	- Member
P Ntisana	- 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

RELEVANT LEGISLATION (CONTINUED)

Disaster Management Act 57 of 2002
Division of Revenue Act 3 of 2016
Electoral Act 73 of 1998
Electoral Commission Act 51 of 1996
Electricity Act 41 of 1987
Employment Equity Act 55 of 1998
Environment Conservation Act 73 of 1989
Eskom Act 40 of 1987
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
Prescription Act 18 of 1943
Prescription Act 68 of 1969
Prevention and Combating of Corrupt Activities Act

GENERAL INFORMATION

RELEVANT LEGISLATION (CONTINUED)

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 COUNCIL

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 (deceased)
	NY Monakali (replaced cllr I van der Walt)

GENERAL INFORMATION

Elundini Local Municipality	L S Baduza
	G M Moni
	SPMS Leteba
	D D Mvumvu
	L Pili
Maletswai Local Municipality	N S Mathetha
	S E Mbana
Gariep Local Municipality	T Z Notyeke

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements period ended 30 June 2016, which are set out on pages 1 to 105 in terms of Section 126 (1) of the Municipal Finance Management Act (No. 56 of 2003) and which I have signed on behalf of the Municipality. The annual 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 2017 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	**Date**
Municipal Manager	

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Note	2016 R	2015 R
NET ASSETS AND LIABILITIES			
Net assets		**1 440 555 740**	**1 270 747 932**
Accumulated Surplus		1 440 555 740	1 270 747 932
Non-current liabilities from Exchange Transactions		**12 613 456**	**15 966 661**
Long-term Liabilities	2	12 613 456	15 966 661
Non-current liabilities		**35 216 636**	**31 819 745**
Employee benefits	3	35 216 636	31 819 745
Current-liabilities		**22 909 255**	**22 315 619**
Current employee benefits	4	22 909 255	22 315 619
Current-liabilities from exchange transactions		**83 073 342**	**84 924 212**
Consumer deposits	5	890 255	868 694
Payables from exchange transactions	6	75 071 683	80 841 116
South African Revenue Services	8	3 756 353	-
Current portion of long-term liabilities	2	3 355 052	3 214 402
Current-liabilities from non-exchange transactions		**1 016 165**	**23 718 061**
Unspent conditional government grants and receipts	7	1 016 165	23 718 061
Total net assets and liabilities		**1 595 384 594**	**1 449 492 230**
ASSETS			
Non-current assets		**1 499 413 412**	**1 366 838 093**
Property, plant and equipment	9	1 492 157 306	1 359 174 355
Investment property	10	2 533 755	2 575 461
Intangible assets	11	1 417 269	1 798 866
Non-current investment	12	3 305 081	3 289 411
Current assets		**5 925 431**	**37 683 223**
Inventory	13	3 177 840	3 891 214
Cash and Cash Equivalents	15	2 747 591	33 792 009
Current assets from exchange transactions		**58 770 688**	**30 562 221**
Receivables from exchange transactions	14	58 770 688	25 653 851
South African Revenue Services	8	-	4 908 370
Current assets from non-exchange transactions		**31 275 063**	**14 408 693**
Unpaid conditional government grants and receipts	7	31 275 063	14 408 693
Total assets		**1 595 384 594**	**1 449 492 230**

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 R	2015 - Restated R	2015 - Correction R	2015 - Audited R
REVENUE					
Revenue from non-exchange transactions		**530 101 175**	**443 666 995**	**-**	**443 666 995**
Transfer revenue		527 773 073	441 500 025	-	441 500 025
Government grants and subsidies - capital	16	203 356 888	129 947 364	-	129 947 364
Government grants and subsidies - operational	16	324 416 185	311 552 662	-	311 552 662
Public contributions and donations		-	-	-	-
Transfer of function		-	-	-	-
Other revenue		2 328 102	2 166 970	-	2 166 970
Foreign exchange gains	17	-	-	-	-
Actuarial gains	18	2 328 102	2 166 970	-	2 166 970
Reversal of impairments	19	-	-	-	-
Revenue from exchange transactions		**123 249 816**	**98 300 868**	**-**	**98 300 872**
Service charges	20	103 041 016	83 995 491	-	83 995 495
Government services	21	9 316 963	4 248 864	-	4 248 864
Interest earned - external investments	22	4 298 715	3 900 795	-	3 900 795
Interest earned - outstanding debtors	23	5 347 462	5 808 469	-	5 808 469
Other income	24	1 245 660	347 249	-	347 249
Total Revenue		**653 350 991**	**541 967 863**	**-**	**541 967 867**
EXPENDITURE					
Employee related costs	25	163 740 422	153 126 238	-	153 126 238
Remuneration of Councillors	26	5 309 512	5 266 072	-	5 266 072
Debt impairment	27	70 896 695	74 777 017	-	74 777 017
Impairments	28	290 493	-	-	-
Foreign exchange loss	17	-	23 783	-	23 783
Depreciation and Amortisation	29	46 131 250	44 239 826	-	44 239 826
Repairs and maintenance	30	5 990 456	16 107 870	712 977	15 394 893
Finance charges	31	6 003 149	5 504 319	502 473	5 001 847
Contracted services	32	15 138 059	20 934 522	-	20 934 522
Bulk purchases	33	775 617	3 436 911	433 245	3 003 666
Grants and subsidies paid	34	4 199 777	2 786 740	-	2 786 740
Inventory adjustments		-5 230	-10 409	-	-10 409
Operating grant expenditure	35	83 407 790	77 824 552	-	77 824 552
Emergency drought relief		840 345	4 539 939	-	4 539 939
General Expenditure	36	80 168 127	77 849 042	357 914	77 491 128
Loss on disposal of Property, plant and equipment	37	656 721	4 228 506	-	4 228 506
Total Expenditure		**483 543 183**	**490 634 929**	**2 006 609**	**488 628 320**
SURPLUS/(DEFICIT) FOR THE YEAR		**169 807 808**	**51 332 934**	**-2 006 609**	**53 339 547**

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R Accumulated Surplus
Balance at 1 July 2014	**1 219 415 002**
Correction of error restatement - note	-
Rounding	-4
Restated balance at 1 July 2014	**1 219 414 998**
Net Surplus/(Deficit) for the year	51 332 934
Balance at 30 June 2015	**1 270 747 932**
Net Surplus/(Deficit) for the year	169 807 808
Balance at 30 June 2015	**1 440 555 740**

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 R	2015 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts		**535 460 720**	**436 434 725**
Service charges and other		47 206 213	5 682 818
Government grants		488 254 507	430 751 907
Payments		(386 410 276)	(339 864 738)
Suppliers		(225 009 155)	(180 771 723)
Employees		(161 401 120)	(159 093 015)
Cash generated from/(utilised in) operations		149 050 445	96 569 986
Interest received		4 298 715	9 709 264
Interest paid		(2 023 820)	(851 895)
Net cash from operating activities	**39**	**151 325 339**	**105 427 355**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Capital Assets		(179 638 116)	(127 026 288)
Proceed on de-recognition of capital assets		-	-
(Increase)/decrease in long-term receivables		-	-
Net cash from investing activities		**(179 638 116)**	**(127 026 288)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in consumer deposits		(21 560)	34 141
Proceeds/(repayment) of finance lease liability		(1 414 797)	12 579 113
Proceeds/(repayment) of other long-term liabilities		(1 295 285)	4 554 734
Total Expenditure		**(2 731 642)**	**17 167 988**
Net increase/(decrease) in cash and cash equivalents		**(31 044 418)**	**(4 430 945)**
Cash and cash equivalents at the beginning of the year		33 792 009	38 222 954
Cash and cash equivalents at the end of the year	**15**	2 747 591	33 792 009

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF COMPARISION OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2016

	ORIGINAL BUDGET R	ADJUSTMENT AND VIREMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
STATEMENT OF FINANCIAL POSITION					
Total current assets	87 349 989	(49 202 056)	38 147 934	95 971 182	57 823 249
Total non-current assets	1 479 021 168	2 957 587	1 481 978 755	1 499 413 412	17 434 656
Total current liabilities	36 770 000	19 730 853	56 500 853	106 998 763	50 497 910
Total non-current liabilities	72 173 000	1 639 745	73 812 745	12 613 456	(61 199 289)
Total Net Assets	**1 675 314 157**	**(24 873 870)**	**1 650 440 287**	**1 714 996 813**	**64 556 526**
STATEMENT OF FINANCIAL PERFORMANCE					
Revenue					
Government Grants and Subsidies - Capital	238 814 000	3 500 000	242 314 000	203 356 888	(38 957 112)
Government Grants and Subsidies - Operating	340 556 000	-	340 556 000	324 416 185	(16 139 815)
Actuarial Gains	-	-	-	2 328 102	2 328 102
Service Charges	62 280 584	-	62 280 584	103 041 016	40 760 432
Government Services	10 854 400	4 184 221	15 038 621	9 316 963	(5 721 658)
Interest Earned - External Investments	6 072 072	-	6 072 072	4 298 715	(1 773 357)
Interest Earned - Outstanding Debtors	-	-	-	5 347 462	5 347 462
Other Income	2 052 220	-	2 052 220	1 245 660	(806 560)
Total Revenue	**660 629 276**	**7 684 221**	**668 313 497**	**653 350 991**	**(14 962 506)**
Expenditure					
Employee Related Costs	179 962 911	(865 331)	179 097 580	163 740 422	(15 357 158)
Remuneration of Councillors	6 030 580	-	6 030 580	5 309 512	(721 068)
Debt Impairment	19 582 685	-	19 582 685	70 896 695	51 314 010
Impairments	-	-	-	290 493	290 493
Depreciation and Amortisation	47 867 476	-	47 867 476	46 131 250	(1 736 226)
Repairs and Maintenance	9 451 018	-	9 451 018	5 990 456	(3 460 562)
Finance Charges	2 293 887	-	2 293 887	6 003 149	3 709 262
Contracted services	36 592 187	(9 685 142)	26 907 045	15 138 059	(11 768 986)
Bulk Purchases	10 479 853	(6 400 000)	4 079 853	775 617	(3 304 236)
Grants and Subsidies Paid	26 315 790	(7 100 000)	19 215 790	4 199 777	(15 016 013)
Inventory Adjustments	-	-	-	(5 230)	(5 230)
Operating Grant Expenditure	59 194 086	23 119 613	82 313 699	83 407 790	1 094 091
Emergency Drought Relief	1 280 000	-	1 280 000	840 345	(439 655)
General Expenses	68 603 937	18 214 458	86 818 395	80 168 127	(6 650 268)
Loss on disposal of Property, Plant and Equipment	-	-	-	656 721	656 721
Total Expenditure	**467 654 410**	**17 283 598**	**484 938 008**	**483 543 183**	**(1 394 825)**
Net surplus for the year	**192 974 866**	**(9 599 377)**	**183 375 489**	**169 807 808**	**(13 567 681)**
CASH FLOW STATEMENT					
Net Cash Flow from Operating Activities	229 066 022	(43 441 653)	185 624 369	151 325 339	(34 299 030)
Net Cash Flow from Investing Activities	(234 660 932)	9 649 123	(225 011 809)	(179 638 116)	45 373 693
Net Cash Flow from Financing Activities	21 399 000	-	21 399 000	(2 731 642)	(24 130 642)
Net increase/(decrease) in cash and cash equivalents	**15 804 090**	**(33 792 530)**	**(17 988 440)**	**(31 044 418)**	**(13 055 978)**

STATEMENT OF COMPARISION OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2016

OPERATING EXPENDITURE BY VOTE					
Management Services	37 830 698	1 693 199	39 523 897	39 452 595	(71 302)
Financial Services	66 297 279	3 047 669	69 344 948	69 020 953	(323 995)
Corporate Services	47 137 366	777 973	47 915 339	47 231 043	(684 296)
Technical Services	263 986 049	13 711 220	277 697 269	277 490 842	(206 427)
Community Services	52 403 018	(1 946 463)	50 456 555	50 347 749	(108 806)
	467 654 410	**17 283 598**	**484 938 008**	**483 543 182**	**(1 394 826)**
CAPITAL EXPENDITURE BY VOTE					
Management Services	-	-	-	-	-
Financial Services	200 000	-	200 000	-	(200 000)
Corporate Services	2 475 200	(100 000)	2 375 200	471 159	(1 904 041)
Technical Services	226 985 732	(9 549 123)	217 436 609	179 166 954	(38 269 655)
Community Services	5 000 000	-	5 000 000	-	(5 000 000)
	234 660 932	**(9 649 123)**	**225 011 809**	**179 638 113**	**(19 463 476)**

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.

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

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

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

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

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

1.2. PRESENTATION CURRENCY

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

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

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

1.5. AMENDED DISCLOSURE POLICY

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

1.6. MATERIALITY

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

1.7. CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

1.8. PRESENTATION OF BUDGET INFORMATION

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

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

The comparable information includes the following:

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

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

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

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

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

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

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

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

1.10. LEASES

1.10.1 Economic Entity as Lessee

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

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

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

1.10.2 Economic Entity as Lessor

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

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

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

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

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

1.13. PROVISIONS

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

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

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

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

(a) The Economic Entity has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The Economic Entity has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

1.14. EMPLOYEE BENEFITS

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

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

1.14.1 Post Retirement Medical Obligations

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

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

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

1.14.2 Long Service Awards

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

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

1.14.3 Ex gratia Gratuities

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

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

1.14.4 Provision for Staff Leave

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

1.14.5 Staff Bonuses Accrued

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

1.14.6 Provision for Performance Bonuses

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

1.14.7 Pension and retirement fund obligations

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

1.14.8 Other Short-term Employee Benefits

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

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

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

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

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

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

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

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

1.15.2 Subsequent Measurement – Cost Model

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

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

1.15.3 Depreciation and Impairment

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

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

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

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

1.15.4 De-recognition

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

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

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

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

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

- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Economic Entity or from other rights and obligations.

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

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

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

Intangible assets are initially recognised at cost.

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

1.16.2 Subsequent Measurement – Cost Model

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

1.16.3 Amortisation and Impairment

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

Intangible Assets	Years
Computer Software	3 -10

1.16.4 De-recognition

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

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

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

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

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

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

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

1.17.2 Subsequent Measurement – Cost Model

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

1.17.3 Depreciation and Impairment – Cost Model

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

Investment Property	**Years**
Buildings	20 - 30

1.17.4 De-recognition

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

1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.18.1 Cash-generating assets

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

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

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

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

(b) Internal sources of information
- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Economic Entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans

to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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

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

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

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

1.18.2 Non-cash-generating assets

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

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

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

(a) External sources of information

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

(b) Internal sources of information

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

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

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

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

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

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.19. INVENTORIES

1.19.1 Initial Recognition

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

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

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

1.19.2 Subsequent Measurement

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

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

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

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

1.20. FINANCIAL INSTRUMENTS

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

1.20.1 Initial Recognition

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

1.20.2 Subsequent Measurement

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

1.20.2.1 <u>*Receivables*</u>

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

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

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

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

1.20.2.2 *Payables and Annuity Loans*

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

1.20.2.3 *Cash and Cash Equivalents*

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

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

1.20.2.4 *Non-Current Investments*

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

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

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

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

1.20.3 De-recognition of Financial Instruments

1.20.3.1 *Financial Assets*

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

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

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

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

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

1.20.3.2 *Financial Liabilities*

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

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

1.20.4 Offsetting of Financial Instruments

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

1.21. REVENUE

1.21.1 Revenue from Non-Exchange Transactions

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

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

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

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

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

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

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

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

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

1.21.2 Revenue from Exchange Transactions

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

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

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

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

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

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

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

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

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

1.22 TRANSFER OF FUNCTION (Economic Entity as the acquirer)

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

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

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Economic Entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or

- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Economic Entity or from other rights and obligations.

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

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

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

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

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

1.23. RELATED PARTIES

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

A related party is a person or an entity:

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

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

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

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

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

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

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

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

Management personnel include:

(a) All directors or members of the governing body of the Economic Entity, being the Executive Mayor, Speaker and members of the Mayoral Committee.

(b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Economic Entity being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

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

1.24. UNAUTHORISED EXPENDITURE

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

1.25. IRREGULAR EXPENDITURE

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

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.27. CONTINGENT LIABILITIES AND CONTIGENT ASSETS

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

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

Management judgement is required when recognising and measuring contingent liabilities.

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

1.28.2 Impairment of Receivables

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

1.28.3 Property, Plant and Equipment

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

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

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

1.28.4 Intangible Assets

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

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

1.28.5 Investment Property

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

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

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

1.28.6 Provisions and Contingent Liabilities

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

1.28.7 Revenue Recognition

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

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

1.28.8 Provision for Performance bonuses

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

1.28.9 Componentisation of Infrastructure assets

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

1.29. SOUTH AFRICAN REVENUE SERVICES (VALUE ADDED TAX)

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

1.30. CAPITAL COMMITMENTS

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

1.31. EVENTS AFTER REPORTING DATE

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

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

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

1.32 BORROWING COSTS

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

1.33 TAXATION

1.33.1 Current tax assets and liabilities

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

1.33.2 Deferred tax assets and liabilities

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

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

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

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

1.33.3 Tax expenses

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

		2016 R	2015 R
2	**LONG-TERM LIABILITIES**		
	Annuity Loans - At amortised cost	15 968 508	19 181 062
	Less: Current Portion transferred to Current Liabilities	3 355 052	3 214 402
	Total - At amortised cost using the effective interest rate method	12 613 456	15 966 661
	Balance previously reported		18 678 589
	Correction of error - Vehicle lease portion understated with the interest amount		502 473
	New Balance		19 181 062

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 department and the period is 3 years only.

Included in Non-current Investments as per note 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:

		2016	2015
Payable within one year		2 294 166	2 457 530
Payable within two to five years		7 851 348	9 176 663
Payable after five years		3 390 976	4 359 826
		13 536 489	15 994 020
Less:	Future finance obligations	(4 177 565)	(5 339 810)
Present value of annuity obligations		9 358 925	10 654 209

The obligations under finance leases are scheduled below:

Amounts payable under annuity loans:

		2016	2015
Payable within one year		2 549 315	2 549 315
Payable within two to five years		4 605 973	7 155 287
Payable after five years		-	-
		7 155 287	9 704 602
Less:	Future finance obligations	(545 704)	(1 177 749)
Present value of annuity obligations		6 609 583	8 526 853

3 EMPLOYEE BENEFITS

		2016 R	2015 R
Post Retirement Medical Obligations - refer to note 3,1		30 876 776	27 568 916
Ex Gratia Gratuities - refer to note 3,2		223 531	226 041
Long Service Awards - refer to note 3,3		4 116 329	4 024 788
Total Non-current Employee Benefit Liabilities		**35 216 636**	**31 819 745**

Post Retirement Medical Obligations

		2016 R	2015 R
Balance 1 July		28 712 000	26 042 591
Contribution for the year		5 933 289	5 782 683
Expenditure for the year		(963 470)	(955 643)
Actuarial (Gain)		(1 515 799)	(2 157 631)
Total post retirement medical obligation 30 June		**32 166 020**	**28 712 000**
Less:	Transfer of current portion to Current Employee Benefits - note 4	(1 289 244)	(1 143 084)
Balance 30 June		**30 876 776**	**27 568 916**

Ex Gratia Gratuities

		2016 R	2015 R
Balance 1 July		389 945	438 929
Contribution for the year		90 722	37 720
Expenditure for the year		(118 423)	(21 586)
Actuarial Gain		54 270	(65 118)
Total ex gratia provision 30 June		**416 514**	**389 945**
Less:	Transfer of current portion to Current Employee Benefits - note 4	(192 983)	(163 904)
Balance 30 June		**223 531**	**226 041**

	2016 R	2015 R
Long Service Awards		
Balance 1 July	4 830 341	4 391 168
Contribution for the year	1 112 432	983 127
Expenditure for the year	(360 520)	(599 734)
Actuarial (Gain)/Loss	(866 573)	55 780
Total long service 30 June	**4 715 680**	**4 830 341**
Less: Transfer of current portion to Current Employee Benefits - note 4	(599 351)	(805 553)
Balance 30 June	**4 116 329**	**4 024 788**
TOTAL EMPLOYEE BENEFITS		
Balance 1 July	33 932 286	30 872 688
Contribution for the year	7 136 443	6 803 530
Expenditure for the year	(1 442 413)	(1 576 962)
Actuarial (Gain)	(2 328 102)	(2 166 970)
Total employee benefits 30 June	**37 298 214**	**33 932 286**
Less: Transfer of current portion to Current Employee Benefits - note 4	(2 081 578)	(2 112 541)
Balance 30 June	**35 216 636**	**31 819 745**

3,1 Post Retirement Medical Obligations

	2016 Employees	2015 Employees
The Post Retirement Medical Obligation is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	175	168
Continuation members (e.g. Retirees, widows, orphans)	33	32
Total Members	**208**	**200**

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

Bonitas
LA Health
Hosmed
SAMWU Medical Aid

	2016 %	2015 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	9,11	9,02
Health Care Cost Inflation Rate	8,22	8,18
Net Effective Discount Rate	0,82	0,78

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

The liability in respect of past service recognised in the Statement of Financial Position is as follows:	**In-Service Members R**	**Continuation Members R**	**Present value of fund obligations R**
30 June 2016	21 320 577	10 845 443	**32 166 020**
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**

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

Experience adjustments were calculated as follows:	**Liabilities (Gain) / Loss R**	**Assets Gain / (Loss) R**
30 June 2016	293 000	
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)	-

Reconciliation of present value of fund obligation:

	2016 R	2015 R
Present value of fund obligation at the beginning of the year	28 712 000	26 042 591
Total contributions	4 969 819	4 827 040
Current service cost	2 413 038	2 541 768
Interest Cost	3 520 251	3 240 915
Benefits Paid	(963 470)	(955 643)
Actuarial (Gain)/Loss	(1 515 799)	(2 157 631)
Present value of fund obligation at the end of the year	32 166 020	28 712 000
Less: Transfer of current portion to Current Employee Benefits - note 4	(1 289 244)	(1 143 084)
Balance 30 June	**30 876 776**	**27 568 916**

Sensitivity Analysis on the Current-service and Interest Costs:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Central Assumptions		2 413 000	3 520 300	5 933 300	
Health care inflation	+1%	3 024 000	4 131 300	7 155 300	21%
Health care inflation	-1%	1 943 900	3 029 900	4 973 800	-16%
Discount rate	+1%	1 968 600	3 373 900	5 342 500	-10%
Discount rate	-1%	2 997 400	3 674 500	6 671 900	12%
Post-retirement mortality	-1 year	2 499 500	3 663 700	6 163 200	4%
Average retirement age	-1 year	2 603 800	3 761 800	6 365 600	7%

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

	2016 %	2015 %
Discount rate	9,37	7,97

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 2016	416 515
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

	2016 R	2015 R
The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.		
	Liabilities (Gain) / Loss R	**Assets Gain / (Loss) R**
Experience adjustments were calculated as follows:		
30 June 2016	69 127	
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	-

Reconciliation of present value of fund obligation:

	2016	2015
Present value of fund obligation at the beginning of the year	389 945	438 929
Total contributions	(27 701)	16 134
Current and past service cost	66 061	11 028
Interest Cost	24 661	26 692
Benefits Paid	(118 423)	(21 586)
Actuarial (Gain)	54 270	(65 118)
Present value of fund obligation at the end of the year	416 514	389 945
Less: Transfer of current portion to Current Employee Benefits - note 4	(192 983)	(163 904)
Present value of fund obligation at the end of the year	**223 531**	**226 041**

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		-	24 661	24 661	
Discount Rate	+1%	-	26 879	26 879	9%
Discount Rate	-1%	-	22 293	22 293	-10%
Average retirement age	-1 year	-	24 456	24 456	-1%

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:	2016 %	2015 %
i) Rate of interest		
Discount rate	8,37	7,78
General Salary Inflation (long-term)	7,04	6,96
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1,24	0,77

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 2016	4 715 680
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

	2016 R	2015 R

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

Experience adjustments were calculated as follows:

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
30 June 2016	(740 579)	
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)	-

Reconciliation of present value of fund obligation:

	2016 R	2015 R
Present value of fund obligation at the beginning of the year	4 830 341	4 391 168
Total contributions	751 912	383 393
Current service cost	767 171	690 301
Interest Cost	345 261	292 826
Benefits Paid	(360 520)	(599 734)
Actuarial Loss/(Gain)	(866 573)	55 780
Present value of fund obligation at the end of the year	4 715 680	4 830 341
Less: Transfer of current portion to Current Employee Benefits - note 4	(599 351)	(805 553)
Balance 30 June	**4 116 329**	**4 024 788**

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		767 200	345 300	1 112 500	
General salary inflation	+1%	819 200	364 800	1 184 000	6%
General salary inflation	-1%	719 200	327 200	1 046 400	-6%
Discount rate	+1%	723 400	367 700	1 091 100	-2%
Discount rate	-1%	816 000	319 700	1 135 700	2%
Average retirement age	-2 years	711 700	312 500	1 024 200	-8%
Average retirement age	+2 years	815 700	369 000	1 184 700	6%
Withdrawal Rate	-50%	975 100	412 600	1 387 700	25%

	2016	2015
	R	R

3,4 Retirement Funds

The Cape Retirement Fund is a multi-employer plan. This means that there are multiple local authorities that participate in this fund. In terms of 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 Fund's assets from the fund administrator. The fund administrator confirmed that assets of the Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

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

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

CAPE RETIREMENT FUND

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

	2016	2015
Contributions paid recognised in the Statement of Financial Performance	8 687 870	7 035 588

DEFINED CONTRIBUTION FUNDS

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

Contributions paid recognised in the Statement of Financial Performance

	2016	2015
Government Employees Pension Fund	658 432	699 120
Municipal Councillors Pension Fund	419 562	392 931
IMATU Retirement Fund	24 959	23 491
SAMWU National Provident Fund	2 727 685	2 647 174
SALA Pension Fund	1 353 323	1 227 846
	5 183 960	**4 990 563**

		2016 R	2015 R
4	**CURRENT EMPLOYEE BENEFITS**		
	Staff Bonuses Accrued	4 427 358	4 418 437
	Provision for Staff Leave	11 450 111	12 430 339
	Provision for Performance Bonuses	4 427 359	2 920 609
	Other Provisions	522 849	433 693
	Current Portion of Non-Current Employee Benefits	2 081 578	2 112 541
	Current Portion of Post Retirement Benefits - note 3	1 289 244	1 143 084
	Current Portion of Ex Gratia Gratuities - note 3	192 983	163 904
	Current Portion of Long-Service Awards - note 3	599 351	805 553
	Total Current Employee Benefits	**22 909 255**	**22 315 619**

The movement in current employee benefits is reconciled as follows:

Staff Bonuses Accrued

	2016 R	2015 R
Balance at beginning of year	4 418 437	3 828 927
Contribution to current portion	8 425 033	8 211 420
Expenditure incurred	(8 416 111)	(7 621 910)
Transfer of function from Local Municipalities - note 18	-	-
Balance at end of year	**4 427 358**	**4 418 437**

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

Provision for Staff Leave

	2016 R	2015 R
Balance at beginning of year	12 430 338	9 477 787
Contribution to current portion	416 982	4 547 929
Expenditure incurred	(1 397 209)	(1 595 378)
Balance at end of year	**11 450 111**	**12 430 338**

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

	2016 R	2015 R
Balance at beginning of year	2 920 609	2 162 028
Contribution to current portion	1 506 750	2 136 073
Expenditure incurred	-	(1 377 492)
Balance at end of year	**4 427 359**	**2 920 609**

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.

Other Provisions

	2016 R	2015 R
Balance at beginning of year	433 693	383 818
Finance charges	89 156	49 875
Expenditure incurred		-
Balance at year end	522 849	433 693

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.

		2016 R	2015 R
5	**CONSUMER DEPOSITS**		
	Water	890 255	868 694
	Total Consumer Deposits	**890 255**	**868 694**

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

6 PAYABLES FROM EXCHANGE TRANSACTIONS

	2016 R	2015 R
Trade Payables	66 224 687	72 217 829
Interest Accrued	300 959	339 177
Other Payables	101 514	101 514
Unallocated Receipts	56 089	29 102
Payments received in advance	3 437 167	3 202 226
Local Municipalities	4 951 267	4 951 267
Senqu Local Municipality	4 951 267	4 951 267
Total Payables from Exchange Transactions	**75 071 683**	**80 841 116**
Balance previously reported - Trade Payables		79 336 976
Correction due to invoices received during 2015/2016 - Trade payables		1 504 140
Restated balance		80 841 116

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.

7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

	2016 R	2015 R
Unspent Grants	1 016 165	23 718 061
National Government Grants	1 002 558	23 688 598
Provincial Government Grants	13 607	29 463
Other Grant Providers	-	-
Less: Unpaid Grants	(31 275 063)	(14 408 693)
National Government Grants	(16 270 106)	(12 142 345)
Provincial Government Grants	(14 990 342)	(2 023 388)
Other Grant Providers	(14 616)	(242 960)
Total Conditional Grants and Receipts	**-30 258 897**	**9 309 368**

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

8 SOUTH AFRICAN REVENUE SERVICES

	2016 R	2015 R
VAT Receivable	5 324 698	4 901 766
VAT Payable	-	-
VAT Input in Suspense	17 416 863	9 827 418
VAT Output in Suspense - net	(26 497 914)	(9 820 814)
VAT Output in Suspense	(32 614 737)	(15 937 638)
Less: VAT on Provision for Debt Impairment	6 116 823	6 116 823
Total South African Revenue Services	**(3 756 353)**	**4 908 370**

Disclosed as follow:

	2016 R	2015 R
Current Liabilities from Exchange Transactions	(3 756 353)	-
Current Assets from Exchange Transactions	-	4 908 370
	(3 756 353)	**4 908 370**

Reconciliation of VAT on Provision for Debt Impairment

	2016 R	2015 R
Opening balance	6 116 823	4 380 222
Debt Impairment for current year - note 27	-	1 736 601
Closing balance	**6 116 823**	**6 116 823**

9 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2016

Reconciliation of Carrying Value

	Cost						Accumulated Depreciation						
	Opening Balance	**Additions**	**Transfers and non-exchange additions**	**Disposals**	**Transfer to Capital Assets**	**Closing Balance**	**Opening Balance**	**Transfers and non-exchange additions**	**Depreciation Charge**	**Impairment**	**Disposals**	**Closing Balance**	**Carrying Value**
	R	**R**		**R**	**R**	**R**	**R**		**R**		**R**	**R**	**R**
Land and Buildings	**17 682 048**	**-**	**-**		**-**	**17 682 048**	**4 773 883**	**-**	**584 076**		**-**	**5 357 959**	**12 324 090**
Land	2 043 000	-	-	-	-	2 043 000	-	-	-		-	-	2 043 000
Buildings	15 639 048	-	-	-	-	15 639 048	4 773 883	-	584 076		-	5 357 959	10 281 090
Infrastructure	**1 591 683 127**	**179 166 956**	**-**	**(940 923)**	**-**	**1 769 909 161**	**269 747 585**	**-**	**41 058 379**		**(660 407)**	**310 145 557**	**1 459 763 603**
Sewerage network	321 278 200	939 728	-	-	-	322 217 928	62 564 209	-	9 707 858		-	72 272 067	249 945 861
Water network	1 017 693 712	91 389 109	-	(940 923)	-	1 108 141 897	207 183 376	-	31 350 521		(660 407)	237 873 491	870 268 407
Work in Progress	252 711 215	86 838 120	-	-	-	339 549 335	-	-	-		-	-	339 549 335
Other Assets	**42 863 580**	**471 159**	**-**	**(1 100 817)**	**-**	**42 233 922**	**18 532 932**	**-**	**4 065 494**	**290 493**	**(724 611)**	**22 164 309**	**20 069 613**
Office Equipment	2 286 984	12 800	-	-	-	2 299 784	1 443 577	-	206 629		-	1 650 206	649 577
Furniture & Fittings	3 478 425	217 919	-	-	-	3 696 344	2 523 667	-	144 296		-	2 667 963	1 028 381
Motor Vehicles	17 030 367	-	-	(450 067)	-	16 580 300	5 025 633	-	2 341 009	290 493	(116 214)	7 540 922	9 039 378
Fire Engines	8 924 094	-	-	-	-	8 924 094	5 497 001	-	695 205		-	6 192 206	2 731 888
Computer Equipment	3 279 552	173 916	-	(540 961)	-	2 912 507	1 636 581	-	141 271		(529 295)	1 248 557	1 663 949
Special Vehicles	4 850 274	-	-	(109 789)	-	4 740 485	1 073 283	-	392 143		(79 102)	1 386 323	3 354 162
Tools and Equipment	3 013 884	66 525	-	-	-	3 080 408	1 333 191	-	144 940		-	1 478 131	1 602 277
	1 652 228 756	**179 638 116**	**-**	**(2 041 740)**	**-**	**1 829 825 131**	**293 054 400**	**-**	**45 707 949**	**290 493**	**(1 385 017)**	**337 667 825**	**1 492 157 306**

There are no assets fully depreciated which is still in use or any assets held for disposal or any temporary idle assets as on date of financial position. There has been an impairment identified for Property, Plant and Equipment to the value of R290 493. 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.

30 JUNE 2015

Reconciliation of Carrying Value

	Cost						Accumulated Depreciation					
	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	Carrying Value
	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**	**12 557 966**	**-**	**(245 260)**	**-**	**42 863 580**	**15 195 572**	**-**	**3 510 241**	**(172 880)**	**18 532 932**	**24 330 647**
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	975 315	-	(45 890)	-	3 279 552	1 493 894	-	159 605	(16 917)	1 636 581	1 642 971
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	**126 932 270**	**-**	**(13 976 717)**	**-**	**1 652 228 756**	**259 017 357**	**-**	**43 785 254**	**(9 748 211)**	**293 054 400**	**1 359 174 355**

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.

10 INVESTMENT PROPERTY

	2016 R	2015 R
Net Carrying amount at 1 July	**2 575 461**	**2 620 956**
Cost	2 883 357	2 883 357
Accumulated Depreciation	(307 896)	(262 401)
Accumulated Impairment	-	-
Additions	-	-
Depreciation for the year	(41 705)	(45 496)
Impairment	-	-
Net Carrying amount at 30 June	**2 533 755**	**2 575 461**
Cost	2 883 357	2 883 357
Accumulated Depreciation	(349 602)	(307 896)
Accumulated Impairment	-	-
Revenue derived from the rental of investment property.	45 414	33 243

No operating expenditure was incurred on investment property during the 2014/2015 and 2015/2016 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

	2016 R	2015 R
Net Carrying amount at 1 July	**1 798 866**	**2 207 942**
Cost	4 395 576	4 395 576
Accumulated Amortisation	(2 596 710)	(2 187 634)
Additions and transfers from work in progress	-	-
Amortisation	(381 596)	(409 076)
Net Carrying amount at 30 June	**1 417 269**	**1 798 866**
Cost	4 395 576	4 395 576
Accumulated Amortisation	(2 978 307)	(2 596 710)

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 Amortisation Period	Carrying Value 2016	Carrying Value 2015
SAMRAS (Accounting system)	3 years	904 059	1 205 412

12 NON-CURRENT INVESTMENTS

	2016 R	2015 R
Financial Instruments		
Fixed Deposits	1 411 026	1 395 357
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	**3 305 081**	**3 289 411**

	2016	2015
	R	R

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 became operational as a result thereof, contributions made by the Municipality are no longer capitalised. These contributions are treated as Grants and Subsidies Paid.

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

Fixed Deposits are investments with a maturity period of more than 12 months and an average interest rate of 9.13% per annum. (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:

			2016 R	2015 R
ABSA	- Acc no 660000135	- Building - DBSA Loan	1 411 026	1 395 357
			1 411 026	**1 395 357**

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

13 INVENTORY

	2016 R	2015 R
Fuel and oil – at cost	585 962	488 741
Stationery and materials - at cost	960 835	1 346 059
Spare parts - at cost	1 238 935	1 664 306
Water stock - net realisable value	392 108	392 108
Total Inventory	**3 177 840**	**3 891 214**
Consumable stores materials (gains) identified during stock counts	(5 230)	(10 409)
Inventory recognised as an expense during the year	6 058 898	7 141 981

No inventory was pledged as security.

14 RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2016 R	2015 R
Water	177 408 749	97 173 232
Sewerage	65 084 698	41 193 157
Joe Gqabi Economic Development Agency (Soc) Ltd	-	6 544 266
Local Municipalities	18 585 494	19 462 687
Gariep Local Municipality	10 077 396	10 077 396
Elundini Local Municipality	1 529 310	2 406 503
Maletswai Local Municipality	6 978 788	6 978 788
Other Receivables	6 639 469	5 875 802
Working for Wetlands	2 097 266	1 425 536
Deposits	144 961	114 261
Other Debtors	1 350 663	1 435 758
Staff Debtors	211 823	225 723
Pensioners	1 801 220	1 640 988
Expenses paid in advance	1 033 537	1 033 537
	267 718 410	170 249 143
Less: Allowance for Doubtful Debts	(208 947 722)	(144 595 292)
Total Net Receivables from Exchange Transactions	**58 770 688**	**25 653 851**

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

	2016 R	2015 R
Balance at beginning of the year	144 595 292	68 020 274
Transfer of function from Local Municipalities - note 18		-
Contributions to provision	70 896 695	76 575 018
Doubtful debts written off against provision	(6 544 266)	-
Balance at end of year	**208 947 722**	**144 595 292**
Water	137 005 075	87 973 927
Sewerage	54 488 085	39 166 803
Local Municipalities	15 409 620	15 409 620
Other Receivables	2 044 943	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.

Municipality

2016

Water	177 408 749	(137 005 075)	40 403 674
Sewerage	65 084 698	(54 488 085)	10 596 613
Joe Gqabi Economic Development Agency (Soc) Ltd	-	-	-
Local Municipalities	18 585 494	(15 409 620)	3 175 874
Other Receivables	6 639 469	(2 044 942)	4 594 527
Total	**267 718 410**	(208 947 722)	**58 770 688**

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	5 875 803	(2 044 942)	3 830 861
Total	**170 249 145**	**(144 595 292)**	**25 653 853**

Ageing of Receivables from Exchange Transactions

Water:

Current (0 - 30 days)	9 587 411	6 476 864
31 - 60 Days	6 969 174	8 940 432
61 - 90 Days	7 166 651	5 442 490
91 - 120 Days	5 691 074	6 896 665
121 - 150 Days	4 726 081	6 878 668
150+ Days	143 268 358	62 538 112
Total	**177 408 749**	**97 173 232**

Sewerage:

Current (0 - 30 days)	3 875 115	2 026 289
31 - 60 Days	2 386 625	1 846 784
61 - 90 Days	2 103 757	1 629 977
91 - 120 Days	1 801 785	1 621 259
121 - 150 Days	1 549 931	1 550 826
150+ Days	53 367 485	32 518 023
Total	**65 084 698**	**41 193 158**

Other Receivables: Ageing

Current (0 - 30 days)	2 097 266	1 425 536
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	4 542 203	4 450 267
Total	**6 639 469**	**5 875 803**

		2016 R	2015 R
15	**CASH AND CASH EQUIVALENTS**		
	Assets		
	Call Investments Deposits	5 346 636	35 920 001
	Primary Bank Account	(2 615 344)	(2 144 292)
	Cash Floats	16 300	16 300
	Total Cash and Cash Equivalents - Assets	**2 747 591**	**33 792 009**

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 tranferring R2 000 000 only R200 000 was transferred. They only corrected this mistake on the 1 July 2015.

Call Investment Deposits amounting to R5 346 636 are held to fund Unspent Conditional Grants (2014 - R35 920 001)

ABSA - account no 23-8000-0019 (Municipality)

	2016	2015
Cash book balance at beginning of year	(2 144 292)	3 113 553
Cash book balance at end of year	(2 615 344)	(2 144 292)
Bank statement balance at beginning of year	262 119	3 113 553
Bank statement balance at end of year	4 341 332	262 119

Call Investments Deposits

	2016	2015
ABSA - Acc no 9084169245 - MIG	124 222	22 827 971
ABSA - Acc no 9185426744 - General Fund Operational Funds	282 365	266 642
ABSA - Acc no 9072226158 - Public Works Special Programme	33 914	32 047
ABSA - Acc no 9122637071 - Wetlands Projects	1 822 801	33 666
ABSA - Acc no 9270029895 - Environmental Affairs Mazibuyele Emasasweni	1 146 800	30 776
ABSA - Acc no 9276836949 - Joe Gqabi Capital Purchasing	1 936 534	14 528 899
ABSA - Acc no 9275708888 - JoGEDA	-	-
Standard Bank - Acc no 58809373001 - Joe Gqabi District Municipality	-	-
Nedbank - Acc no 1039818803 - Joe Gqabi District Municipality	-	-
	5 346 636	**37 720 001**

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.

		2016 R	2015 R
16	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Unconditional Grants	**210 560 924**	**196 162 583**
	Equitable Share	209 607 700	194 848 000
	LG Seta	953 224	1 314 583
	Conditional Grants	**317 212 149**	**245 337 442**
	DWA Bylaws	-	100 548
	EPWP Programme	1 408 561	1 309 437
	Finance Management Grant (FMG)	1 250 139	1 252 424
	LED Capacity	-	381 528
	Municipal Infrastructure Grant (MIG)	180 437 196	167 359 944
	Municipal Systems Improvement Grant (MSIG)	940 200	932 878
	Municipal Water Infrastructure Grant (MWIG)	25 022 327	19 992 600
	RBIG	4 844 191	2 177 404
	Provincial Treasury Drought programme	71 077 104	-
	Public Works - Special Programme	25 784 141	30 034 952
	Rural Households Infrastructure Grant	-	-
	Rural Roads Asset Management Grant	2 095 856	2 083 528
	Department of Human Settlement	350 991	5 134 499
	Water Services Operating Subsidy	4 001 442	14 577 701
	Total Government Grants and Subsidies	**527 773 073**	**441 500 025**
	Government Grants and Subsidies - Capital	203 356 888	129 947 364
	Government Grants and Subsidies - Operating	324 416 185	311 552 662
		527 773 073	**441 500 025**

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:

	2016 R	2015 R
Equitable share	209 607 700	194 848 000
Management Services	-	1 314 406
Financial Services	2 190 339	1 252 424
Corporate Services	953 224	1 314 583
Technical Services	315 021 808	242 770 613
	527 773 072	**441 500 026**

16,01 Equitable share

	2016 R	2015 R
Opening balance	-	-
Grants received	209 607 700	194 848 000
Conditions met - Operating	(209 607 700)	(194 848 000)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	**-**	**-**

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

16,02 Finance Management Grant (FMG)

	2016 R	2015 R
Opening balance	35	2 459
Grants received	1 250 000	1 250 000
Conditions met - Operating	(1 250 139)	(1 252 424)
Conditions met - Capital	-	-
Monies returned to National Treasury	(35)	
Conditions still to be met	**(139)**	**35**

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).

		2016 R	2015 R
16,03	**Municipal Systems Improvement Grant (MSIG)**		
	Opening balance	1 122	0
	Grants received	940 000	934 000
	Conditions met - Operating	(940 200)	(932 878)
	Conditions met - Capital	-	-
	Monies returned to National Treasury	(1 122)	-
	Conditions still to be met	**(200)**	**1 122**

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.

		2016 R	2015 R
16,04	**Municipal Infrastructure Grant (MIG)**		
	Opening balance	23 634 898	19 525 842
	Grants received	154 270 000	171 469 000
	Conditions met - Operating	(74 614 834)	(75 486 434)
	Conditions met - Capital	(105 822 362)	(91 873 510)
	Conditions still to be met	**(2 532 298)**	**23 634 898**

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.

		2016 R	2015 R
16,05	**Public Works - Special Programme**		
	Opening balance	(5 193 329)	(461 004)
	Grants received	27 093 577	25 302 627
	Conditions met - Operating	(25 784 141)	(30 034 952)
	Conditions met - Capital	-	-
	Grant expenditure to be recovered	**(3 883 893)**	**(5 193 329)**

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.

		2016 R	2015 R
16,06	**Accelerated Community Infrastructure Programme (ACIP)**		
	Opening balance	(85 102)	(85 102)
	Grants received	-	-
	Conditions met - Operating	-	-
	Conditions met - Capital	-	-
	Grant expenditure to be recovered	**(85 102)**	**(85 102)**

This grant is used for the upgrade of infrastructure.

		2016 R	2015 R
16,07	**Water Services Operating Subsidy**		
	Opening balance	34 433	4 612 134
	Grants received	5 000 000	10 000 000
	Conditions met - Operating	-	-
	Conditions met - Capital	(4 001 442)	(14 577 701)
	Monies returned to National Treasury	(34 433)	
	Conditions still to be met	**998 558**	**34 433**

This grant is used for the refurbishment of water infrastructure.

		2016 R	2015 R
16,08	**Enviromental Health Practioners**		
	Opening balance	(2 023 388)	(2 735 232)
	Grants received	-	711 844
	Conditions met - Operating	-	-
	Conditions met - Capital	-	-
	(Grant expenditure to be recovered)	**(2 023 388)**	**(2 023 388)**

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)

	2016 R	2015 R
Opening balance	14 109	(2 290)
Grants received	25 011 000	20 009 000
Conditions met - Operating	(7 761 529)	(3 808 350)
Conditions met - Capital	(17 260 798)	(16 184 250)
Monies returned to National Treasury	(14 109)	
Conditions still to be met/(Grant expenditure to be recovered)	**(11 327)**	**14 109**

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

	2016 R	2015 R
Opening balance	4 000	4 000
Grants received	-	-
Conditions met - Operating	-	-
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 PT Drought programme

	2016 R	2015 R
Opening balance	-	-
Grants received	58 110 150	-
Conditions met - Operating	-	-
Conditions met - Capital	(71 077 104)	-
Foreign Exchange Gains	-	-
Grant expenditure to be recovered	**(12 966 954)**	**-**

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

16,12 Other Grants

	2016 R	2015 R
Opening balance	(7 077 411)	(51 085 770)
Grants received	6 972 079	6 227 435
Conditions met - Operating	(4 457 641)	(5 189 624)
Conditions met - Capital	(5 195 182)	(7 311 903)
Foreign Exchange Gains	-	23 783
Written off/Paid back to National Treasury		50 258 667
Grant expenditure to be recovered	**(9 758 155)**	**(7 077 411)**

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

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.

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.

	2016 R	2015 R
Other Grants received during the year:		
EPWP Programme	1 379 000	1 309 000
Regional Bulk Infrastructure Grant	2 331 511	454 175
Rural Roads Asset Management Grant	2 080 000	2 084 000
LG Seta	1 181 569	1 071 875
Orio	-	1 308 386
Total Other Grants received during the year	**6 972 079**	**6 227 435**

16,12 Total Grants

	2016	2015
Opening balance	9 309 368	(21 234 976)
Correction on opening balance	-	(8 989 987)
Grants received	488 254 507	430 751 907
Conditions met - Operating	(324 416 185)	(311 552 662)
Conditions met - Capital	(203 356 888)	(129 947 364)
Paid back to Treasury/Provided for as impairment	(49 700)	50 258 667
Foreign Exchange Gains	-	23 783
Grant expenditure to be recovered	**(30 258 898)**	**9 309 368**

<u>Disclosed as follows as per note 7</u>

	2016	2015
Unspent Conditional Government Grants and Receipts	1 016 165	23 718 061
Unpaid Conditional Government Grants and Receipts	(31 275 063)	(14 408 693)
	(30 258 897)	**9 309 368**

17 FOREIGN EXCHANGE GAINS/(LOSS)

	2016	2015
Orio Grant	-	(23 783)
Total Foreign Exchange Gains	**-**	**(23 783)**

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).

18 ACTUARIAL (GAINS)/LOSS

	2016	2015
Post Retirement Medical Obligations - Refer to note 3	(1 515 799)	(2 157 631)
Ex Gratia Gratuities - Refer to note 3	54 270	(65 118)
Long Service Awards - Refer to note 3	(866 573)	55 780
Total Actuarial Losses	**(2 328 102)**	**(2 166 970)**

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

		2016 R	2015 R
19	**REVERSAL OF IMPAIRMENTS**		
	Investment in Municipal Entity - note 12	-	-
	Total Reversal of Impairments	**-**	**-**

		2016 R	2015 R
20	**SERVICE CHARGES**		
	Water	96 077 906	74 798 318
	Sewerage and Sanitation Charges	35 833 777	28 065 749
		131 911 682	**102 864 067**
	Less: Rebates (including free basic services for indigents)	(28 870 666)	(18 868 576)
	Total Service Charges	**103 041 016**	**83 995 491**

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.

		2016 R	2015 R
21	**GOVERNMENT SERVICES**		
	Working for Water	4 247 913	1 063 148
	Working for Wetlands	5 069 050	3 185 716
	Total Government Services	**9 316 963**	**4 248 864**
22	**INTEREST EARNED - EXTERNAL INVESTMENTS**		
	Call Investment Deposits	4 007 832	3 549 300
	Primary Bank Account	290 882	351 495
	Fixed Deposits	-	-
	Total Interest Earned - External Investments	**4 298 715**	**3 900 795**
23	**INTEREST EARNED - OUTSTANDING DEBTORS**		
	Water Debtors	5 496 619	3 836 774
	Sewerage Debtors	(149 157)	1 971 695
	Total Interest Earned - Outstanding Debtors	**5 347 462**	**5 808 469**
24	**OTHER INCOME**		
	Sundry Income	803 621	314 006
	Rental of Facilities and Equipment	45 414	33 243
	Unknown Receipts recognised as income	-	-
	Insurance claims	396 625	-
	Total Other Income	**1 245 660**	**347 249**
25	**EMPLOYEE RELATED COSTS**		
	Bonuses	8 425 033	8 211 420
	Contribution to current employee benefits - Staff Leave - Note 4	416 982	4 547 929
	Contribution to non-current employee benefits - Long Service Awards - Note 3	767 171	690 301
	Contribution to non-current employee benefits - Post Retirement Medical - Note 3	2 413 038	2 541 768
	Contribution to non-current employee benefits - Ex Gratia Gratuities - Note 3	66 061	11 028
	Contributions for UIF, Pensions and Medical Aids	23 718 686	20 841 044
	Salaries and Wages	104 778 553	97 481 730
	Housing Benefits and Allowances	987 473	727 063
	Overtime Payments	8 184 583	4 509 038
	Performance Bonuses	1 506 750	2 136 073
	Travel, Motor Car, Telephone, Subsistence and Other Allowances	12 476 093	11 428 844
	Total Employee Related Costs	**163 740 422**	**153 126 238**

	2016 R	2015 R
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

	2016 R	2015 R
Annual Remuneration	1 434 851	1 316 325
Performance Bonuses	-	224 359
Travel Allowance	64 200	108 200
Telephone allowance	33 000	30 000
Contributions to UIF, Medical and Pension Funds	225 651	208 923
Total	**1 757 702**	**1 887 807**

Director Technical Services - R J Fortuin

	2016 R	2015 R
Annual Remuneration	1 205 021	1 126 843
Performance Bonuses	-	190 706
Travel Allowance	170 220	170 220
Telephone allowance	19 200	13 857
Contributions to UIF, Medical and Pension Funds	83 967	81 612
Total	**1 478 408**	**1 583 237**

Director Corporate Services - H Z Jantjie

	2016 R	2015 R
Annual Remuneration	1 286 691	1 216 933
Performance Bonuses	-	190 706
Travel Allowance	84 000	84 000
Telephone allowance	19 200	13 857
Contributions to UIF, Medical and Pension Funds	78 192	75 074
Total	**1 468 083**	**1 580 569**

Director Financial Services - J M Jackson - Resigned 30 April 2015

	2016 R	2015 R
Annual Remuneration	-	1 003 742
Performance Bonuses	-	190 706
Travel Allowance	-	82 000
Telephone allowance	-	11 547
Contributions to UIF, Medical and Pension Funds	-	64 907
Total	**-**	**1 352 902**

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

Director Community Services - F J Sephton

	2016 R	2015 R
Annual Remuneration	1 296 567	1 208 695
Performance Bonuses	-	190 706
Travel Allowance	156 000	156 000
Telephone allowance	19 200	13 857
Contributions to UIF, Medical and Pension Funds	16 298	17 256
Total	**1 488 066**	**1 586 514**

Chief Operations Officer - N Mshumi

	2016 R	2015 R
Annual Remuneration	925 727	893 150
Performance Bonuses	-	162 310
Travel Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	218 821	191 975
Total	**1 204 548**	**1 307 435**

		2016 R	2015 R
26	**REMUNERATION OF COUNCILLORS**		
	Councillors	4 671 526	4 673 773
	Councillors' Pension and Medical Aid Contributions	637 985	592 299
	Total Remuneration of Councillors	**5 309 512**	**5 266 072**

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.

2016		Remuneration	Contributions	Total
Members of the Mayoral Committee		3 014 094	447 259	3 461 354
ZI Dumzela	- Executive Mayor	664 664	153 133	817 797
NP Mposelwa	- Speaker	570 088	89 050	659 138
B Salman	- Portfolio Head: Financial Services	535 920	83 472	619 393
D Mvumvu	- Portfolio Head: Community Services	361 815	3 603	365 418
TZ Notyeke	- Portfolio Head: Technical Services	376 357	3 804	380 161
N Ngubo	- Portfolio Head: Corporate Services	505 250	114 197	619 447
Proportional elected Councillors		1 533 482	189 529	1 723 011
S Mei		313 083	19 052	332 134
DF Hartkopf		328 922	3 024	331 947
V Mbulawa		214 554	49 132	263 686
MW Mpelwane		-	-	-
LN Gova		233 629	30 087	263 716
XG Motloi		219 647	44 139	263 787
NF Mphithi		223 647	44 094	267 741
Representative Councillors		119 750	1 198	120 947
Total Councillors Remuneration		**4 667 326**	**637 985**	**5 305 312**

2015		Remuneration	Contributions	Total
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**

		2016 R	2015 R
27	**DEBT IMPAIRMENT**		
	Contributions to provision - note 14	70 896 695	76 575 018
	Less: Portion relating to VAT - note 8	-	(1 798 001)
	Total Debt Impairment	**70 896 695**	**74 777 017**
28	**IMPAIRMENTS**		
	Investment in Municipal Entity - note 12	-	-
	Property Plant and Equipment - note 9	290 493	-
	Total Impairments	**290 493**	**-**
29	**DEPRECIATION AND AMORTISATION**		
	Property, Plant and Equipment - note 9	45 707 949	43 785 254
	Investment Property - note 10	41 705	45 496
	Intangible Assets - note 11	381 596	409 076
	Total Depreciation and Amortisation	**46 131 250**	**44 239 826**
30	**REPAIRS AND MAINTENANCE**		
	Infrastructure	4 352 516	13 666 149
	Land and Buildings	395 522	912 673
	Other Assets	1 242 418	1 529 048
	Total Repairs and Maintenance	**5 990 456**	**16 107 870**

It should be noted that a substantial amount of Repairs and Maintenance that were done are reflecting under the Operating Grant expenditure votes.

31	**FINANCE CHARGES**		
	Long-term Liabilities	1 124 027	851 895
	Finance leases	899 792	1 042 117
	Non-current Employee Benefits	3 890 173	3 560 433
	Finance charges on pension fund shortfall	89 156	49 875
	Other provisions	-	-
	Total Finance Charges	**6 003 149**	**5 504 319**
32	**CONTRACTED SERVICES**		
	Water Services	8 768	1 868 386
	Local Municipalities	8 768	1 868 386
	Other Contractors	-	-
	Sanitation Services	15 129 291	19 066 136
	Local Municipalities	70	1 456 044
	Other Contractors	15 129 221	17 610 092
	Total Contracted Services	**15 138 059**	**20 934 522**

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.

The other contractors relate to Honey Sucking that has been done by outside contractors throughout the district for the year under review.

33	**BULK PURCHASES**		
	Water	775 617	3 436 911
	Total Bulk Purchases	**775 617**	**3 436 911**

2016 R	2015 R

34 GRANTS AND SUBSIDIES PAID

Gariep Local Municipality	1 185 000	-
Pauper burials	7 980	-
Joe Gqabi Economic Development Agency (SoC) Ltd	3 006 797	2 786 740
Total Grants and Subsidies Paid	**4 199 777**	**2 786 740**

The Economic Entity has been in the process of taking over water service provision from local municipalities. The last remaining agreement, with Gariep Municipality, was terminated on 30 June 2013. No subsidy was therefore paid to any municipality in 2013/14.

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.

35 OPERATING GRANT EXPENDITURE

Management Services	-	972 766
Financial Services	1 576 322	287 243
Corporate Services	1 324 964	1 161 564
Technical Services	74 251 565	71 527 165
Community Services	6 254 940	3 875 814
Total Operating Grant Expenditure	**83 407 790**	**77 824 552**

36 GENERAL EXPENSES

Audit Fees	5 256 906	6 197 044
Advertising Fees	642 024	740 164
Bank Charges	309 411	259 711
Chemicals	6 202 647	5 621 840
Computer Charges	65 320	(37 657)
Consulting Fees	9 167 814	13 124 849
Entertainment	38 932	90 269
Fuel and oil	8 595 309	6 695 058
Insurance	2 630 706	2 228 123
Legal Fees	2 260 408	465 218
Material and protective clothing	1 831 603	849 625
Marketing	365 763	270 855
Membership Fees	44 340	1 238 519
Postage	11 903	11 116
Printing and Stationary	906 091	776 733
Rentals	2 135 641	3 385 174
Security	3 090 787	2 271 254
Services	545 698	550 266
Special programmes	1 814 706	1 411 969
Telephone	4 707 851	2 327 390
Training	785 809	639 066
Travel and Subsistance	15 332 874	12 249 261
Water and Electricity	9 631 823	12 996 447
Water Testing & Quality Monitoring	2 101 744	1 592 147
Other	1 692 015	1 894 604
Total General Expenses	**80 168 127**	**77 849 042**

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

37 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Carrying value of Property, Plant and Equipment disposed or written off	(656 721)	(4 228 506)
Proceeds from Disposal of Property, Plant and Equipment	-	-
Property, Plant and Equipment transferred to JoGEDA	-	-
Total Loss on Disposal of Property, Plant and Equipment	**(656 721)**	**(4 228 506)**

The loss on disposal of assets to the amount of R376 207 (R4 228 506 - 2015) relates to assets that were written off.

38 CORRECTION OF ERROR IN TERMS OF GRAP 3

38,1 NET SURPLUS/(DEFICIT) FOR THE YEAR 2015

Surplus reported on 30 June 2015	**53 339 547**
General Expenses	(357 915)
Finance charges	(502 474)
Bulk Purchses	(433 246)
Repairs and Maintenance	(712 978)
Total	**51 332 934**

39 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY

NET CASH FROM OPERATING ACTIVITIES

Net Surplus/(Deficit) for the year	169 807 808	51 332 934
Adjusted for:		
Non-Cash Expenditure and Revenue	119 626 387	124 688 686
Actuarial Gains	(2 328 102)	(2 166 970)
Debt impairment	70 896 695	74 777 017
Deprecation and amortisation	46 131 250	44 239 826
Impairments	290 493	-
Finance charges	3 979 329	3 610 308
Loss on disposal of PPE	656 721	4 228 506
Contributions - Provisions and Employee Benefits	13 595 034	18 138 519
Post Retirement Medical Benefits	2 413 038	2 541 768
Long Service Awards	767 171	690 301
Ex-Gratia	66 061	11 028
Performance bonusses	1 506 750	2 136 073
Bonuses	8 425 033	8 211 420
Staff leave	416 982	4 547 929
Expenditure - Provision and Employee Benefits	(11 255 733)	(12 171 742)
Post Retirement Medical Benefits	(963 470)	(955 643)
Long Service Awards	(360 520)	(599 734)
Ex-Gratia	(118 423)	(21 586)
Performance bonusses	-	(1 377 492)
Bonuses	(8 416 111)	(7 621 910)
Staff leave	(1 397 209)	(1 595 378)
Other adjustments	(6 544 266)	-
Bad debts Written off	(6 544 266)	-
Operating surplus before changes in working capital	285 229 230	181 988 397
Movement in working capital	(133 903 891)	(76 561 042)
Receivables from exchange transactions	(96 517 541)	(85 952 584)
Inventory	(713 373)	(873 093)
Payables from exchange transactions	(5 769 433)	18 906 396
Unspent Conditional Government Grants	(22 701 896)	(937 441)
Unpaid Conditional government grants	(16 866 370)	(9 786 895)
Taxes	8 664 723	2 082 574
Cash Flow from Operating Activities	151 325 339	105 427 355

40 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - note 15	5 346 636	35 920 001
Cash Floats - note 15	16 300	16 300
Bank - note 15	(2 615 344)	(2 144 292)
Total cash and cash equivalents	**2 747 591**	**33 792 009**

41 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - note 40	2 747 591	33 792 009
Investments - note 12	1 411 026	1 395 357
	4 158 617	35 187 366
Less:	1 016 165	28 718 061
Unspent Committed Conditional Grants - note 7	1 016 165	23 718 061
ABSA Loan to be paid back	-	5 000 000
Net cash resources available for internal distribution	**3 142 452**	**6 469 305**

42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - note 2	12 613 456	15 966 661
Used to finance property, plant and equipment - at cost	(12 613 456)	(10 966 660)
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.

	2016 R	2015 R

43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

43,1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

	2016 R	2015 R
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	39 452 595	39 523 897	71 302	-
Financial Services	69 020 953	69 344 948	323 995	-
Corporate Services	47 231 043	47 915 339	684 296	-
Technical Services	277 490 842	277 697 269	206 427	-
Community Services	50 347 749	50 456 555	108 806	-
	483 543 182	**484 938 008**	**1 394 826**	**-**
Capital Expenditure by Vote				
Management Services	-	-	-	-
Financial Services	-	200 000	200 000	-
Corporate Services	471 159	2 375 200	1 904 041	-
Technical Services	179 166 954	217 436 609	38 269 655	-
Community Services	-	5 000 000	5 000 000	-
	179 638 113	**225 011 809**	**45 373 696**	**-**

43,2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

	2015 R	2014 R
Opening balance	687 446	503 166
Fruitless and wasteful expenditure current year	80 467	184 280
Written off by Council	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting write-off approval	**767 913**	**687 446**

Incident	Disciplinary steps	2015 R	2014 R
Interest paid to Telkom, Eskom and on utility bills not paid within 30 days.	*None - A request has been submitted to Senqu and Eskom due to arrangements made during the year*	80 467	31 601
Damages to rental vehicles	*Under investigation*	-	139 679
Meeting postpone and caterer not informed	*None*	-	13 000
		80 467	**184 280**

43,3 Irregular expenditure

Reconciliation of irregular expenditure:

	2015 R	2014 R
Opening balance	9 190 312	8 412 125
Irregular expenditure - current year	2 047	778 186
Irregular expenditure - prior year (identified during current year)	-	-
Condoned	-	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting condonement	**9 192 359**	**9 190 312**

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 ratify 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.

		2016 R	2015 R
44	**MATERIAL LOSSES**		
	Water distribution losses		
	Kilo litres disinfected/purified/purchased	14 772 076	12 155 028
	Kilo litres sold	(8 011 414)	(7 344 702)
	Kilo litres lost	6 760 662	4 810 326
	Percentage lost during distribution	45,8%	39,6%
	Average cost per kilolitre in Rands	4,65	11,21
	Loss in Rand value	31 436 241	53 923 757

45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

45,1 SALGA Contributions - [MFMA 125 (1)(b)]

	2016	2015
Opening balance	-	-
Council subscriptions	1 238 020	1 238 020
Amount paid - current year	(1 238 020)	(1 238 020)
Balance unpaid (included in creditors)	**-**	**-**

45,2 Audit fees - [MFMA 125 (1)(b)]

	2016	2015
Opening balance	-	13 197
Current year audit fee	5 668 874	6 345 651
External Audit - Auditor-General	4 646 513	5 003 394
Internal Audit	1 022 361	1 342 258
Amount paid	(5 042 642)	(6 358 849)
Balance unpaid (included in payables)	**626 231**	**-**

45,3 VAT - [MFMA 125 (1)(b)]

	2016	2015
Opening balance	4 901 766	1 997 927
Amounts received - current year	(26 074 982)	(37 471 461)
Amounts claimed - current year	17 416 863	40 375 300
Balance receivable/(payable)	**(3 756 353)**	**4 901 766**

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.

45,4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]

	2016	2015
Opening balance	-	-
Current year payroll deductions and Council Contributions	23 507 485	21 335 984
Amount paid - current year	(23 507 485)	(21 335 984)
Balance receivable	**-**	**-**

45,5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

	2016	2015
Opening balance	-	-
Current year payroll deductions and Council Contributions	33 237 720	29 438 311
Amount paid - current year	(33 237 720)	(29 438 311)
Balance unpaid (included in payables)	**-**	**-**

45,6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

There are no overdue councillor accounts.

	2016	2015

		R	R
45,6	**Deviations - Supply Chain Management**		

Deviations with the Supply Chain Management Regulations were identified and categorised as follow:

	R	R
- Emergencies	25 507 137	42 677 924
- Goods or services are produced or available from a single provider only	19 400	1 567 726
- Other exceptional cases where it is impractical or impossible to follow the official procurement processes	18 797 328	15 736 190
	44 323 865	**59 981 840**

Deviations per department

- Office of the Municipal Manager	43 491	296 318
- Financial Services	28 774	296 667
- Corporate Services	4 074 094	2 432 160
- Community Services	560 422	4 674 032
- Technical Services	39 611 268	52 278 559
- Expenditure incurred on behalf of JoGEDA	5 815	4 104
	44 323 865	**59 981 840**

46 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

- Infrastructure	455 062 901	387 266 397
Total	**455 062 901**	**387 266 397**

This expenditure will be financed from:

Capital Replacement Reserve	-	-
Government Grants	455 062 901	387 266 397
Own Resources	-	-
	455 062 901	**387 266 397**

47 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 follow:

0,5% (2015 - 0.5%) Increase in interest rates	307 591	225 007
0,5% (2015 - 0.5%) Decrease in interest rates	(307 591)	(225 007)

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.

2016	2015
R	R

(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 receivalbes. Credit risk pertaining to debtors is considered to be moderate due 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	30 816 263	2 722 441
Sewerage	6 721 498	65
Local Municipalities	3 175 874	4 053 067
Other Receivables	4 594 527	8 949 591
	45 308 162	**15 725 164**

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.

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	267 718 410	170 249 143
Cash and Cash Equivalents	2 747 591	33 792 009
Non-current Investments	1 411 026	1 395 357
Unpaid Conditional Grants and Subsidies	31 275 063	14 408 693
	303 152 090	**219 845 202**

(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
2016				
Long Term liabilities and Finance Leases	4 911 312	12 336 970	3 390 976	20 639 258
Capital repayments	3 455 162	9 895 674	2 710 903	16 061 739
Interest	1 456 150	2 441 296	680 073	4 577 519
Payables from exchange transactions	75 071 683	-	-	-
Unspent Conditional Government Grants and Receipts	1 016 165	-	-	-
	80 999 160	12 336 970	3 390 976	20 639 258

	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	80 841 116	-	-	-
Unspent Conditional Government Grants and Receipts	23 718 061	-	-	-
	109 541 430	16 650 731	3 390 976	25 023 959

48 FINANCIAL INSTRUMENTS

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

48,1 Financial Assets

	2016 R	2015 R
Financial instruments at amortised cost		
Non-Current Investments		
- Fixed Deposits	1 411 026	1 395 357
- Municipal Entity - Joe Gqabi Economic Development Agency (Soc) Ltd	1 894 055	1 894 055
Receivables from Exchange Transactions	58 770 688	25 653 851
Cash and Cash Equivalents	2 747 591	33 792 009
Unpaid Conditional Government Grants and Receipts	31 275 063	14 408 693
Total carrying amount of financial assets	**96 098 423**	**77 143 965**

48,2 Financial Liability

	2016 R	2015 R
Financial instruments at amortised cost		
Long-term Liabilities	12 613 456	15 966 661
Trade and Other Payables	75 071 683	80 841 116
Current Portion of Long-term Liabilities	3 355 052	3 214 402
Unspent Conditional Government Grants and Receipts	1 016 165	23 718 061
Total carrying amount of financial liabilities	**92 056 356**	**123 740 239**

49 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.

50 IN-KIND DONATIONS AND ASSISTANCE

None

51 PRIVATE PUBLIC PARTNERSHIPS

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

52 CONTINGENT LIABILITY

Council has the following contingent liabilities at the end of the financial year 2015/2016:

Outstanding litigation claims

52 CONTINGENT LIABILITY CONTINUE

A claim was filed against the Municipality by a service provider disputing the award of a tender to another service provider. Judgement was received on the 26th of May in favour of the municipality, however the plaintiff has appealed the whole judgement.	1 097 374	-
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 Commisioner 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. The Municipality has contested this award. The matter was finalised on the 25th of May 2016. It was stated that is should be referred back to arbitration before a different commissioner.	9 529 183	9 529 183
In addition, the Commissioner also issued an award that the 28 junior fire fighters be paid an amount of R211 870 each based on TASK grading. This arbitration award has also been referred for review. This matter will be in the labour court on the 25th of October 2016.	6 347 518	5 932 260
A case against a former employee has been before labour court for fraud. The contract subsequently expired.	(300 000)	(300 000)
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 and the matter has been set down for trial on the 11 October 2016.	754 702	754 702
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.		
A summons and a notice of intention has been filled against the municipallity. This matter relates to an employee of the municipality had an accident and a house of a resident was damaged in the process. This matter is still pending in court.	272 555	
There was an accident which occurred between a vehicle of Senqu Municipality and a truck driven by an employee of the Municipality. The insurance is claiming for damages from the municipality and the municipality is contesting the claim.	485 661	
A claim 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.	800 000	800 000

53 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.

53,1 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 oustanding amount of R165 955 as it is uncertain that it will be collected.

53,2 Compensation of management personnel

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

53,3 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.

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

54,1 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 and Elundini and Gariep areas were taken over during the 2015/2016 year.

The municipality experienced some challenges with drought during the year with specific, Aliwal North and Elundini areas effected.

There were still limited historic data available in order to draft an accurate original budget. Subsequently, more accurate historic data became available during the year which was taken into account during the drafting of the final budget. The billing responsibility contributed mainly to the challenges experienced during the year.

Statement of Financial Position

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

Current Liabilities were increased due to the following:

- Current Employee Benefits were increased in order to be in line with the audited outcome of 30 June 2016 and to take into account items which were not budgeted for in the original budget.
- Unspent Conditional Grants and Receipts were increased in order to take into account grants which will not be spent during 2015/2016. This was not budgeted for in the original budget.
- The Trade payables were increased due the continueos cash flow challenges of the Municipality

Non-Current Liabilities were increased due to the follwowing:

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

Statement of Financial Performance - Revenue

Capital Government Grants and Subsidies were increased due to following:

- Additional funding not initially included R3,5m

The allocation of monies for Working for water and wetlands led to an increase in the budget of Government services.

Statement of Financial Performance - Expenditure

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

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

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

Operating Expenditure by vote

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

Capital Expenditure by vote

Technical Services decreased due to an error initially in the original budget, funded by grants. The effect of VAT on the expenditures incurred.

54,2 ACTUAL AMOUNTS vs FINAL BUDGET

Statement of Financial Position

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

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

Total Current Liabilities is more due to cash flow challenges experienced towards end of the financial year not anticipated.

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

Statement of Financial Performance - Revenue

Capital Government Grants is under collected due the fact that the Provincial Treasury drought monies allocated was not fully spent.

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

Due to late receiving of funding, the Government services were underspent.

The overall Revenue ration is only 2,2% under the final budget

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 second year 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.

The overall Revenue ration is only 0,3% under the final budget.

Cash Flow Statement

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

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

Operating Expenditure by vote

Not material variances

Capital Expenditure by vote

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

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	-	-
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**	**14 875 798**	**2 296 684**	**18 678 589**

APPENDIX A - Unaudited
JOE GQABI DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Maturity Date	Balance at 30 June 2015	Received during the period	Redeemed during the period	Balance at 30 June 2016
					R	R	R	R
ANNUITY LOANS								
DBSA - Building - c/o Graham and Cole street, Barkly East	11,5%	100878	6 monthly	31 Dec 2024	5 502 358	-	342 307	5 160 051
DBSA - Sanitation Infrastructure	10,00%	9980	6 monthly	30 Jun 2016	151 851	-	151 851	-
ABSA - Water meter loan	10,73%		6 monthly	1 March 2020	-	-	801 126	(801 126)
Total Annuity Loans					**5 654 210**	**-**	**1 295 285**	**4 358 925**
FINANCE LEASE								
ABSA - VEHICLES	Prime		Monthly	Various	8 024 380	-	1 414 797	6 609 583
Total Finance Leases					**8 024 380**	**-**	**1 414 797**	**6 609 583**
TOTAL EXTERNAL LOANS					- **13 678 589**	**-**	**2 710 081**	**10 968 508**

APPENDIX B - Unaudited
JOE GQABI 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**

APPENDIX B - Unaudited
JOE GQABI DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2016

	Cost/Revaluation								Accumulated Depreciation				Carrying
	Opening Balance	**Residual Value Opening Balance**	**Additions**	**Residual Value Additions**	**Under Construction**	**Disposals**	**Residual Value Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals and Impairments**	**Closing Balance**	**Value**
Land and Buildings													
Land	2 043 000	-	-	-	-	-	-	2 043 000	-	-	-	-	2 043 000
Buildings	15 639 048	-	-	-	-	-	-	15 639 048	4 773 883	584 076	-	5 357 959	10 281 090
	17 682 048	**-**	**-**	**-**	**-**	**-**	**-**	**17 682 048**	**4 773 883**	**584 076**	**-**	**5 357 959**	**12 324 090**
Infrastructure													
Sewerage Network	321 278 200	-	939 728	-	37 828 115	-	-	360 046 043	62 564 209	9 707 858	-	72 272 067	287 773 976
Water Network	1 017 693 712	-	91 389 109	-	301 721 220	(940 923)	-	1 409 863 118	207 183 376	31 350 521	(660 407)	237 873 491	1 171 989 627
	1 338 971 912	**-**	**92 328 836**	**-**	**339 549 335**	**(940 923)**	**-**	**1 769 909 160**	**269 747 585**	**41 058 379**	**(660 407)**	**310 145 557**	**1 459 763 603**
Other Assets													
Office Equipment	2 286 984	-	12 800	-	-	-	-	2 299 784	1 443 577	206 629	-	1 650 206	649 577
Furniture & Fittings	3 478 425	-	217 919	-	-	-	-	3 696 344	2 523 667	144 296	-	2 667 963	1 028 381
Motor Vehicles	16 528 694	501 673	-	-	-	(450 067)	-	16 580 300	5 025 633	2 341 009	174 280	7 540 922	9 039 378
Fire Engines	8 031 685	892 409	-	-	-	-	-	8 924 094	5 497 001	695 205	-	6 192 206	2 731 888
Computer Equipment	3 279 552	-	173 916	-	-	(540 961)	-	2 912 507	1 636 581	141 271	(529 295)	1 248 557	1 663 949
Special Vehicles	4 366 443	483 832	-	-	-	(109 789)		4 740 485	1 073 283	392 143	(79 102)	1 386 323	3 354 162
Tools and Equipment	3 013 884	-	66 525	-	-	-	-	3 080 408	1 333 191	144 940	-	1 478 131	1 602 277
	40 985 666	**1 877 914**	**471 159**	**-**	**-**	**(1 100 817)**	**-**	**42 233 922**	**18 532 932**	**4 065 494**	**(434 118)**	**22 164 309**	**20 069 613**
Total	**1 397 639 627**	**1 877 914**	**92 799 996**	**-**	**339 549 335**	**(2 041 740)**	**-**	**1 829 825 131**	**293 054 400**	**45 707 949**	**(1 094 524)**	**337 667 825**	**1 492 157 306**

APPENDIX C 2015 - 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 'easury/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											
National Government Grants											
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)
Provincial Government Grants											
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)	-	-	-	-
Enviromental Health Practioners	(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)
Other Grant Providers											
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)	-	(2 030 328)	2 380 261	697 907	23 783	(1 314 583)	-	(242 960)	-	(242 960)
TOTAL	**(21 234 976)**	**(8 989 987)**	**(30 224 963)**	**430 751 907**	**50 258 667**	**23 783**	**(311 552 662)**	**(129 947 364)**	**9 309 368**	**23 718 061**	**(14 408 693)**

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APPENDIX C 2016 - 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

O GRANT WORKING PAPER	Balance 1 July 2015 R	Correction of error R	Restated 1 July 2015 R	Contributions during the year R	Paid back 'easury/Provide R	Foreign Exchange Gains R	Operating Expenditure Transferred to Revenue R	Capital Expenditure Transferred to Revenue R	Balance 30 June 2016 R	Unspent 30 June 2016 (Creditor) R	Unpaid 30 June 2016 (Debtor) R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS											
National Government Grants											
Accelerated Community Infrastructure Programme	(85 102)		(85 102)						(85 102)	-	(85 102)
Municipal Infrastructure Grant (MIG)	23 634 898		23 634 898	154 270 000	-	-	(74 614 834)	(105 822 362)	(2 532 298)	-	(2 532 298)
Department Water Affairs	(5 749)		(5 749)	-	-	-	-	-	(5 749)	-	(5 749)
EPWP Programme	(437)		(437)	1 379 000	-	-	(1 408 561)	-	(29 998)	-	(29 998)
Equitable Share	-		-	209 607 700			(209 607 700)		-	-	-
Finance Management Grant (FMG)	35		35	1 250 000	(35)	-	(1 250 139)	-	(139)	-	(139)
Municipal Systems Improvement Grant (MSIG)	1 122		1 122	940 000	(1 122)	-	(940 200)	-	(200)	-	(200)
Public Works - Special Programme	(5 193 329)		(5 193 329)	27 093 577	-	-	(25 784 141)	-	(3 883 893)	-	(3 883 893)
Water Services Operating Subsidy	34 433		34 433	5 000 000	(34 433)	-	-	(4 001 442)	998 558	998 558	-
Municipal Water Infrastructure Grant (MWIG)	14 110		14 110	25 011 000	(14 110)	-	(7 761 529)	(17 260 798)	(11 327)	-	(11 327)
RBIG	(1 723 229)	-	(1 723 229)	2 331 511	-	-	-	(4 844 191)	(4 235 910)	-	(4 235 910)
Department of Human Settlement	(5 134 499)		(5 134 499)	-	-	-	-	(350 991)	(5 485 490)	-	(5 485 490)
Rural Households Infrastructure Grant	4 000		4 000	-	-	-	-	-	4 000	4 000	-
Total National Government Grants	11 546 253	-	11 546 253	426 882 788	(49 700)	-	(321 367 105)	(132 279 784)	(15 267 548)	1 002 558	(16 270 106)
Provincial Government Grants											
Enviromental Health Practioners	(2 023 388)	-	(2 023 388)	-	-	-	-	-	(2 023 388)	-	(2 023 388)
Provincial Treasury drought relief programme	-	-	-	58 110 150	-	-	-	(71 077 104)	(12 966 954)	-	(12 966 954)
Rural Roads Asset Management Grant	29 463	-	29 463	2 080 000	-	-	(2 095 856)	-	13 607	13 607	-
Total Provincial Government Grants	(1 993 924)	-	(1 993 924)	60 190 150	-	-	(2 095 856)	(71 077 104)	(14 976 734)	13 607	(14 990 342)
Other Grant Providers											
LG Seta	(242 960)	-	(242 960)	1 181 569	-	-	(953 224)		(14 615)	-	(14 615)
Total Other Grant Providers	(242 960)	-	(242 960)	1 181 569	-	-	(953 224)	-	(14 616)	-	(14 616)
TOTAL	**9 309 368**	**-**	**9 309 368**	**488 254 507**	**(49 700)**	**-**	**(324 416 185)**	**(203 356 888)**	**(30 258 897)**	**1 016 165**	**(31 275 063)**
	-						11 162,08				