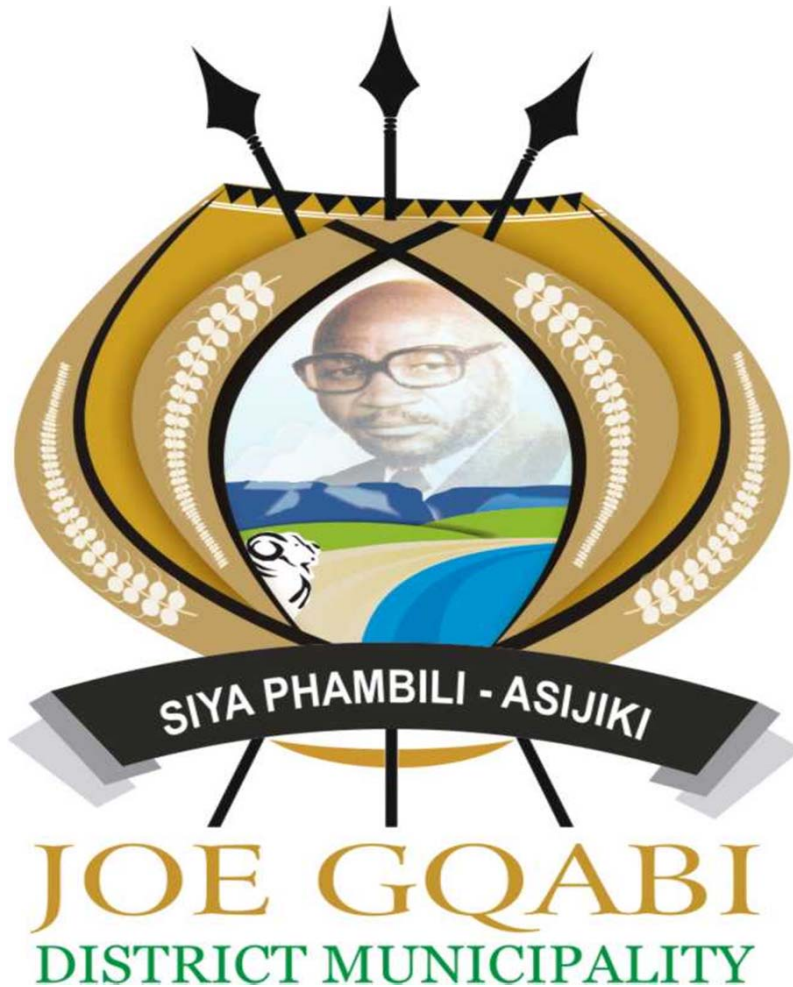


# Joe Gqabi District

MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2011**

# JOE GQABI DISTRICT MUNICIPALITY

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# JOE GQABI DISTRICT MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### GENERAL INFORMATION

#### NATURE OF BUSINESS

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

#### COUNTRY OF ORIGIN AND LEGAL FORM

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

#### JURISDICTION

The Joe Gqabi District Municipality includes the following areas:

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

#### MEMBERS OF THE MAYORAL COMMITTEE

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

#### MUNICIPAL MANAGER

Mr Z A Williams

#### ACTING CHIEF FINANCIAL OFFICER

Mr J J Burger

#### OTHER DIRECTORS

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

#### REGISTERED OFFICE

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

#### AUDITORS

Office of the Auditor General (EC)  
Vincent  
East London

#### ATTORNEYS

Douglas and Botha  
Aliwal North  
9750

#### PRINCIPAL BANKERS

ABSA  
P O Box 323  
Bloemfontein  
9300

#### AUDIT COMMITTEE

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

# JOE GQABI DISTRICT MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### GENERAL INFORMATION

#### RELEVANT LEGISLATION

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

#### MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY

##### PROPORTIONAL ELECTED COUNCILLORS

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

##### REPRESENTATIVE COUNCILLORS

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

# JOE GQABI DISTRICT MUNICIPALITY

## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 66 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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.

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

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**Date**

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	2011 R	Restated 2010 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>1 153 258 838</b>	<b>1 129 219 483</b>
Accumulated Surplus		1 153 258 838	1 129 219 483
<b>Non-Current Liabilities from Exchange Transactions</b>		<b>6 855 304</b>	<b>7 178 072</b>
Long-term Liabilities	2	6 855 304	7 178 072
<b>Non-Current Liabilities</b>		<b>15 611 492</b>	<b>15 712 225</b>
Employee Benefits	3	15 611 492	15 712 225
<b>Current Liabilities</b>		<b>13 486 981</b>	<b>11 115 120</b>
Current Employee Benefits	4	13 486 981	11 115 120
<b>Current Liabilities from Exchange Transactions</b>		<b>67 927 851</b>	<b>77 226 560</b>
Payables from exchange transactions	5	67 604 932	76 870 540
Current Portion of Long-term Liabilities	2	322 919	356 020
<b>Current Liabilities from Non-Exchange Transactions</b>		<b>25 544 599</b>	<b>22 376 849</b>
Unspent Conditional Government Grants and Receipts	6	25 544 599	22 376 849
<b>Total Net Assets and Liabilities</b>		<b>1 282 685 064</b>	<b>1 262 828 309</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>1 200 229 827</b>	<b>1 143 395 390</b>
Property, Plant and Equipment	8	1 190 515 754	1 136 384 838
Investment Property	9	2 685 567	5 200 576
Intangible Assets	10	4 162 800	1 145 927
Non-Current Investments	11	2 865 706	664 049
<b>Current Assets</b>		<b>5 211 806</b>	<b>67 599 487</b>
Inventory	12	1 227 420	710 559
Cash and Cash Equivalents	14	3 984 386	66 888 928
<b>Current Assets from Exchange Transactions</b>		<b>26 768 924</b>	<b>11 038 943</b>
Receivables from Exchange Transactions	13	6 726 313	1 799 185
South African Revenue Services	7	20 042 611	9 239 758
<b>Current Assets from Non-Exchange Transactions</b>		<b>50 474 507</b>	<b>40 794 489</b>
Unpaid Conditional Government Grants and Receipts	6	50 474 507	40 794 489
<b>Total Assets</b>		<b>1 282 685 064</b>	<b>1 262 828 309</b>

**JOE GQABI DISTRICT MUNICIPALITY**

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

	Notes	2011 R	Restated 2010 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>328 244 255</b>	<b>275 258 997</b>
<b>Transfer Revenue</b>		<b>324 198 630</b>	<b>275 258 697</b>
Government Grants and Subsidies - Capital	15	97 592 480	100 750 756
Government Grants and Subsidies - Operating	15	226 606 150	174 507 941
<b>Other Revenue</b>		<b>4 045 625</b>	<b>300</b>
Fines		-	300
Reversal of provision for impairment	22	4 045 625	-
<b>Revenue from Exchange Transactions</b>		<b>20 606 795</b>	<b>31 480 086</b>
Government Services	16	17 534 765	10 889 897
Water and Sanitation Services	17	-	15 358 017
Interest Earned - external investments	18	2 807 076	4 870 140
Other Income	19	264 954	362 032
<b>Fair Value Gains</b>		<b>2 248 541</b>	<b>1 832 335</b>
Actuarial Gains		2 248 541	1 832 335
<b>Total Revenue</b>		<b>351 099 591</b>	<b>308 571 418</b>
<b>EXPENDITURE</b>			
Employee related costs	20	72 664 536	60 179 924
Remuneration of Councillors	21	3 754 665	3 571 362
Debt Impairment	22	-	2 547 530
Impairments	23	519 748	1 154 072
Depreciation and Amortisation	24	38 787 554	38 250 699
Repairs and Maintenance	25	10 717 393	16 742 422
Finance Charges	26	2 803 664	2 410 010
Contracted services	27	44 739 310	25 673 204
Grants and Subsidies Paid	28	33 920 909	20 476 678
Inventory Adjustments		10 474	17 774
Operating Grant Expenditure	29	41 768 228	47 110 648
Emergency Drought Relief		23 372 555	34 964 634
General Expenses	30	49 423 530	28 567 019
Loss on disposal of Property, Plant and Equipment		517 838	765 518
<b>Total Expenditure</b>		<b>323 000 404</b>	<b>282 431 494</b>
<b>NET SURPLUS FOR THE YEAR - BEFORE DISCONTINUED OPERATIONS</b>		<b>28 099 187</b>	<b>26 139 924</b>
Discontinued Operations	31	(4 059 828)	3 153 811
<b>NET SURPLUS FOR THE YEAR</b>		<b>24 039 358</b>	<b>29 293 735</b>

**JOE GQABI DISTRICT MUNICIPALITY**

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

	<b>Accumulated Surplus</b>
	<b>R</b>
<b>Balance at 1 JULY 2009</b>	<b>312 627 335</b>
Correction of error restatement - Refer to note 32.2	787 298 410
Rounding	3
<b>Restated Balance at 1 JULY 2009</b>	<b>1 099 925 748</b>
Net Surplus for the year	29 293 735
<b>Balance at 30 JUNE 2010</b>	<b>1 129 219 483</b>
Net Surplus for the year	24 039 358
Rounding	(4)
<b>Balance at 30 JUNE 2011</b>	<b>1 153 258 838</b>



JOE GQABI DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 R	Restated 2010 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Other		10 019 381	37 696 163
Government - operating		228 768 363	155 143 753
Government - capital		94 694 000	81 234 100
Interest		2 807 076	4 870 140
<b>Payments</b>			
Suppliers and employees		(261 529 956)	(160 881 139)
Finance charges		(2 803 664)	(2 410 010)
Transfers and Grants		(33 920 909)	(20 476 678)
<b>Net Cash from Operating Activities</b>	<b>33</b>	<b>38 034 291</b>	<b>95 176 330</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(96 606 257)	(92 924 755)
Purchase of Intangible Assets		(3 244 178)	(1 145 927)
Increase in Non-current Investments		(732 530)	(1 219 458)
<b>Net Cash from Investing Activities</b>		<b>(100 582 965)</b>	<b>(95 290 140)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Decrease in Long-term Liabilities		(355 869)	(395 813)
Rounding		1	2
<b>Net Cash from Financing Activities</b>		<b>(355 868)</b>	<b>(395 811)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>(62 904 542)</b>	<b>(509 622)</b>
Cash and Cash Equivalents at the beginning of the year		66 888 928	67 398 550
Cash and Cash Equivalents at the end of the year	<b>34</b>	3 984 386	66 888 928
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>(62 904 542)</b>	<b>(509 622)</b>

## JOE GQABI DISTRICT MUNICIPALITY

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

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

##### 1.1 BASIS OF PREPARATION

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

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

The standards are summarised as follows:

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

**JOE GQABI DISTRICT MUNICIPALITY**

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

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

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

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

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

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

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

## JOE GQABI DISTRICT MUNICIPALITY

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

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

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

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

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

#### 1.2. PRESENTATION CURRENCY

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

#### 1.3. GOING CONCERN ASSUMPTION

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

#### 1.4. COMPARATIVE INFORMATION

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

#### 1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

**JOE GQABI DISTRICT MUNICIPALITY**

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

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

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

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

## JOE GQABI DISTRICT MUNICIPALITY

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

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#### 1.7. LEASES

##### 1.7.1 *Municipality as Lessee*

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

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

##### 1.7.2 *Municipality as Lessor*

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

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

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

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

## JOE GQABI DISTRICT MUNICIPALITY

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

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

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

#### 1.9. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

#### 1.10. PROVISIONS

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

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

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

## JOE GQABI DISTRICT MUNICIPALITY

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

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

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

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

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

#### 1.11. EMPLOYEE BENEFITS

##### 1.11.1 *Post Retirement Medical obligations*

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

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

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



## JOE GQABI DISTRICT MUNICIPALITY

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

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#### **1.11.2 Long Service awards**

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

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

#### **1.11.3 Ex gratia Gratuities**

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

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

#### **1.11.4 Accrued Leave Pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

#### **1.11.5 Staff Bonuses**

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

#### **1.11.6 Performance bonuses**

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

## JOE GQABI DISTRICT MUNICIPALITY

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

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#### **1.11.7 Pension and retirement fund obligations**

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

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

##### **1.12.1 Initial Recognition**

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

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

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

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

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

## JOE GQABI DISTRICT MUNICIPALITY

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

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#### 1.12.2 *Subsequent Measurement – Cost Model*

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

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

#### 1.12.3 *Depreciation and Impairment*

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

	<b>Years</b>		<b>Years</b>
<b><u>Infrastructure</u></b>		<b><u>Other</u></b>	
Water	15 - 50	Special Vehicles	10 – 17
Sewerage	15 - 50	Motor vehicles	5 – 17
		Office Equipment	7 – 12
<b><u>Land and Buildings</u></b>		Furniture and Fittings	7 – 13
Buildings	20 - 30	Tool and Equipment	5 – 15
		Computer Equipment	3 – 12
		Fire Engines	5 – 10

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

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

#### 1.12.4 *De-recognition*

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

## JOE GQABI DISTRICT MUNICIPALITY

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

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#### **1.12.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)**

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

#### **1.13. INTANGIBLE ASSETS**

##### **1.13.1 Initial Recognition**

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

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

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

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

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

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

Intangible assets are initially recognised at cost.

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

##### **1.13.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that

## JOE GQABI DISTRICT MUNICIPALITY

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

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

#### **1.13.3 Amortisation and Impairment**

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

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

#### **1.13.4 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.

### **1.14. INVESTMENT PROPERTY**

#### **1.14.1 Initial Recognition**

Investment property shall be recognised as an asset when, and only when:

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

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

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

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

## JOE GQABI DISTRICT MUNICIPALITY

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

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accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### **1.14.2 Subsequent Measurement – Cost Model**

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

#### **1.14.3 Depreciation and Impairment**

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

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

#### **1.14.4 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.

#### **1.14.5 Application of deemed cost - Directive 7**

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

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

#### **1.15.1 Cash-generating assets**

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

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

## JOE GQABI DISTRICT MUNICIPALITY

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

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

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

#### **1.15.2 Non-cash-generating assets**

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

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

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

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

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

## JOE GQABI DISTRICT MUNICIPALITY

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

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

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

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

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

#### 1.16. NON CURRENT INVESTMENTS

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

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

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

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



## JOE GQABI DISTRICT MUNICIPALITY

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

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#### 1.17. INVENTORIES

##### 1.17.1 *Initial Recognition*

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

##### 1.17.2 *Subsequent Measurement*

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

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

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

#### 1.18. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

##### 1.18.1 *Initial Recognition*

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

## JOE GQABI DISTRICT MUNICIPALITY

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

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#### **1.18.2 Subsequent Measurement**

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

##### **1.18.2.1 Receivables**

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

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

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

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

##### **1.18.2.2 Payables and Annuity Loans**

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

## JOE GQABI DISTRICT MUNICIPALITY

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

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#### 1.18.2.3 Cash and Cash Equivalents

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

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

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

##### 1.18.3.1 Financial Assets

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

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

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality'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 Municipality could be required to repay.

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

## JOE GQABI DISTRICT MUNICIPALITY

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

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#### 1.18.3.2 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.

#### 1.18.4 **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

### 1.19. REVENUE

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

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

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

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

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

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

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

## JOE GQABI DISTRICT MUNICIPALITY

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

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

#### **1.19.2 Revenue from Exchange Transactions**

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

Service charges relating to water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

## JOE GQABI DISTRICT MUNICIPALITY

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

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#### **1.19.3 Grants, Transfers and Donations (Non-Exchange Revenue)**

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

#### **1.20. RELATED PARTIES**

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

Related parties include:

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

Key management personnel include:

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

#### **1.21. UNAUTHORISED EXPENDITURE**

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

#### **1.22. IRREGULAR EXPENDITURE**

## JOE GQABI DISTRICT MUNICIPALITY

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

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Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.23. FRUITLESS AND WASTEFUL EXPENDITURE**

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

#### **1.24. CONTINGENT LIABILITIES**

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

Management judgement is required when recognising and measuring contingent liabilities.

#### **1.25. PRESENTATION OF BUDGET INFORMATION**

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

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

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

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

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

## JOE GQABI DISTRICT MUNICIPALITY

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

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#### **1.26.2 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.

#### **1.26.3 Property, plant and equipment**

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

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

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

#### **1.26.4 Intangible assets**

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

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

#### **1.26.5 Investment Property**

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

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



## JOE GQABI DISTRICT MUNICIPALITY

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

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#### **1.26.6 Provisions and contingent liabilities**

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

#### **1.26.7 Revenue Recognition**

Accounting Policy 1.19.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.19.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

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

#### **1.27. TAXES – VALUE ADDED TAX**

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

#### **1.28. AMENDED DISCLOSURE POLICY**

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

JOE GQABI DISTRICT MUNICIPALITY

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

	2011 R	2010 R
<b>2 LONG-TERM LIABILITIES</b>		
Annuity Loans - At amortised cost	7 178 223	7 534 092
Less: Current Portion transferred to Current Liabilities	(322 919)	(356 020)
<b>Total - At amortised cost using the effective interest rate method</b>	<b>6 855 304</b>	<b>7 178 072</b>
Annuity loans at amortised cost is calculated at 10.00% - 11.52% interest rate, with first maturity date of 30 June 2016 and last maturity date of 31 December 2024.		
Included in Non-current Investments as per note 11 is an amount of R339 660 held as guarantee by the DBSA.		
The obligations under annuity loans are scheduled below:		
	<b>Minimum annuity payments</b>	
Amounts payable under annuity loans:		
Payable within one year	1 132 215	1 202 523
Payable within two to five years	4 528 859	4 528 859
Payable after five years	8 235 227	9 367 442
	13 896 301	15 098 824
<b>Less:</b> Future finance obligations	(6 718 078)	(7 564 731)
<b>Present value of annuity obligations</b>	<b>7 178 223</b>	<b>7 534 093</b>
<b>3 EMPLOYEE BENEFITS</b>		
Post Retirement Medical Obligation - Refer to note 3.1	13 409 403	13 812 281
Ex Gratia Gratuities - Refer to note 3.2	516 817	548 160
As previously reported		680 099
Correction of error restatement - Refer to note 32.04		(131 940)
Long Service Awards - Refer to note 3.3	1 685 272	1 351 784
<b>Total Non-current Employee Benefit Liabilities</b>	<b>15 611 492</b>	<b>15 712 225</b>
<b><u>Post Retirement Medical Obligation</u></b>		
Balance 1 July	14 753 945	14 859 063
Contribution for the year	2 838 250	1 919 635
Expenditure for the year	(992 888)	(888 576)
Actuarial Loss/(Gain)	(2 184 496)	(1 136 177)
<b>Total post retirement medical obligation 30 June</b>	<b>14 414 811</b>	<b>14 753 945</b>
<b>Less:</b> Transfer of Current Portion - Note 4	(1 005 408)	(941 664)
<b>Balance 30 June</b>	<b>13 409 403</b>	<b>13 812 281</b>
<b><u>Ex Gratia Gratuities</u></b>		
Balance 1 July	548 160	523 857
Contribution for the year	79 534	71 618
Expenditure for the year	-	-
Actuarial Loss/(Gain)	(110 877)	(47 315)
<b>Total ex gratia provision 30 June</b>	<b>516 817</b>	<b>548 160</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 4	-	-
<b>Balance 30 June</b>	<b>516 817</b>	<b>548 160</b>
<b><u>Long Service Awards</u></b>		
Balance 1 July	1 582 371	1 787 693
Contribution for the year	481 191	576 464
Expenditure for the year	(238 781)	(132 943)
Actuarial Loss/(Gain)	46 833	(648 843)
<b>Total long service 30 June</b>	<b>1 871 614</b>	<b>1 582 371</b>
<b>Less:</b> Transfer of Current Portion - Note 4	(186 342)	(230 587)
<b>Balance 30 June</b>	<b>1 685 272</b>	<b>1 351 784</b>

JOE GQABI DISTRICT MUNICIPALITY

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

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

3.1 **Post Retirement Medical Obligation**

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

	2011 Employees	2010 Employees
In-service (employee) members	92	108
Continuation members (e.g. Retirees, widows, orphans)	40	42
<b>Total Members</b>	<b>132</b>	<b>150</b>

The liability in respect of past service has been estimated to be as follows:

	2011 R	2010 R
In-service members	5 027 000	6 127 444
Continuation members	9 387 811	8 626 501
<b>Total Liability</b>	<b>14 414 811</b>	<b>14 753 945</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

**2009**

In-service members	6 528 000
Continuation members	8 331 000
<b>Total liability</b>	<b>14 859 000</b>

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

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

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

**ii) Mortality rates**

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

**iii) Normal retirement age**

The normal retirement age for employees of the Municipality is:

Male : 63 years  
Female: 58 years

JOE GQABI DISTRICT MUNICIPALITY

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

	2011 R	2010 R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	14 414 811	14 753 945
<b>Net liability/(asset)</b>	<b>14 414 811</b>	<b>14 753 945</b>

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	14 753 945	14 859 063
Total contributions	1 845 362	1 031 059
Current service cost	1 057 902	593 578
Interest Cost	1 780 348	1 326 057
Benefits Paid	(992 888)	(888 576)
Actuarial (gains)/losses	(2 184 496)	(1 136 177)
Present value of fund obligation at the end of the year	14 414 811	14 753 945
<b>Less:</b> Transfer of Current Portion - Note 4	(1 005 408)	(941 664)
<b>Balance 30 June</b>	<b>13 409 403</b>	<b>13 812 281</b>

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

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

The effect of movements in the assumptions are as follows:

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

**3.2 Ex Gratia Gratuities**

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

Key actuarial assumptions used:

	2011 %	2010 %	2011 %	2010 %
<b>i) Rate of interest</b>				
Discount rate	8.13	8.68	8.13	8.68

JOE GQABI DISTRICT MUNICIPALITY

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

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

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

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

The effect of movements in the assumptions are as follows:

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

**3.3 Long Service Bonuses**

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

Key actuarial assumptions used:	2011 %	2010 %
<b>i) Rate of interest</b>		
Discount rate	7.49	8.91
General Salary Inflation (long-term)	6.20	6.33
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.22	2.43
	<b>2011 R</b>	<b>2010 R</b>
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	1 871 614	1 582 371
<b>Net liability/(asset)</b>	<b>1 871 614</b>	<b>1 582 371</b>

JOE GQABI DISTRICT MUNICIPALITY

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

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

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

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

The effect of movements in the assumptions are as follows:

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

**3.4 Retirement Funds**

Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of GRAP 25, these multi-employer plans are defined as defined benefit plans. GRAP 25 also state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the 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 claim that the pensioner data to be 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 both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

JOE GQABI DISTRICT MUNICIPALITY

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

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

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

<b><u>DEFINED CONTRIBUTION FUNDS</u></b>		
Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
Contributions paid recognised in the Statement of Financial Performance		
Government Employees Pension Fund	350 827	329 942
Municipal Councillors Pension Fund	164 847	239 448
IMATU Retirement Fund	38 081	46 542
SAMWU National Provident Fund	1 235 221	1 170 296
	<b>1 788 976</b>	<b>1 786 228</b>

4 **CURRENT EMPLOYEE BENEFITS**

Staff Bonuses	2 396 677	2 143 138
Staff Leave	4 380 803	3 041 518
Performance Bonuses	555 004	1 284 123
Other Provisions	4 962 747	3 474 090
As previously reported		2 439 044
Correction of error restatement - Refer to note 32.12		1 035 046
Current Portion of Non-Current Employee Benefits	1 191 750	1 172 251
Current Portion of Post Retirement Benefits - Note 3	1 005 408	941 664
Current Portion of Long-Service Awards - Note 3	186 342	230 587
<b>Total Current Employee Benefits</b>	<b>13 486 981</b>	<b>11 115 120</b>

The movement in current employee benefits is reconciled as follows:

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

Bonuses are being paid to all municipal staff, excluding temporary staff and Section 57 Managers. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle. This bonus will be paid out in November of each year or pro-rata when employment is terminated.

JOE GQABI DISTRICT MUNICIPALITY

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

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

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

**Performance bonuses**

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

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

**Other Provisions**

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

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

*TASK Job Evaluation Provision*

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

*Shortfall in annual earnings of Cape Joint Pension Fund*

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



JOE GQABI DISTRICT MUNICIPALITY

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

	2011 R	2010 R
<b>5 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Payables	59 774 421	65 828 610
As previously reported		57 238 809
Correction of error restatement - Refer to note 32.01		(1 193 988)
Correction of error restatement - Refer to note 32.02		2 090 095
Correction of error restatement - Refer to note 32.05		(28 684)
Correction of error restatement - Refer to note 32.07		(1 501 758)
Correction of error restatement - Refer to note 32.08		4 257 674
Correction of error restatement - Refer to note 32.10		(60 500)
Correction of error restatement - Refer to note 32.15		5 026 962
Interest Accrued	203 941	211 919
Unknown receipts	1 692 551	1 648 146
As previously reported		1 741 146
Correction of error restatement - Refer to note 32.05		(93 000)
Sundry Creditors	373 003	85 717
Payments received in advance	5 561 016	9 096 148
<b>Total Trade Payables</b>	<b>67 604 932</b>	<b>76 870 540</b>

Payables are being recognised net of any discounts.

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

The carrying value of payables approximates its fair value.

**6 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

	25 544 599	22 376 849
<b>Unspent Grants</b>		
National Government Grants	14 620 978	10 237 553
Provincial Government Grants	10 726 696	11 828 820
DoRA Government Grants	91 301	-
Other Sources	105 624	310 476
<b>Less: Unpaid Grants</b>	<b>(50 474 507)</b>	<b>(40 794 489)</b>
National Government Grants	(25 369 281)	(25 369 281)
Provincial Government Grants	-	(78 291)
DoRA Government Grants	(24 407 319)	(14 695 352)
Other Sources	(697 907)	(651 565)
<b>Total Conditional Grants and Receipts</b>	<b>(24 929 908)</b>	<b>(18 417 640)</b>

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

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

No grants were withheld during the current year.

The movement in unspent conditional government grants and receipts are reconciled as follows:

**6.1 National Government Grants**

Opening balance	(15 131 728)	17 851 215
As previously reported		17 853 292
Correction of error restatement - Refer to note 32.13		(2 077)
Grants received	49 605 256	35 336 100
Operating conditions met	(45 221 831)	(67 519 043)
Capital conditions met	-	(800 000)
	(10 748 303)	(15 131 728)
Plus: Unpaid Grants	25 369 281	25 369 281
	<b>14 620 978</b>	<b>10 237 553</b>

National Government Grants consists out the following:

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

JOE GQABI DISTRICT MUNICIPALITY

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

	2011 R	2010 R
<b>6.2</b>		
<b><u>Provincial Government Grants</u></b>		
Opening balance	11 750 529	11 184 940
As previously reported		12 760 947
Correction of error restatement - Refer to note 32.13		154 288
Correction of error restatement - Refer to note 32.13		(1 730 295)
Grants received	5 770 627	17 844 013
Operating conditions met	(6 794 460)	(17 278 424)
As previously reported		(17 908 728)
Correction of error restatement - Refer to note 32.13		630 304
Capital conditions met	-	-
Plus: Unpaid Grants	10 726 696	11 750 529
	-	78 291
	<b>10 726 696</b>	<b>11 828 820</b>

Provincial Government Grants consists out the following:

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

<b>6.3</b>		
<b><u>DoRA Government Grants</u></b>		
Opening balance	(14 695 352)	6 569 521
Grants received	225 310 480	181 321 326
Operating conditions met	(137 338 666)	(101 788 454)
Capital conditions met	(97 592 480)	(100 797 745)
As previously reported		(99 923 698)
Correction of error restatement - Refer to note 32.13		(874 047)
Plus: Unpaid Grants	(24 316 018)	(14 695 352)
	24 407 319	14 695 352
	<b>91 301</b>	-

DoRA Government Grants consists out of the following:

Equitable share - *The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the Municipality by the National Treasury.*

MIG - *To supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions. Also to provide for new municipal infrastructure and rehabilitation and upgrading of existing ones*

FMG - *To promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA)*

MSIG - *To assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Local Government: Municipal Systems Act.*

EPWP Programme - *Incentive for Municipalities for job creation.*

JOE GQABI DISTRICT MUNICIPALITY

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

	2011 R	2010 R
<b>6.4 Other Sources</b>		
Opening balance	(341 089)	(1 032 350)
Grants received	37 000 000	1 876 414
Operating conditions met	(37 251 194)	(1 158 095)
As previously reported		(506 530)
Correction of error restatement - Refer to note 32.13		(651 565)
Capital conditions met	-	(27 058)
	(592 283)	(341 089)
Plus: Unpaid Grants	697 907	651 565
	<b>105 624</b>	<b>310 476</b>

Other Sources consists out of the following:

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

**7 SOUTH AFRICAN REVENUE SERVICES**

VAT Receivable	19 540 612	8 737 759
As previously reported		7 163 194
Correction of error restatement - Refer to note 32.01		(1 193 988)
Correction of error restatement - Refer to note 32.02		2 090 095
Correction of error restatement - Refer to note 32.03		286 556
Correction of error restatement - Refer to note 32.08		461 664
Correction of error restatement - Refer to note 32.14		(69 762)
PAYE Receivable	501 999	501 999
As previously reported		1 709 077
Correction of error restatement - Refer to note 32.16		(1 207 078)
	<b>20 042 611</b>	<b>9 239 758</b>

VAT is payable/receivable on the cash basis.





JOE GQABI DISTRICT MUNICIPALITY

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

	2011 R	2010 R
<b>9 INVESTMENT PROPERTY</b>		
Net Carrying amount at 1 July	5 200 576	5 818 265
Cost	5 382 357	5 903 807
As previously reported		5 547 807
Correction of error restatement - Refer to note 32.17		356 000
Accumulated Depreciation	(181 781)	(85 542)
Acquisitions	-	-
Disposals/Transfers	(2 422 073)	(521 450)
- Cost	(2 569 000)	(521 450)
- Accumulated Depreciation	146 927	-
Depreciation for the year	(92 936)	(96 239)
<b>Net Carrying amount at 30 June</b>	<b>2 685 567</b>	<b>5 200 576</b>
Cost	2 813 357	5 382 357
Accumulated Depreciation	(127 790)	(181 781)
Revenue derived from the rental of investment property	7 446	57 358

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

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

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

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

**10 INTANGIBLE ASSETS**

**Computer Software**

**Net Carrying amount at 1 July**

Cost	848 733	3 354 336
Accumulated Amortisation	-	(3 354 336)
Work in Progress	297 193	-
Additions and transfers from work in progress	2 454 162	848 733
As previously reported		-
Correction of error restatement - Refer to note 32.08		848 733
Work in Progress - Additions	790 016	297 194
As previously reported		19 299
Correction of error restatement - Refer to note 32.11		277 895
Amortisation	(227 304)	-
<b>Net Carrying amount at 30 June</b>	<b>4 162 800</b>	<b>1 145 927</b>
Cost	3 302 895	848 733
Accumulated Amortisation	(227 304)	-
Work in Progress	1 087 209	297 193

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

JOE GQABI DISTRICT MUNICIPALITY

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

11	<b>NON-CURRENT INVESTMENTS</b>	2011 R	2010 R
	<b>Financial Instruments</b>		
	Fixed Deposits	639 315	623 785
	<b>Unlisted</b>		
	Municipal Entity - Ukhahlamba Development Agency (Pty) Ltd	2 226 391	40 264
	Cost	3 900 210	1 194 336
	As previously reported		1 214 572
	Correction of error restatement - Refer to note 32.08		40 264
	Correction of error restatement - Refer to note 32.1		(60 500)
	Provision for impairment	(1 673 819)	(1 154 072)
	As previously reported		(1 214 572)
	Correction of error restatement - Refer to note 32.1		60 500
	<b>Total Non-Current Investments</b>	<b>2 865 706</b>	<b>664 049</b>

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

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

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

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

Fixed deposits consist out of the following accounts:

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

12	<b>INVENTORY</b>		
	Fuel – at cost	786 452	390 845
	Stationery and materials - at cost	29 612	23 551
	Spare parts - at cost	411 356	296 163
	<b>Total Inventory</b>	<b>1 227 420</b>	<b>710 559</b>

Consumable stores materials losses/(gains) identified during stock counts	10 474	17 774
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Inventory recognised as an expense during the year	3 470 035	4 567 459
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No inventory was pledged as security.

JOE GQABI DISTRICT MUNICIPALITY

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

13 RECEIVABLES FROM EXCHANGE TRANSACTIONS	2011 R	2010 R
Water Receivables	-	3 131 426
Sanitation Receivables	-	1 932 735
Other Receivables	7 042 114	1 096 450
Sundry Receivables	5 760 789	125 929
Irregular Expenditure	-	65 573
Staff Debtors	1 281 325	904 948
	7 042 114	6 160 611
Less: Allowance for Doubtful Debts	(315 801)	(4 361 426)
As previously reported		(3 783 844)
Correction of error restatement - Refer to note 32.06		(577 582)
<b>Total Net Receivables from Exchange Transactions</b>	<b>6 726 313</b>	<b>1 799 185</b>

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

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

**Reconciliation of the Total Doubtful Debt Provision**

Balance at beginning of the year	4 361 426	7 324 329
Contributions/(reversal) to provision	(4 045 625)	2 547 530
Doubtful debts written off against provision	-	(5 510 433)
<b>Balance at end of year</b>	<b>315 801</b>	<b>4 361 426</b>
Water Receivables	-	2 270 539
Sanitation Receivables	-	1 775 085
Other Receivables	315 802	315 802

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

	Gross Balance	Allowance for Doubtful Debts	Net balance
<b>2011</b>			
Other Receivables	7 042 114	(315 802)	6 726 312
	<b>7 042 114</b>	<b>(315 802)</b>	<b>6 726 312</b>
<b>2010</b>			
Water Receivables	3 131 426	(2 270 539)	860 887
Sanitation Receivables	1 932 735	(1 775 085)	157 650
Other Receivables	1 096 450	(315 802)	780 648
	<b>6 160 611</b>	<b>(4 361 426)</b>	<b>1 799 185</b>

Ageing of Receivables from Exchange Transactions	2011 R	2010 R
<b><u>(Water Receivables): Ageing</u></b>		
Current (0 - 30 days)	-	777 083
31 - 60 Days	-	411 860
61 - 90 Days	-	210 893
+ 90 Days	-	1 731 590
<b>Total</b>	<b>-</b>	<b>3 131 426</b>

<b><u>(Sanitation Receivables): Ageing</u></b>		
Current (0 - 30 days)	-	261 785
31 - 60 Days	-	145 391
61 - 90 Days	-	129 866
+ 90 Days	-	1 395 693
<b>Total</b>	<b>-</b>	<b>1 932 735</b>



JOE GQABI DISTRICT MUNICIPALITY

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

	2011 R	2010 R
<b><u>(Other Receivables): Ageing</u></b>		
Current (0 - 30 days)	5 634 860	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	1 407 254	1 096 450
<b>Total</b>	<b>7 042 114</b>	<b>1 096 450</b>

14 CASH AND CASH EQUIVALENTS

<b><u>Assets</u></b>		
Call Investments Deposits	2 827 428	65 318 756
Primary Bank Account	1 156 658	1 569 872
As previously reported		3 374 199
Correction of error restatement - Refer to note 32.05		(1 804 327)
Cash Floats	300	300
<b>Total Cash and Cash Equivalents - Assets</b>	<b>3 984 386</b>	<b>66 888 928</b>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding cheques forms part of the balances of Cash and Cash Equivalents.

Call Investments Deposits to an amount of R2 827 428 are held to fund the Unspent Conditional Grants (2010 - R23 974 479).

The Municipality has the following bank accounts:

**Current Accounts**

ABSA - account nr 23800000 19 (primary account)	1 156 658	1 569 872
	<b>1 156 658</b>	<b>1 569 872</b>

**ABSA - account nr 23800000 19 (primary account)**

Cash book balance at beginning of year	1 569 872	15 889 592
Cash book balance at end of year	1 156 658	1 569 872

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

**Call Investments Deposits**

Call investment deposits consist out of the following accounts:

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

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

JOE GQABI DISTRICT MUNICIPALITY

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

15 GOVERNMENT GRANTS AND SUBSIDIES	2011 R	2010 R
<b>Unconditional Grants</b>	<b>162 942 850</b>	<b>96 475 061</b>
Equitable Share	125 942 850	96 475 061
ECDC	37 000 000	-
<b>Conditional Grants</b>	<b>161 255 780</b>	<b>178 783 636</b>
2010 Transport	126 000	-
Alpine Tourism	204 852	-
CMIP / MIG	104 767 396	102 802 019
As previously reported		101 927 970
Correction of error restatement - Refer to note 32.13		874 049
DBSA Assistance	-	533 588
DBSA Municipal Support Framework	46 342	651 565
As previously reported		-
Correction of error restatement - Refer to note 32.13		651 565
Department Water Affairs	8 657 384	11 203 541
DGLTA Aliwal North WTP	-	121 337
Disaster Management Community Awareness	-	6 842
As previously reported		631 379
Correction of error restatement - Refer to note 32.13		(624 537)
Disaster Management Establishment of Centres	-	226
Disaster Management Fire & Emergency Services	36 873	690 565
Disaster Management Forum	51 061	-
Disaster Management Plan	1 414	-
Disaster Management Policy Framework	46 355	-
Disaster Management Rebuild Houses	-	948 885
As previously reported		954 652
Correction of error restatement - Refer to note 32.13		(5 767)
Drought Relief Elundini	-	2 065 029
Drought Relief Senqu	-	580 420
Emergency Drought Relief	14 105 542	25 369 281
EPWP Programme	2 923 630	449 900
Finance Management Grant	642 472	722 956
Gariep Implement Lake	1 499 740	-
Heritage, Tourism & Economic Strategy	223 520	-
Heritage Management Plan (UCG)	75 820	-
IDC	-	800 000
IDP	-	1 439 087
Invoice Based Finance	1 100 000	-
ISRDP Nodal Support	70 421	(930)
IT Implementation	-	36 130
LED Capacity	197 665	350 000
LED ISRDP	-	1 101 452
LG Seta	1 014 315	179 387
Libraries	2 200 000	-
MSIG	654 798	459 000
Performance Management System	127 517	422 483
Public Work - Special Programme	22 458 905	27 850 873
Stimulation of Economy through Marketing	23 758	-
<b>Total Government Grants and Subsidies</b>	<b>324 198 630</b>	<b>275 258 697</b>
Government Grants and Subsidies - Capital	97 592 480	100 750 756
Government Grants and Subsidies - Operating	226 606 150	174 507 941
	<b>324 198 630</b>	<b>275 258 697</b>
Balance previously reported		289 368 822
Less: Discontinued Operations - Note 31		(14 110 125)
Restated balance		275 258 697

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

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

JOE GQABI DISTRICT MUNICIPALITY

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

	2011 R	2010 R
<b>15.1 Reconciliation per Municipal Vote</b>		
Executive & Council	19 039 012	15 387 508
Budget & Treasury	18 991 785	9 260 843
Corporate Services	7 331 618	3 895 505
Planning & Development	4 593 845	1 740 858
Health	765 642	2 435 947
Community & Social Services	12 707 799	11 535 068
Road Transport	25 382 535	28 300 772
Other	141 891 554	102 842 096
Waste Management	20 528 118	18 762 348
Water	72 966 725	81 097 753
	<b>324 198 631</b>	<b>275 258 698</b>
<b>16 GOVERNMENT SERVICES</b>		
Working for Water	13 998 709	7 799 053
Working for Wetlands	3 536 056	3 090 844
<b>Total Government Services</b>	<b>17 534 765</b>	<b>10 889 897</b>
<b>17 WATER AND SANITATION SERVICES</b>		
Water Services	-	10 223 687
Sanitation Services	-	5 134 330
<b>Total Water and Sanitation Services</b>	<b>-</b>	<b>15 358 017</b>
<b>18 INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Call Investment Deposits	2 505 873	4 523 836
Primary Bank Account	279 345	321 182
Fixed Deposits	21 858	25 122
<b>Total Interest Earned - External Investments</b>	<b>2 807 076</b>	<b>4 870 140</b>
<b>19 OTHER INCOME</b>		
Sundry Income	257 508	304 674
Rental of Facilities and Equipment	7 446	57 358
<b>Total Other Income</b>	<b>264 954</b>	<b>362 032</b>
<b>20 EMPLOYEE RELATED COSTS</b>		
Bonuses	3 467 455	2 784 291
Contribution to current employee benefits - Staff Leave - Note 4	2 135 180	116 707
Contribution to current employee benefits - TASK Provision - Note 4	2 777 869	2 847 349
As previously reported		1 812 303
Correction of error restatement - Refer to note 32.12		1 035 046
Contribution to non-current employee benefits - Long Service Awards - Note 3	350 223	361 234
Contribution to non-current employee benefits - Post Retirement Medical - Note 3	1 057 902	496 992
Contribution to non-current employee benefits - Ex Gratia Gratuities - Note 3	26 164	18 320
As previously reported		195 632
Correction of error restatement - Refer to note 32.04		(177 312)
Employee related costs - Contributions for UIF, Pensions and Medical Aids	9 405 339	7 957 205
Employee related costs - Salaries and Wages	43 672 404	36 014 495
Housing Benefits and Allowances	424 970	359 867
Overtime Payments	1 844 257	1 655 969
Performance Bonuses	568 345	664 224
Travel, Motor Car, Telephone, Subsistence and Other Allowances	6 934 428	6 903 271
<b>Total Employee Related Costs</b>	<b>72 664 536</b>	<b>60 179 924</b>
Balance previously reported		68 936 481
Less: Discontinued Operations - Note 31		(8 756 557)
Restated balance		60 179 924

JOE GQABI DISTRICT MUNICIPALITY

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

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

JOE GQABI DISTRICT MUNICIPALITY

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

	2011 R	2010 R
<b>22 DEBT IMPAIRMENT / (REVERSAL OF PROVISION FOR IMPAIRMENT)</b>		
Contributions to provision	-	2 547 530
As previously reported		1 969 948
Correction of error restatement - Refer to note 32.04		577 582
Reversal of provision for impairment	(4 045 625)	-
<b>Total Debt Impairment / (Reversal of provision for impairment)</b>	<b>(4 045 625)</b>	<b>2 547 530</b>
<b>23 IMPAIRMENTS</b>		
Investment in Municipal Entity - Ukhahlamba Development Agency (Pty) Ltd	519 748	1 154 072
As previously reported		1 214 572
Correction of error restatement - Refer to note 32.04		(60 500)
<b>Total Impairments</b>	<b>519 748</b>	<b>1 154 072</b>
<b>24 DEPRECIATION AND AMORTISATION</b>		
Property, Plant and Equipment - note 8	38 467 314	38 154 460
As previously reported		7 506 703
Correction of error restatement - Refer to note 32.14		(134 714)
Correction of error restatement - Refer to note 32.18		30 782 471
Investment Property - note 9	92 936	96 239
Intangible Assets - note 10	227 304	-
<b>Total Depreciation and Amortisation</b>	<b>38 787 554</b>	<b>38 250 699</b>
<b>25 REPAIRS AND MAINTENANCE</b>		
Infrastructure	9 982 287	16 012 750
As previously reported		20 185 099
Correction of error restatement - Refer to note 32.04		(1 501 758)
Correction of error restatement - Refer to note 32.11		(277 895)
Correction of error restatement - Refer to note 32.18		(2 392 696)
Land and Buildings	178 342	254 590
As previously reported		237 250
Correction of error restatement - Refer to note 32.08		17 340
Other Assets	556 764	475 082
As previously reported		3 496 328
Correction of error restatement - Refer to note 32.09		(3 021 246)
<b>Total Repairs and Maintenance</b>	<b>10 717 393</b>	<b>16 742 422</b>
Balance previously reported		16 783 642
Less: Discontinued Operations - Note 31		(41 220)
Restated balance		16 742 422
<b>26 FINANCE CHARGES</b>		
Long-term Liabilities	838 978	889 921
Finance leases	-	464
Non-current Employee Benefits	1 964 686	1 519 625
As previously reported		1 821 612
Correction of error restatement - Refer to note 32.04		(301 987)
<b>Total finance charges</b>	<b>2 803 664</b>	<b>2 410 010</b>

JOE GQABI DISTRICT MUNICIPALITY

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

	2011 R	2010 R
<b>27 CONTRACTED SERVICES</b>		
Road maintenance	-	-
As previously reported		8 949 855
Correction of error restatement - Refer to note 32.08		24 888
Correction of error restatement - Refer to note 32.09		(8 974 743)
Water and sanitation charges - Other contractors	44 739 310	10 361 194
Water and sanitation charges - Local Municipalities	-	15 312 010
As previously reported		13 377 677
Correction of error restatement - Refer to note 32.08		1 934 333
<b>Total Contracted Services</b>	<b>44 739 310</b>	<b>25 673 204</b>
<b>28 GRANTS AND SUBSIDIES PAID</b>		
Local Municipalities	<b>33 920 909</b>	<b>20 476 678</b>
<p>A service level agreement was entered into with the all the Local Municipalities. According to the agreement, the Local Municipalities take ownership for the delivery of water and sanitation services. A subsidy is payable to the Local Municipality based on the projected budget deficit for the water and sanitation service delivery. The infrastructure for water and sanitation network is owned by the Municipality and leased to the Local Municipalities.</p>		
<b>29 OPERATING GRANT EXPENDITURE</b>		
Executive & Council	-	(10 000)
Budget & Treasury	884 250	813 606
As previously reported		715 673
Correction of error restatement - Refer to note 31.08		97 933
Corporate Services	971 058	470 894
Health	-	80 801
As previously reported		52 612
Correction of error restatement - Refer to note 31.08		28 189
Community & Social Services	7 750 083	9 288 414
As previously reported		8 884 637
Correction of error restatement - Refer to note 31.08		403 777
Road Transport	6 213 927	11 995 989
As previously reported		-
Correction of error restatement - Refer to note 32.09		11 995 989
Other	20 584 455	21 905 753
As previously reported		21 854 292
Correction of error restatement - Refer to note 31.08		51 461
Water	5 364 455	2 565 191
As previously reported		2 475 766
Correction of error restatement - Refer to note 31.08		89 425
<b>Total Operating Grant Expenditure</b>	<b>41 768 228</b>	<b>47 110 648</b>
Balance previously reported		47 567 091
Less: Discontinued Operations - Note 31		(456 443)
Restated balance		47 110 648

JOE GQABI DISTRICT MUNICIPALITY

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

30 GENERAL EXPENSES	2011 R	2010 R
Audit Fees	5 166 037	2 459 518
Advertising Fees	213 539	484 978
As previously reported		467 938
Correction of error restatement - Refer to note 32.08		17 040
Bank Charges	18 700	69 825
Computer Charges	1 829 552	1 787 406
Consulting Fees	1 681 505	1 461 598
As previously reported		1 365 009
Correction of error restatement - Refer to note 32.08		96 589
Entertainment	462 207	159 944
As previously reported		149 219
Correction of error restatement - Refer to note 32.08		10 725
Insurance	826 601	356 245
Legal Fees	364 643	196 507
Material and protective clothing	1 003 234	84 443
Marketing	546 116	985 540
Membership Fees	874 089	585 344
Postage	13 720	11 138
Printing and Stationary	848 548	608 858
As previously reported		552 204
Correction of error restatement - Refer to note 32.08		56 654
Rentals	320 930	50 000
As previously reported		48 333
Correction of error restatement - Refer to note 32.08		1 667
Services	414 744	182 489
Special programmes	11 258 534	2 052 856
As previously reported		1 976 256
Correction of error restatement - Refer to note 32.05		1 250
Correction of error restatement - Refer to note 32.08		75 350
Telephone	1 053 117	976 358
As previously reported		947 517
Correction of error restatement - Refer to note 32.08		28 841
Training	2 804 092	2 348 904
As previously reported		2 203 985
Correction of error restatement - Refer to note 32.05		12 948
Correction of error restatement - Refer to note 32.08		131 971
Transfer of Water and Sanitation Receivables	5 064 161	-
Travel and Subsistence	7 879 778	8 977 825
As previously reported		7 320 105
Correction of error restatement - Refer to note 32.05		1 657 720
Water and Electricity	3 351 239	1 192 803
Other	3 428 444	3 534 440
As previously reported		3 339 745
Correction of error restatement - Refer to note 32.08		194 695
<b>Total General Expenses</b>	<b>49 423 530</b>	<b>28 567 019</b>
Balance previously reported		30 269 112
Less: Discontinued Operations - Note 31		(1 702 093)
Restated balance		<b>28 567 019</b>

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

JOE GQABI DISTRICT MUNICIPALITY

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

31	<b>DISCONTINUED OPERATIONS</b>	2011 R	2010 R
	In the current year the primary health function was transferred to the Eastern Cape Provincial Department of Health. The effective date of the transfer was 1 April 2011 for employees and 30 June 2011 for all assets. All assets and staff were transferred to the Eastern Cape Provincial Department of Health.		
	The Revenue and Expenditure relating to this operation:		
	<b>Revenue</b>		
	Government Grants and Subsidies	11 410 860	14 110 125
	<b>Expenditure</b>		
	Employee related costs	(9 399 548)	(8 756 557)
	Repairs and maintenance	(186 126)	(41 220)
	Operating Grant Expenditure	-	(456 443)
	General expenses	(1 961 633)	(1 702 093)
	Loss on disposal of Property, Plant and Equipment	(3 923 382)	-
	<b>Total Discontinued Operations</b>	<b>(4 059 828)</b>	<b>3 153 811</b>
			<b>2010 R</b>
32	<b>CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		
32.01	<b>Incorrect allocation of Maletswai Local Municipality creditor payment to Value Added Tax</b>		
	In October 2009 a payment of R 1 193 988 was made to the Maletswai Local Municipality. This payment was incorrectly allocated to Value Added Tax. Therefore both the VAT Receivable and Trade Payables were overstated.		
	Refer to Payables from Exchange Transactions - note 5		1 193 988
	Refer to South African Revenue Service - note 7		(1 193 988)
32.02	<b>Accruals raised excluding Value Added Tax</b>		
	In the prior year, the year-end accruals raised incorrectly excluded Value Added Tax. Therefore both the VAT Receivable and Trade Payables were understated.		
	Refer to South African Revenue Service - note 7		2 090 095
	Refer to Payables from Exchange Transactions - note 5		(2 090 095)
32.03	<b>VAT on write-off's of other receivables in the 2009/2010 year</b>		
	In the prior year receivables balances for Private Works, Department of Health, Staff Debtors and Other Debtors were written off. These receivables were written of due to the fact that their existence could not be proven. The VAT relating to these debtors was not written off. Therefore, the VAT receivable were understated and Accumulated Surplus as on 1 July 2008 were understated.		
	Refer to South African Revenue Service - note 7		286 556
	Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 32.2		(286 556)
32.04	<b>2008/2009 Ex Gratia Gratuities valuation</b>		
	The Ex Gratia Gratuities valuation performed for 2008/2009 was incorrect due to incorrect information submitted to the actuaries. This resulted that the Ex Gratia Gratuities liability balance as on 30 June 2009 was overstated. Subsequently the actuarial gains, finance charges and contributions were incorrectly stated for 2009/2010 when the correct information was submitted to the actuaries to perform the 30 June 2010 valuation.		
	Refer to Employee Benefits - Ex Gratia Gratuities - note 3.2		131 940
	Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 32.2		(3 363 353)
	Refer to Employee Related Costs - note 20		(177 312)
	Refer to Finance Charges - note 26		(301 987)
	Refer to Statement of Financial Performance - Actuarial Gains - note 32.19		3 710 712
32.05	<b>Payments not passed in Cash Book</b>		
	In the prior year several payments were made, but were never captured in cash book. These payments were reflected in the bank reconciliation. Subsequently, Unknown Receipts and Trade Payables were overstated, while General Expenses were understated.		
	Refer to Payables from Exchange Transactions - note 5		93 000
	Refer to Payables from Exchange Transactions - note 5		28 684
	Refer to General Expenses - note 30		12 948
	Refer to General Expenses - note 30		1 657 720
	Refer to General Expenses - note 30		1 250
	Refer to General Expenses - note 30		10 725
	Refer to Cash and Cash Equivalents - note 14		(1 804 327)



**JOE GQABI DISTRICT MUNICIPALITY**

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

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**32.06 Revaluation of Allowance for Doubtful Debt**

The allowance for doubtful debt with regards to water and sanitation receivables were reviewed in the current year. It was noted that the allowance for doubtful debts for the prior year was insufficient. Accordingly, Receivables from exchange transactions were overstated and Debt Impairment was understated.

Refer to Debt Impairment - note 22	577 582
Refer to Receivables from Exchange Transactions - note 13	(577 582)

**32.07 Duplication of Invoice**

In the prior year an invoice of a creditor was duplicated. Accordingly Payables from Exchange Transactions and Repairs and Maintenance were overstated.

Refer to Payables from Exchange Transactions - note 5	1 501 758
Refer to Repairs and Maintenance - note 25	(1 501 758)

**32.08 Unrecorded liabilities**

As a result of the audit qualification for 2009/2010 with regards to the completeness of Payables from Exchange Transactions, a comprehensive exercise was undertaken to ensure that all Payables as on 30 June 2010 were recorded. The findings resulted in the following amendments to the 2009/2010 figures:

Refer to Payables from Exchange Transactions - note 5	(4 257 674)
Refer to South African Revenue Service - note 7	461 664
Refer to Contracted Services - note 27	24 888
Refer to Statement of Financial Performance - Emergency Drought Relief - note 32.19	15 900
Refer to General Expenses - note 30	17 040
Refer to General Expenses - note 30	96 589
Refer to General Expenses - note 30	194 695
Refer to General Expenses - note 30	56 654
Refer to General Expenses - note 30	1 667
Refer to General Expenses - note 30	75 350
Refer to General Expenses - note 30	28 841
Refer to General Expenses - note 30	131 971
Refer to Operating Grant Expenditure - note 29	97 933
Refer to Operating Grant Expenditure - note 29	403 777
Refer to Operating Grant Expenditure - note 29	28 189
Refer to Operating Grant Expenditure - note 29	51 461
Refer to Operating Grant Expenditure - note 29	89 425
Refer to Repairs and Maintenance - note 25	17 340
Refer to Non-current Investments - note 11	40 264
Refer to Intangible Assets - note 10	848 733
Refer to Property, Plant and Equipment - Work in Progress - note 8	793 654
Refer to Property, Plant and Equipment - Computer Equipment - note 8	81 930
Refer to Property, Plant and Equipment - Office Equipment - note 8	698 383
Refer to Property, Plant and Equipment - Furniture and Fittings - note 8	1 326

**32.09 Roads Transport - Reclassification of Expenditure**

In the prior year, some expenditure of Roads and Transport were disclosed as Contracted Services and Repairs and Maintenance. These expenditure did not meet the definition of the above mentioned expenditure types and were accordingly reclassified.

Refer to Contracted Services - note 27	(8 974 743)
Refer to Repairs and Maintenance - note 25	(3 021 246)
Refer to Operating Grant Expenditure - note 29	11 995 989

**32.10 Investigation of Irregular Expenditure**

In the prior year an invoice to the amount of R60,500.00 was regarded as irregular expenditure. Further investigation proved that the services for the invoice was not rendered. The service provider could also not be located and subsequently the invoice was not paid and reversed.

Refer to Payables from Exchange Transactions - note 5	60 500
Refer to Non-current Investments - note 11	(60 500)
Refer to Impairments - note 23	(60 500)
Refer to Non-current Investments - note 11	60 500

**32.11 Intangible Assets**

In the prior year the procurement of an Intangible Asset (Project Tracker) was allocated to repairs and maintenance. Therefore, Intangible Assets was understated and Repair and Maintenance was overstated.

Refer to Intangible Assets - note 10	277 895
Refer to Repairs and Maintenance - note 25	(277 895)

JOE GQABI DISTRICT MUNICIPALITY

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

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32.12 TASK Provision

In the prior year errors were made with the TASK provision. The errors were due to the TASK provision listing not being complete with all the employees and that incorrect salaries were used with the calculation of the provision. Accordingly, both the TASK Provision and Employee Related Costs were understated.

Refer to Employee Related Costs - note 20	1 035 046
Refer to Current Employee Benefits - note 4	(1 035 046)

32.13 Recognition of Non-Exchange Transactions

The following errors were noted and corrected:

Grant income not recognised where conditions were met - refer to note 6 and 15

DoRA Grants Government Grants	874 049
Other Sources	651 565
CMIP / MIG	(874 049)
DBSA Municipal Support Framework	(651 565)

Grant income recognised where conditions were not met - refer to note 6 and 15

Provincial Government Grants	(630 304)
Disaster Management Community Awareness	624 537
Disaster Management Rebuild Houses	5 767

Conditions met prior to 1 July 2009 - refer to note 6 and 15

Provincial Government Grants	1 730 295
National Government Grants	2 077
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 32.2	(1 732 372)

Conditions not met prior to 1 July 2009 - refer to note 6 and 15

Provincial Government Grants	(154 288)
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 32.2	154 288

32.14 Other Assets

The following assessments of other assets were performed in the current year which relates to the prior year:

- (a) A physical asset verification was conducted in April 2011 which resulted that 47 assets were not recorded on the asset register. The asset identified all relate to acquisitions prior to 1 July 2007. The depreciation replacement cost method was applied to establish the deemed cost of these assets.

Refer to Property, Plant and Equipment - Tools and Equipment - note 8	58 451
Refer to Property, Plant and Equipment - Office Equipment - note 8	31 138
Refer to Property, Plant and Equipment - Furniture & Fittings - note 8	11 743
Refer to Property, Plant and Equipment - Computer Equipment - note 8	3 239
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 32.2	(104 571)

- (b) VAT was incorrectly claimed on a BMW vehicle purchased in the 2009/2010 financial year.

Refer to Property, Plant and Equipment - Motor Vehicles - note 8	69 762
Refer to South African Revenue Service - note 7	(69 762)

- (c) In the prior year the deemed cost calculated for panel heaters were incorrectly done. The deemed cost were calculated with the application of Directive 7. This has been corrected during the current year.

Refer to Property, Plant and Equipment - Furniture & Fittings - note 8	(276 197)
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 32.2	276 197

- (d) Accumulated depreciation as on 1 July 2009 and depreciation for the 2009/2010 were corrected due to the following:

- (i) residual values of assets were reassessed
- (ii) a change in usefull lives of assets were also conducted
- (iii) changes made to the cost price as indicated (a), (b) and (c)
- (iv) correction of error restatement as per note 32.08

Refer to Property, Plant and Equipment - Office Equipment - note 8	(13 284)
Refer to Property, Plant and Equipment - Furniture & Fittings - note 8	163 436
Refer to Property, Plant and Equipment - Motor Vehciles - note 8	348 419
Refer to Property, Plant and Equipment - Fire Engines - note 8	573 627
Refer to Property, Plant and Equipment - Computer Equipment - note 8	299 308
Refer to Property, Plant and Equipment - Special Vehicles - note 8	13 692
Refer to Property, Plant and Equipment - Tools and Equipment - note 8	(11 681)
Refer to Depreciation and Amortisation - note 24	(134 714)
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 32.2	(1 238 803)

**JOE GQABI DISTRICT MUNICIPALITY**

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

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**32.15 Payables - Maletswai Local Municipality**

Maletswai Local Municipality's loan account according to the Municipality's records did not agree to that of Maletswai Local Municipality's records. Upon further investigation of the variance it was evident that the loan account in the Municipality's records were understated. The main reason for the variance was due to water and sanitation debtors that were written off by Maletswai Local Municipality during the 2008/2009 financial year for which the Municipality had to reimburse Maletswai Local Municipality. The other reason was that for 2009/2010 financial year, the Municipality did not pay the claim submitted by Maletswai Local Municipality in full. Accordingly Payables from Exchange Transactions, Contracted Services and Accumulated Surplus were understated.

Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 32.2	3 092 629
Refer to Contracted Services - note 27	1 934 333
Refer to Payables from Exchange Transactions - note 5	(5 026 962)

**32.16 PAYE Receivable**

It was noticed in the prior year that SARS made short payments on VAT claims submitted by the Municipality. Accordingly a receivable was created for these outstanding payments. In the current year these short payments were investigated and it was found that SARS withheld VAT claim payments to an amount of R745 962 for penalties and interest relating to PAYE, UIF and SDL. There was also an amount of R461 116 withheld for one PAYE payment not made. The monies withheld relate to financial periods from 1999/2000 to 2008/2009. Accordingly PAYE Receivables and Accumulated Surplus were overstated. The amount of R745 962 is considered to be Fruitless and Wasteful expenditure.

Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 32.2	1 207 078
Refer to South African Revenue Service - note 7	(1 207 078)

**32.17 Investment Property**

In the current year it was noted that Erf 30 Herschel was registered in name of the Municipality. This property is registered at the Umtata Deed Registration offices and therefore was not identified when a deed search was performed at the South African Deed Registration offices. Accordingly, Investment Property and Accumulated Surplus was understated.

Refer to Investment Property - note 9	356 000
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 32.2	(356 000)

**32.18 Infrastructure Assets**

(a) The audit report for 2009/2010 indicated that the infrastructure assets were incomplete. In the current year an investigation was made into all payments made for the period 1 July 2003 to 30 June 2010. It was noted that a significant amount amount payments were not captured in the asset register.

Refer to Property, Plant and Equipment - Work in Progress - note 8	8 082 000
Refer to Property, Plant and Equipment - Work in Progress - note 8	2 392 696
Refer to Repairs and Maintenance - note 25	(2 392 696)
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 32.2	(8 082 000)

(b) Deemed cost in terms of Directive 7 was applied to infrastructure assets for which there were no information available with regards to the acquisition costs. Depreciated replacement cost as on 1 July 2007 was applied.

Refer to Property, Plant and Equipment - Water Network 8	673 119 962
Refer to Property, Plant and Equipment - Sewerage Network - note 8	161 259 835
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 32.2	(834 379 797)

(c) Restatements as made in point (a) and (b) had the following effect on depreciation and accumulated depreciation.

Refer to Property, Plant and Equipment - Water Network 8	(45 713 255)
Refer to Property, Plant and Equipment - Sewerage Network - note 8	(11 801 595)
Refer to Property, Plant and Equipment - Water Network 8	(23 355 173)
Refer to Property, Plant and Equipment - Sewerage Network - note 8	(7 427 298)
Depreciation and Amortisation - note 24	30 782 471
Refer to Accumulated Surplus - Opening Balance 1 July 2009 - note 32.2	57 514 850

**32.19 Statement of Financial Performance**

Actuarial Gains	1 832 335
As previously reported	5 543 047
Correction of error restatement - Refer to note 32.04	(3 710 712)

Emergency Drought Relief	34 964 634
As previously reported	34 948 734
Correction of error restatement - Refer to note 32.08	15 900

JOE GQABI DISTRICT MUNICIPALITY

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

	2010	
	R	
<b>32.20 Accumulated Surplus - Opening balance 1 July 2009</b>		
VAT on write-off's of other receivables in the 2009/2010 year - note 32.03	286 556	
2008/2009 Ex Gratia Gratuities valuation - note 32.04	3 363 353	
Recognition of Non-Exchange Transactions - note 32.13	1 578 084	
Other Assets - note 32.14 (a)	104 571	
Other Assets - note 32.14 (c)	(276 197)	
Other Assets - note 32.14 (d)	1 238 803	
Payables - Maletswai Local Municipality - note 32.15	(3 092 629)	
PAYE Receivable - note 32.16	(1 207 078)	
Investment Property - note 32.17	356 000	
Infrastructure Assets - note 32.18 (a)	8 082 000	
Infrastructure Assets - note 32.18 (b)	834 379 797	
Infrastructure Assets - note 32.18 (c)	(57 514 850)	
<b>Total</b>	<b>787 298 410</b>	
	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>33 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED BY OPERATIONS</b>		
Surplus/(Deficit) for the year	24 039 358	29 293 735
<b>Adjustments for:</b>		
Depreciation	38 787 554	38 250 699
Contribution from/to employee benefits - non-current	3 398 975	2 567 717
Contribution from/to employee benefits - non-current - expenditure incurred	(1 231 669)	(1 021 519)
Contribution from/to employee benefits - non-current - actuarial gains	(2 248 540)	(1 832 335)
Contribution to employee benefits – current	7 864 730	6 398 159
Contribution to employee benefits – current - expenditure incurred	(5 512 368)	(2 805 674)
Contribution/(Reversal) to/of provisions – Allowance for Doubtful Debt Impairments	(4 045 625)	2 547 530
	519 748	1 154 072
Loss on disposal of Property, Plant and Equipment	4 441 220	765 518
Operating Surplus/(Deficit) before changes in working capital	66 013 384	75 317 903
Changes in working capital - restated 2010	(27 979 093)	19 858 427
Increase/(Decrease) in Payables from Exchange Transactions	(9 265 608)	47 653 354
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	3 167 750	(15 522 489)
Increase in South African Revenue Service	(10 802 853)	(1 867 629)
(Increase)/Decrease in Inventory	(516 861)	84 870
Decrease in Receivables from non-exchange transactions	(881 503)	26 978 797
(Increase)/Decrease in Unpaid Government Grants and Receipts	(9 680 018)	(37 468 476)
<b>Cash generated by operations</b>	<b>38 034 291</b>	<b>95 176 330</b>
<b>34 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 14	2 827 428	65 318 756
Cash Floats - Note 14	1 156 658	300
Bank - Note 14	300	1 569 872
<b>Total cash and cash equivalents</b>	<b>3 984 386</b>	<b>66 888 928</b>
<b>35 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 34	3 984 386	66 888 928
Investments - Note 11	639 315	623 785
	4 623 701	67 512 713
Less:	25 544 599	22 376 849
Unspent Committed Conditional Grants - Note 6	25 544 599	22 376 849
<b>Net cash resources available for internal distribution/(resources utilised for internal distribution)</b>	<b>(20 920 898)</b>	<b>45 135 864</b>
<b>36 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - Note 2	6 855 304	7 178 072
Used to finance property, plant and equipment - at cost	(6 855 304)	(7 178 072)
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 10% and 11.52% and will be repaid by 2024.		





JOE GQABI DISTRICT MUNICIPALITY

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

	2011 R	2010 R
<b>38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>38.1 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure:		
Opening balance	70 555 407	102 689 310
Unauthorised expenditure current year - capital	15 588 920	1 218 771
Unauthorised expenditure current year - operating	112 433 430	69 336 636
Approved by Council or condoned	-	(102 689 310)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<b>198 577 757</b>	<b>70 555 407</b>

Incident	Disciplinary steps
Utilisation of grant monies for operational expenditure.	None
Over expenditure on votes.	None

**38.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	2 799 058	5 722 632
As previously reported		4 976 670
Correction of error restatement - Refer to note 32.16		745 962
Fruitless and wasteful expenditure current year	-	2 053 096
Condoned or written off by Council	(2 053 096)	(4 976 670)
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	<b>745 962</b>	<b>2 799 058</b>

Incident	Disciplinary steps
SARS penalties and interest	None

**38.3 Irregular expenditure**

Reconciliation of irregular expenditure:		
Opening balance	7 496 902	-
Irregular expenditure current year	2 731 280	7 496 902
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	<b>10 228 182</b>	<b>7 496 902</b>

Incident	Disciplinary steps
Vouchers not compliant with SCM requirements	None
Invalid Tax Clearance Certificates	None
Formal quote process not followed	None

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

**39.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS**

Opening balance	-	-
Council subscriptions	869 128	584 344
Amount paid - current year	(197 620)	(584 344)
<b>Balance unpaid (included in creditors)</b>	<b>671 508</b>	<b>-</b>

**39.2 Audit fees - [MFMA 125 (1)(b)]**

Opening balance	96 557	-
Current year audit fee	5 811 942	2 911 411
External Audit - Auditor-General	5 166 037	2 459 518
Internal Audit	645 905	451 893
Amount paid - current year	(5 349 357)	(2 814 854)
<b>Balance unpaid (included in payables)</b>	<b>462 585</b>	<b>96 557</b>

JOE GQABI DISTRICT MUNICIPALITY

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

	2011 R	2010 R
<b>39.3</b>		
<b><u>VAT - [MFMA 125 (1)(b)]</u></b>		
Opening balance	9 239 758	8 292 652
Amounts received - current year	(18 089 284)	(27 021 620)
Amounts claimed - current year	28 892 137	27 968 726
<b>Balance receivable/(payable)</b>	<b>20 042 611</b>	<b>9 239 758</b>
<p>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.</p>		
<b>39.4</b>		
<b><u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u></b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	11 749 716	8 979 465
Amount paid - current year	(11 749 716)	(8 979 465)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>39.5</b>		
<b><u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u></b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	(15 120 876)	9 739 279
Amount paid - current year	15 120 876	(9 739 279)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>39.6</b>		
<b><u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u></b>		
<p>There are no overdue councillor accounts.</p>		
<b>39.7</b>		
<b><u>Other non-compliance (MFMA 125(2)(e))</u></b>		
<p>Section 9(b) of the MFMA requires that annually before the start of a financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account should be submitted to the relevant Provincial Treasury and the Auditor-General in writing. The municipality did not adhere to this section in the current year.</p> <p>Section 32 (4) (a) of the MFMA states that the Accounting Officer must promptly inform the Mayor, the MEC of Local Government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the Municipality. The Municipality did not inform the relevant parties as required by the section.</p>		
<b>40</b>		
<b>CAPITAL COMMITMENTS</b>		
<b>Commitments in respect of capital expenditure:</b>		
Approved and contracted for:	328 297 861	104 326 832
Infrastructure	328 297 861	104 326 832
<b>Total</b>	<b>328 297 861</b>	<b>104 326 832</b>
This expenditure will be financed from:		
Government Grants	328 297 861	104 326 832
	<b>328 297 861</b>	<b>104 326 832</b>



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

41

**FINANCIAL RISK MANAGEMENT**

2011  
R

2010  
R

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

**(a) Foreign Exchange Currency Risk**

The Municipality does not engage in foreign currency transactions.

**(b) Price risk**

The Municipality is not exposed to price risk.

**(c) Interest Rate Risk**

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

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

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

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

0.5% (2010 - 0.5%) Increase in interest rates	340 922	329 713
0.5% (2010 - 0.5%) Decrease in interest rates	(340 922)	(329 713)

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

**(d) Credit Risk**

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

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

Debtors are disclosed net after provisions are made for impairment and bad debts. Debtors comprise of a large number of consumers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to debtors is considered to be moderate due 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 13 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:

<u>Exchange Receivables</u>	2011 %	2011 R	2010 %	2010 R
Water Receivables	0%	-	31%	411 860
Sanitation Receivables	0%	-	11%	145 391
Other Receivables	100%	1 091 452	58%	780 648
	<b>100%</b>	<b>1 091 452</b>	<b>100%</b>	<b>1 337 900</b>

No receivables are pledged as security for financial liabilities.

JOE GQABI DISTRICT MUNICIPALITY

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

	2011 %	2011 R	2010 %	2010 R
The provision for bad debts could be allocated between the different classes of debtors as follows:				
<u>Exchange Receivables</u>				
Water Receivables	0%	-	52%	2 270 539
Sanitation Receivables	0%	-	41%	1 775 085
Other Receivables	100%	315 802	7%	315 802
	<b>100%</b>	<b>315 802</b>	<b>100%</b>	<b>4 361 426</b>

No bad debts were written of in the current year.

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.

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.

	2011 R	2010 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	7 042 114	6 160 611
Cash and Cash Equivalents	3 984 386	66 888 928
Non-current Investments	2 865 706	664 049
Unpaid conditional grants and subsidies	50 474 507	40 794 489
	<b>64 366 713</b>	<b>114 508 077</b>

(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 entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
<b>2011</b>				
Long Term liabilities	1 132 215	4 529 396	8 234 691	13 896 302
Capital repayments	322 919	1 702 373	5 152 931	7 178 224
Interest	809 296	2 827 022	3 081 760	6 718 078
Payables from exchange transactions	67 604 932	-	-	67 604 932
Unspent Conditional Government Grants and Receipts	25 544 599	-	-	25 544 599
	<b>94 281 745</b>	<b>4 529 396</b>	<b>8 234 691</b>	<b>107 045 832</b>
<b>2010</b>				
Long Term liabilities	1 202 523	4 528 859	9 367 443	15 098 825
Capital repayments	356 020	1 528 751	5 649 323	7 534 094
Interest	846 503	3 000 108	3 718 120	7 564 732
Payables from exchange transactions	76 870 540	-	-	76 870 540
Unspent Conditional Government Grants and Receipts	22 376 849	-	-	22 376 849
	<b>100 449 912</b>	<b>4 528 859</b>	<b>9 367 443</b>	<b>114 346 214</b>

JOE GQABI DISTRICT MUNICIPALITY

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

	2011 R	2010 R
<b>42 FINANCIAL INSTRUMENTS</b>		
Financial instruments of the Municipality are classified as follows:		
The fair value of financial instruments approximates the amortised costs as reflected below.		
<b>42.1 Financial Assets</b>		
<b>Financial instruments at amortised cost</b>		
Non-Current Investments		
- Fixed Deposits	639 315	623 785
Receivables from Exchange Transactions	6 726 313	1 799 185
Cash and Cash Equivalents	3 984 386	66 888 928
Unpaid Conditional Government Grants and Receipts	50 474 507	40 794 489
<b>Total Financial Instruments at amortised cost</b>	<b>61 824 521</b>	<b>110 106 387</b>
<b>Financial instruments at cost</b>		
Non-Current Investments		
- Municipal Entity - Ukhahlamba Development Agency (Pty) Ltd	2 226 391	40 264
<b>Total carrying amount of financial assets</b>	<b>11 350 014</b>	<b>69 311 898</b>
<b>42.2 Financial Liability</b>		
<b>Financial instruments at amortised cost</b>		
Long-term Liabilities	6 855 304	7 178 072
Trade and Other Payables	67 604 932	76 870 540
Current Portion of Long-term Liabilities	322 919	356 020
Unspent Conditional Government Grants and Receipts	25 544 599	22 376 849
<b>Total carrying amount of financial liabilities</b>	<b>100 327 754</b>	<b>106 781 481</b>
<b>43 EVENTS AFTER THE REPORTING DATE</b>		
During the current year the Chief Financial Officer resigned. As at reporting date, no permanent Chief Financial Officer has been appointed.		
The Municipality has no other events after reporting date.		
<b>44 IN-KIND DONATIONS AND ASSISTANCE</b>		
The Municipality did not receive any in-kind donations or assistance during the year under review.		
<b>45 PRIVATE PUBLIC PARTNERSHIPS</b>		
Council has not entered into any private public partnerships during the financial year.		
<b>46 CONTINGENT LIABILITY</b>		
Council have the following contingent liability at the end of the financial year 2010/2011:		
<u>Outstanding litigation claims</u>		
A claim of R326 014 was filed against the Municipality by a service provider for services rendered. Council has filed a counter claim. Council 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.		

JOE GQABI DISTRICT MUNICIPALITY

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

	2011 R	2010 R
<b>47 RELATED PARTIES</b>		
No business transactions took place between the Municipality and key management personnel and their close family members (including close members of family members) during the year under review.		
<b>47.01 Related Party Loans</b>		
Since 1 July 2004 loans to Councillors and Senior Management Employees are not permitted.		
Prior to the above mentioned date, a loan in respect of the former Municipal Manager was made. The loan is included in Other receivables from exchange transactions as per note 13. A provision for impairment is made, as it is not certain if the outstanding amount of R195 955 will be collected.		
Refer to Irregular expenditure as per note 13 with regards to overpayment of certain Councillors' remuneration in the prior year.		
<b>47.02 Compensation of key management personnel</b>		
The compensation of key management personnel is set out in note 20 and 21 to the Annual Financial Statements.		
<b>47.03 Investment in Municipal Entity</b>		
The Municipality has a 100% shareholding in Ukhahlamba Development Agency (Pty) Ltd as set out in note 11 to the Annual Financial Statements. No other transactions was entered into with this related party for the current financial year.		

JOE GQABI DISTRICT MUNICIPALITY

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

8 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

Reconciliation of Carrying Value

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

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

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

JOE GQABI DISTRICT MUNICIPALITY

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

30 JUNE 2010

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
<b>Land and Buildings</b>	18 216 509	-	-	-	18 216 509	1 765 387	576 059	-	2 341 446	15 875 063
Land	2 027 000	-	-	-	2 027 000	-	-	-	-	2 027 000
Buildings	16 189 509	-	-	-	16 189 509	1 765 387	576 059	-	2 341 446	13 848 063
<b>Infrastructure</b>	1 118 948 580	90 457 020	-	-	1 209 405 600	64 634 555	34 853 490	-	99 488 045	1 109 917 555
Sewerage network	224 152 284	-	-	24 092 092	248 244 376	14 368 785	9 586 000	-	23 954 786	224 289 590
As previously reported	62 892 449	-	-	18 379 601	81 272 050	2 567 190	2 158 702	-	4 725 893	76 546 157
Correction of error restatement - note 32.18	161 259 835	-	-	5 712 491	166 972 326	11 801 595	7 427 298	-	19 228 893	147 743 433
Water network	736 508 588	-	-	12 254 612	748 763 200	50 265 770	25 267 490	-	75 533 260	673 229 940
As previously reported	63 388 626	-	-	13 250 828	76 639 454	4 552 515	1 912 317	-	6 464 832	70 174 622
Correction of error restatement - note 32.18	673 119 962	-	-	(996 216)	672 123 746	45 713 255	23 355 173	-	69 068 428	603 055 318
Work in Progress	158 287 708	90 457 020	-	(36 346 704)	212 398 024	-	-	-	-	212 398 024
As previously reported	150 205 708	87 270 670	-	(31 630 429)	205 845 949	-	-	-	-	205 845 949
Correction of error restatement - note 32.08	-	793 654	-	-	793 654	-	-	-	-	793 654
Correction of error restatement - note 32.18	8 082 000	2 392 696	-	(4 716 275)	5 758 421	-	-	-	-	5 758 421
<b>Lease Assets</b>	274 854	-	(274 854)	-	-	265 517	9 337	(274 854)	-	-
Lease Assets	274 854	-	(274 854)	-	-	265 517	9 337	(274 854)	-	-
<b>Other Assets</b>	16 984 443	2 467 735	(2 687 714)	-	16 764 464	5 900 315	2 715 574	(2 443 645)	6 172 244	10 592 220
Office Equipment	1 232 653	717 732	(275 749)	-	1 674 636	354 797	172 939	(193 526)	334 210	1 340 426
As previously reported	1 201 515	19 349	(275 749)	-	945 115	346 678	167 774	(193 526)	320 926	624 189
Correction of error restatement - note 32.08	-	698 383	-	-	698 383	-	-	-	-	698 383
Correction of error restatement - note 32.14	31 138	-	-	-	31 138	8 119	5 165	-	13 284	17 854
Furniture & Fittings	3 487 252	48 454	(629 606)	-	2 906 100	1 499 677	413 108	(569 787)	1 342 998	1 563 102
As previously reported	3 751 706	47 128	(629 606)	-	3 169 228	1 609 803	466 418	(569 787)	1 506 434	1 662 794
Correction of error restatement - note 32.08	-	1 326	-	-	1 326	-	-	-	-	1 326
Correction of error restatement - note 32.14	(264 454)	-	-	-	(264 454)	(110 126)	(53 310)	-	(163 436)	(101 018)
Motor Vehicles	5 720 047	689 113	(814 908)	-	5 594 252	1 575 751	1 011 012	(771 541)	1 815 222	3 779 030
As previously reported	5 720 047	619 351	(814 908)	-	5 524 490	1 888 195	1 046 987	(771 541)	2 163 641	3 360 849
Correction of error restatement - note 32.14	-	69 762	-	-	69 762	(312 444)	(35 975)	-	(348 419)	418 181
Fire Engines	1 742 051	-	(31 136)	-	1 710 915	648 576	160 515	(30 840)	778 251	932 664
As previously reported	1 742 051	-	(31 136)	-	1 710 915	1 042 169	340 549	(30 840)	1 351 878	359 037
Correction of error restatement - note 32.14	-	-	-	-	-	(393 593)	(180 034)	-	(573 627)	573 627
Computer Equipment	2 350 981	1 010 682	(702 235)	-	2 659 428	1 087 274	637 661	(663 642)	1 061 293	1 598 135
As previously reported	2 347 742	928 752	(702 235)	-	2 574 259	1 499 112	525 131	(663 642)	1 360 601	1 213 658
Correction of error restatement - note 32.08	-	81 930	-	-	81 930	-	-	-	-	81 930
Correction of error restatement - note 32.14	3 239	-	-	-	3 239	(411 838)	112 530	-	(299 308)	302 547
Special Vehicles	960 945	-	(15 000)	-	945 945	83 864	86 282	(10 404)	159 742	786 203
As previously reported	960 945	-	(15 000)	-	945 945	90 223	93 615	(10 404)	173 434	772 511
Correction of error restatement - note 32.14	-	-	-	-	-	(6 359)	(7 333)	-	(13 692)	13 692
Tools and Equipment	1 490 514	1 754	(219 080)	-	1 273 188	650 376	234 057	(203 905)	680 528	592 660
As previously reported	1 432 063	1 754	(219 080)	-	1 214 737	662 938	209 814	(203 905)	668 847	545 890
Correction of error restatement - note 32.14	58 451	-	-	-	58 451	(12 562)	24 243	-	11 681	46 770
	1 154 424 386	92 924 755	(2 962 568)	-	1 244 386 573	72 565 774	38 154 460	(2 718 499)	108 001 735	1 136 384 838



37.2 Municipality - Expenditure by Vote

	Actual (R)	Budget (R)	Variance (R)	Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
<b>2011</b>					
Executive & Council	(15 125 546)	(15 538 819)	413 273	-2.66%	Small variance, not material
Budget & Treasury	(13 086 816)	(11 743 608)	(1 343 208)	11.44%	Additional assistance required for support around financial systems and rectification of financial challenges
Corporate Services	(25 263 958)	(19 234 216)	(6 029 742)	31.35%	Employee benefit provisions not budgeted for.
Planning & Development	(4 567 949)	(2 564 904)	(2 003 045)	78.09%	Task evaluation not budgeted for effectively for the Technical Department
Health	(23 390 910)	(20 573 773)	(2 817 137)	13.69%	Loss with transfer of assets
Community & Social Services	(36 112 637)	(42 711 720)	6 599 083	-15.45%	Due to the cashflow challenges tenders were not awarded in Disaster Management section
Road Transport	(22 689 216)	(32 235 704)	9 546 488	-29.61%	DoRT reduced the budget therefore expenditure was reduced
Other	(25 786 314)	(41 894 794)	16 108 480	-38.45%	Revenue was overstated so expenditure was curbed to meet available revenue.
Waste Management	(50 079 537)	(21 905 809)	(28 173 728)	128.61%	Emergency Honey sucking of sewerage to limit pollution and disease. Increase in subsidy for LM's
Water	(122 368 205)	(71 222 533)	(51 145 672)	71.81%	Emergency drought relief and water carting due to shortage of availability of water. Increase in the subsidy for LM's
	<b>(338 471 088)</b>	<b>(279 625 880)</b>	<b>(58 845 208)</b>	<b>21.04%</b>	
<b>2010</b>					
Executive & Council	(11 977 788)	(12 940 608)	962 820	-7.44%	Not all projects realised during the year. Variance less than 10%
Budget & Treasury	(9 677 478)	(11 888 221)	2 210 743	-18.60%	Fewer staff appointed and asset management less than budgeted. System Administration section not implemented
Corporate Services	(15 638 450)	(16 944 033)	1 305 583	-7.71%	Security issues and building renovations plan not implemented during year as budgeted for
Planning & Development	(3 377 873)	(3 659 244)	281 371	-7.69%	Budget amount for this vote included internal charges. This was not taken into account on AFS actual expenditure
Health	(18 466 898)	(26 537 797)	8 070 899	-30.41%	Budgeted for Provincial EHP's.
Community & Social Services	(29 081 250)	(29 363 800)	282 550	-0.96%	DBSA Development Support Framework and DBSA IER Framework funds not received.
Road Transport	(28 402 019)	(29 828 878)	1 426 859	-4.78%	Small variance. Less than 10%.
Other	(27 717 628)	(74 263 282)	46 545 654	-62.68%	Over budgeted for Working for Water and Working for Wetlands.
Waste Management	(40 667 234)	(16 825 270)	(23 841 964)	141.70%	Additional subsidies paid to Water Service Providers.
Water	(108 196 715)	(62 702 043)	(45 494 672)	72.56%	Over expenditure on water carting.
	<b>(293 203 333)</b>	<b>(284 953 176)</b>	<b>(8 250 157)</b>	<b>2.90%</b>	

37.3 Municipality - Capital Expenditure by Vote

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



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

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

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

Grant Description	Balance	Correction	Restated	Contributions	Operating	Capital	Balance	Unspent	Unpaid
	1 JULY 2009	of error	balance 1 JULY 2010	during the year	Expenditure during the year Transferred to Revenue	Expenditure during the year Transferred to Revenue	30 JUNE 2011	30 JUNE 2011 (Creditor)	30 JUNE 2011 (Debtor)
	R	R	R	R	R	R	R	R	R
<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>									
<b>CONTINUED OPERATIONS</b>									
2010 Transport	-	-	-	126 000	126 000	-	-	-	-
Alphine Tourism	310 476	-	310 476	-	204 852	-	105 624	105 624	-
CMIP / MIG	(13 449 756)	(874 049)	(14 323 805)	94 694 000	7 174 916	97 592 480	(24 397 201)	-	(24 397 201)
DBSA Municipal Support Framework	-	(651 565)	(651 565)	-	46 342	-	(697 907)	-	(697 907)
Department Water Affairs	1 849 092	-	1 849 092	8 131 178	8 657 384	-	1 322 886	1 322 886	-
Disaster Management Community Awareness	(624 537)	624 537	-	-	-	-	-	-	-
Disaster Management Forum	87 176	-	87 176	-	51 061	-	36 115	36 115	-
Disaster Management Establishment of Centres	5 449 773	-	5 449 773	-	-	-	5 449 773	5 449 773	-
Disaster Management	(19 546)	19 546	-	-	-	-	-	-	-
Disaster Management Plan	1 499 343	-	1 499 343	-	1 414	-	1 497 929	1 497 929	-
Disaster Management Fire & Emergency Services	1 704 609	-	1 704 609	-	36 873	-	1 667 736	1 667 736	-
Disaster Management Policy Framework	384 789	-	384 789	-	46 355	-	338 434	338 434	-
Disaster Management Rebuild Houses	(5 767)	5 767	-	-	-	-	-	-	-
Drought Relief Elundini	1 505	(1 505)	-	-	-	-	-	-	-
Drought Relief Senqu	572	(572)	-	-	-	-	-	-	-
ECDC	-	-	-	37 000 000	37 000 000	-	-	-	-
Elundini Community Hall & Roac	223 392	(223 392)	-	-	-	-	-	-	-
Emergency Drought Relief	(25 369 281)	-	(25 369 281)	14 105 542	14 105 542	-	(25 369 281)	-	(25 369 281)
EPWP Programme	-	-	-	2 923 630	2 923 630	-	-	-	-
Equitable Share	-	-	-	125 942 850	125 942 850	-	-	-	-
Finance Management Grant	(367 646)	-	(367 646)	1 000 000	642 472	-	(10 118)	-	(10 118)
Gariep Implement Lake	1 999 741	-	1 999 741	-	1 499 740	-	500 001	500 001	-
Heritage, Tourism & Economic Strategy	-	-	-	241 145	223 520	-	17 625	17 625	-
Heritage Management Plan (UCG)	-	-	-	229 912	75 820	-	154 092	154 092	-
IDP	221 140	(221 140)	-	-	-	-	-	-	-
Invoice Based Finance	-	-	-	1 100 000	1 100 000	-	-	-	-
ISRDP Nodal Support	559 687	-	559 687	-	70 421	-	489 266	489 266	-
LED Capacity	-	-	-	350 000	197 665	-	152 335	152 335	-
LED ISRDP	243 548	-	243 548	-	-	-	243 548	243 548	-
LG Seta	127 161	-	127 161	1 201 385	1 014 315	-	314 231	314 231	-
Libraries	(78 290)	78 290	-	2 200 000	2 200 000	-	-	-	-
MSIG	(3 902)	-	(3 902)	750 000	654 798	-	91 300	91 300	-
Performance Management System	127 517	-	127 517	-	127 517	-	-	-	-
Public Work - Special Programme	8 388 461	-	8 388 461	27 368 536	22 458 905	-	13 298 092	13 298 092	-
Remuneration Of Cdw's	796 497	(796 497)	-	-	-	-	-	-	-
Stimulation of Economy through Marketing	-	-	-	322 185	23 758	-	298 427	298 427	-
	<b>(15 944 246)</b>	<b>(2 040 580)</b>	<b>(17 984 826)</b>	<b>317 686 363</b>	<b>226 606 150</b>	<b>97 592 480</b>	<b>(24 497 093)</b>	<b>25 977 414</b>	<b>(50 474 507)</b>
<b>DISCONTINUED OPERATIONS</b>									
Subsidy Health	-	-	-	5 776 000	11 547 306	102 105	(5 873 411)	-	-
<b>TOTAL</b>	<b>(15 944 246)</b>	<b>(2 040 580)</b>	<b>(17 984 826)</b>	<b>323 462 363</b>	<b>238 153 456</b>	<b>97 694 585</b>	<b>(30 370 504)</b>	<b>25 977 414</b>	<b>(50 474 507)</b>