

JOE GQABI

DISTRICT MUNICIPALITY



CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2013

JOE GQABI DISTRICT MUNICIPALITY

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JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

NATURE OF BUSINESS

Joe Gqabi District Municipality (DC14) is a district municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

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

JURISDICTION

The Joe Gqabi District Municipality includes the following areas:

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

MEMBERS OF THE MAYORAL COMMITTEE

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

MUNICIPAL MANAGER

Mr Z A Williams

CHIEF FINANCIAL OFFICER

Mr J M Jackson

OTHER DIRECTORS

Mr R J Fortuin - Director: Technical Services
Ms F J Sephton - Director: Community Services 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

MI Ntshiba & Associates
Mthatha
5099

Smith Tabata Attorneys
King Williams Town
5601

Greyvenstein & Spence
Barkly East
9786

PH Songo Attorneys
Ngcobo
5050

Mjululwa Hlalukana Attorneys
Mthatha
5099

PRINCIPAL BANKERS

ABSA
P O Box 323
Bloemfontein
9300

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

AUDIT COMMITTEE

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

RELEVANT LEGISLATION

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

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

RELEVANT LEGISLATION (CONTINUED)

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

MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY

PROPORTIONAL ELECTED COUNCILLORS

Executive Mayor	Z I Dumzela
Speaker	B Salman
Councillors: JGDM	N P Mposelwa S Mei 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 SPMS Leteba M R Moore D D Mvumvu
Maletswai Local Municipality	N S Mathetha S E Mbana
Gariep Local Municipality	T Z Notyeke

JOE GQABI DISTRICT MUNICIPALITY

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

I am responsible for the preparation of these annual consolidated financial statements year ended 30 June 2013, which are set out on pages 1 to 79 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual consolidated financial statements have been prepared in accordance with GRAP.

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

I have reviewed the Economic Entity's cash flow forecast for the year to 30 June 2014 and I am satisfied that the Economic Entity can continue in operational existence for the foreseeable future.

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

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

Mr Z A Williams
Municipal Manager

Date

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	ECONOMIC ENTITY		MUNICIPALITY	
		2013 R	Restated 2012 R	2013 R	Restated 2012 R
NET ASSETS AND LIABILITIES					
Net Assets		1 219 748 667	1 170 880 682	1 219 734 848	1 170 964 561
Accumulated Surplus		1 219 748 667	1 170 880 682	1 219 734 848	1 170 964 561
Non-Current Liabilities from Exchange Transactions		6 098 601	6 498 053	6 098 601	6 498 053
Long-term Liabilities	2	6 098 601	6 498 053	6 098 601	6 498 053
Non-Current Liabilities		26 411 241	19 131 803	26 411 241	19 131 803
Employee Benefits	3	26 411 241	19 131 803	26 411 241	19 131 803
Current Liabilities		15 175 822	11 088 645	14 994 207	11 017 419
Current Employee Benefits	4	15 175 822	11 088 645	14 994 207	11 017 419
Current Liabilities from Exchange Transactions		43 783 774	52 812 602	43 370 884	52 495 160
Consumer Deposits	5	170 749	-	170 749	-
Payables from Exchange Transactions	6	42 799 743	52 135 593	42 799 743	52 135 593
South African Revenue Service	8	412 890	317 442	-	-
Current Portion of Long-term Liabilities	2	400 392	359 567	400 392	359 567
Current Liabilities from Non-Exchange Transactions		13 933 103	15 219 393	13 326 855	13 026 411
Unspent Conditional Government Grants and Receipts	7	13 933 103	15 219 393	13 326 855	13 026 411
Total Net Assets and Liabilities		1 325 151 208	1 275 631 179	1 323 936 636	1 273 133 407
ASSETS					
Non-Current Assets		1 232 830 470	1 181 139 191	1 232 917 053	1 181 824 277
Property, Plant and Equipment	9	1 224 570 094	1 171 351 478	1 224 298 078	1 171 109 050
Investment Property	10	4 194 567	4 890 649	2 666 452	2 639 279
Intangible Assets	11	2 858 486	3 470 779	2 855 618	3 470 779
Non-Current Investments	12	1 207 323	1 426 285	3 096 905	4 605 169
Current Assets		28 424 889	21 761 963	25 552 407	18 579 855
Inventory	13	1 706 530	1 211 740	1 706 530	1 211 740
Cash and Cash Equivalents	15	26 718 359	20 550 223	23 845 877	17 368 115
Current Assets from Exchange Transactions		17 474 359	13 665 297	19 045 687	13 664 547
Receivables from Exchange Transactions	14	10 683 740	3 006 333	12 255 068	3 005 583
South African Revenue Services	8	6 790 619	10 658 964	6 790 619	10 658 964
Current Assets from Non-Exchange Transactions		46 421 489	59 064 728	46 421 489	59 064 728
Unpaid Conditional Government Grants and Receipts	7	46 421 489	59 064 728	46 421 489	59 064 728
Total Assets		1 325 151 208	1 275 631 179	1 323 936 636	1 273 133 407

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Notes	ECONOMIC ENTITY		MUNICIPALITY	
		2013 R	Restated 2012 R	2013 R	Restated 2012 R
REVENUE					
Revenue from Non-exchange Transactions		402 992 501	316 621 085	400 543 486	316 021 962
Transfer Revenue		402 992 501	316 621 085	400 543 486	316 021 962
Government Grants and Subsidies - Capital	16	96 876 141	64 980 991	96 876 141	64 980 991
Government Grants and Subsidies - Operating	16	305 196 449	251 503 094	302 747 434	250 903 971
Public Contributions and Donations		235 978	137 000	235 978	137 000
Transfer of Function	17	683 933	-	683 933	-
Revenue from Exchange Transactions		53 116 319	21 783 928	53 021 667	21 783 894
Service Charges	18	27 502 337	-	27 502 337	-
Government Services	19	19 615 738	18 636 513	19 615 738	18 636 513
Interest Earned - External Investments	20	3 233 424	1 403 462	3 142 983	1 403 428
Interest Earned - Outstanding Debtors	21	1 391 970	-	1 391 970	-
Other Income	22	1 372 850	1 743 953	1 368 639	1 743 953
Total Revenue		456 108 820	338 405 013	453 565 153	337 805 856
EXPENDITURE					
Employee Related Costs	23	106 493 648	79 275 896	104 339 481	78 593 502
Remuneration of Councillors	24	4 310 179	4 086 380	4 310 179	4 086 380
Remuneration of Directors	25	171 950	225 750	-	-
Debt Impairment	26	13 397 866	547 591	13 397 866	547 591
Impairments	27	5 139 789	1 707	5 716 564	1 875 415
Depreciation and Amortisation	28	42 536 074	41 662 220	42 488 120	41 616 843
Repairs and Maintenance	29	15 629 439	9 507 671	15 623 511	9 507 671
Actuarial Losses	30	1 515 882	2 108 371	1 515 882	2 108 371
Finance Charges	31	2 716 067	2 575 300	2 706 692	2 575 300
Contracted services	32	47 388 756	38 550 741	47 388 756	38 550 741
Bulk Purchases	33	8 682 212	-	8 682 212	-
Grants and Subsidies Paid	34	10 710 780	38 227 189	12 285 780	38 227 189
Inventory Adjustments		(17 586)	13 037	(17 586)	13 037
Operating Grant Expenditure	35	104 129 211	86 020 331	104 129 211	86 020 331
Emergency Drought Relief		456 066	6 661 804	456 066	6 661 804
General Expenses	36	43 858 085	26 798 164	41 652 119	25 194 941
Loss on disposal of Property, Plant and Equipment		122 421	154 780	120 015	154 780
Total Expenditure		407 240 838	336 416 932	404 794 867	335 733 896
NET SURPLUS FOR THE YEAR - BEFORE DISCONTINUED OPERATIONS		48 867 982	1 988 081	48 770 286	2 071 960
Discontinued Operations	37	-	138 491	-	138 491
NET SURPLUS FOR THE YEAR		48 867 982	2 126 571	48 770 286	2 210 451

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY	MUNICIPALITY
	Accumulated Surplus	Accumulated Surplus
	R	R
Balance at 1 July 2011	1 166 774 988	1 166 774 991
Correction of error restatement - note 39.01	2 194 722	2 194 722
Correction of error restatement - note 39.02	(215 600)	(215 600)
Restated Balance at 1 July 2011	1 168 754 110	1 168 754 113
Net Surplus for the year	2 126 571	2 210 448
Balance at 30 June 2012	1 170 880 682	1 170 964 561
Net Surplus for the year	48 867 986	48 770 287
Balance at 30 June 2013	1 219 748 667	1 219 734 848

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	ECONOMIC ENTITY		MUNICIPALITY	
		2013 R	Restated 2012 R	2013 R	Restated 2012 R
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Service charges and other		49 488 428	34 305 699	47 816 691	33 987 407
Government grants		409 002 277	345 483 522	408 139 996	342 691 417
Interest		4 625 394	1 403 462	4 534 953	1 403 428
Payments					
Suppliers and Employees		(350 420 043)	(266 397 060)	(345 992 420)	(263 956 920)
Finance Charges		(773 487)	(804 217)	(764 112)	(804 217)
Transfers and Grants		(10 710 780)	(38 227 189)	(12 285 780)	(38 227 189)
Net Cash Flow from Operating Activities	40	101 211 789	75 764 216	101 449 328	75 093 926
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of Property, Plant and Equipment		(95 078 659)	(58 703 672)	(95 009 470)	(58 700 873)
Proceeds from sale of Property, Plant and Equipment		150 000	-	150 000	-
Purchase of Intangible Assets		(5 258)	(3 114)	(2 358)	(3 114)
Purchase of Investment Property		(100 000)	-	(100 000)	-
Decrease/(Increase) in Non-current Investments		218 962	(106 441)	218 961	(2 621 056)
Net Cash Flow from Investing Activities		(94 814 955)	(58 813 227)	(94 742 867)	(61 325 042)
CASH FLOW FROM FINANCING ACTIVITIES					
Increase in Consumer Deposits		170 749	-	170 749	-
Decrease in Long-term Liabilities		(399 447)	(357 254)	(399 448)	(357 256)
Net Cash Flow from Financing Activities		(228 698)	(357 254)	(228 699)	(357 256)
NET INCREASE IN CASH AND CASH EQUIVALENTS					
		6 168 136	16 593 735	6 477 762	13 411 627
Cash and Cash Equivalents at the beginning of the year		20 550 223	3 956 488	17 368 115	3 956 488
Cash and Cash Equivalents at the end of the year	41	26 718 359	20 550 223	23 845 877	17 368 115
NET INCREASE IN CASH AND CASH EQUIVALENTS					
		6 168 136	16 593 735	6 477 762	13 411 627

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2013

ECONOMIC ENTITY	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
STATEMENT OF FINANCIAL POSITION					
Total current assets	24 428 394	21 242 699	45 671 093	92 320 738	46 649 644
Total non-current assets	1 294 665 216	644 077	1 295 309 294	1 232 830 470	(62 478 823)
Total current liabilities	80 479 674	36 414 154	116 893 828	72 892 699	(44 001 129)
Total non-current liabilities	21 526 550	8 356 184	29 882 734	32 509 842	2 627 107
Total Net Assets	1 217 087 387	(22 883 562)	1 194 203 825	1 219 748 667	25 544 842
STATEMENT OF FINANCIAL PERFORMANCE					
Revenue					
Government Grants and Subsidies - Capital	174 829 000	(120 000)	174 709 000	96 876 141	(77 832 859)
Government Grants and Subsidies - Operating	229 965 608	1 220 000	231 185 608	305 196 449	74 010 841
Public Contributions and Donations	-	-	-	235 978	235 978
Transfer of Function	-	40 125 397	40 125 397	683 933	(39 441 464)
Service Charges	-	14 565 004	14 565 004	27 502 337	12 937 333
Government Services	20 531 095	-	20 531 095	19 615 738	(915 357)
Interest Earned - External Investments	1 000 000	1 515 000	2 515 000	3 233 424	718 424
Interest Earned - Outstanding Debtors	-	1 333 216	1 333 216	1 391 970	58 754
Other Income	1 054 500	1 180 300	2 234 800	1 372 850	(861 950)
Total Revenue	427 380 203	59 818 917	487 199 120	456 108 820	(31 090 300)
Expenditure					
Employee Related Costs	106 871 354	18 087 916	124 959 270	106 493 648	(18 465 622)
Remuneration of Councillors	4 957 215	(511 681)	4 445 534	4 310 179	(135 355)
Remuneration of Directors	452 000	(222 000)	230 000	171 950	(58 050)
Debt Impairment	-	26 715 733	26 715 733	13 397 866	(13 317 867)
Impairments	-	-	-	5 139 789	5 139 789
Depreciation and Amortisation	41 830 784	492 818	42 323 602	42 536 074	212 472
Repairs and Maintenance	16 730 150	3 306 780	20 036 930	15 629 439	(4 407 491)
Actuarial Losses	-	-	-	1 515 882	1 515 882
Finance Charges	813 763	2 272 598	3 086 361	2 716 067	(370 294)
Contracted services	14 750 000	32 181 280	46 931 280	47 388 756	457 476
Bulk Purchases	500 000	200 000	700 000	8 682 212	7 982 212
Grants and Subsidies Paid	18 995 157	339 845	19 335 002	10 710 780	(8 624 222)
Inventory Adjustments	26 250	(750)	25 500	(17 586)	(43 086)
Operating Grant Expenditure	49 388 317	67 612 472	117 000 789	104 129 211	(12 871 578)
Emergency Drought Relief	500 000	300 000	800 000	456 066	(343 934)
General Expenses	41 626 106	15 374 063	57 000 169	43 858 085	(13 142 084)
Loss on disposal of Property, Plant and Equipment	-	-	-	122 421	122 421
Total Expenditure	297 441 096	166 149 074	463 590 170	407 240 838	(56 349 332)
Net surplus for the year	129 939 107	(106 330 157)	23 608 950	48 867 982	25 259 032
CASH FLOW STATEMENT					
Net Cash Flow from Operating Activities	175 249 251	(144 936 909)	30 312 342	101 211 789	70 899 447
Net Cash Flow from Investing Activities	(172 664 500)	86 649 632	(86 014 868)	(94 814 955)	(8 800 087)
Net Cash Flow from Financing Activities	(339 200)	(20 367)	(359 567)	(228 698)	130 869
Net increase/(decrease) in cash and cash equivalents	2 245 551	(58 307 644)	(56 062 093)	6 168 136	62 230 229

The Consolidated Statement of Comparison of Budget and Actual is disclosed in terms of paragraph 32 of GRAP 24. Paragraph 32 of GRAP 24 states that separate budgets may be recompiled in order for consolidated disclosure purposes. The Economic Entity applied to National Treasury for exemption from having to prepare a Consolidate Budget for which National Treasury has granted the exemption. Therefore, the Economic Entity opted to apply paragraph 32 in order to recompile a consolidated budget based on the approved budgets of Joe Gqabi District Municipality and Joe Gqabi Economic Development Agency (SoC) Ltd.

Refer to note 54.01 for explanations of material variances between the original and final budget.

Refer to note 54.02 for explanations of material variances between actual amounts and the final budget.

Material variances are considered to be any variances greater than R3 million.

JOE QGABI DISTRICT MUNICIPALITY

CONSOLIDATED STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2013

	ORIGINAL BUDGET R	ADJUSTMENTS R	FINAL BUDGET R	ACTUAL R	ACTUAL VS FINAL BUDGET R
MUNICIPALITY					
STATEMENT OF FINANCIAL POSITION					
Total current assets	21 592 394	23 292 699	44 885 093	91 019 583	46 134 490
Total non-current assets	1 292 297 216	660 077	1 292 957 294	1 232 917 053	(60 040 241)
Total current liabilities	80 313 674	33 976 154	114 289 828	71 691 946	(42 597 882)
Total non-current liabilities	21 526 550	8 356 184	29 882 734	32 509 842	2 627 108
Total Net Assets	1 212 049 387	(18 379 562)	1 193 669 825	1 219 734 848	26 065 023
STATEMENT OF FINANCIAL PERFORMANCE					
Revenue					
Government Grants and Subsidies - Capital	174 629 000	-	174 629 000	96 876 141	(77 752 859)
Government Grants and Subsidies - Operating	223 065 608	2 800 000	225 865 608	302 747 434	76 881 826
Public Contributions and Donations	-	-	-	235 978	235 978
Transfer of Function	-	40 125 397	40 125 397	683 933	(39 441 464)
Service Charges	-	14 565 004	14 565 004	27 502 337	12 937 333
Government Services	20 531 095	-	20 531 095	19 615 738	(915 357)
Interest Earned - External Investments	1 000 000	1 515 000	2 515 000	3 142 983	627 983
Interest Earned - Outstanding Debtors	-	1 333 216	1 333 216	1 391 970	58 754
Other Income	4 500	2 003 300	2 007 800	1 368 639	(639 161)
Total Revenue	419 230 203	62 341 917	481 572 120	453 565 153	(28 006 967)
Expenditure					
Employee Related Costs	103 596 354	19 083 916	122 680 270	104 339 481	(18 340 789)
Remuneration of Councillors	4 957 215	(511 681)	4 445 534	4 310 179	(135 355)
Debt Impairment	-	26 715 733	26 715 733	13 397 866	(13 317 867)
Impairments	-	-	-	5 716 564	5 716 564
Depreciation and Amortisation	41 830 784	444 818	42 275 602	42 488 120	212 518
Repairs and Maintenance	16 730 150	3 306 780	20 036 930	15 623 511	(4 413 419)
Actuarial Losses	-	-	-	1 515 882	1 515 882
Finance Charges	808 763	2 277 598	3 086 361	2 706 692	(379 669)
Contracted services	14 750 000	32 181 280	46 931 280	47 388 756	457 476
Bulk Purchases	500 000	200 000	700 000	8 682 212	7 982 212
Grants and Subsidies Paid	18 995 157	339 845	19 335 002	12 285 780	(7 049 222)
Inventory Adjustments	26 250	(750)	25 500	(17 586)	(43 086)
Operating Grant Expenditure	49 388 317	67 612 472	117 000 789	104 129 211	(12 871 578)
Emergency Drought Relief	500 000	300 000	800 000	456 066	(343 934)
General Expenses	37 751 106	16 347 063	54 098 169	41 652 119	(12 446 050)
Loss on disposal of Property, Plant and Equipment	-	-	-	120 015	120 015
Total Expenditure	289 834 096	168 297 074	458 131 170	404 794 867	(53 336 303)
Net surplus for the year	129 396 107	(105 955 157)	23 440 950	48 770 286	25 329 336
CASH FLOW STATEMENT					
Net Cash Flow from Operating Activities	172 324 251	(143 101 909)	29 222 342	101 449 328	72 226 986
Net Cash Flow from Investing Activities	(172 464 500)	86 529 632	(85 934 868)	(94 742 867)	(8 807 999)
Net Cash Flow from Financing Activities	(339 200)	(20 367)	(359 567)	(228 699)	130 868
Net increase/(decrease) in cash and cash equivalents	(479 449)	(56 592 644)	(57 072 093)	6 477 762	63 549 855
OPERATING EXPENDITURE BY VOTE					
Management Services	19 822 785	1 833 617	21 656 402	21 821 155	164 753
Financial Services	20 019 945	2 362 436	22 382 381	21 343 358	(1 039 023)
Corporate Services	33 138 118	(2 584 753)	30 553 365	28 211 645	(2 341 720)
Technical Services	172 872 049	168 492 693	341 364 742	293 447 427	(47 917 315)
Community Services	43 981 199	(1 806 919)	42 174 280	39 971 278	(2 203 002)
Total	289 834 096	168 297 074	458 131 170	404 794 863	(53 336 307)
CAPITAL EXPENDITURE BY VOTE					
Management Services	42 000	688 500	730 500	879 398	148 898
Financial Services	-	54 348	54 348	54 720	372
Corporate Services	-	552 152	552 152	560 146	7 994
Technical Services	171 749 000	(87 931 632)	83 817 368	93 385 510	9 568 142
Community Services	673 500	107 000	780 500	232 053	(548 447)
Total	172 464 500	(86 529 632)	85 934 868	95 111 828	9 176 960

Refer to note 54.01 for explanations of material variances between the original and final budget.

Refer to note 54.02 for explanations of material variances between actual amounts and the final budget.

Material variances are considered to be any variances greater than R3 million.

JOE QQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

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

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

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

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

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

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

JOE QQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.2. PRESENTATION CURRENCY

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

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

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

1.5. AMENDED DISCLOSURE POLICY

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

1.6. MATERIALITY

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.7. CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

1.8. PRESENTATION OF BUDGET INFORMATION

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

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

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

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

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

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Economic Entity already complies with most of the changes.</p>	Unknown
GRAP 7 (Revised – Mar 2012)	<p>Investments in Associate</p> <p>This Standard prescribes the accounting treatment for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Economic Entity does have any interest in associates.</p>	1 April 2013
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Economic Entity is not involved in any joint ventures.</p>	Unknown
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact expected as information to a large extent is already included in the financial statements.</p>	Unknown

JOE QQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

<p>GRAP 20 (Original – June 2011)</p>	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Economic Entity's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Economic Entity resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<p align="center">Unknown</p>
<p>GRAP 105 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p align="center">Unknown</p>
<p>GRAP 106 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>The Economic Entity has already adopted the principles as set out in GRAP 106 to formulate its own accounting policy.</p>	<p align="center">Unknown</p>
<p>GRAP 107 (Original – Nov 2010)</p>	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p align="center">Unknown</p>
<p>IGRAP 11</p>	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Economic Entity does not have any SPE's at this stage.</p>	<p align="center">Unknown</p>

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Economic Entity does not have any JCE's at this stage.</p>	Unknown
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These standards, amendments and interpretations will not have a significant impact on the Economic Entity once implemented.

1.10. LEASES

1.10.1 Economic Entity as Lessee

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

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.10.2 Economic Entity as Lessor

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

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

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

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

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.13. PROVISIONS

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

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

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

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

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

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.14. EMPLOYEE BENEFITS

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

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

1.14.1 Post Retirement Medical Obligations

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

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

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

1.14.2 Long Service Awards

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.14.3 Ex gratia Gratuities

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

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

1.14.4 Provision for Staff Leave

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

1.14.5 Staff Bonuses Accrued

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

1.14.6 Provision for Performance Bonuses

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

1.14.7 Pension and retirement fund obligations

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.14.8 Other Short-term Employee Benefits

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

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

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

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

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

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

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.15.2 Subsequent Measurement – Cost Model

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

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

1.15.3 Depreciation and Impairment

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

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Water	7 – 118	Special Vehicles	10 – 16
Sewerage	8 – 101	Motor vehicles	5 – 17
		Office Equipment	5 – 15
<u>Land and Buildings</u>		Furniture and Fittings	7 – 20
Buildings	20 – 30	Tool and Equipment	5 – 15
		Computer Equipment	3 – 17
		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 recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

1.15.4 De-recognition

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

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

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

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

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

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

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

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

Intangible assets are initially recognised at cost.

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

1.16.2 Subsequent Measurement – Cost Model

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

1.16.3 *Amortisation and Impairment*

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

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

1.16.4 *De-recognition*

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

1.17. INVESTMENT PROPERTY

1.17.1 *Initial Recognition*

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

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

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

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

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

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1.17.2 Subsequent Measurement – Cost Model

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

1.17.3 Depreciation and Impairment – Cost Model

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

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

1.17.4 De-recognition

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

1.18. NON-CURRENT ASSETS HELD FOR SALE

1.18.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in the Statement of Financial Performance.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

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

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

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

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

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

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

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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.

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

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

1.19.2 Non-cash-generating assets

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

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

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

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

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(b) Internal sources of information

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

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

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

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

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

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

1.20. INVENTORIES

1.20.1 Initial Recognition

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

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

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

1.20.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose.

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The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

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

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

1.21. FINANCIAL INSTRUMENTS

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

1.21.1 Initial Recognition

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

1.21.2 Subsequent Measurement

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

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1.21.2.1 Receivables

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

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

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

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

1.21.2.2 Payables and Annuity Loans

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

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1.21.2.3 Cash and Cash Equivalents

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

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

1.21.2.4 Non-Current Investments

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

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

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

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

1.21.3 De-recognition of Financial Instruments

1.21.3.1 Financial Assets

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

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

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

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

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

1.21.3.2 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.

1.21.4 **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

1.22. REVENUE

1.22.1 **Revenue from Non-Exchange Transactions**

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

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

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

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

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

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

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

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

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

1.22.2 Revenue from Exchange Transactions

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

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

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

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

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

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

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

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

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

1.23 TRANSFER OF FUNCTION (Economic Entity as the acquirer)

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

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

An asset is identifiable if it either:

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

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

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

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

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

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

1.24. RELATED PARTIES

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

A related party is a person or an entity:

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

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

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

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

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

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

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

Management personnel include:

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.25. UNAUTHORISED EXPENDITURE

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

1.26. IRREGULAR EXPENDITURE

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

1.27. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

Management judgement is required when recognising and measuring contingent liabilities.

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.29.2 *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.

1.29.3 *Property, Plant and Equipment*

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.29.4 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.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

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

1.29.5 Investment Property

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

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

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

1.29.6 Provisions and Contingent Liabilities

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

1.29.7 Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Economic Entity.

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.29.8 Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Economic Entity's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

1.29.9 Provision for Performance bonuses

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

1.29.10 Componentisation of Infrastructure assets

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

1.30. SOUTH AFRICAN REVENUE SERVICES (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.

1.31. CAPITAL COMMITMENTS

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

1.32. EVENTS AFTER REPORTING DATE

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

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.33. TAXATION

1.33.1 Current tax assets and liabilities

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

1.33.2 Deferred tax assets and liabilities

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

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

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

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

1.33.3 Tax expenses

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
2 LONG-TERM LIABILITIES				
Annuity Loans - At amortised cost	6 498 993	6 857 620	6 498 993	6 857 620
Less: Current Portion transferred to Current Liabilities	(400 392)	(359 567)	(400 392)	(359 567)
Total - At amortised cost using the effective interest rate method	6 098 601	6 498 053	6 098 601	6 498 053
Annuity loans at amortised cost are calculated at 10.00% - 11.52% interest rate, with the first maturity date of 30 June 2016 and the last maturity date of 31 December 2024. The loans are for the main municipal building in Barkly East and sanitation infrastructure.				
Included in Non-current Investments as per note 12 is an amount of R1 207 323 (2012 - R1 113 306) held as guarantee by the DBSA.				
The obligations under annuity loans are scheduled below:				
Amounts payable under annuity loans:	Minimum annuity payments		Minimum annuity payments	
Payable within one year	1 132 215	1 132 215	1 132 215	1 132 215
Payable within two to five years	4 202 130	4 365 495	4 202 130	4 365 495
Payable after five years	6 297 527	7 266 377	6 297 527	7 266 377
	11 631 871	12 764 086	11 631 871	12 764 086
Less: Future finance obligations	(5 132 878)	(5 906 466)	(5 132 878)	(5 906 466)
Present value of annuity obligations	6 498 993	6 857 620	6 498 993	6 857 620
3 EMPLOYEE BENEFITS				
Post Retirement Medical Obligations - note 3.1	22 739 019	16 519 916	22 739 019	16 519 916
Ex Gratia Gratuities - note 3.2	317 809	308 623	317 809	308 623
Long Service Awards - note 3.3	3 354 413	2 303 264	3 354 413	2 303 264
Total Non-current Employee Benefit Liabilities	26 411 241	19 131 803	26 411 241	19 131 803
<u>Post Retirement Medical Obligations</u>				
Balance 1 July	17 613 224	14 414 811	17 613 224	14 414 811
Contribution for the year	3 082 264	2 494 068	3 082 264	2 494 068
Expenditure for the year	(923 468)	(901 658)	(923 468)	(901 658)
Actuarial Loss	1 995 028	1 606 003	1 995 028	1 606 003
Transfer of function from Local Municipalities - note 17	2 085 427	-	2 085 427	-
Total post retirement medical obligation 30 June	23 852 475	17 613 224	23 852 475	17 613 224
Less: Transfer of current portion to Current Employee Benefits - note 4	(1 113 456)	(1 093 308)	(1 113 456)	(1 093 308)
Balance 30 June	22 739 019	16 519 916	22 739 019	16 519 916
<u>Ex Gratia Gratuities</u>				
Balance 1 July	524 447	516 817	524 447	516 817
Contribution for the year	66 823	76 005	66 823	76 005
Expenditure for the year	-	(143 204)	-	(143 204)
Actuarial (Gain)/Loss	(132 759)	74 829	(132 759)	74 829
Total ex gratia provision 30 June	458 511	524 447	458 511	524 447
Less: Transfer of current portion to Current Employee Benefits - note 4	(140 702)	(215 824)	(140 702)	(215 824)
Balance 30 June	317 809	308 623	317 809	308 623
<u>Long Service Awards</u>				
Balance 1 July	2 735 252	1 871 614	2 735 252	1 871 614
Contribution for the year	828 785	556 670	828 785	556 670
Expenditure for the year	(120 082)	(120 571)	(120 082)	(120 571)
Actuarial (Gain)/Loss	(346 387)	427 539	(346 387)	427 539
Transfer of function from Local Municipalities - note 17	767 827	-	767 827	-
Total long service 30 June	3 865 395	2 735 252	3 865 395	2 735 252
Less: Transfer of current portion to Current Employee Benefits - note 4	(510 982)	(431 988)	(510 982)	(431 988)
Balance 30 June	3 354 413	2 303 264	3 354 413	2 303 264

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
<u>TOTAL EMPLOYEE BENEFITS</u>				
Balance 1 July	20 872 923	16 803 242	20 872 923	16 803 242
Contribution for the year	3 977 872	3 126 743	3 977 872	3 126 743
Expenditure for the year	(1 043 550)	(1 165 433)	(1 043 550)	(1 165 433)
Actuarial Loss	1 515 882	2 108 371	1 515 882	2 108 371
Transfer of function from Local Municipalities - note 17	2 853 254	-	2 853 254	-
Total employee benefits 30 June	28 176 381	20 872 923	28 176 381	20 872 923
Less: Transfer of current portion to Current Employee Benefits - note 4	(1 765 140)	(1 741 120)	(1 765 140)	(1 741 120)
Balance 30 June	26 411 241	19 131 803	26 411 241	19 131 803

	2013 Employees	2012 Employees	2013 Employees	2012 Employees
3.1 Post Retirement Medical Obligations				
The Post Retirement Medical Obligation is a defined benefit plan, of which the members are made up as follows:				
In-service (employee) members	194	92	194	92
Continuation members (e.g. Retirees, widows, orphans)	37	40	37	40
Total Members	231	132	231	132

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

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

	2013 %	2012 %	2013 %	2012 %
Key actuarial assumptions used:				
i) Rate of interest				
Discount rate	8.95	7.68	8.95	7.68
Health Care Cost Inflation Rate	7.99	7.07	7.99	7.07
Net Effective Discount Rate	0.89	5.70	0.89	5.70

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

ii) Mortality rates

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

iii) Normal retirement age

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

Male : 63 years
Female: 58 years

	In-Service Members R	Continuation Members R	Present value of fund obligations R
The liability in respect of past service recognised in the Statement of Financial Position is as follows (both Economic Entity and Municipality):			
30 June 2013	13 959 000	9 893 475	23 852 475
30 June 2012	7 546 000	10 067 224	17 613 224
30 June 2011	5 027 000	9 387 811	14 414 811
30 June 2010	6 127 444	8 626 501	14 753 945
30 June 2009	6 528 063	8 331 000	14 859 063

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

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
Experience adjustments were calculated as follows (both Economic Entity and Municipality):		
30 June 2013	5 866 000	-
30 June 2012	815 000	-
30 June 2011	(4 109 000)	-
30 June 2010	(416 000)	-
30 June 2009	-	-

The Economic Entity performed their first actuarial valuation on 30 June 2009. Thus there are no experience adjustment figures available on or before 30 June 2009 to fully comply with GRAP 25.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
Reconciliation of present value of fund obligation:				
Present value of fund obligation at the beginning of the year	17 613 224	14 414 811	17 613 224	14 414 811
Total contributions	2 158 796	1 592 410	2 158 796	1 592 410
Current service cost	1 337 289	905 396	1 337 289	905 396
Interest Cost	1 744 975	1 588 672	1 744 975	1 588 672
Benefits Paid	(923 468)	(901 658)	(923 468)	(901 658)
Actuarial loss	1 995 028	1 606 003	1 995 028	1 606 003
Transfer of function from Local Municipalities - note 17	2 085 427	-	2 085 427	-
Present value of fund obligation at the end of the year	23 852 475	17 613 224	23 852 475	17 613 224
Less: Transfer of current portion to Current Employee Benefits - note 4	(1 113 456)	(1 093 308)	(1 113 456)	(1 093 308)
Balance 30 June	22 739 019	16 519 916	22 739 019	16 519 916

Sensitivity Analysis on the Current-service and Interest Costs (both Economic Entity and Municipality):

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Central Assumptions		1 337 289	1 744 975	3 082 264	
Health care inflation	+1%	1 670 300	2 018 800	3 689 100	20%
Health care inflation	-1%	1 082 100	1 523 000	2 605 100	-15%
Post-retirement mortality	-1 year	1 386 200	1 821 600	3 207 800	4%
Average retirement age	-1 year	1 455 000	1 854 200	3 309 200	7%
Withdrawal Rate	-50%	1 610 500	1 848 800	3 459 300	12%

3.2 Ex Gratia Gratuities

The Ex Gratia Gratuities plans are defined benefit plans. As at year end 56 employees (2012 - 56) were eligible for Ex Gratia Gratuities.

Key actuarial assumptions used:

i) Rate of interest	2013 %	2012 %	2013 %	2012 %
Discount rate	7.17	6.92	7.17	6.92

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

Present value of fund obligations

The liability in respect of past service recognised in the Statement of Financial Position is as follows (both Economic Entity and Municipality):

30 June 2013	591 270
30 June 2012	524 447
30 June 2011	516 817
30 June 2010	548 160
30 June 2009	523 857

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

Experience adjustments were calculated as follows (both Economic Entity and Municipality):

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
30 June 2013	76 238	-
30 June 2012	91 931	-
30 June 2011	23 956	-
30 June 2010	101 109	-
30 June 2009	-	-

The Economic Entity performed their first actuarial valuation on 30 June 2009. Thus there are no experience adjustment figures available on or before 30 June 2009 to fully comply with GRAP 25

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
Reconciliation of present value of fund obligation:				
Present value of fund obligation at the beginning of the year	524 447	516 817	524 447	516 817
Total contributions	66 823	(67 199)	66 823	(67 199)
Current service cost	23 216	26 887	23 216	26 887
Interest Cost	43 607	49 118	43 607	49 118
Benefits Paid	-	(143 204)	-	(143 204)
Actuarial (gain)/loss	(132 759)	74 829	(132 759)	74 829
Present value of fund obligation at the end of the year	458 511	524 447	458 511	524 447
Less: Transfer of current portion to Current Employee Benefits - note 4	(140 702)	(215 824)	(140 702)	(215 824)
Present value of fund obligation at the end of the year	317 809	308 623	317 809	308 623

The liability is unfunded.

Sensitivity Analysis on the Current-service and Interest Costs (both Economic Entity and Municipality):

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Central Assumptions		23 216	43 607	66 823	
Salary Inflation	+1%	22 769	47 685	70 454	5%
Salary Inflation	-1%	23 631	39 338	62 969	-6%
Average retirement age	-1 year	18 379	54 015	72 394	7%
Withdrawal Rate	-50%	23 387	43 878	67 265	1%

3.3 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. Long service awards were calculated for 416 employees (2012 - 312), but they are not all eligible for payment in the same year.

Key actuarial assumptions used:	2013 %	2012 %	2013 %	2012 %
i) Rate of interest				
Discount rate	6.91	6.11	6.91	6.11
General Salary Inflation (long-term)	6.70	5.97	6.70	5.97
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.20	0.13	0.20	0.13

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

The liability in respect of past service recognised in the Statement of Financial Position is as follows (both Economic Entity and Municipality):

	Present value of fund obligations R
30 June 2013	3 865 395
30 June 2012	2 735 252
30 June 2011	1 871 614
30 June 2010	1 582 371
30 June 2009	1 787 693

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

Experience adjustments were calculated as follows (both Economic Entity and Municipality):

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
30 June 2013	762 433	-
30 June 2012	325 639	-
30 June 2011	(82 814)	-
30 June 2010	(322 434)	-
30 June 2009	-	-

The Economic Entity performed their first actuarial valuation on 30 June 2009. Thus there are no experience adjustment figures available on or before 30 June 2009 to fully comply with GRAP 25

JOE QQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
Reconciliation of present value of fund obligation:				
Present value of fund obligation at the beginning of the year	2 735 252	1 871 614	2 735 252	1 871 614
Total contributions	708 703	436 099	708 703	436 099
Current service cost	674 787	423 377	674 787	423 377
Interest Cost	153 998	133 293	153 998	133 293
Benefits Paid	(120 082)	(120 571)	(120 082)	(120 571)
Actuarial (Gain)/Loss	(346 387)	427 539	(346 387)	427 539
Transfer of function from Local Municipalities - note 17	767 827	-	767 827	-
Present value of fund obligation at the end of the year	3 865 395	2 735 252	3 865 395	2 735 252
Less: Transfer of current portion to Current Employee Benefits - note 4	(510 982)	(431 988)	(510 982)	(431 988)
Balance 30 June	3 354 413	2 303 264	3 354 413	2 303 264

The liability is unfunded.

Sensitivity Analysis on the Current-service and Interest Costs (both Economic Entity and Municipality):

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Central Assumptions		674 787	153 998	828 785	
Salary Inflation	+1%	710 600	162 800	873 400	5%
Salary Inflation	-1%	642 400	146 000	788 400	-5%
Average retirement age	-2 years	637 400	139 100	776 500	-6%
Average retirement age	+2 years	697 300	162 100	859 400	4%
Withdrawal Rate	-50%	837 600	186 600	1 024 200	24%

3.4 Retirement Funds

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

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

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

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

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2012 revealed that the fund was in a sound financial position with a funding level of 99.9% (30 June 2011 - 103.3%).

	2013 R	2012 R	2013 R	2012 R
Contributions paid recognised in the Statement of Financial Performance	5 367 242	4 474 189	5 367 242	4 474 189

DEFINED CONTRIBUTION FUNDS

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

Contributions paid recognised in the Statement of Financial Performance

	2013 R	2012 R	2013 R	2012 R
Government Employees Pension Fund	652 994	459 430	652 994	459 430
Municipal Councillors Pension Fund	333 469	208 793	333 469	208 793
IMATU Retirement Fund	38 285	35 606	38 285	35 606
SAMWU National Provident Fund	1 945 586	1 081 190	1 945 586	1 081 190
SALA Pension Fund	592 442	-	592 442	-
	3 562 777	1 785 019	3 562 777	1 785 019

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
4 CURRENT EMPLOYEE BENEFITS				
Staff Bonuses Accrued	3 398 086	2 538 548	3 305 720	2 489 454
Provision for Staff Leave	7 910 695	4 857 711	7 821 446	4 835 578
Provision for Performance Bonuses	1 475 159	1 324 525	1 475 159	1 324 525
Other Provisions	626 742	626 742	626 742	626 742
Current Portion of Non-Current Employee Benefits	1 765 140	1 741 120	1 765 140	1 741 120
Current Portion of Post Retirement Benefits - note 3	1 113 456	1 093 308	1 113 456	1 093 308
Current Portion of Ex Gratia Gratuities - note 3	140 702	215 824	140 702	215 824
Current Portion of Long-Service Awards - note 3	510 982	431 988	510 982	431 988
Total Current Employee Benefits	15 175 822	11 088 645	14 994 207	11 017 419

The movement in current employee benefits is reconciled as follows:

Staff Bonuses Accrued

Balance at beginning of year	2 538 548	2 396 677	2 489 454	2 396 677
Contribution to current portion	3 398 086	2 538 548	3 305 720	2 489 454
Expenditure incurred	(3 184 127)	(2 396 677)	(3 135 033)	(2 396 677)
Transfer of function from Local Municipalities - note 17	645 579	-	645 579	-
Balance at end of year	3 398 086	2 538 548	3 305 720	2 489 454

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

Provision for Staff Leave

Balance at beginning of year	4 857 711	4 380 803	4 835 578	4 380 803
Contribution to current portion	2 196 265	772 818	2 129 149	750 685
Expenditure incurred	(674 416)	(295 910)	(674 416)	(295 910)
Transfer of function from Local Municipalities - note 17	1 531 135	-	1 531 135	-
Balance at end of year	7 910 695	4 857 711	7 821 446	4 835 578

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

Provision for Performance Bonuses

Balance at beginning of year	1 324 525	598 996	1 324 525	598 996
Contribution to current portion	815 931	725 529	815 931	725 529
Expenditure incurred	(665 297)	-	(665 297)	-
Balance at end of year	1 475 159	1 324 525	1 475 159	1 324 525

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

Other Provisions

Balance at beginning of year	626 742	4 962 747	626 742	4 962 747
Expenditure incurred - TASK Job Evaluation Provision	-	(4 336 005)	-	(4 336 005)
Balance at year end	626 742	626 742	626 742	626 742

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

Shortfall in annual earnings of Cape Joint Pension Fund

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

5 CONSUMER DEPOSITS

Water	170 749	-	170 749	-
Total Consumer Deposits	170 749	-	170 749	-

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
6 PAYABLES FROM EXCHANGE TRANSACTIONS				
Trade Payables	27 240 551	23 700 147	27 240 551	23 700 147
As previously reported		23 484 547		23 484 547
Correction of error restatement - note 39.02		215 600		215 600
Interest Accrued	185 590	195 467	185 590	195 467
Unknown Receipts	-	594 899	-	594 899
Payments received in advance	1 849 664	1 875 559	1 849 664	1 875 559
Local Municipalities	13 523 938	25 769 521	13 523 938	25 769 521
Elundini Local Municipality	5 289 377	7 505 619	5 289 377	7 505 619
Maletswai Local Municipality	-	8 026 962	-	8 026 962
Senqu Local Municipality	8 234 561	10 236 940	8 234 561	10 236 940
Total Payables from Exchange Transactions	42 799 743	52 135 593	42 799 743	52 135 593

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. Payables are being recognised net of any discounts. All payables are unsecured.

	2013	2012	2013	2012
7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS				
Unspent Grants	13 933 103	15 219 393	13 326 855	13 026 411
National Government Grants	4 033 864	5 252 832	3 427 616	3 059 850
Provincial Government Grants	9 899 238	9 966 561	9 899 238	9 966 561
Other Grant Providers	-	-	-	-
Less: Unpaid Grants	(46 421 489)	(59 064 728)	(46 421 489)	(59 064 728)
National Government Grants	(45 600 252)	(56 914 097)	(45 600 252)	(56 914 097)
Claimed amount	(50 027 513)	(56 914 097)	(50 027 513)	(56 914 097)
Impairment	4 427 261	-	4 427 261	-
Provincial Government Grants	(122 618)	(1 452 724)	(122 618)	(1 452 724)
Other Grant Providers	(698 620)	(697 907)	(698 620)	(697 907)
Total Conditional Grants and Receipts	(32 488 387)	(43 845 335)	(33 094 635)	(46 038 317)

Included in unpaid grants is an amount of R49 560 760 from National Government which arose due to a published Provincial Government Gazette with regards to drought relief. The payments were not honoured due to a mistake by DLGTA which meant they did not have the authority to publish the gazette. The Municipality is challenging their stance and have taken the matter up with the SG, COGTA and National Treasury. Impairment amounting to R4 427 261 was raised on this grant to take into account the time value of money. The impairment was calculated using a rate of 4.5% discounted over a period of 24 months.

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

8 SOUTH AFRICAN REVENUE SERVICES				
VAT Receivable	5 212 240	8 616 680	5 212 240	8 616 680
VAT Payable	(412 890)	(317 442)	-	-
As previously reported		(233 565)		
Correction of error restatement - note 39.03		(83 877)		
VAT Input in Suspense	1 973 296	2 320 630	1 973 296	2 320 630
VAT Output in Suspense - net	(394 917)	(278 346)	(394 917)	(278 346)
VAT Output in Suspense	(1 606 255)	(278 346)	(1 606 255)	(278 346)
Less: VAT on Provision for Debt Impairment	1 211 338	-	1 211 338	-
Total South African Revenue Services	6 377 729	10 341 522	6 790 619	10 658 964

Disclosed as follow:

Current Liabilities from Exchange Transactions	(412 890)	(317 442)	-	-
Current Assets from Exchange Transactions	6 790 619	10 658 964	6 790 619	10 658 964
	6 377 729	10 341 522	6 790 619	10 658 964

VAT is payable/receivable on the cash basis.

Reconciliation of VAT on Provision for Debt Impairment

Opening balance	-	-	-	-
Transfer of function from Local Municipalities - note 17	1 220 198	-	1 220 198	-
Debt Impairment for current year - note 26	(8 860)	-	(8 860)	-
Closing balance	1 211 338	-	1 211 338	-

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9 PROPERTY, PLANT AND EQUIPMENT

ECONOMIC ENTITY

30 JUNE 2013

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value				
	Opening Balance	Additions	Transfers and non-exchange additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Transfer from Investment Property		Depreciation Charge	Impairment	Disposals	Closing Balance
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	17 404 118	-	30 000	-	-	17 434 118	3 061 368	2 668	566 985	-	-	3 621 022	13 813 096
Land	2 027 000	-	16 000	-	-	2 043 000	-	-	-	-	-	-	2 043 000
Buildings	15 377 118	-	14 000	-	-	15 391 118	3 061 368	2 668	566 985	-	-	3 621 022	11 770 096
Infrastructure	1 309 261 364	92 473 743	-	-	-	1 401 735 107	165 302 994	-	37 804 731	-	-	203 107 725	1 198 627 382
Sewerage network	258 072 218	-	-	-	11 416 822	269 489 040	37 537 590	-	8 317 751	-	-	45 855 342	223 633 698
Water network	908 140 166	-	-	-	30 116 502	938 256 668	127 765 404	-	29 486 979	-	-	157 252 383	781 004 285
Work in Progress	143 048 980	92 473 743	-	-	(41 533 324)	193 989 399	-	-	-	-	-	-	193 989 399
Other Assets	23 889 776	2 604 916	247 347	(1 048 640)	-	25 693 399	10 849 417	-	3 490 585	-	(776 219)	13 563 783	12 129 617
Office Equipment	1 857 643	125 207	22 635	(11 074)	-	1 994 411	751 950	-	255 618	-	(6 054)	1 001 514	992 897
Furniture & Fittings	2 891 649	94 525	86 900	(11 264)	-	3 061 811	1 755 086	-	324 218	-	(9 430)	2 069 875	991 936
Motor Vehicles	5 373 942	1 598 893	68 000	(834 060)	-	6 206 775	2 820 176	-	745 149	-	(600 918)	2 964 407	3 242 368
Fire Engines	8 924 094	-	-	-	-	8 924 094	2 388 613	-	1 527 460	-	-	3 916 074	5 008 020
Computer Equipment	2 492 771	625 923	9 648	(182 242)	-	2 946 099	1 802 648	-	394 705	-	(151 100)	2 046 253	899 846
Special Vehicles	945 945	-	-	(10 000)	-	935 945	328 943	-	84 415	-	(8 716)	404 641	531 304
Tools and Equipment	1 333 081	160 368	60 164	-	-	1 553 613	996 435	-	155 486	-	-	1 151 921	401 692
Leasehold Improvements	70 651	-	-	-	-	70 651	5 565	-	3 533	-	-	9 098	61 554
	1 350 555 258	95 078 659	277 347	(1 048 640)	-	1 444 862 623	179 203 780	2 668	41 862 300	-	(776 219)	220 292 529	1 224 570 094

The accumulated impairment included in the closing balance is as follows:

Office Equipment	666
Furniture and fittings	1 041
1 707	

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

ECONOMIC ENTITY

30 JUNE 2012

Reconciliation of Carrying Value

	Cost			Accumulated Depreciation			Carrying Value				
	Opening Balance	Transfers and non-exchange additions	Disposals	Transfer to Capital Assets	Closing Balance	Transfer from Investment Property		Depreciation Charge	Impairment	Disposals	Closing Balance
	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	15 695 005	1 709 113	-	-	17 404 118	2 496 325	-	555 043	-	3 051 368	14 352 749
Land	2 027 000	-	-	-	2 027 000	-	-	-	-	-	2 027 000
Buildings	13 668 005	1 709 113	-	-	15 377 118	2 496 325	-	555 043	-	3 051 368	12 325 749
Infrastructure	1 252 556 596	56 704 767	-	-	1 309 261 364	128 418 781	-	36 884 213	-	165 302 994	1 143 958 369
Sewerage network	249 141 957	-	-	8 930 261	258 072 218	29 110 177	-	8 427 413	-	37 537 590	220 534 628
Water network	752 609 395	-	-	155 530 771	908 140 166	99 308 604	-	28 456 800	-	127 765 404	780 374 762
Work in Progress	250 805 244	56 704 767	-	(164 461 032)	143 048 980	-	-	-	-	-	143 048 980
As previously reported	248 610 522	57 948 203	-	(164 461 032)	142 037 694	-	-	-	-	-	142 037 694
Correction of error - note 39.01	2 194 722	(1 243 436)	-	-	951 286	-	-	-	-	-	951 286
Other Assets	23 954 928	289 792	(354 944)	-	23 889 776	7 577 089	-	3 470 785	1 707	(200 164)	10 849 417
Office Equipment	1 799 358	90 076	-	(31 791)	1 857 643	518 685	-	246 236	666	(13 637)	751 950
Furniture & Fittings	2 847 844	43 805	-	-	2 891 649	1 439 389	-	314 656	1 041	-	1 755 086
Motor Vehicles	5 637 977	-	(264 035)	-	5 373 942	2 222 740	-	754 497	-	(157 061)	2 820 176
Fire Engines	8 924 094	-	-	-	8 924 094	861 153	-	1 527 460	-	-	2 388 613
Computer Equipment	2 488 940	62 949	-	(59 118)	2 492 771	1 437 343	-	394 771	-	(29 466)	1 802 648
Special Vehicles	945 945	-	-	-	945 945	244 528	-	84 415	-	-	328 943
Tools and Equipment	1 240 119	92 962	-	-	1 333 081	851 219	-	145 216	-	-	996 435
Leasehold Improvements	70 651	-	-	-	70 651	2 032	-	3 533	-	-	5 565
	1 292 206 530	58 703 672	(354 944)	-	1 350 555 258	138 492 195	-	40 910 041	1 707	(200 164)	1 171 351 478

The accumulated impairment included in the closing balance is as follows:

Office Equipment	666
Furniture and fittings	1 041
	<u>1 707</u>

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

MUNICIPALITY

30 JUNE 2013

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value R		
	Opening Balance R	Additions R	Transfers and non-exchange additions R	Disposals R	Transfer to Capital Assets R	Transfer from Investment Property R	Depreciation Charge R	Impairment R		Disposals R	Closing Balance R
Land and Buildings											
Land	17 404 118	-	30 000	-	17 434 118	3 051 368	2 668	566 985	-	3 621 022	13 813 096
Buildings	2 027 000	-	16 000	-	2 043 000	-	-	-	-	-	2 043 000
	15 377 118	-	14 000	-	15 391 118	3 051 368	2 668	566 985	-	3 621 022	11 770 096
Infrastructure											
Sewerage network	1 309 261 364	92 473 743	-	-	1 401 735 107	165 302 994	-	37 804 731	-	203 107 725	1 198 627 382
Water network	258 072 218	-	-	-	269 489 040	37 537 590	-	8 317 751	-	45 855 342	223 633 698
Work in Progress	908 140 166	-	-	-	938 256 668	127 765 404	-	29 486 979	-	157 252 383	781 004 285
	143 048 980	92 473 743	-	-	193 989 399	-	-	-	-	-	193 989 399
Other Assets											
Office Equipment	23 583 537	2 535 727	247 347	(1 033 840)	25 332 771	10 785 605	-	3 453 390	-	(763 825)	13 475 170
Furniture & Fittings	1 835 560	117 665	22 635	(11 074)	1 964 786	744 850	-	252 046	-	(6 054)	990 842
Motor Vehicles	2 735 886	94 525	86 900	(11 264)	2 906 048	1 740 456	-	315 793	-	(9 430)	2 046 820
Fire Engines	5 373 942	1 598 893	68 000	(834 060)	6 206 775	2 820 176	-	745 149	-	(600 918)	2 964 407
Computer Equipment	8 924 094	-	-	-	8 924 094	2 388 613	-	1 527 460	-	-	3 916 074
Special Vehicles	2 435 029	564 276	9 648	(167 442)	2 841 510	1 766 131	-	373 040	-	(138 706)	2 000 465
Tools and Equipment	945 945	-	-	(10 000)	935 945	328 943	-	84 415	-	(8 716)	404 641
	1 333 081	160 368	60 164	-	1 553 613	986 435	-	155 486	-	1 151 921	401 692
	1 350 249 018	95 009 470	277 347	(1 033 840)	1 444 501 995	179 139 968	2 668	41 825 105	-	(763 825)	220 203 917
											1 224 298 078

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

MUNICIPALITY

30 JUNE 2012

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value R	
	Opening Balance R	Additions R	Transfers and non-exchange additions R	Disposals R	Transfer from Investment Property R	Depreciation Charge R	Impairment R	Disposals R		Closing Balance R
Land and Buildings	15 695 005	1 709 113	-	-	2 496 325	-	555 043	-	3 051 368	14 352 749
Land	2 027 000	-	-	-	-	-	-	-	-	2 027 000
Buildings	13 668 005	1 709 113	-	-	2 496 325	-	555 043	-	3 051 368	12 325 749
Infrastructure	1 252 556 596	56 704 767	-	-	1 309 261 364	-	36 884 213	-	165 302 994	1 143 958 369
Sewerage network	249 141 957	-	8 930 261	-	29 110 177	-	8 427 413	-	37 537 590	220 534 628
Water network	752 609 395	-	155 530 771	-	99 308 604	-	28 456 800	-	127 765 404	780 374 762
Work in Progress	250 805 244	56 704 767	(164 461 032)	-	-	-	-	-	-	143 048 980
As previously reported	248 610 522	57 948 203	(164 461 032)	-	142 037 694	-	-	-	-	142 037 694
Correction of error - note 39.01	2 194 722	(1 243 436)	-	-	-	-	-	-	-	951 286
Other Assets	23 651 488	286 993	-	(354 944)	7 549 606	-	3 436 163	-	(200 164)	12 797 932
Office Equipment	1 780 074	87 277	-	(31 791)	515 498	-	242 989	-	(13 637)	744 850
Furniture & Fittings	2 692 081	43 805	-	-	1 434 342	-	306 114	-	1 740 456	995 430
Motor Vehicles	5 637 977	-	-	(264 035)	2 222 740	-	754 497	-	(157 061)	2 820 176
Fire Engines	8 924 094	-	-	-	861 153	-	1 527 460	-	2 388 613	6 535 481
Computer Equipment	2 431 198	62 949	-	(59 118)	1 420 126	-	375 471	-	(29 466)	688 898
Special Vehicles	945 945	-	-	-	244 528	-	84 415	-	328 943	617 002
Tools and Equipment	1 240 119	92 962	-	-	851 219	-	145 216	-	996 435	336 646
	1 291 903 089	58 700 873	-	(354 944)	138 464 712	-	40 875 420	-	(200 164)	1 171 109 050

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
10 INVESTMENT PROPERTY				
Net Carrying amount at 1 July	4 890 649	4 947 693	2 639 279	2 685 567
Cost	5 079 891	5 079 891	2 813 357	2 813 357
Accumulated Depreciation	(189 242)	(132 198)	(174 078)	(127 790)
Additions	100 000	-	100 000	-
Disposals/Transfers	(27 332)	-	(27 332)	-
- Cost	(30 000)	-	(30 000)	-
- Accumulated Depreciation	2 668	-	2 668	-
Depreciation for the year	(56 223)	(57 044)	(45 496)	(46 288)
Impairment - note 27	(712 528)	-	-	-
Net Carrying amount at 30 June	4 194 567	4 890 649	2 666 452	2 639 279
Cost	5 149 891	5 079 891	2 883 357	2 813 357
Accumulated Depreciation	(242 796)	(189 242)	(216 905)	(174 078)
Accumulated Impairment	(712 528)	-	-	-
Revenue derived from the rental of investment property	10 200	23 761	10 200	23 761

No operating expenditure was incurred on investment property during the 2012/2013 and 2011/2012 financial years.

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

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

11 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July	3 470 779	4 162 800	3 470 779	4 162 800
Cost	4 393 218	3 302 895	4 393 218	3 302 895
Accumulated Amortisation	(922 439)	(227 304)	(922 439)	(227 304)
Work in Progress	-	1 087 209	-	1 087 209
Additions and transfers from work in progress	5 258	1 090 323	2 358	1 090 323
Transfer from Work in Progress	-	(1 087 209)	-	(1 087 209)
Amortisation	(617 551)	(695 135)	(617 519)	(695 135)
Net Carrying amount at 30 June	2 858 486	3 470 779	2 855 618	3 470 779
Cost	4 398 476	4 393 218	4 395 576	4 393 218
Accumulated Amortisation	(1 539 990)	(922 439)	(1 539 958)	(922 439)

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

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

Description	Remaining Period	Carrying Value		Carrying Value	
		2013 R	2012 R	2013 R	2012 R
SAMRAS (Accounting system)	7 years	2 094 418	2 380 898	2 094 418	2 380 898

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
12 NON-CURRENT INVESTMENTS				
Financial Instruments				
Fixed Deposits	1 207 323	1 426 285	1 207 323	1 426 285
Unlisted				
Municipal Entity - Joe Gqabi Economic Development Agency (Soc) Ltd	-	-	1 889 582	3 178 884
Cost	-	-	6 886 141	6 886 140
Provision for Impairment	-	-	(4 996 559)	(3 707 256)
Total Non-Current Investments	1 207 323	1 426 285	3 096 905	4 605 169

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

Prior to 1 July 2012, JoGEDA was still in its establishment phase. All contributions made by the Municipality during the establishment phase was capitalised as part of the investment. In the current year, JoGEDA has become operational and therefore any contributions made by the Municipality is not being capitalised anymore, but rather treated as Grants and Subsidies Paid.

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

Fixed Deposits are investments with a maturity period of more than 12 months and an average interest rate of 9.13% per annum. (2012 - 8.06%). Interest rates are considered to be market related. The carrying amount of these fixed deposits approximates their fair value.

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

Fixed deposits consist of the following accounts:

ABSA - Acc no 2005305817	- Collateral J.W. van der Merwe	-	34 925	-	34 925
ABSA - Acc no 2043706043	- Collateral A.R. Lee Jnr	-	36 400	-	36 400
ABSA - Acc no 2045267243	- Collateral R. Bawuti	-	14 627	-	14 627
ABSA - Acc no 2046041557	- Collateral D.J. Greyling	-	23 897	-	23 897
ABSA - Acc no 2047792430	- Collateral B.D. Patu	-	41 610	-	41 610
ABSA - Acc no 2048731623	- Collateral M.J. Buyeye	-	38 607	-	38 607
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	-	40 735	-	40 735
ABSA - Acc no 2058380282	- Joe Gqabi District Municipality	-	23 024	-	23 024
ABSA - Acc no 7276130255	- Joe Gqabi District Municipality	-	24 354	-	24 354
ABSA - Acc no 660000135	- Building - DBSA Loan	-	1 113 306	-	1 113 306
		1 207 323	1 426 285	1 207 323	1 426 285

The fixed deposits serve as collateral security for the following:

Staff housing loans	-	312 979	-	312 979
DBSA Building loan - note 2	1 207 323	1 113 306	1 207 323	1 113 306
	1 207 323	1 426 285	1 207 323	1 426 285

13 INVENTORY

Fuel and oil – at cost	810 277	871 993	810 277	871 993
Stationery and materials - at cost	30 905	19 136	30 905	19 136
Spare parts - at cost	634 785	320 611	634 785	320 611
Water stock - net realisable value	230 563	-	230 563	-
Total Inventory	1 706 530	1 211 740	1 706 530	1 211 740
Consumable stores materials (gains)/losses identified during stock counts	(17 586)	13 037	(17 586)	13 037
Inventory recognised as an expense during the year	4 837 904	4 629 181	4 837 904	4 629 181

No inventory was pledged as security.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
14 RECEIVABLES FROM EXCHANGE TRANSACTIONS				
Water	10 834 898	-	10 834 898	-
Sewerage	6 085 355	-	6 085 355	-
Joe Gqabi Economic Development Agency (Soc) Ltd	-	-	1 572 078	-
Maletswai Local Municipality	4 789 982	-	4 789 982	-
Other Receivables	3 023 241	3 958 181	3 022 491	3 957 431
Other Debtors	1 911 213	2 918 494	1 911 213	2 918 494
Staff Debtors	180 722	205 960	180 722	205 210
Ex-Staff Debtors	654 271	650 672	653 521	650 672
Pensioners	277 034	183 055	277 034	183 055
	24 733 476	3 958 181	26 304 804	3 957 431
Less: Allowance for Doubtful Debts	(14 049 736)	(951 848)	(14 049 736)	(951 848)
Total Net Receivables from Exchange Transactions	10 683 740	3 006 333	12 255 068	3 005 583

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.

Maletswai Local Municipality owes the Economic Entity for revenue received for water and sanitation as per the billing agreement.

Reconciliation of the Total Doubtful Debt Provision

Balance at beginning of the year	951 848	404 257	951 848	404 257
Transfer of function from Local Municipalities - note 17	12 473 862	-	12 473 862	-
Contributions/(reversal) to provision	13 389 005	547 591	13 389 005	547 591
Doubtful debts written off against provision	(12 764 980)	-	(12 764 980)	-
Balance at end of year	14 049 735	951 848	14 049 735	951 848
Water	7 674 735	-	7 674 735	-
Sewerage	5 006 825	-	5 006 825	-
Other Receivables	1 368 175	951 848	1 368 175	951 848

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

	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
ECONOMIC ENTITY			
2013			
Water	10 834 898	(7 674 735)	3 160 163
Sewerage	6 085 355	(5 006 825)	1 078 530
Local Municipalities	4 789 982	-	4 789 982
Other Receivables	3 023 241	(1 368 175)	1 655 066
Total	24 733 476	(14 049 735)	10 683 741
2012			
Other Receivables	3 958 181	(951 848)	3 006 333
Total	3 958 181	(951 848)	3 006 333
MUNICIPALITY			
2013			
Water	10 834 898	(7 674 735)	3 160 163
Sewerage	6 085 355	(5 006 825)	1 078 530
Joe Gqabi Economic Development Agency (Soc) Ltd	1 572 078	-	1 572 078
Local Municipalities	4 789 982	-	4 789 982
Other Receivables	3 022 491	(1 368 175)	1 654 316
Total	26 304 804	(14 049 735)	12 255 069
2012			
Other Receivables	3 957 431	(951 848)	3 005 583
Total	3 957 431	(951 848)	3 005 583

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
Ageing of Receivables from Exchange Transactions				
<i>(Water): Ageing</i>				
Current (0 - 30 days)	2 074 361	-	2 074 361	-
31 - 60 Days	512 658	-	512 658	-
61 - 90 Days	429 695	-	429 695	-
91 - 120 Days	268 386	-	268 386	-
121 - 150 Days	228 779	-	228 779	-
150+ Days	7 321 019	-	7 321 019	-
Total	10 834 898	-	10 834 898	-
<i>(Sewerage): Ageing</i>				
Current (0 - 30 days)	493 159	-	493 159	-
31 - 60 Days	230 602	-	230 602	-
61 - 90 Days	185 987	-	185 987	-
91 - 120 Days	175 421	-	175 421	-
121 - 150 Days	166 002	-	166 002	-
150+ Days	4 834 184	-	4 834 184	-
Total	6 085 355	-	6 085 355	-
<i>(Other Receivables): Ageing</i>				
Current (0 - 30 days)	328 880	917 601	328 880	917 601
31 - 60 Days	27 742	21 325	27 742	21 325
61 - 90 Days	18 047	14 830	18 047	14 830
+ 90 Days	2 648 572	3 004 425	2 647 822	3 003 675
Total	3 023 241	3 958 181	3 022 491	3 957 431

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CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	15 862 191	15 418 489	13 408 476	15 418 489
Primary Bank Account	10 840 868	5 131 434	10 422 101	1 949 326
Cash Floats	15 300	300	15 300	300
Total Cash and Cash Equivalents - Assets	26 718 359	20 550 223	23 845 877	17 368 115

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

Call Investments Deposits amounting to R13 933 102 are held to fund Unspent Conditional Grants (2012 - R15 219 393).

The Economic Entity has the following bank accounts:

Current Accounts

ABSA - account no 23-8000-0019 (Municipality)	10 422 101	1 949 326	10 422 101	1 949 326
ABSA - account no 40-7880-3628 (JoGEDA)	418 767	3 182 108	-	-
	10 840 868	5 131 434	10 422 101	1 949 326

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

Cash book balance at beginning of year	1 949 326	1 035 574	1 949 326	1 035 574
Cash book balance at end of year	10 422 101	1 949 326	10 422 101	1 949 326
Bank statement balance at beginning of year	1 982 887	1 212 016	1 982 887	1 212 016
Bank statement balance at end of year	10 453 499	1 982 887	10 453 499	1 982 887

ABSA - account no 40-7880-3628 (JoGEDA)

Cash book balance at beginning of year	3 182 108	-	-	-
Cash book balance at end of year	418 767	3 182 108	-	-
Bank statement balance at beginning of year	3 182 108	-	-	-
Bank statement balance at end of year	418 767	3 182 108	-	-

Call Investments Deposits

ABSA - Acc no 9084169245 - MIG	1 765 557	3 418 034	1 765 557	3 418 034
ABSA - Acc no 9185426744 - General Fund Operational Funds	763 927	7 541 554	763 927	7 541 554
ABSA - Acc no 9072226158 - Public Works Special Programme	2 456 466	2 317 276	2 456 466	2 317 276
ABSA - Acc no 9122637071 - Wetlands Projects	197 826	1 819	197 826	1 819
ABSA - Acc no 9270029895 - Environmental Affairs Mazibuyele Emasasweni	920 783	1 881 884	920 783	1 881 884
ABSA - Acc no 9276836949 - Joe Gqabi Capital Purchasing	2 303 916	-	2 303 916	-
ABSA - Acc no 9275708888 - JoGEDA	2 453 716	-	-	-
FNB - Acc no 61161929886 - Structure Plan Herschel	-	218 229	-	218 229
Trust Account - Greyvenstein & Spence - IDC Trust Account	-	39 693	-	39 693
Standard Bank - Acc no 58809373001 - Joe Gqabi District Municipality	5 000 000	-	5 000 000	-
	15 862 191	15 418 489	13 408 475	15 418 489

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
16 GOVERNMENT GRANTS AND SUBSIDIES				
Unconditional Grants	166 968 025	150 692 477	166 368 902	150 093 354
Equitable Share	165 965 000	149 031 000	165 965 000	149 031 000
LG Seta	403 902	1 062 354	403 902	1 062 354
Elundini Local Municipality	307 018	307 018	-	-
Senqu Local Municipality	292 105	292 105	-	-
Conditional Grants	224 450 635	164 338 884	222 600 743	164 338 884
ACIP	-	-	-	-
Alphine Tourism	58 937	281 097	58 937	281 097
Department Water Affairs	1 314 653	1 913 983	1 314 653	1 913 983
Grant for Gariep	1 500 000	-	1 500 000	-
Environmental Health Practitioners	-	-	-	-
EPWP Programme	1 940 000	2 458 000	1 940 000	2 458 000
Finance Management Grant (FMG)	1 261 366	1 227 618	1 261 366	1 227 618
Gariep Implement Lake	-	500 001	-	500 001
Heritage, Tourism & Economic Strategy	8 314	9 311	8 314	9 311
Heritage Management Plan (UCG)	292 959	253 887	292 959	253 887
Industrial Development Corporation (IDC)	1 849 892	-	-	-
Invoice Based Finance	556 921	982 274	556 921	982 274
LED Capacity	233 365	481 045	233 365	481 045
Libraries	-	3 990 000	-	3 990 000
Municipal Infrastructure Grant (MIG)	167 654 836	123 954 001	167 654 836	123 954 001
Municipal Systems Improvement Grant (MSIG)	1 236 112	324 641	1 236 112	324 641
Public Transport	-	505 977	-	505 977
Public Works - Special Programme	32 485 803	26 936 117	32 485 803	26 936 117
Rural Roads Asset Management Grant	2 929 187	-	2 929 187	-
Stimulation of Economy through Marketing	50 500	520 932	50 500	520 932
Water Services Operating Subsidy	11 077 790	-	11 077 790	-
Total Government Grants and Subsidies	391 418 660	315 031 361	388 969 645	314 432 238
Government Grants and Subsidies - Capital	96 876 141	64 980 991	96 876 141	64 980 991
Government Grants and Subsidies - Operating	305 196 449	251 503 094	302 747 434	250 903 971
	402 072 591	316 484 085	399 623 576	315 884 962
As previously reported		316 567 962		
Correction of error restatement - note 39.03		(83 877)		
Restated balance		316 484 085		
The Economic Entity does not expect any significant changes to the level of grants. No grants were withheld during the current year.				
Revenue recognised per vote as required by Section 123 (c) of the MFMA:				
Equitable share	165 965 000	149 031 000	165 965 000	149 031 000
Management Services	1 236 112	324 641	1 236 112	324 641
Financial Services	1 261 366	1 227 618	1 261 366	1 227 618
Corporate Services	403 902	1 062 354	403 902	1 062 354
Technical Services	218 902 269	155 768 078	218 902 269	155 768 078
Community Services	11 854 927	8 471 271	11 854 927	8 471 271
Joe Gqabi Economic Development Agency (Soc) Ltd	2 449 015	599 123	-	-
	402 072 591	316 484 085	399 623 576	315 884 962
16.01 Equitable share				
Opening balance	-	-	-	-
Grants received	165 965 000	149 031 000	165 965 000	149 031 000
Conditions met - Operating	(165 965 000)	(149 031 000)	(165 965 000)	(149 031 000)
Conditions met - Capital	-	-	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.				
16.02 Finance Management Grant (FMG)				
Opening balance	12 265	(10 118)	12 265	(10 118)
Grants received	1 250 000	1 250 000	1 250 000	1 250 000
Conditions met - Operating	(1 261 366)	(1 227 618)	(1 261 366)	(1 227 618)
Conditions met - Capital	-	-	-	-
Conditions still to be met	898	12 265	898	12 265
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).				

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
16.03 Municipal Systems Improvement Grant (MSIG)				
Opening balance	556 659	91 300	556 659	91 300
Grants received	1 000 000	790 000	1 000 000	790 000
Conditions met - Operating	(1 236 112)	(324 641)	(1 236 112)	(324 641)
Conditions met - Capital	-	-	-	-
Conditions still to be met	320 547	556 659	320 547	556 659
The purpose of the grant is to support municipalities in implementing new systems as provided in the Municipal Systems Act, Municipal Structures Act and other related local government policy and legislation so that they can carry out mandated functions effectively.				
16.04 Municipal Infrastructure Grant (MIG)				
Opening balance	(4 394 202)	(24 397 201)	(4 394 202)	(24 397 201)
Grants received	174 629 000	143 957 000	174 629 000	143 957 000
Conditions met - Operating	(81 856 485)	(58 973 010)	(81 856 485)	(58 973 010)
Conditions met - Capital	(85 798 351)	(64 980 991)	(85 798 351)	(64 980 991)
Conditions still to be met/(Grant expenditure to be recovered)	2 579 962	(4 394 202)	2 579 962	(4 394 202)
The vision of the MIG programme is to provide all South Africans with at least a basic level of service by the year 2013 through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. This also includes the rehabilitation and upgrading of existing infrastructure. The Economic Entity's programmes cover both Sanitation and Water projects.				
16.05 Public Works - Special Programme				
Opening balance	(2 959 136)	(6 457 064)	(2 959 136)	(6 457 064)
Grants received	34 983 935	30 434 045	34 983 935	30 434 045
Conditions met - Operating	(32 485 803)	(26 936 117)	(32 485 803)	(26 936 117)
Conditions met - Capital	-	-	-	-
Grant expenditure to be recovered	(461 004)	(2 959 136)	(461 004)	(2 959 136)
This grant is used for the maintenance of gravel roads in the Gariep and Maletswai parts of the district. At times special projects are also allocated to the Economic Entity by the Department of Roads and Public Works in other parts of the district.				
16.06 Accelerated Community Infrastructure Programme (ACIP)				
Opening balance	-	(3 654 000)	-	(3 654 000)
Grants received	7 770 827	3 654 000	7 770 827	3 654 000
Conditions met - Operating	(7 770 827)	-	(7 770 827)	-
Conditions met - Capital	-	-	-	-
Grant expenditure to be recovered	-	-	-	-
This grant is used for the upgrade of infrastructure.				
16.07 Water Services Operating Subsidy				
Opening balance	-	-	-	-
Grants received	11 604 000	-	11 604 000	-
Conditions met - Operating	-	-	-	-
Conditions met - Capital	(11 077 790)	-	(11 077 790)	-
Grant expenditure to be recovered	526 210	-	526 210	-
This grant used for the refurbishment of water infrastructure.				
16.08 Environmental Health Practitioners (EHP)				
Opening balance	(1 452 724)	-	(1 452 724)	-
Grants received	4 213 210	-	4 213 210	-
Conditions met - Operating	(2 883 104)	(1 452 724)	(2 883 104)	(1 452 724)
Conditions met - Capital	-	-	-	-
Grant expenditure to be recovered	(122 618)	(1 452 724)	(122 618)	(1 452 724)
This grant is paid by the Department of Health and was initiated when the EHP staff from the province were transferred to the district municipalities. This grant is used for the EHP staff's salaries.				
16.09 Other Grants				
Opening balance	(35 608 196)	(38 417 690)	(37 801 178)	(38 417 690)
Grants received	7 586 306	16 367 477	6 724 025	13 575 372
Conditions met - Operating	(11 737 752)	(13 557 984)	(9 288 737)	(12 958 861)
Conditions met - Capital	-	-	-	-
Grant expenditure to be recovered	(39 759 643)	(35 608 196)	(40 365 891)	(37 801 178)

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
Other Grants consist of the following and is utilised as follows:				
<u>Department Water Affairs</u>				
Implementation of Water Service Authority business plan to supply water.				
<u>Emergency Drought Relief</u>				
To supply water when district was declared a disaster area.				
<u>Disaster Management Forum</u>				
To ensure operation of the disaster management forum.				
<u>Disaster Management Establishment of Centres</u>				
Construct and equip disaster centres.				
<u>Disaster Management Plan</u>				
To develop and review disaster management plan.				
<u>Disaster Management Fire & Emergency Services</u>				
Run of fire service.				
<u>Disaster Management Policy Framework</u>				
Development of disaster policies.				
<u>EPWP Programme</u>				
Incentive grant for creating jobs, whereby unemployed persons get employed on projects to create employment.				
<u>Heritage, Tourism & Economic Strategy</u>				
Heritage plan for Barkly East to promote tourism.				
<u>Heritage Management Plan (UCG)</u>				
This is an European Union funded grant for the development of a heritage management strategy for the district.				
<u>Invoice Based Finance</u>				
This grant was funded by the European Union to purchase the SAMRAS financial system.				
<u>LED Capacity</u>				
This grant is funded by Local Government to pay for the salary and administration costs of the LED specialist for the JGDM area.				
<u>DWA Bylaws</u>				
This grant is for the bylaws of water and sanitation function that has been taken over from the Local Municipalities by JGDM.				
<u>Stimulation of Economy through Marketing</u>				
This is also an European Union funded grant for the implementation of the tourism master plan.				
<u>Alpine Tourism</u>				
This is an European Union funded grant for the assessment of potential of highlying areas of Senqu Municipal area for tourism.				
<u>DBSA Municipal Support Framework</u>				
To assess Local Municipalities' requirements for support by JGDM.				
<u>Grant for Gariep</u>				
This grant was received to assist Gariep LM in their financial recovery.				
<u>Rural Roads Asset Management Grant (Public Transport)</u>				
Determining the extent of the municipal road network, the condition and maintenance requirements.				
<u>LG Seta</u>				
This grant is used to assist with the training needs of the municipality.				
<u>Industrial Development Corporation (IDC)</u>				
The grant is used to promote economic growth in the district.				
<u>Elundini Local Municipality</u>				
This in an unconditional grant which is made to JoGEDA in terms of the service level agreement with the IDC.				
<u>Senqu Local Municipality</u>				
This in an unconditional grant which is made to JoGEDA in terms of the service level agreement with the IDC.				

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
Other Grants had the following balances at year-end:				
Department Water Affairs	(5 749)	1 308 903	(5 749)	1 308 903
Emergency Drought Relief	(49 560 760)	(49 560 760)	(49 560 760)	(49 560 760)
Public Transport	-	1 182 023	-	1 182 023
Disaster Management Forum	36 115	36 115	36 115	36 115
Disaster Management Establishment of Centres	5 449 773	5 449 773	5 449 773	5 449 773
Disaster Management Plan	1 497 929	1 497 929	1 497 929	1 497 929
Disaster Management Fire & Emergency Services	1 667 736	1 667 736	1 667 736	1 667 736
Disaster Management Policy Framework	338 434	338 434	338 434	338 434
Heritage, Tourism & Economic Strategy	-	8 314	-	8 314
Heritage Management Plan (UCG)	-	292 959	-	292 959
Industrial Development Corporation (IDC)	606 248	2 192 982	-	-
Invoice Based Finance	-	223 330	-	223 330
LED Capacity	580 415	42 535	580 415	42 535
DWA Bylaws	300 000	300 000	300 000	300 000
Stimulation of Economy through Marketing	-	50 500	-	50 500
Alphine Tourism	-	58 937	-	58 937
DBSA Municipal Support Framework	(697 907)	(697 907)	(697 907)	(697 907)
Rural Roads Asset Management Grant	28 836	-	28 836	-
LG Seta	(713)	-	(713)	-
	(39 759 643)	(35 608 196)	(40 365 891)	(37 801 178)
Other Grants received during the year:				
Department Water Affairs	-	1 900 000	-	1 900 000
EPWP Programme	1 940 000	2 458 000	1 940 000	2 458 000
Public Transport	-	1 688 000	-	1 688 000
Alphine Tourism	-	234 410	-	234 410
Heritage Management Plan (UCG)	-	392 753	-	392 753
Invoice Based Finance	333 591	1 205 603	333 591	1 205 603
LED Capacity	771 245	371 245	771 245	371 245
Libraries	-	3 990 000	-	3 990 000
Stimulation of Economy through Marketing	-	273 005	-	273 005
Grant for Gariep	1 500 000	-	1 500 000	-
Rural Roads Asset Management Grant	1 776 000	-	1 776 000	-
LG Seta	403 189	1 062 354	403 189	1 062 354
Industrial Development Corporation (IDC)	307 018	307 018	-	-
Elundini Local Municipality	292 105	292 105	-	-
Senqu Local Municipality	263 158	2 192 982	-	-
	7 586 306	16 367 477	6 724 025	13 575 372
16.10 Total Grants				
Opening balance	(43 845 335)	(72 844 772)	(46 038 317)	(72 844 772)
Grants received	409 002 277	345 483 522	408 139 996	342 691 417
Conditions met - Operating	(305 196 449)	(251 503 094)	(302 747 434)	(250 903 971)
Conditions met - Capital	(96 876 141)	(64 980 991)	(96 876 141)	(64 980 991)
Grant expenditure to be recovered	(36 915 648)	(43 845 335)	(37 521 896)	(46 038 317)
<u>Disclosed as follows:</u>				
Unspent Conditional Government Grants and Receipts	13 933 103	15 219 393	13 326 855	13 026 411
Unpaid Conditional Government Grants and Receipts	(50 848 751)	(59 064 728)	(50 848 751)	(59 064 728)
	(36 915 648)	(43 845 335)	(37 521 896)	(46 038 317)

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
17 TRANSFER OF FUNCTION				
17.01 Transfer of Water and Sanitation Function from Local Municipalities				
<p>The water and sanitation service was transferred on 1 July 2012 from Senqu, Elundini and Maletswai Local Municipalities (excluding Gariep Local Municipality). The assets and liabilities related to the service were transferred to the Economic Entity as a going concern. This transfer also included the related employees. Assets and liabilities were valued at fair value as on recognition date, 1 July 2012.</p>				
Assets				
Receivables from Exchange Transactions - fair value	5 910 199	-	5 910 199	-
Gross contractual amounts receivable	18 384 061	-	18 384 061	-
Contractual cash flows not expected to be collected	(12 473 862)	-	(12 473 862)	-
Inventory	367 387	-	367 387	-
Fair value of assets associated with transfer of function	6 277 586	-	6 277 586	-
Liabilities				
Employee Benefits	(2 853 254)	-	(2 853 254)	-
Post Retirement Medical Obligations	(2 085 427)	-	(2 085 427)	-
Long Service Awards	(767 827)	-	(767 827)	-
Current Employee Benefits	(2 176 714)	-	(2 176 714)	-
Bonuses Accrued	(645 579)	-	(645 579)	-
Provision for Staff Leave	(1 531 135)	-	(1 531 135)	-
South African Revenue Service	(575 055)	-	(575 055)	-
Output VAT amount as per gross contractual amounts receivable	(1 795 254)	-	(1 795 254)	-
Output VAT amount on cash flows not expected to be collected	1 220 198	-	1 220 198	-
Fair value of liabilities associated with transfer of function	(5 605 023)	-	(5 605 023)	-
Net asset value transferred	672 562	-	672 562	-
17.02 Transfer of Municipal Health Services				
<p>The Provincial Department of Health transferred the municipal health service function to the Economic Entity with effect from 1 July 2012. This involved the transfer of movable assets. Assets and liabilities were valued at fair value as on recognition date, 1 July 2012.</p>				
Assets				
Property, Plant and Equipment	11 370	-	11 370	-
Fair value of assets associated with transfer of function	11 370	-	11 370	-
17.03 Total Transfer of Function				
Transfer of Water and Sanitation Function from Local Municipalities	672 562	-	672 562	-
Transfer of Municipal Health Services	11 370	-	11 370	-
Total net asset value transferred	683 933	-	683 933	-
18 SERVICE CHARGES				
Water	29 014 375	-	29 014 375	-
Sewerage and Sanitation Charges	12 182 725	-	12 182 725	-
	41 197 100	-	41 197 100	-
Less: Rebates (including free basic services for indigents)	(13 694 763)	-	(13 694 763)	-
Total Service Charges	27 502 337	-	27 502 337	-
<p>Rebates can be defined as any income that the Economic Entity is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.</p>				
19 GOVERNMENT SERVICES				
Working for Water	16 232 689	12 790 147	16 232 689	12 790 147
Working for Wetlands	3 383 049	5 846 366	3 383 049	5 846 366
Total Government Services	19 615 738	18 636 513	19 615 738	18 636 513

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
20 INTEREST EARNED - EXTERNAL INVESTMENTS				
Call Investment Deposits	2 923 572	1 107 701	2 833 131	1 107 701
Primary Bank Account	215 835	189 320	215 835	189 286
Fixed Deposits	94 017	106 441	94 017	106 441
Total Interest Earned - External Investments	3 233 424	1 403 462	3 142 983	1 403 428
21 INTEREST EARNED - OUTSTANDING DEBTORS				
Water Debtors	986 757	-	986 757	-
Sewerage Debtors	405 213	-	405 213	-
Total Interest Earned - Outstanding Debtors	1 391 970	-	1 391 970	-
22 OTHER INCOME				
Sundry Income	657 551	279 655	657 551	279 655
Rental of Facilities and Equipment	10 200	23 761	10 200	23 761
Unknown Receipts recognised as income	594 899	1 025 999	594 899	1 025 999
Insurance claims	110 200	414 538	105 989	414 538
Total Other Income	1 372 850	1 743 953	1 368 639	1 743 953
23 EMPLOYEE RELATED COSTS				
Bonuses	4 946 669	4 057 494	4 830 597	4 004 826
Contribution to current employee benefits - Staff Leave - Note 4	2 196 265	772 818	2 129 149	750 685
Contribution to non-current employee benefits - Long Service Awards - Note 3	674 787	423 377	674 787	423 377
Contribution to non-current employee benefits - Post Retirement Medical - Note 3	1 337 289	905 396	1 337 289	905 396
Contribution to non-current employee benefits - Ex Gratia Gratuities - Note 3	23 216	26 887	23 216	26 887
Contributions for UIF, Pensions and Medical Aids	14 642 359	10 846 694	14 613 873	10 837 110
Salaries and Wages	68 046 791	50 530 552	66 457 646	50 044 416
Housing Benefits and Allowances	766 802	632 396	766 802	632 396
Overtime Payments	3 519 838	2 319 895	3 519 838	2 319 676
Performance Bonuses	815 931	725 529	815 931	725 529
Travel, Motor Car, Telephone, Subsistence and Other Allowances	9 523 701	8 034 858	9 170 353	7 923 204
Total Employee Related Costs	106 493 648	79 275 896	104 339 481	78 593 502
REMUNERATION OF MANAGEMENT PERSONNEL				
The 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 years history. Performance bonuses are usually paid in the following year.				
Municipal Manager - Z A Williams				
Annual Remuneration	1 145 535	1 066 933	1 145 535	1 066 933
Performance Bonuses	197 643	187 396	197 643	187 396
Travel Allowance	112 200	93 500	112 200	93 500
Telephone allowance	36 000	15 000	36 000	15 000
Contributions to UIF, Medical and Pension Funds	177 474	163 110	177 474	163 110
Total	1 668 852	1 525 939	1 668 852	1 525 939
Director Technical Services - R J Fortuin				
Annual Remuneration	930 403	762 107	930 403	762 107
Performance Bonuses	155 996	159 086	155 996	159 086
Travel Allowance	170 220	170 220	170 220	170 220
Telephone allowance	11 120	9 464	11 120	9 464
Contributions to UIF, Medical and Pension Funds	110 178	194 540	110 178	194 540
Total	1 377 917	1 295 417	1 377 917	1 295 417
Director Corporate Services - H Z Jantjie				
Annual Remuneration	1 050 613	946 381	1 050 613	946 381
Performance Bonuses	143 997	125 659	143 997	125 659
Travel Allowance	84 000	129 310	84 000	129 310
Telephone allowance	11 278	9 464	11 278	9 464
Contributions to UIF, Medical and Pension Funds	64 111	57 200	64 111	57 200
Total	1 353 999	1 268 014	1 353 999	1 268 014
Director Financial Services (appointed December 2011) - J M Jackson				
Annual Remuneration	1 053 255	573 068	1 053 255	573 068
Performance Bonuses	95 998	93 348	95 998	93 348
Travel Allowance	98 400	57 400	98 400	57 400
Telephone allowance	11 278	5 521	11 278	5 521
Contributions to UIF, Medical and Pension Funds	58 401	30 785	58 401	30 785
Total	1 317 333	760 123	1 317 333	760 123

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
Director Community Services - F J Sephton				
Annual Remuneration	1 056 460	965 129	1 056 460	965 129
Performance Bonuses	155 996	160 039	155 996	160 039
Travel Allowance	156 000	156 000	156 000	156 000
Telephone allowance	11 278	9 464	11 278	9 464
Contributions to UIF, Medical and Pension Funds	15 083	12 540	15 083	12 540
Total	1 394 818	1 303 173	1 394 818	1 303 173
Chief Executive Officer of JoGEDA (appointed December 2011) - N Moleko				
Annual Remuneration	821 670	391 781	-	-
Travel Allowances	209 308	104 654	-	-
Telephone Allowances	12 000	7 000	-	-
Contributions for UIF and SDL	12 079	5 698	-	-
Total	1 055 057	509 133	-	-

24 REMUNERATION OF COUNCILLORS

Councillors	3 792 066	3 746 824	3 792 066	3 746 824
Councillors' Pension and Medical Aid Contributions	518 113	339 556	518 113	339 556
Total Councillors' Remuneration	4 310 179	4 086 380	4 310 179	4 086 380

In-kind Benefits

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

Applicable both to the Economic Entity and Municipality.

	2013 Remuneration	2013 Contributions	2013 Total
Members of the Mayoral Committee	2 885 443	443 192	3 328 635
ZI Dumzela - Executive Mayor	597 160	122 014	719 174
B Salman - Speaker	486 156	76 497	562 653
GS Brown - Portfolio Head: Financial Services (resigned August 2012)	82 558	770	83 328
TZ Noyeke - Portfolio Head: Financial Services (appointed February 2013)	176 556	1 781	178 336
LN Gova - Portfolio Head: Community Services (resigned February 2013)	359 768	49 301	409 069
D Mvumvu - Portfolio Head: Community Services (appointed February 2013)	99 811	961	100 772
NP Mposelwa - Portfolio Head: Technical Services	458 442	71 735	530 177
XG Motloi - Portfolio Head: Corporate Services (resigned February 2013)	345 513	59 999	405 512
N Ngubo - Portfolio Head: Corporate Services (appointed February 2013)	279 479	60 134	339 613
Proportional elected Councillors	806 493	73 920	880 412
S Mei (appointed October 2012)	163 533	1 635	165 168
DF Hartkopf	217 081	1 990	219 071
V Mbulawa	177 678	41 068	218 746
MC Manxeba	189 982	28 727	218 709
MW Mpelwane (appointed April 2013)	58 218	499	58 718
Representative Councillors	100 131	1 001	101 132
Totale Councillors Remuneration	3 792 066	518 113	4 310 179

The Portfolio Head: Financial Services position was vacant from 1 September 2012 to February 2013.

	2012 Remuneration	2012 Contributions	2012 Total
Members of the Mayoral Committee	2 889 828	306 200	3 196 028
ZI Dumzela - Executive Mayor	598 006	80 872	678 878
B Salman - Speaker	476 254	55 586	531 840
GS Brown - Portfolio Head: Financial Services	494 401	5 185	499 586
LN Gova - Portfolio Head: Community Services	448 402	50 543	498 945
NP Mposelwa - Portfolio Head: Technical Services	448 698	51 185	499 883
XG Motloi - Portfolio Head: Corporate Services	424 066	62 830	486 895
Proportional elected Councillors	746 435	71 156	817 590
DF Hartkopf	202 351	2 330	204 681
V Mbulawa	175 080	28 929	204 009
N Ngubo	180 834	23 589	204 424
NC Manxeba	188 170	16 307	204 477
Representative Councillors	110 561	1 106	111 667
	3 746 824	378 462	4 125 285
Less: SDL included under Employee Related Costs	-	(30 706)	(30 706)
Less: UIF included under Employee Related Costs	-	(8 200)	(8 200)
	3 746 824	339 555	4 086 379

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
25 REMUNERATION OF DIRECTORS				
Sitting allowances	171 950	225 750	-	-
Total Remuneration of Directors	171 950	225 750	-	-
The members of the board of directors are all non-executive directors, except N Moleko (CEO) who is an executive member.				
Sitting allowances per director were as follows:				
V Zitumane	38 100	87 750	-	-
Z Zeka	13 000	24 000	-	-
G Orpen	-	3 000	-	-
S Qongo	15 000	30 000	-	-
N Skweyiya	33 000	33 000	-	-
N Moleko	-	18 000	-	-
J van Zyl	-	12 000	-	-
B Mhlaba	19 000	6 000	-	-
C Sam	53 850	12 000	-	-
Total Remuneration of Directors	171 950	225 750	-	-
26 DEBT IMPAIRMENT				
Contributions to provision - note 14	13 389 005	547 591	13 389 005	547 591
Less: Portion relating to VAT - note 8	8 860	-	8 860	-
Total Debt Impairment	13 397 866	547 591	13 397 866	547 591
27 IMPAIRMENTS				
Unpaid Government Grants - Drought Relief - note 7	4 427 261	-	4 427 261	-
Property, Plant and Equipment - note 9	-	1 707	-	-
Investment Property - note 10	712 528	-	-	-
Investment in Joe Gqabi Economic Development Agency (Soc) Ltd - note 12	-	-	1 289 303	1 875 415
Total Impairments	5 139 789	1 707	5 716 564	1 875 415
The impairment for the current year relates to the Rhodes properties which were vandalised. The latest municipal valuation roll was used in order to determine the impairment.				
28 DEPRECIATION AND AMORTISATION				
Property, Plant and Equipment - note 9	41 862 300	40 910 041	41 825 105	40 875 420
Investment Property - note 10	56 223	57 044	45 496	46 288
Intangible Assets - note 11	617 551	695 135	617 519	695 135
Total Depreciation and Amortisation	42 536 074	41 662 220	42 488 120	41 616 843
29 REPAIRS AND MAINTENANCE				
Infrastructure	14 928 705	8 434 914	14 928 705	8 434 914
As previously reported		8 631 661		8 631 661
Correction of error restatement - note 39.01		(196 747)		(196 747)
Land and Buildings	142 584	110 486	142 584	110 486
Other Assets	558 150	962 271	552 222	962 271
Total Repairs and Maintenance	15 629 439	9 507 671	15 623 511	9 507 671

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
30 ACTUARIAL LOSSES				
Post Retirement Medical Obligations	1 995 028	1 606 003	1 995 028	1 606 003
Ex Gratia Gratuities	(132 759)	74 829	(132 759)	74 829
Long Service Awards	(346 387)	427 539	(346 387)	427 539
Total Actuarial Losses	1 515 882	2 108 371	1 515 882	2 108 371
31 FINANCE CHARGES				
Long-term Liabilities	763 711	804 217	763 711	804 217
Non-current Employee Benefits	1 942 580	1 771 083	1 942 580	1 771 083
Other	9 776	-	401	-
Total Finance Charges	2 716 067	2 575 300	2 706 692	2 575 300
32 CONTRACTED SERVICES				
Water Services	34 845 152	30 410 371	34 845 152	30 410 371
Local Municipalities	3 442 651	-	3 442 651	-
Other Contractors	31 402 501	30 410 371	31 402 501	30 410 371
Sanitation Services	12 543 604	8 140 370	12 543 604	8 140 370
Local Municipalities	1 926 226	-	1 926 226	-
Other Contractors	10 617 378	8 140 370	10 617 378	8 140 370
Total Contracted Services	47 388 756	38 550 741	47 388 756	38 550 741
Contracted services paid to Local Municipalities include a 15% collection fee of all monies collected by the Local Municipalities on behalf of Joe Gqabi District Municipality as well as a standard rate per monthly statement printed.				
33 BULK PURCHASES				
Water	8 682 212	-	8 682 212	-
Total Bulk Purchases	8 682 212	-	8 682 212	-
34 GRANTS AND SUBSIDIES PAID				
Elundini Local Municipality	-	9 903 000	-	9 903 000
Gariep Local Municipality	10 710 780	8 852 934	10 710 780	8 852 934
Maletswai Local Municipality	-	9 234 315	-	9 234 315
Senqu Local Municipality	-	10 236 940	-	10 236 940
Joe Gqabi Economic Development Agency (SoC) Ltd	-	-	1 575 000	-
Total Grants and Subsidies Paid	10 710 780	38 227 189	12 285 780	38 227 189

A service level agreement was entered into with all the Local Municipalities. According to the agreement, the Local Municipalities take ownership for the delivery of water and sanitation services. A subsidy is payable to the Local Municipalities based on the projected budget deficit for the water and sanitation service delivery. The infrastructure for water and sanitation network is owned by the Economic Entity and leased to the Local Municipalities. These agreement were terminated on 30 June 2012 for all Local Municipalities, except for Gariep Local Municipality. The agreement with Gariep Local Municipality terminated on 30 June 2013.

The grant paid to Joe Gqabi Economic Development Agency (SoC) Ltd (JoGEDA) is in terms of the service level agreement with the IDC. This grant is used for operating activities by JoGEDA.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
35 OPERATING GRANT EXPENDITURE				
Management Services	1 302 094	239 146	1 302 094	239 146
Financial Services	781 485	887 219	781 485	887 219
Corporate Services	743 980	697 868	743 980	697 868
Technical Services	86 243 424	65 712 028	86 243 424	65 712 028
As previously reported		64 271 845		64 271 845
Correction of error restatement - note 39.01		1 440 183		1 440 183
Community Services	15 058 228	18 484 070	15 058 228	18 484 070
Total Operating Grant Expenditure	104 129 211	86 020 331	104 129 211	86 020 331
36 GENERAL EXPENSES				
Audit Fees	5 171 059	3 272 108	4 780 425	3 093 012
Advertising Fees	263 508	94 786	202 293	59 945
Bank Charges	101 799	82 683	93 921	77 765
Chemicals	1 369 934	-	1 369 934	-
Computer Charges	1 331 958	1 664 636	1 331 958	1 664 636
Consulting Fees	2 641 339	3 481 654	1 792 957	2 741 871
Entertainment	73 664	32 062	57 699	25 680
Fuel and oil	3 790 675	9 500	3 790 675	9 500
Insurance	2 920 037	1 278 253	2 919 535	1 252 130
Legal Fees	311 781	293 343	311 781	291 900
Material and protective clothing	298 974	63 225	298 974	63 225
Marketing	134 633	19 467	134 633	19 467
Membership Fees	656 122	699 626	656 122	699 626
Postage	9 015	8 524	9 015	8 524
Printing and Stationary	403 615	290 840	357 698	249 412
Rentals	356 400	360 105	356 400	360 105
Security	300 702	238 833	295 238	232 872
Services	420 075	236 201	420 075	236 201
Special programmes	913 620	1 921 356	913 620	1 921 356
Telephone	1 346 772	1 495 795	1 317 370	1 444 567
Training	330 156	166 869	255 051	166 869
Travel and Subsistence	8 180 699	5 439 178	7 534 460	4 994 084
Water and Electricity	11 298 388	5 347 180	11 298 388	5 347 180
Other	1 233 160	301 940	1 153 897	235 014
Total General Expenses	43 858 085	26 798 164	41 652 119	25 194 941
The take over of water services from the local municipalities resulted in changes in expenditure patterns to the prior year. Fuel and Oil has also changed due to the reclassification of the Roads grant.				
37 DISCONTINUED OPERATIONS				
In the prior year the primary health function was transferred to the Eastern Cape Provincial Department of Health. The effective date of the transfer was 1 April 2011 for employees and 30 June 2011 for all assets. All assets and staff were transferred to the Eastern Cape Provincial Department of Health.				
The Revenue and Expenditure relating to this operation:				
Revenue				
Other Income	-	143 002	-	143 002
Expenditure				
Repairs and maintenance	-	(4 511)	-	(4 511)
Total Discontinued Operations	-	138 491	-	138 491
38 TAXATION				
Normal taxation	-	-	-	-
No taxation is payable since the Economic Entity has an assessed tax loss of R4 071 953.				
No provision were made for a deferred tax assets. In terms of current tax legislation it is not probable that the Economic Entity will make a taxable profit				

JOE QGABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		ECONOMIC ENTITY	MUNICIPALITY
		2012 R	2012 R
39	CORRECTION OF ERROR IN TERMS OF GRAP 3		
39.01	Property, Plant and Equipment		
	Capital expenditure amounting to R1 314 970 was incorrectly classified as operating expenditure in the 2011/12 financial year. Further to this, operating expenditure amounting to R2 558 405 was incorrectly classified as capital expenditure. The net result of these errors was that Repairs and Maintenance was overstated by R196 747 while Operating Grant Expenditure was understated by R1 440 183. Property, Plant and Equipment was over stated by R1 243 436.		
	The unbundling of the Alwal North Water Tower project revealed that the work in progress was understated by R2 194 722. This understatement is a result of work in progress being incorrectly classified during the initial unbundling of the Municipalities assets in the 2009/10 financial year.		
	Refer to Property, Plant & Equipment (Work in Progress - Opening Balance) - note 9	2 194 722	2 194 722
	Refer to Property, Plant & Equipment (Work in Progress - Additions) - note 9	(1 243 436)	(1 243 436)
	Refer to Repairs and Maintenance - note 29	(196 747)	(196 747)
	Refer to Operating Grant Expenditure - note 35	1 440 183	1 440 183
	Refer to Statement of Changes in Net Assets	(2 194 722)	(2 194 722)
39.02	Payables from Exchange Transactions		
	An invoice, subject to dispute and litigation, dated 20 November 2010 was only received during the current financial year. This invoice was not provided for in previous financial years. Accordingly, Payables from Exchange Transactions were understated, while Accumulated Surplus was overstated.		
	Refer to Statement of Changes in Net Assets	215 600	215 600
	Refer to Payables from Exchange Transactions - note	(215 600)	(215 600)
39.03	South African Revenue Services		
	Output VAT was not raised on grants received from local municipalities as SARS did not give clear guidance when the 2011/12 financial statements were submitted. In the current year, SARS issued a revised guidance that clarified that output VAT was payable on grants received from the local municipalities. Therefore VAT was understated while Government Grants and subsidies was overstated by R83 877.		
	Refer to South African Revenue Services - note 8	(83 877)	-
	Refer to Government Grants and Subsidies - note 16	83 877	-

		ECONOMIC ENTITY		MUNICIPALITY	
		2013 R	2012 R	2013 R	2012 R
40	RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS				
	Surplus for the year	48 867 982	2 126 571	48 770 286	2 210 451
	Adjustments for:				
	Depreciation	42 536 074	41 662 220	42 488 120	41 616 843
	Contribution from/to employee benefits - non-current	3 977 872	3 126 743	3 977 872	3 126 743
	Contribution from/to employee benefits - non-current - expenditure incurrec	(1 043 550)	(1 165 433)	(1 043 550)	(1 165 433)
	Contribution from/to employee benefits - non-current - actuarial losses	1 515 882	2 108 371	1 515 882	2 108 371
	Contribution to employee benefits – current	6 410 282	4 036 895	6 250 800	3 965 668
	Contribution to employee benefits – current - expenditure incurrec	(4 523 839)	(7 028 592)	(4 474 745)	(7 028 592)
	Contribution to/of provisions – Allowance for Doubtful Debt	13 389 005	547 591	13 389 005	547 591
	Bad debts written off	(12 764 980)	-	(12 764 980)	-
	Transfer of Function	(683 933)	-	(683 933)	-
	Public Contributions in the form of movable assets	(235 978)	-	(235 978)	-
	Impairments	5 139 789	1 707	5 716 564	1 875 415
	Loss on disposal of Property, Plant and Equipment	122 421	154 780	120 015	154 780
	Grants Received	409 002 277	345 483 522	408 139 996	342 691 417
	Grant Expenditure	(402 072 591)	(316 484 084)	(399 623 576)	(315 884 961)
	Operating Surplus before changes in working capital	109 636 714	74 570 291	111 541 779	74 218 293
	Changes in working capital - restated 2012	(8 424 925)	1 193 925	(10 092 451)	875 633
	Decrease in Payables from Exchange Transactions	(9 335 850)	(9 990 673)	(9 335 850)	(9 990 673)
	Increase in Current Portion of Long-term Liabilities	40 825	36 648	40 825	36 648
	Decrease in South African Revenue Service	3 388 738	8 785 808	3 293 290	8 484 116
	(Increase)/Decrease in Inventory	(127 403)	15 680	(127 403)	15 680
	(Increase)/Decrease in Receivables from Exchange transactions	(2 391 234)	2 346 462	(3 963 312)	2 329 862
	Cash generated by operations	101 211 789	75 764 216	101 449 328	75 093 926

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
41 CASH AND CASH EQUIVALENTS				
Cash and cash equivalents included in the cash flow statement comprise the following:				
Call Investments Deposits - note 15	15 862 191	15 418 489	13 408 476	15 418 489
Cash Floats - note 15	15 300	300	15 300	300
Bank - note 15	10 840 868	5 131 434	10 422 101	1 949 326
Total cash and cash equivalents	26 718 359	20 550 223	23 845 877	17 368 115
42 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES				
Cash and Cash Equivalents - note 41	26 718 359	20 550 223	23 845 877	17 368 115
Investments - note 12	1 207 323	1 426 285	1 207 323	1 426 285
	27 925 682	21 976 508	25 053 200	18 794 400
Less:	14 345 993	15 536 835	13 326 855	13 026 411
Unspent Committed Conditional Grants - note 7	13 933 103	15 219 393	13 326 855	13 026 411
VAT Payable - note 8	412 890	317 442	-	-
Net cash resources available for internal distribution	13 579 689	6 439 672	11 726 345	5 767 989
43 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term Liabilities - note 2	6 098 601	6 498 053	6 098 601	6 498 053
Used to finance property, plant and equipment - at cost	(6 098 601)	(6 498 053)	(6 098 601)	(6 498 053)
Cash invested for repayment of long-term liabilities	-	-	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 10% and 11.52% and will be repaid by 2024.				
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED				
44.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure:				
Opening balance	-	194 998 383	-	194 998 383
Unauthorised expenditure current year - operating	164 753	71 280 732	164 753	71 280 732
Unauthorised expenditure current year - capital	9 725 407	-	9 725 407	-
Authorised by Council	(9 725 407)	(266 279 115)	(9 725 407)	(266 279 115)
Transfer to receivables for recovery	-	-	-	-
Unauthorised expenditure awaiting authorisation	164 753	-	164 753	-
Incident				
Disciplinary steps				
Over expenditure on votes.		None		
	2013	2013	2013	2013
	Actual	Final Budget	Variance	Unauthorised
	R	R	R	Expenditure
Municipality				R
Operating Expenditure by Vote				
Management Services	21 821 155	21 656 402	164 753	164 753
Financial Services	21 343 358	22 382 381	(1 039 023)	-
Corporate Services	28 211 645	30 553 365	(2 341 720)	-
Technical Services	293 447 427	341 364 742	(47 917 315)	-
Community Services	39 971 278	42 174 280	(2 203 002)	-
	404 794 863	458 131 170	(53 336 307)	164 753
Capital Expenditure by Vote				
Management Services	879 398	730 500	148 898	148 898
Financial Services	54 720	54 348	372	372
Corporate Services	560 146	552 152	7 994	7 994
Technical Services	93 385 510	83 817 368	9 568 142	9 568 142
Community Services	232 053	780 500	(548 447)	-
	95 111 828	85 934 868	9 176 960	9 725 407
Joe Gqabi Economic Development Agency (Soc) Ltd				
Operating Expenditure	5 310 274	5 459 000	(148 726)	-
Capital Expenditure	72 089	80 000	(7 911)	-
	5 382 363	5 539 000	(156 637)	-

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
44.2 Fruitless and wasteful expenditure				
Reconciliation of fruitless and wasteful expenditure:				
Opening balance	745 962	745 962	745 962	745 962
Fruitless and wasteful expenditure current year	459 683	-	434 638	-
Written off by Council	(745 962)	-	(745 962)	-
Transfer to receivables for recovery	-	-	-	-
Fruitless and wasteful expenditure awaiting write-off approval	459 683	745 962	434 638	745 962

Incident	Disciplinary steps	2013 R	2012 R	2013 R	2012 R
SARS penalties and interest	None	15 670	745 962	-	745 962
Interest paid to Telkom, Eskom and on utility bills not paid within 30 days.	None	64 874	-	64 874	-
Payments made to the incorrect supplier's bank account	Yes	369 764	-	369 764	-
Interest on late payment of creditors.	The Entity is consulting with the Joe Gqabi District regarding recovery of the amount.	9 375	-	-	-
		459 683	745 962	434 638	745 962

The municipality made a payment of R375 274 to the incorrect supplier's bank account in December 2012. The Municipality's banker's contacted management on 2 January 2013, in respect of a suspicious banking transaction, as a result of measures put in place prior to the holiday break. The transaction has been revealed as fraudulent. The Municipality's banker has been able to recover an amount of R121 000 and discussions with the insurer could lead to a further recovery of the balance of R252 000. The matter was accordingly reported to the SAPS and the investigation into the matter is on-going. A Member of the Municipality's finance department was found guilty of Gross Negligence following an internal disciplinary hearing.

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

44.3 Irregular expenditure

Reconciliation of irregular expenditure:				
Opening balance	13 361 915	10 079 327	13 361 915	10 079 327
Irregular expenditure current year	5 392 392	4 361 620	5 392 392	4 361 620
Approved by Council	(13 361 915)	(1 079 032)	(13 361 915)	(1 079 032)
Transfer to receivables for recovery	-	-	-	-
Irregular expenditure awaiting condonement	5 392 392	13 361 915	5 392 392	13 361 915

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

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

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

43 MATERIAL LOSSES

Water distribution losses

Kilo litres disinfected/purified/purchased	8 552 442	-	8 552 442	-
Kilo litres sold	(5 470 711)	-	(5 470 711)	-
Kilo litres lost	3 081 731	-	3 081 731	-
Percentage lost during distribution	36%	-	36.0%	-
Average cost per kilolitre in Rands	11.21	-	11.21	-
Loss in Rand value	34 546 205	-	34 546 205	-

JOE QQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
45.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA Contributions				
Opening balance	88 043	671 508	88 043	671 508
Council subscriptions	643 248	88 043	643 248	88 043
Amount paid - current year	(731 291)	(671 508)	(731 291)	(671 508)
Balance unpaid (included in creditors)	-	88 043	-	88 043
45.2 Audit fees - [MFMA 125 (1)(b)]				
Opening balance	290 743	462 585	289 040	462 585
Current year audit fee	5 191 474	3 725 958	4 800 840	3 546 862
External Audit - Auditor-General	4 740 903	3 094 996	4 350 269	2 915 900
Internal Audit	450 571	630 963	450 571	630 963
Amount paid	(5 313 505)	(3 897 800)	(4 966 034)	(3 720 407)
Balance unpaid (included in payables)	168 712	290 743	123 846	289 040
45.3 VAT - [MFMA 125 (1)(b)]				
Opening balance	8 299 238	13 374 381	8 616 680	13 374 381
Amounts received - current year	(22 925 942)	(35 801 113)	(22 925 942)	(35 801 113)
Amounts claimed - current year	19 426 054	30 725 970	19 521 502	31 043 412
Balance receivable	4 799 350	8 299 238	5 212 240	8 616 680
VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.				
45.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]				
Opening balance	-	-	-	-
Current year payroll deductions and Council Contributions	14 386 653	12 242 315	14 386 653	12 242 315
Amount paid - current year	(14 386 653)	(12 242 315)	(14 386 653)	(12 242 315)
Balance receivable	-	-	-	-
45.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]				
Opening balance	-	-	-	-
Current year payroll deductions and Council Contributions	19 817 213	15 726 367	19 817 213	15 726 367
Amount paid - current year	(19 817 213)	(15 726 367)	(19 817 213)	(15 726 367)
Balance unpaid (included in payables)	-	-	-	-
45.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]				
There are no overdue councillor accounts.				
45.7 Deviations - Supply Chain Management				
Deviations with the Supply Chain Management Regulations were identified and categorised as follow:				
- Emergencies	5 018 873	15 778 015	5 018 873	15 778 015
- Goods or services are produced or available from a single provider only	266 996	2 331 361	266 996	2 331 361
- Other exceptional cases where it is impractical or impossible to follow the official procurement processes	4 275 780	526 432	4 275 780	526 432
	9 561 649	18 635 808	9 561 649	18 635 808
Deviations per department				
- Office of the Municipal Manager	354 015	65 282	354 015	65 282
- Financial Services	211 121	68 975	211 121	68 975
- Corporate Services	1 136 991	505 941	1 136 991	505 941
- Community Services	1 218 574	1 711 176	1 218 574	1 711 176
- Technical Services	6 561 868	16 284 434	6 561 868	16 284 434
- Expenditure incurred on behalf of JoGEDA	79 080	-	79 080	-
	9 561 649	18 635 808	9 561 649	18 635 808

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
46 CAPITAL COMMITMENTS				
Commitments in respect of capital expenditure:				
Approved and contracted for:				
- Infrastructure	324 338 426	281 378 882	324 338 426	281 378 882
Total	324 338 426	281 378 882	324 338 426	281 378 882
This expenditure will be financed from:				
Government Grants	321 105 639	281 378 882	321 105 639	281 378 882
Own Resources	3 232 787	-	3 232 787	-
	324 338 426	281 378 882	324 338 426	281 378 882

47 FINANCIAL RISK MANAGEMENT

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

(a) Foreign Exchange Currency Risk

The Economic Entity does not engage in foreign currency transactions.

(b) Price risk

The Economic Entity is not exposed to price risk.

(c) Interest Rate Risk

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

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

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

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

0.5% (2012 - 0.5%) Increase in interest rates	133 515	141 100	119 153	125 190
0.5% (2012 - 0.5%) Decrease in interest rates	(133 515)	(141 100)	(119 153)	(125 190)

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.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	ECONOMIC ENTITY		MUNICIPALITY	
	2013 R	2012 R	2013 R	2012 R
(d) Credit Risk				
Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Economic Entity to incur a financial loss.				
Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.				
Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of consumers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer receivables the Economic Entity effectively has the right to terminate services to customers, but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.				
All services are payable within 30 days from invoice date. Refer to note 14 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.				
Balances past due not impaired:				
Water	1 085 802	-	1 085 802	-
Sewerage	585 371	-	585 371	-
Other Receivables	1 326 186	2 088 732	1 325 436	2 087 982
	2 997 360	2 088 732	2 996 610	2 087 982
No receivables are pledged as security for financial liabilities.				
The Economic Entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure is disclosed below.				
The banks utilised by the Economic Entity for current and non-current investments are all listed on the JSE (ABSA Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.				
Although the risk pertaining to unpaid conditional grants and subsidies are considered to be very low, the maximum exposure is disclosed below. Amounts are receivable from national and provincial government and there are no expectation of counter party default.				
Receivables from exchange transactions are individually evaluated annually at Financial Position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. The maximum exposure is disclosed below.				
Financial assets exposed to credit risk at year end are as follows:				
Receivables from Exchange Transactions	24 733 476	3 958 181	26 304 804	3 957 431
Cash and Cash Equivalents	26 718 359	20 550 223	23 845 877	17 368 115
Non-current Investments	1 207 323	1 426 285	1 207 323	1 426 285
Unpaid Conditional Grants and Subsidies	46 421 489	59 064 728	46 421 489	59 064 728
	99 080 648	84 999 417	97 779 494	81 816 559

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

(e) Liquidity Risk

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

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

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

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Economic Entity				
2013				
Long-term liabilities	1 132 215	4 202 130	6 297 527	11 631 871
Capital repayments	400 392	1 758 586	4 340 015	6 498 993
Interest	731 823	2 443 544	1 957 512	5 132 878
Payables from exchange transactions	40 950 079	-	-	40 950 079
Unspent Conditional Government Grants and Receipts	13 933 103	-	-	13 933 103
	<u>56 015 397</u>	<u>4 202 130</u>	<u>6 297 527</u>	<u>66 515 053</u>
2012				
Long-term liabilities	1 132 215	4 366 031	7 265 840	12 764 086
Capital repayments	359 567	1 728 296	4 769 757	6 857 620
Interest	772 648	2 637 735	2 496 083	5 906 466
Payables from exchange transactions	50 260 034	-	-	50 260 034
Unspent Conditional Government Grants and Receipts	15 219 393	-	-	15 219 393
	<u>66 611 642</u>	<u>4 366 031</u>	<u>7 265 840</u>	<u>78 243 513</u>
Municipality				
2013				
Long-term liabilities	1 132 215	4 202 130	6 297 527	11 631 871
Capital repayments	400 392	1 758 586	4 340 015	6 498 993
Interest	731 823	2 443 544	1 957 512	5 132 878
Payables from exchange transactions	40 950 079	-	-	40 950 079
Unspent Conditional Government Grants and Receipts	13 326 855	-	-	13 326 855
	<u>55 409 149</u>	<u>4 202 130</u>	<u>6 297 527</u>	<u>65 908 805</u>
2012				
Long-term liabilities	1 132 215	4 366 031	7 265 840	12 764 086
Capital repayments	359 567	1 728 296	4 769 757	6 857 620
Interest	772 648	2 637 735	2 496 083	5 906 466
Payables from exchange transactions	50 260 034	-	-	50 260 034
Unspent Conditional Government Grants and Receipts	13 026 411	-	-	13 026 411
	<u>64 418 660</u>	<u>4 366 031</u>	<u>7 265 840</u>	<u>76 050 531</u>

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		ECONOMIC ENTITY		MUNICIPALITY	
		2013	2012	2013	2012
		R	R	R	R
48	FINANCIAL INSTRUMENTS				
	In accordance with GRAP 104 the financial instruments of the Economic Entity are classified as follows:				
48.1	Financial Assets				
	Financial instruments at amortised cost				
	Non-Current Investments				
	- Fixed Deposits	1 207 323	1 426 285	1 207 323	1 426 285
	- Municipal Entity - Joe Gqabi Economic Development Agency (Soc) Ltd	-	-	1 889 582	3 178 884
	Receivables from Exchange Transactions	10 683 740	3 006 333	12 255 068	3 005 583
	Cash and Cash Equivalents	26 718 359	20 550 223	23 845 877	17 368 115
	Unpaid Conditional Government Grants and Receipts	46 421 489	59 064 728	46 421 489	59 064 728
	Total carrying amount of financial assets	85 030 912	84 047 569	85 619 340	84 043 595
48.2	Financial Liability				
	Financial instruments at amortised cost				
	Long-term Liabilities	6 098 601	6 498 053	6 098 601	6 498 053
	Trade and Other Payables	40 950 079	50 260 034	40 950 079	50 260 034
	Current Portion of Long-term Liabilities	400 392	359 567	400 392	359 567
	Unspent Conditional Government Grants and Receipts	13 933 103	15 219 393	13 326 855	13 026 411
	Total carrying amount of financial liabilities	61 382 175	72 337 048	60 775 927	70 144 066
49	EVENTS AFTER THE REPORTING DATE				
49.01	The Council of the Municipality approved the following in respect of the mechanism to provide water services:				
	(a) That the review of the mechanism for the provision water services in terms of Section 78 Municipal Systems Act be approved and that the Municipality will now provide the service through an internal service delivery mechanism from 1 July 2013 for the Gariep area.				
	(b) That the delivery of the service in Gariep be taken over on 1 July 2013.				
	(c) That as interim measures:				
	• Billing, credit control and indigent registers be managed through agency agreements with Gariep Local Municipality.				
	(d) That agreements for the transfer of staff be entered into with Gariep Local Municipality.				
	(e) That any other necessary agreements to ensure the continuation of service and reduce any disruption of services to consumers be entered into within the limitations of Council.				
49.02	The Economic Entity has in the past appointed a service provider to provide the water service function in the Senqu and Elundini rural areas. This appointment has been terminated with effect from 1 July 2013. However, an agreement has been entered into with the service provider for a transitional period of two months ending 31 August 2013. The transfer of the service mechanism involves the transfer of staff, inventory and related liabilities on a going concern basis.				
49.03	The Senqu Local Municipality started a plastic's project in order to develop skills and create employment opportunities. As part Senqu's commitment to the Economic Entity, the Council of Senqu resolved to transfer the project to the Economic Entity for implementation. All assets and liabilities associated with this project was transferred to the Entity on 1 July 2013.				
	The net value of the assets and liabilities associated with the transfer is estimated at R2.4 million.				

50 IN-KIND DONATIONS AND ASSISTANCE

The National Treasury has provided support to the Economic Entity in terms of Municipal Finance Improvement Programme (MFIP). This support included the budget compilation and updated movable asset register.

The JoGEDA occupies a building of Maletswai Local Municipality at 27 Dan Pienaar in Aliwal North. Maletswai Local Municipality does not charge any rent for this occupation.

51 PRIVATE PUBLIC PARTNERSHIPS

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

52 CONTINGENT LIABILITY

Council has the following contingent liability at the end of the financial year 2012/2013

Outstanding litigation claims

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

On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system. Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised. As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have underpaid employees by an estimated amount of R16 293 617 (2012: R11 838 793), which amount may in future have to be paid to employees, depending on the outcome of the pending litigation.

The Department of Water Affairs is claiming an amount R35 173 875 from the Municipality for raw water extraction costs. This amount is made up of a number of invoices, dating back as far as 2002. The Municipality has had extensive interactions with the Department, but this amount has not been finalised. The Municipality's Management is of the opinion that this amount is firstly grossly overstated and in some cases refers to areas outside the District's jurisdiction. An accrual of R8 008 513 for bulk water purchases has been raised and this amount is considered to be due and payable to the Department. The net amount of the contingency is R27 165 362.

53 RELATED PARTIES

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

53.01 Related Party Loans

Since 1 July 2004 loans to Councillors and Senior Management Employees are not permitted

Prior to the above mentioned date, a loan in respect of the former Municipal Manager was made. The loan is included in Other receivables from exchange transactions as per note 14. A provision for impairment is made for the outstanding amount of R165 955 as it is uncertain that it will be collected.

Also Included in Receivables from Exchange Transactions as per note 14 are monies owed by the Board of Directors relating to PAYE that was not deducted from their sitting allowances. The PAYE was not deducted from the Directors as the Entity was not registered at the South African Revenue Services at that time. Only R750 which relate to Z Zeka is still outstanding. The director has committed to repay the monies after year-end.

53.02 Compensation of management personnel

The compensation of management personnel is set out in note 23, 24 and 25 to the financial statements.

53.03 Investment in Municipal Entity

The Municipality has a 100% shareholding in Joe Gqabi Economic Development Agency (Soc) Ltd (JoGEDA) as set out in note 12 to the financial statements. The Municipality incurred expenditure on behalf of JoGEDA. At year-end JoGEDA still owed the Municipality R1 572 078 of outstanding reimbursements as set out in note 14.

The Municipality paid a grant of R1 575 000 to JoGEDA as disclosed in note 34.

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

54.01 ORIGINAL BUDGET vs FINAL BUDGET

General activities affecting the budget

The Municipality's Council approved the take over of the water and sanitation function on 22 June 2012. This approval was after the approval of the original budget on 30 May 2012. The original budget provided for the payment of grants and subsidies to the four local municipalities. The final budget required the Municipality to provide for expenditure in terms of standard line items relating to the water and sanitation function.

Statement of Financial Position

Current Assets were increased due to the take over of consumer debtors amounting to R22.6 million.

Current Liabilities were adjusted as follows:

- A "bank overdraft" was increased to R39 million due to projected cash flows.
- Creditors were decreased by R10 million in order to be compliant with the MFMA to make payments within 30 days
- Current Employee Benefits were increased by R5 million for the additional staff resulting from the take over of the water and sanitation function

Non-Current Liabilities was increased by R9 million for Employee Benefits for additional staff resulting from the take over of the water and sanitation function

Statement of Financial Performance - Revenue

Service charges were increased by R14.6 million due to estimated revenue to be collected from billing of water and sanitation services.

Transfer of function was increased by R40 million in expectation of debtors to be received from the local municipalities with the transfer of function

Operating Government Grants and Subsidies were also increased due additional funding received for the following grants

- Public Works - Special Programme (R2.5 million)
- Rural Roads Assessment Grant (R1.2 million)
- Department of Local Government and Housing (R1.5 million)

Statement of Financial Performance - Expenditure

Employee Related Costs were increased by R23.5 million for the take over of employees from the local municipalities relating to the water and sanitation function. Furthermore, Employee Related Costs were also decreased by R4 million due to posts budgeted for, and which had not been filled.

Debt Impairment was also increased to accommodate the transfer of the water and sanitation function.

Repairs and Maintenance was increased by R3.2 million to accommodate the take over of the water and sanitation function

Contracted Services was also increased to accommodate the following:

- R4.7 million for administrative purposes performed by the local municipalities with regards to the billing and collection of water and sanitation debtors
- R9.7 million for sanitation vacuum services as this expenditure used to form part of the subsidy paid to the local municipalities which is no longer applicable
- R3.2 million for rural schemes in Elundini.
- R14.5 million for Sterkspruit water operations.

Operating grant expenditure was increased by R66.8 million as this expenditure was incorrectly classified as capital expenditure when the original budget was approved. This capital expenditure largely related to VIP toilets in the rural areas.

General Expenses was increased to accommodate the take over of the water and sanitation function. Major contributors were as follows:

- Chemicals - R2.4 million
- Fuel and Oil - R3.6 million
- Protective Clothing - R1.4 million
- Audit Fees - R1 million
- Electricity - R4.5 million
- Travel and Subsistence - R2.6 million

Cash Flow Statement

Decrease in Net Cash from Operating Activities was largely due to an increase in expenditure as mentioned above under the Statement of Financial Performance.

Decrease in Net Cash from Investing Activities was due the adjustment made to the capital budget in respect of the VIP toilets whereby it should have been budgeted under operating expenditure rather than capital expenditure. The remainder of the decrease was as a result of changes to MIG projects to be implemented during the year.

Operating Expenditure by vote

Technical services increase was mainly due to the expenditure relating to the take over of the water and sanitation function, as well as the R66.8 million relating to VIP toilets which was incorrectly budgeted for in the original budget.

Capital Expenditure by vote

Technical Services decreased due to the VIP toilets which was incorrectly budgeted as capital expenditure. The remainder of the variance was due to VAT being included in the original budget figures, which was corrected in the adjustment budget.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

54.02 ACTUAL AMOUNTS vs FINAL BUDGET**General activities affecting the budget**

As this is the first year that the Municipality has taken over the water and sanitation function, budgeting for these services has been a challenge as limited historical information was available to enable the Municipality to compile an accurate budget. Accordingly, some income and expenditure relating to these functions, were either over or under budgeted for.

Statement of Financial Position

Current Assets were more than budgeted for due to over budgeting of the water and sanitation function. There was also better cash management during the year. In addition to the previously mentioned, the R49 million unpaid government grant relating to emergency drought relief was not received as budgeted for.

Non Current Assets were incorrectly budgeted for in respect of the cost which was over budgeted for by R85 million while accumulated depreciation was under budgeted by R26 million resulting in a variance of R59 million.

Current Liabilities were less than budgeted for due to over budgeting of the water and sanitation function. The bank overdraft of R39 million was budgeted for, but due to better cash management during the year this overdraft was not utilised.

Statement of Financial Performance - Revenue

Capital Government Grants and Subsidies included the VIP toilets (R67 million) which are not of a capital nature according to accounting standards. MIG was also underspent by R7 million.

Operating Government Grants and Subsidies excluded the VIP toilets (R67 million) and the water service operating grant (R11 million)

Transfer of Function and Service Charges were incorrectly budget for.

Statement of Financial Performance - Expenditure

Employee Related Costs were over budgeted for by the notch increases and the take over of the water and sanitation staff. Some vacant posts were also not filled during the year.

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

Impairments was not budgeted for as it is unforeseen expenditure.

Repairs and Maintenance was over budgeted for as take-over of the water and sanitation function did not allow due planning. Internal capacity was also created by hiring artisans.

The Municipality was not able to quantify bulk purchases during the budget process. The department of Water Affairs only presented invoices after the reporting date.

Grants and Subsidies Paid was not properly calculated when the adjustment budget was compiled

Operating Grants Expenditure includes budgeted amounts for the water services operating grant which was capitalised. Refer to budget comparison per municipal vote.

General Expenses were over budgeted for electricity, chemicals, fuel and oil. This was due to the take-over of the water and sanitation function during the year not allowing accurate budgeting. The procurement for protective clothing is only due for completion in August 2013.

Cash Flow Statement

Net Cash from Operating Activities was better than forecasted due to operating expenditure relating to the water and sanitation function being over budgeted for. In addition there were efficiency gains made on the transfer of the water and sanitation function.

Net Cash from Investing Activities was worse than expected due to the water services operating grant being classified capital expenditure.

Operating Expenditure by vote

Corporate Services were over budgeted for with respect to water and electricity. The human resource manager post was also vacant for part of the year.

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

Capital Expenditure by vote

Management Services were overspent as the budgeted amount for a motor vehicle was budgeted for an amount net of trade in value. The capitalisation of the new vehicle was done at full cost. This transaction did not result in additional cash being expensed.

Financial Services overspent on furniture.

Corporate Services replaced IT equipment damaged by lightning.

Technical Services has a water services operating grant that was budgeted for as operating expenditure. However, on compilation of the Municipality's infrastructure asset register the expenditure was considered to be capital in terms of accounting standards.

APPENDIX A - Unaudited
JOE GQABI DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Maturity Date	Balance at 30 June 2012 R	Received during the period R	Redeemed during the period R	Balance at 30 June 2013 R
ANNUITY LOANS								
DBSA - Building - c/o Graham and Cole street, Barkly East	11.5%	100878	6 monthly	31 Dec 2024	6 329 842	-	245 356	6 084 486
DBSA - Sanitation Infrastructure	10%	9980	6 monthly	30 Jun 2016	527 778	-	113 271	414 508
Total Annuity Loans					6 857 620	-	358 627	6 498 993
TOTAL EXTERNAL LOANS					6 857 620	-	358 627	6 498 993

**APPENDIX B - Unaudited
JOE GQABI DISTRICT MUNICIPALITY (CONSOLIDATED)
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2013**

	Cost/Revaluation										Accumulated Depreciation			Carrying Value
	Opening Balance	Residual Value Opening Balance	Additions	Residual Value Additions	Under Construction	Disposals	Residual Value Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
Land and Buildings														
Land	2 027 000	-	16 000	-	-	-	-	2 043 000	-	-	-	-	-	2 043 000
Buildings	15 377 118	-	14 000	-	-	-	-	15 391 118	3 051 368	569 653	-	3 621 022	-	11 770 096
	17 404 118	-	30 000	-	-	-	-	17 434 118	3 051 368	569 653	-	3 621 022	-	13 813 096
Infrastructure														
Sewerage Network	258 072 218	-	11 416 822	-	24 645 494	-	-	294 134 534	37 537 590	8 317 751	-	45 855 342	-	248 279 192
Water Network	908 140 166	-	30 116 502	-	169 343 907	-	-	1 107 600 574	127 765 404	29 486 979	-	157 252 383	-	950 348 191
	1 166 212 384	-	41 533 324	-	193 989 401	-	-	1 401 735 109	165 302 994	37 804 731	-	203 107 725	-	1 198 627 383
Other Assets														
Office Equipment	1 857 643	-	147 842	-	-	11 074	-	1 994 411	751 950	255 618	6 054	1 001 514	-	992 897
Furniture & Fittings	2 891 649	-	181 426	-	-	11 264	-	3 061 811	1 755 086	324 218	9 430	2 069 875	-	991 936
Motor Vehicles	4 889 879	484 063	1 666 893	-	-	750 664	83 406	6 206 775	2 820 176	745 149	600 918	2 964 407	-	3 242 368
Fire Engines	8 031 685	892 409	-	-	-	-	-	8 924 094	2 388 613	1 527 460	-	3 916 074	-	5 008 020
Computer Equipment	2 492 771	-	635 570	-	-	182 242	-	2 946 059	1 802 648	394 705	151 100	2 046 253	-	899 846
Special Vehicles	851 351	94 594	-	-	-	-	10 000	935 945	328 943	84 415	8 716	404 641	-	531 304
Tools and Equipment	1 333 081	-	220 532	-	-	-	-	1 553 613	996 435	155 486	-	1 151 921	-	401 692
Leasehold Improvements	70 651	-	-	-	-	-	-	70 651	5 565	3 533	-	9 098	-	61 554
	22 418 710	1 471 066	2 852 263	-	-	955 234	93 406	25 693 399	10 849 417	3 490 585	776 219	13 563 783	-	12 129 617
Total	1 206 035 212	1 471 066	44 415 586	-	193 989 401	955 234	93 406	1 444 862 625	179 203 780	41 864 968	776 219	53 437 523	-	1 224 570 096

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost/Revaluation										Accumulated Depreciation			Carrying Value
	Opening Balance	Residual Value Opening Balance	Additions	Residual Value Additions	Under Construction	Disposals	Residual Value Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
Land and Buildings														
Land	2 027 000	-	-	-	-	-	-	2 027 000	-	-	-	-	-	2 027 000
Buildings	13 668 005	-	1 709 113	-	-	-	-	15 377 118	2 496 325	555 043	-	3 051 368	-	12 325 749
	15 695 005	-	1 709 113	-	-	-	-	17 404 118	2 496 325	555 043	-	3 051 368	-	14 352 749
Infrastructure														
Sewerage Network	249 141 957	-	8 930 261	-	11 868 001	-	-	269 940 219	29 110 177	8 427 413	-	37 537 590	-	232 402 629
Water Network	752 609 395	-	155 530 771	-	131 180 979	-	-	1 039 321 145	99 308 604	28 456 800	-	127 765 404	-	911 555 741
	1 001 751 352	-	164 461 032	-	143 048 981	-	-	1 309 261 365	128 418 781	36 884 213	-	165 302 994	-	1 143 958 370
Other Assets														
Office Equipment	1 799 368	-	90 076	-	-	31 791	-	1 887 643	518 685	246 902	13 637	751 950	-	1 105 693
Furniture & Fittings	2 847 844	-	43 805	-	-	-	-	2 891 649	1 439 389	315 697	-	1 755 086	-	1 136 563
Motor Vehicles	4 967 171	670 806	-	-	-	264 035	-	5 373 942	2 222 740	754 497	157 061	2 820 176	-	2 553 766
Fire Engines	7 953 639	970 455	-	-	-	-	-	8 924 094	861 153	1 527 460	-	2 388 613	-	6 535 481
Computer Equipment	2 488 940	-	62 949	-	-	59 118	-	2 492 771	1 437 343	394 771	29 466	1 802 648	-	690 123
Special Vehicles	851 351	94 594	-	-	-	-	-	945 945	244 528	84 415	-	328 943	-	617 002
Tools and Equipment	1 240 119	-	92 962	-	-	-	-	1 333 081	851 219	145 216	-	996 435	-	336 646
Leasehold Improvements	70 651	-	-	-	-	-	-	70 651	2 032	3 533	-	5 565	-	65 086
	22 219 073	1 735 855	289 792	-	-	354 944	-	23 889 776	7 577 089	3 472 492	200 164	10 849 417	-	13 040 359
Total	1 039 665 430	1 735 855	166 459 937	-	143 048 981	354 944	-	1 350 555 259	138 492 195	40 911 748	200 164	53 437 523	-	1 171 351 479

APPENDIX B - Unaudited
JOE QGABI DISTRICT MUNICIPALITY (MUNICIPALITY ONLY)
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2013

	Cost/Revaluation										Accumulated Depreciation			Carrying Value
	Opening Balance	Residual Value Opening Balance	Additions	Residual Value Additions	Under Construction	Disposals	Residual Value Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value	
Land and Buildings	2 027 000	-	16 000	-	-	-	-	2 043 000	-	-	-	-	2 043 000	
Land	15 377 118	-	14 000	-	-	-	15 391 118	15 391 118	3 051 368	-	-	3 621 022	11 770 096	
Buildings	17 404 118	-	30 000	-	-	-	17 434 118	17 434 118	3 051 368	-	-	3 621 022	13 813 096	
Infrastructure	259 072 218	-	11 416 822	-	24 645 494	-	294 134 534	294 134 534	37 537 590	8 317 751	-	45 855 342	248 279 192	
Sewerage Network	908 140 166	-	30 116 502	-	169 343 907	-	1 107 600 574	1 107 600 574	127 765 404	29 486 979	-	157 252 383	950 348 191	
Water Network	1 165 212 384	-	41 533 324	-	193 989 401	-	1 401 735 109	1 401 735 109	165 302 984	37 804 731	-	203 107 725	1 198 627 383	
Other Assets	1 835 560	-	140 300	-	-	11 074	1 964 786	1 964 786	744 850	252 046	6 054	990 842	973 944	
Office Equipment	2 735 886	-	181 426	-	-	11 264	2 906 048	2 906 048	1 740 456	315 793	9 430	2 046 820	859 228	
Furniture & Fittings	4 889 879	484 063	1 666 893	-	-	750 664	6 206 775	6 206 775	2 820 176	745 149	600 918	2 964 407	3 242 368	
Motor Vehicles	8 031 685	892 409	-	-	-	167 442	8 924 094	8 924 094	2 388 613	1 527 460	-	3 916 074	5 008 020	
Fire Engines	2 435 029	-	573 923	-	-	-	2 841 510	2 841 510	1 766 131	373 040	138 706	2 000 465	841 045	
Computer Equipment	851 351	94 594	-	-	-	-	935 945	935 945	328 943	84 415	8 716	404 641	531 304	
Special Vehicles	1 333 081	-	220 532	-	-	-	1 553 613	1 553 613	996 435	155 486	-	1 151 921	401 692	
Tools and Equipment	22 112 471	1 471 066	2 783 074	-	-	940 434	25 332 771	25 332 771	10 765 605	3 453 390	763 825	13 475 170	11 857 601	
Total	1 205 728 973	1 471 066	44 346 397	-	193 989 401	940 434	1 444 501 997	1 444 501 997	179 139 968	41 827 774	763 825	53 437 523	1 224 298 080	

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost/Revaluation										Accumulated Depreciation			Carrying Value
	Opening Balance	Residual Value Opening Balance	Additions	Residual Value Additions	Under Construction	Disposals	Residual Value Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value	
Land and Buildings	2 027 000	-	1 709 113	-	-	-	2 027 000	2 027 000	-	-	-	-	2 027 000	
Land	13 668 005	-	1 709 113	-	-	-	15 377 118	15 377 118	2 496 325	555 043	-	3 051 368	12 325 749	
Buildings	15 695 005	-	1 709 113	-	-	-	17 404 118	17 404 118	2 496 325	555 043	-	3 051 368	14 352 749	
Infrastructure	249 141 957	-	8 930 261	-	11 868 001	-	269 940 219	269 940 219	29 110 177	8 427 413	-	37 537 590	232 402 629	
Sewerage Network	752 609 395	-	155 530 771	-	131 180 979	-	1 039 321 145	1 039 321 145	99 308 604	28 456 800	-	127 765 404	911 555 741	
Water Network	1 001 751 352	-	164 461 032	-	143 048 981	-	1 309 261 365	1 309 261 365	128 418 781	36 884 213	-	165 302 984	1 143 958 370	
Other Assets	1 780 074	-	87 277	-	-	31 791	1 835 560	1 835 560	515 498	242 989	13 637	744 850	1 090 710	
Office Equipment	2 692 081	-	43 805	-	-	-	2 735 886	2 735 886	1 434 342	306 114	-	1 740 456	995 430	
Furniture & Fittings	4 967 171	670 806	-	-	-	264 035	5 373 942	5 373 942	2 222 740	754 497	157 061	2 820 176	2 553 766	
Motor Vehicles	7 953 639	970 455	-	-	-	59 118	8 924 094	8 924 094	861 153	1 527 460	-	2 388 613	6 535 481	
Fire Engines	2 431 198	-	62 949	-	-	-	2 435 029	2 435 029	1 420 126	375 471	29 466	1 766 131	668 898	
Computer Equipment	851 351	94 594	-	-	-	-	945 945	945 945	244 528	84 415	-	328 943	617 002	
Special Vehicles	1 240 119	-	92 962	-	-	-	1 333 081	1 333 081	851 219	145 216	-	996 435	336 646	
Tools and Equipment	21 915 633	1 735 855	286 993	-	-	354 944	23 583 557	23 583 557	7 549 606	3 436 163	200 164	10 765 605	12 797 932	
Total	1 039 361 990	1 735 855	166 457 138	-	143 048 981	354 944	1 350 249 019	1 350 249 019	138 464 712	40 875 420	200 164	53 437 523	1 171 109 051	

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

	Balance 1 July 2012 R	Contributions during the year R	Transfers R	Operating Expenditure Transferred to Revenue R	Capital Expenditure Transferred to Revenue R	Balance 30 June 2013 R	Unspent 30 June 2013 (Creditor) R	Unpaid 30 June 2013 (Debtor) R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS								
National Government Grants								
Accelerated Community Infrastructure Programme (A)	-	7 770 827	-	(7 770 827)	-	-	-	-
Municipal Infrastructure Grant (MIG)	(4 394 202)	174 629 000	-	(81 856 485)	(85 798 351)	2 579 962	2 579 962	-
Department Water Affairs	1 308 903	-	-	(1 314 653)	-	(5 749)	-	(5 749)
Emergency Drought Relief	(49 560 760)	-	-	-	-	(49 560 760)	-	(49 560 760)
EPWP Programme	-	1 940 000	-	(1 940 000)	-	-	-	-
Equitable Share	-	165 965 000	-	(165 965 000)	-	-	-	-
Finance Management Grant (FMG)	12 265	1 250 000	-	(1 261 366)	-	898	898	-
Municipal Systems Improvement Grant (MSG)	556 659	1 000 000	-	(1 236 112)	-	320 547	320 547	-
Public Transport	1 182 023	-	(1 182 023)	-	-	-	-	-
Public Works - Special Programme	(2 959 136)	34 983 935	-	(32 485 803)	-	(461 004)	-	(461 004)
Water Services Operating Subsidy	-	11 604 000	-	-	(11 077 790)	526 210	526 210	-
Industrial Development Corporation (IDC)	2 192 982	263 158	-	(1 849 892)	-	606 248	606 248	-
Total National Government Grants	(51 661 265)	399 405 920	(1 182 023)	(295 680 138)	(96 876 141)	(45 993 648)	4 033 864	(50 027 513)
Provincial Government Grants								
Alpine Tourism	58 937	-	-	(58 937)	-	-	-	-
Disaster Management Forum	36 115	-	-	-	-	36 115	36 115	-
Disaster Management Establishment of Centres	5 449 773	-	-	-	-	5 449 773	5 449 773	-
Disaster Management Plan	1 497 929	-	-	-	-	1 497 929	1 497 929	-
Disaster Management Fire & Emergency Services	1 667 736	-	-	-	-	1 667 736	1 667 736	-
Disaster Management Policy Framework	338 434	-	-	-	-	338 434	338 434	-
Heritage, Tourism & Economic Strategy	8 314	-	-	(8 314)	-	-	-	-
Heritage Management Plan (UCG)	292 959	-	-	(292 959)	-	-	-	-
Invoice Based Finance	223 330	333 591	-	(556 921)	-	-	-	-
LED Capacity	42 535	771 245	-	(233 365)	-	580 415	580 415	-
DWA Bylaws	300 000	-	-	-	-	300 000	300 000	-
Stimulation of Economy through Marketing	50 500	-	-	(50 500)	-	-	-	-
Environmental Health Practitioners (EHP)	(1 452 724)	4 213 210	-	(2 883 104)	-	(122 618)	-	(122 618)
Grant for Gariep	-	1 500 000	-	(1 500 000)	-	-	-	-
Rural Roads Asset Management Grant	-	1 776 000	1 182 023	(2 929 187)	-	28 836	28 836	-
Total Provincial Government Grants	8 513 838	8 594 046	1 182 023	(8 513 286)	-	9 776 621	9 899 238	(122 618)
Other Grant Providers								
DBSA Municipal Support Framework	(697 907)	-	-	-	-	(697 907)	-	(697 907)
LG Seta	-	403 189	-	(403 902)	-	(713)	-	(713)
Elundini Local Municipality	-	307 018	-	(307 018)	-	-	-	-
Senqu Local Municipality	-	292 105	-	(292 105)	-	-	-	-
Total Other Grant Providers	(697 907)	1 002 312	-	(1 003 025)	-	(698 620)	-	(698 620)
TOTAL	(43 845 335)	409 002 277	-	(305 196 449)	(96 876 141)	(36 915 648)	13 933 103	(50 848 751)

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

	Balance 1 July 2012 R	Contributions during the year R	Transfers R	Operating Expenditure Transferred to Revenue R	Capital Expenditure Transferred to Revenue R	Balance 30 June 2013 R	Unspent 30 June 2013 (Creditor) R	Unpaid 30 June 2013 (Debtor) R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS								
National Government Grants								
Accelerated Community Infrastructure Programme (A)	-	7 770 827	-	(7 770 827)	-	-	-	-
Municipal Infrastructure Grant (MIG)	(4 394 202)	174 629 000	-	(81 856 485)	(85 798 351)	2 579 962	2 579 962	-
Department Water Affairs	1 308 903	-	-	(1 314 653)	-	(5 749)	-	(5 749)
Emergency Drought Relief	(49 560 760)	-	-	-	-	(49 560 760)	-	(49 560 760)
EPWP Programme	-	1 940 000	-	(1 940 000)	-	-	-	-
Equitable Share	-	165 965 000	-	(165 965 000)	-	-	-	-
Finance Management Grant (FMG)	12 265	1 250 000	-	(1 261 366)	-	898	898	-
Municipal Systems Improvement Grant (MSIG)	556 659	1 000 000	-	(1 236 112)	-	320 547	320 547	-
Public Transport	1 182 023	-	(1 182 023)	-	-	-	-	-
Public Works - Special Programme	(2 959 136)	34 983 935	-	(32 485 803)	-	(461 004)	-	(461 004)
Water Services Operating Subsidy	-	11 604 000	-	-	(11 077 790)	526 210	526 210	-
Total National Government Grants	(53 854 247)	399 142 762	(1 182 023)	(293 830 246)	(96 876 141)	(46 599 896)	3 427 616	(50 027 513)
Provincial Government Grants								
Alphine Tourism	58 937	-	-	(58 937)	-	-	-	-
Disaster Management Forum	36 115	-	-	-	-	36 115	36 115	-
Disaster Management Establishment of Centres	5 449 773	-	-	-	-	5 449 773	5 449 773	-
Disaster Management Plan	1 497 929	-	-	-	-	1 497 929	1 497 929	-
Disaster Management Fire & Emergency Services	1 667 736	-	-	-	-	1 667 736	1 667 736	-
Disaster Management Policy Framework	338 434	-	-	-	-	338 434	338 434	-
Heritage, Tourism & Economic Strategy	8 314	-	-	(8 314)	-	-	-	-
Heritage Management Plan (UCG)	292 959	-	-	(292 959)	-	-	-	-
Invoice Based Finance	223 330	333 591	-	(556 921)	-	580 415	580 415	-
LED Capacity	42 535	771 245	-	(233 365)	-	300 000	300 000	-
DWA Bylaws	300 000	-	-	-	-	-	-	-
Stimulation of Economy through Marketing	50 500	-	-	(50 500)	-	-	-	-
Environmental Health Practitioners (EHP)	(1 452 724)	4 213 210	-	(2 883 104)	-	(122 618)	-	(122 618)
Grant for Gariep	-	1 500 000	-	(1 500 000)	-	-	-	-
Rural Roads Asset Management Grant	-	1 776 000	1 182 023	(2 929 187)	-	28 836	28 836	-
Total Provincial Government Grants	8 513 838	8 594 046	1 182 023	(8 513 286)	-	9 776 621	9 899 238	(122 618)
Other Grant Providers								
DBSA Municipal Support Framework	(697 907)	-	-	-	-	(697 907)	-	(697 907)
LG Seta	-	403 189	-	(403 902)	-	(713)	-	(713)
Total Other Grant Providers	(697 907)	403 189	-	(403 902)	-	(698 620)	-	(698 620)
TOTAL	(46 038 317)	408 139 996	-	(302 747 434)	(96 876 141)	(37 521 896)	13 326 855	(50 848 751)