



# **ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2017**

(UNAUDITED)

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**JOE GQABI DISTRICT MUNICIPALITY**  
**Annual financial statements for the year ended 30 June 2017**

**GENERAL INFORMATION**

**NATURE OF BUSINESS**

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

**COUNTRY OF ORIGIN AND LEGAL FORM**

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

**JURISDICTION**

**The Joe Gqabi District Municipality includes the following areas:**

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

**MEMBERS OF THE MAYORAL COMMITTEE AS FROM 3RD AUGUST 2016 ELECTIONS**

Executive Mayor	Z I Dumzela	
Speaker	T Z Notyeke	
Councillor	E M Lakabane	Portfolio head: Financial Services
Councillor	S Mei	Portfolio head: Technical Services
Councillor	L M Tokwe	Portfolio head: Corporate Services
Councillor	D D Mvumvu	Portfolio head: Community Services

**MUNICIPAL MANAGER**

Mr Z A Williams

**ACTING CHIEF FINANCIAL OFFICER**

Ms S du Toit

**OTHER DIRECTORS**

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

**REGISTERED OFFICE**

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

**JOE GQABI DISTRICT MUNICIPALITY**  
**Annual financial statements for the year ended 30 June 2017**

**AUDITORS**

Office of the Auditor General (EC)  
Vincent  
East London

**ATTORNEYS**

MI Ntshiba & Associates  
Mthatha  
5099

Smith Tabata Attorneys  
King Williams Town  
5601

Clark Laing Inc  
East London  
5241

Mjululwa Hlalukana Attorneys  
Mthatha  
5099

Peyper Attorneys  
Bloemfontein  
9301

Kirchmanns Incorporated  
East London  
5241

**PRINCIPAL BANKERS**

ABSA  
P O Box 323  
Bloemfontein  
9300

**AUDIT COMMITTEE**

J Emslie	- Chairperson
P G Du Toit	- Member (Ending 15 March 2017)
F K P Ntlemeza	- Member
P Ntisana	- Member

**RELEVANT LEGISLATION**

Abattoir Hygiene Act 121 of 1992  
Arbitration Act 42 of 1965  
Basic Conditions of Employment Act 75 of 1997  
Black Authorities Service Pension Act 53 of 2003  
Broad Based Black Economic Empowerment Act 53 of 2003  
Business Act 71 of 1991  
Communal Property Associations Act 28 of 1998  
Community Development Act 3 of 1996  
Constitution of the Republic of South Africa Act, 1996  
Deeds Registries Act 47 of 1937  
Development Bank of Southern Africa Act 13 of 1997  
Development Facilitation Act 67 of 1995  
Disaster Management Act 57 of 2002  
Division of Revenue Act 3 of 2016  
Electoral Act 73 of 1998  
Electoral Commission Act 51 of 1996  
Electricity Act 41 of 1987  
Employment Equity Act 55 of 1998  
Environment Conservation Act 73 of 1989  
Eskom Act 40 of 1987

**RELEVANT LEGISLATION (Continue)**

**JOE GQABI DISTRICT MUNICIPALITY**  
**Annual financial statements for the year ended 30 June 2017**

Expropriation Act 63 of 1975  
Financial and Fiscal Commission Act 99 of 1997  
Fire Brigade Services Act 99 of 1987  
Foodstuffs, Cosmetics and Disinfectants Act 54 of 1972  
Formalities in respect of Leases of Land Act 18 of 1969  
Hazardous Substances Act 15 of 1973  
Independent Commission for the Remuneration of Public office-bearers Act 92 of 1997  
Institution of Legal Proceedings against certain Organs of State Act 40 of 2002  
Intergovernmental Fiscal Relations Act 97 of 1997  
Intergovernmental Relations Framework Act 13 of 2005  
Interim Protection of Informal Lands Rights Act 31 of 1996  
Labour Relations Act 66 of 1995  
Land Survey Act 8 of 1997  
Less Formal Township Establishment Act 113 of 1991  
Local Authorities Loans Fund Act 67 of 1984  
Local Government: Municipal Demarcation Act 27 of 1998  
Local Government: Municipal Electoral Act 27 of 2000  
Local Government: Municipal Finance Management Act 56 of 2003  
Local Government: Municipal Property Rates Act 6 of 2004  
Local Government: Municipal Structures Act 117 of 1998  
Local Government: Municipal Systems Act 32 of 2000  
Local Government: Transition Act 209 of 1993  
National and Records Services of South Africa Act 43 of 1996  
National Building Regulation and Building Standards Act 103 of 1977  
National Environmental Management: Air Quality Act 39 of 2004  
National Environmental Management: Biodiversity Act 10 of 2004  
National Environmental Management: Protected Areas Act 57 of 2003  
National Veld and Forest Fire Act 101 of 1998  
National Water Act 36 of 1998  
National Health Act of 1997  
Occupational Health and Safety Act and Regulation 85 of 1993  
Organised Local Government Act 52 of 1997  
Pension Benefits for Councillors of Local Authorities Act 105 of 1987  
Pension Funds Act 25 of 1956  
Preferential Procurement Policy Framework Act 5 of 2000  
Prescription Act 18 of 1943  
Prescription Act 68 of 1969  
Prevention and Combating of Corrupt Activities Act  
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  
**RELEVANT LEGISLATION (Continue)**

**JOE GQABI DISTRICT MUNICIPALITY**  
**Annual financial statements for the year ended 30 June 2017**

Traditional Leadership and Governance Framework Act 41 of 2003  
Transfer of Staff to Municipalities Act 17 of 1998  
Unemployment Insurance Act 63 of 2001  
United Municipal Executive (Pension) Act 12 of 1958  
Value Added Tax, 1991  
Water Services Act 108 of 1997

**MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY COUNCIL UNTIL 3 AUGUST 2016**

**PROPORTIONAL ELECTED COUNCILLORS**

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

**REPRESENTATIVE COUNCILLORS**

Senqu Local Municipality	M W Mpelwane I Mosisidi A Kwinana G Mvunyiswa L Tokwe I van der Walt (deceased) NY Monakali (replaced cllr I van der Walt)
Elundini Local Municipality	L S Baduza G M Moni SPMS Leteba D D Mvumvu L Pili
Maletswai Local Municipality	N S Mathetha S E Mbana
Gariep Local Municipality	T Z Notyeke

**JOE GQABI DISTRICT MUNICIPALITY**  
**Annual financial statements for the year ended 30 June 2017**

**MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY COUNCIL AFTER 3 AUGUST 2016**

**PROPORTIONAL ELECTED COUNCILLORS**

Executive Mayor	Z I Dumzela
Speaker	T Z Notyeke
Councillors: JGDM	S Mei L M Tokwe D D Mvumvu N U Hokwana E M Lakabane M Yiliwe N Ngendane N M van Zyl

**REPRESENTATIVE COUNCILLORS**

Senqu Local Municipality	A P Kwinana M Phuza N P Mposelwa V V Stokhwe X G Magcai N M M Phama
Elundini Local Municipality	B Msuthwana M Telile M Marubelela L C Booka L Pili N G Ntaopane
Walter Sisulu Local Municipality	B Khweyiya K S Lange D F Hartkopf

**JOE GQABI DISTRICT MUNICIPALITY**  
**Annual financial statements for the year ended 30 June 2017**

**APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

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

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

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2018 and I am satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

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

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

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**Date**



**JOE GQABI DISTRICT MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

	Note	2017 R	2016 R
<b>ASSETS</b>			
<b>Current assets</b>		<b>5 084 974</b>	<b>8 214 730</b>
Inventory	2	2 900 069	3 177 840
Cash and Cash Equivalents	3	2 184 906	5 036 890
<b>Current assets from exchange transactions</b>		<b>149 218 953</b>	<b>69 391 198</b>
Receivables from exchange transactions	5	116 992 136	59 765 369
South African Revenue Services	6	32 226 817	9 625 829
<b>Current assets from non-exchange transactions</b>		<b>22 163 551</b>	<b>28 769 984</b>
Unpaid conditional government grants and receipts	7	22 163 551	28 769 984
<b>Non-current assets</b>		<b>1 677 780 895</b>	<b>1 499 423 793</b>
Property, plant and equipment	8	1 671 125 190	1 492 157 309
Investment property	9	2 277 175	2 533 755
Intangible assets	10	901 022	1 349 221
Non-current investment	11	3 477 508	3 383 507
<b>Total assets</b>		<b>1 854 248 373</b>	<b>1 605 799 705</b>
<b>Current-liabilities</b>		<b>30 609 586</b>	<b>25 524 600</b>
Current employee benefits	13	24 936 899	22 909 255
Cash and Cash Equivalents	3	5 672 687	2 615 344
<b>Current-liabilities from exchange transactions</b>		<b>104 213 205</b>	<b>80 915 921</b>
Consumer deposits	14	934 536	890 255
Payables from exchange transactions	15	97 331 325	76 670 614
South African Revenue Services	6	-	-
Current portion of long-term liabilities	16	5 947 344	3 355 052
<b>Current-liabilities from non-exchange transactions</b>		<b>7 433 400</b>	<b>1 016 165</b>
Unspent conditional government grants and receipts	7	7 433 400	1 016 165
<b>Non-current liabilities from Exchange Transactions</b>		<b>6 667 005</b>	<b>12 613 456</b>
Long-term Liabilities	16	6 667 005	12 613 456
<b>Non-current liabilities</b>		<b>34 706 207</b>	<b>35 216 636</b>
Employee benefits	12	34 706 207	35 216 636
<b>Total Liabilities</b>		<b>183 629 403</b>	<b>155 286 778</b>
<b>NET ASSETS</b>		<b>1 670 618 970</b>	<b>1 450 512 928</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus	17	1 670 618 969	1 450 512 927

**JOE GQABI DISTRICT MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 R	2016 - Restated R	2016 - Correction R	2016 - Audited R
<b>REVENUE</b>					
<b>Revenue from non-exchange transactions</b>		<b>569 652 901</b>	<b>528 401 325</b>	<b>(2 505 079)</b>	<b>530 901 175</b>
<b>Transfer revenue</b>		563 113 799	526 067 993	(2 505 079)	528 573 073
Government grants and subsidies - capital	17	248 297 169	203 356 888	-	203 356 888
Government grants and subsidies - operational	17	314 816 629	322 711 105	(2 505 079)	325 216 185
Public contributions and donations		-	-	-	-
Transfer of function		-	-	-	-
<b>Other revenue</b>		6 539 103	2 333 332	-	2 328 102
Foreign exchange gains		-	-	-	-
Actuarial gains	18	6 494 957	2 328 102	-	2 328 102
Inventory adjustments	2	44 146	5 230	-	-
Reversal of impairments	19	-	-	-	-
<b>Revenue from exchange transactions</b>		<b>130 147 732</b>	<b>123 099 236</b>	<b>(151 828)</b>	<b>123 251 064</b>
Service charges	20	91 671 035	102 810 763	(230 254)	103 041 016
Government services	21	10 105 896	9 316 963	-	9 316 963
Interest earned - external investments	22	3 309 457	4 378 388	78 426	4 299 962
Interest earned - outstanding debtors	23	24 092 370	5 347 462	-	5 347 462
Other income	24	968 975	1 245 660	-	1 245 660
<b>Total Revenue</b>		<b>699 800 633</b>	<b>651 500 561</b>	<b>(2 656 907)</b>	<b>654 152 238</b>
<b>EXPENDITURE</b>					
Employee related costs	25	186 858 916	163 740 422	-	163 740 422
Remuneration of Councillors	26	5 201 912	5 309 512	-	5 309 512
Debt impairment	27	37 676 466	57 681 232	(13 215 463)	70 896 695
Impairments	28	-	290 493	-	290 493
Foreign exchange loss		-	-	-	-
Depreciation and Amortisation	29	48 515 733	46 199 298	-	46 199 298
Repairs and maintenance	30	12 056 066	6 258 203	-	6 258 203
Finance charges	31	5 916 126	5 735 402	-	5 735 402
Contracted services	32	14 441 985	15 138 059	-	15 138 059
Bulk purchases	33	4 163 900	988 976	-	988 976
Grants and subsidies paid	34	7 369 603	4 999 777	-	4 999 777
Inventory adjustments	2	-	-	5 230	(5 230)
Operating grant expenditure	35	71 608 412	83 407 790	-	83 407 790
Emergency drought relief	36	321 930	840 345	-	840 345
General Expenditure	37	84 987 964	80 626 188	458 061	80 168 127
Loss on disposal of Property, plant and equipment	38	575 578	656 721	-	656 721
<b>Total Expenditure</b>		<b>479 694 591</b>	<b>471 872 417</b>	<b>(12 752 173)</b>	<b>484 624 590</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>220 106 043</b>	<b>179 628 144</b>	<b>10 095 266</b>	<b>169 527 648</b>

# JOE GQABI DISTRICT MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R
	<b>Accumulated Surplus</b>
<b>Balance at 1 July 2015</b>	<b>1 270 884 781</b>
Correction of error restatement - note	-
Rounding	2
<b>Restated balance at 1 July 2015</b>	<b>1 270 884 783</b>
Net Surplus/(Deficit) for the year	179 628 144
<b>Balance at 30 June 2016</b>	<b>1 450 512 927</b>
Net Surplus/(Deficit) for the year	220 106 043
<b>Balance at 30 June 2017</b>	<b>1 670 618 969</b>

**JOE GQABI DISTRICT MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 R	2016 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>		<b>603 041 674</b>	<b>534 054 190</b>
Service charges and other		25 906 208	44 999 683
Government grants		577 135 466	489 054 507
<b>Payments</b>		<b>(375 615 996)</b>	<b>(385 123 762)</b>
Suppliers		(180 714 994)	(223 722 642)
Employees		(194 901 002)	(161 401 120)
Cash generated from/(utilised in) operations		227 425 678	148 930 428
Interest received		3 309 457	4 299 962
Interest paid		(5 916 126)	(1 756 073)
<b>Net cash from operating activities</b>	<b>40</b>	<b>224 819 009</b>	<b>151 474 318</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Capital Assets		(227 354 534)	(179 638 118)
(Increase)/decrease of other assets		-	-15 670
<b>Net cash from investing activities</b>		<b>(227 354 534)</b>	<b>(179 653 788)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in consumer deposits		44 281	21 560
Proceeds/(repayment) of finance lease liability		(1 272 595)	-1 917 267
Proceeds/(repayment) of other long-term liabilities		(2 081 565)	-1 295 285
<b>Total Expenditure</b>		<b>(3 309 878)</b>	<b>-3 190 991</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(5 845 404)</b>	<b>(31 370 461)</b>
Cash and cash equivalents at the beginning of the year		2 421 545	33 792 009
Cash and cash equivalents at the end of the year	<b>3</b>	<b>-3 487 782</b>	<b>2 421 545</b>

**JOE GQABI DISTRICT MUNICIPALITY**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2017**

	<b>ORIGINAL BUDGET R</b>	<b>ADJUSTMENT AND VIREMENTS R</b>	<b>FINAL BUDGET R</b>	<b>ACTUAL R</b>	<b>ACTUAL VS FINAL BUDGET R</b>
<b>STATEMENT OF FINANCIAL POSITION</b>					
Total current assets	87 349 989	(49 202 056)	38 147 934	96 870 072	58 722 138
Total non-current assets	1 479 021 168	2 957 587	1 481 978 755	1 499 345 367	17 366 611
Total current liabilities	36 770 000	19 730 853	56 500 853	107 972 917	51 472 064
Total non-current liabilities	72 173 000	1 639 745	73 812 745	12 613 456	(61 199 289)
<b>Total Net Assets</b>	<b>1 675 314 157</b>	<b>(24 873 870)</b>	<b>1 650 440 287</b>	<b>1 716 801 810</b>	<b>66 361 523</b>

**STATEMENT OF FINANCIAL PERFORMANCE**

<b>Revenue</b>					
Government Grants and Subsidies - Capital	261 663 000	16 695 000	278 358 000	248 297 169	(30 060 831)
Government Grants and Subsidies - Operating	335 199 000	(4 665 000)	330 534 000	314 816 629	(15 717 371)
Actuarial Gains	-	-	-	6 494 957	6 494 957
Service Charges	67 477 747	-	67 477 747	91 671 035	24 193 288
Government Services	11 506 000	-	11 506 000	10 105 896	(1 400 104)
Interest Earned - External Investments	3 368 000	-	3 368 000	3 309 457	(58 544)
Interest Earned - Outstanding Debtors	2 866 317	-	2 866 317	24 092 370	21 226 053
Other Income	1 368 957	8 000	1 376 957	968 975	(407 982)
<b>Total Revenue</b>	<b>683 449 021</b>	<b>12 038 000</b>	<b>695 487 021</b>	<b>699 756 488</b>	<b>4 269 467</b>
<b>Expenditure</b>					
Employee Related Costs	189 901 987	46 000 557	235 902 544	186 858 916	(49 043 628)
Remuneration of Councillors	6 648 713	-	6 648 713	5 201 912	(1 446 801)
Debt Impairment	20 875 142	-	20 875 142	37 676 466	16 801 324
Impairments	-	-	-	-	-
Depreciation and Amortisation	50 506 566	144 095	50 650 661	48 515 733	(2 134 928)
Repairs and Maintenance	29 290 617	(11 530 296)	17 760 321	12 056 066	(5 704 255)
Finance Charges	2 255 323	3 550 000	5 805 323	5 916 126	110 803
Contracted services	8 629 000	8 571 000	17 200 000	14 441 985	(2 758 015)
Bulk Purchases	4 264 273	(6 600)	4 257 673	4 163 900	(93 773)
Grants and Subsidies Paid	10 192 978	502 741	10 695 719	7 369 603	(3 326 116)
Inventory Adjustments	46 000	(26 000)	20 000	-	(20 000)
Operating Grant Expenditure	70 533 690	6 784 362	77 318 052	71 608 412	(5 709 640)
Emergency Drought Relief	1 026 000	(726 000)	300 000	321 930	21 930
General Expenses	100 696 469	(1 217 521)	99 478 948	84 987 964	(14 490 984)
Loss on disposal of Property, Plant and Equipment	-	-	-	575 578	575 578
<b>Total Expenditure</b>	<b>494 866 758</b>	<b>52 046 338</b>	<b>546 913 096</b>	<b>479 694 591</b>	<b>(67 218 505)</b>
<b>Net surplus for the year</b>	<b>188 582 263</b>	<b>(40 008 338)</b>	<b>148 573 925</b>	<b>220 061 897</b>	<b>71 487 972</b>
<b>CASH FLOW STATEMENT</b>					
Net Cash Flow from Operating Activities	259 671 000	52 666 000	312 337 000	224 819 009	(87 517 991)
Net Cash Flow from Investing Activities	(278 436 000)	(17 948 000)	(296 384 000)	(227 354 534)	69 029 466
Net Cash Flow from Financing Activities	5 910 000	(9 104 000)	(3 194 000)	(3 309 878)	(115 878)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(12 855 000)</b>	<b>25 614 000</b>	<b>12 759 000</b>	<b>(5 845 404)</b>	<b>(18 604 404)</b>

**JOE GQABI DISTRICT MUNICIPALITY**

**STATEMENT OF COMPARISION OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2017**

**OPERATING EXPENDITURE BY VOTE**

Management Services	49 320 557	4 986 081	54 306 638	45 798 575	(8 508 063)
Financial Services	74 821 254	(1 931 561)	72 889 693	69 088 689	(3 801 004)
Corporate Services	59 058 040	(11 039 037)	48 019 003	45 584 973	(2 434 030)
Technical Services	261 767 546	53 755 787	315 523 333	270 346 238	(45 177 095)
Community Services	49 899 361	6 275 068	56 174 429	48 831 971	(7 342 458)
	<b>494 866 758</b>	<b>52 046 338</b>	<b>546 913 096</b>	<b>479 650 445</b>	<b>(67 262 651)</b>

**CAPITAL EXPENDITURE BY VOTE**

Management Services	2 533 000	67 000	2 600 000	-	(2 600 000)
Financial Services	2 200 000	(2 000 000)	200 000	-	(200 000)
Corporate Services	735 000	698 000	1 433 000	1 299 703	(133 297)
Technical Services	270 267 000	(4 657 000)	265 610 000	226 054 711	(39 555 289)
Community Services	3 001 000	(3 001 000)	-	-	-
	<b>278 736 000</b>	<b>(8 893 000)</b>	<b>269 843 000</b>	<b>227 354 414</b>	<b>(42 488 586)</b>

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	2017 R	2016 R
<b>2 INVENTORY</b>		
Fuel and oil – at cost	465 628	585 962
Stationery and materials - at cost	804 267	960 835
Spare parts - at cost	1 206 101	1 238 935
Water stock - net realisable value	424 072	392 108
<b>Total Inventory</b>	<b>2 900 069</b>	<b>3 177 840</b>
Consumable stores materials (gains)/losses identified during stock counts		
Inventory recognised as an expense during the year	4 305 557	6 058 898
No inventory was pledged as security.		
Inventory Adjustments made for the year	(44 146)	(5 230)

Fuel were purchased on a needs basis as from March 2017 resulting in the decrease on the inventory recognised as an expense during the year.

**3 CASH AND CASH EQUIVALENTS**

Primary Bank Account	(5 672 687)	(2 615 344)
Call and short-term investments deposits	2 155 106	5 020 590
Cash floats	300	16 300
Petty cash	29 500	-
<b>Total</b>	<b>(3 487 782)</b>	<b>2 421 545</b>

Due to the short term nature of cash deposits, all balances included above is in line with their fair value. Cash and Cash Equivalents are disclosed as follow:

<b>Current assets</b>	2 184 906	5 036 890
<b>Current liability</b>	(5 672 687)	(2 615 344)

**Primary Bank Account:**

ABSA Bank - Barkly East Branch - 2380000019

Bank statement balance - Opening balance	4 341 332	262 119
Bank statement balance - Closing balance	1 158 163	4 341 332
Cashbook balance - Opening balance	(2 615 344)	
Cashbook balance - Closing balance	(5 672 687)	(2 615 344)

**Call Deposits**

ABSA - Acc no 9084169245 - MIG	480 902	124 222
ABSA - Acc no 9185426744 - General Fund Operational Funds	300 567	282 365
ABSA - Acc no 9072226158 - Public Works Special Programme	36 077	33 914
ABSA - Acc no 9122637071 - Wetlands Projects	612 504	1 635 718
ABSA - Acc no 9270029895 - Environmental Affairs Mazibuyele Emasasweni	240 036	1 335 130
ABSA - Acc no 9276836949 - Joe Gqabi Capital Purchasing	485 019	1 609 241
	<b>2 155 106</b>	<b>5 020 590</b>

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	2017	2016
	R	R
<b>4 OPERATING LEASES</b>		
<b>4.1 OPERATING LEASE ASSETS</b>		
Operating lease asset	=====	=====

The operating lease asset is derived from contracts where the municipality acts as the lessor in the agreement. The municipality does not have such agreements.



**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

		2017 R	2016 R
5	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
	Water	162 768 256	177 332 535
	Sewerage	74 924 568	64 997 276
	Joe Gqabi Economic Development Agency (Soc) Ltd	-	-
	Local Municipalities	17 056 184	18 518 876
	Gariep Local Municipality	-	10 077 396
	Elundini Local Municipality	-	1 462 692
	Maletswai Local Municipality	-	6 978 788
	Walter Sisulu Local Municipality	17 056 184	-
	Other Receivables	5 042 735	7 864 404
	Working for Wetlands	-	2 097 266
	Working for water	-	1 224 935
	Deposits	144 961	144 961
	Other Debtors	1 518 213	1 350 663
	Staff Debtors	282 183	211 823
	Pensioners	2 063 842	1 801 220
	Expenses paid in advance	1 033 537	1 033 537
	Less: Allowance for Doubtful Debts	259 791 743 (142 799 607)	268 713 091 (208 947 722)
	<b>Total Net Receivables from Exchange Transactions</b>	<b>116 992 136</b>	<b>59 765 369</b>
	<b>Balance previously reported</b>		59 995 623
	Sanitation billing correction		(87 421)
	Water billing correction		(76 214)
	Elundini Local Municipality correction		(66 618)
			<u>59 765 369</u>
	Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
	Both Maletswai Local Municipality, Elundini and Gariep Local Municipality owe the Municipality for revenue received for water and sanitation as per the billing agreement.		
	<b>Reconciliation of the Total Doubtful Debt Provision</b>		
	Balance at beginning of the year	208 947 722	144 595 292
	Contributions to provision	44 916 410	70 896 695
	Doubtful debts written off against provision	(111 064 524)	(6 544 266)
	<b>Balance at end of year</b>	<b>142 799 608</b>	<b>208 947 722</b>
	Water	84 823 306	137 005 075
	Sewerage	40 521 739	54 488 085
	Local Municipalities	15 409 620	15 409 620
	Other Receivables	2 044 943	2 044 943

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

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

**Municipality**

**2017**

Water	162 768 256	(84 823 306)	77 944 950
Sewerage	74 924 568	(40 521 739)	34 402 829
Joe Gqabi Economic Development Agency (Soc) Ltd	-	-	-
Local Municipalities	17 056 184	(15 409 620)	1 646 564
Other Receivables	5 042 735	(2 044 942)	2 997 793
<b>Total</b>	<b>259 791 743</b>	<b>(142 799 607)</b>	<b>116 992 136</b>

**2016**

Water	97 173 232	(87 973 927)	9 199 305
Sewerage	41 193 157	(39 166 803)	2 026 354
Joe Gqabi Economic Development Agency (Soc) Ltd	6 544 266	-	6 544 266
Local Municipalities	19 462 687	(15 409 620)	4 053 067
Other Receivables	5 875 803	(2 044 942)	3 830 861
<b>Total</b>	<b>170 249 145</b>	<b>(144 595 292)</b>	<b>25 653 853</b>

**Ageing of Receivables from Exchange Transactions**

**Water:**

Current (0 - 30 days)	8 961 293	9 587 411
31 - 60 Days	7 780 832	6 969 174
61 - 90 Days	7 575 219	7 166 651
91 - 120 Days	6 715 158	5 691 074
121 - 150 Days	5 439 680	4 726 081
150+ Days	126 296 073	143 192 144
<b>Total</b>	<b>162 768 256</b>	<b>177 332 535</b>

**Sewerage:**

Current (0 - 30 days)	3 819 891	3 875 115
31 - 60 Days	3 297 112	2 386 625
61 - 90 Days	3 129 102	2 103 757
91 - 120 Days	3 175 494	1 801 785
121 - 150 Days	2 902 702	1 549 931
150+ Days	58 600 266	53 280 063
<b>Total</b>	<b>74 924 568</b>	<b>64 997 276</b>

**Other Receivables: Ageing**

Current (0 - 30 days)	2 097 266
31 - 60 Days	-
61 - 90 Days	-
+ 90 Days	22 098 920
<b>Total</b>	<b>22 098 920</b>

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	2017 R	2016 R
<b>6 SOUTH AFRICAN REVENUE SERVICES</b>		
VAT Receivable	14 323 309	5 324 698
VAT Payable	-	-
VAT Input in Suspense	26 530 765	17 583 581
VAT Output in Suspense	(21 211 837)	(32 614 737)
Less: VAT on Provision for Debt Impairment	12 584 579	19 332 287
<b>Total South African Revenue Services</b>	<b>32 226 817</b>	<b>9 625 829</b>
Balance previously reported		(3 589 634)
Recognition of the VAT portion included in the provision of bad debt 2015/2016		13 215 463
<b>Restated balance as at 30 June 2016</b>		<b>9 625 829</b>
<b>Disclosed as follow:</b>		
Current Liabilities from Exchange Transactions	-	-
Current Assets from Exchange Transactions	32 226 817	9 625 829
<b>Reconciliation of VAT on Provision for Debt Impairment</b>		
Opening balance	19 332 287	6 116 823
Debt Impairment for current year - note 27	7 239 943	13 215 463
<b>Closing balance</b>	<b>26 572 230</b>	<b>19 332 287</b>
<b>7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
National Government Grants	5 118 448	1 002 558
Provincial Government Grants	2 239 808	13 607
Other Grant Providers	75 145	-
<b>Unspent Grants</b>	<b>7 433 400</b>	<b>1 016 165</b>
National Government Grants	(15 253 037)	(13 765 027)
Provincial Government Grants	(6 910 514)	(14 990 342)
Other Grant Providers	-	(14 616)
<b>Less: Unpaid Grants</b>	<b>(22 163 551)</b>	<b>(28 769 984)</b>
<b>Total Conditional Grants and Receipts</b>	<b>(14 730 150)</b>	<b>(27 753 818)</b>
Balance previously reported 30 June 2016		(30 258 897)
Correction of overstatement of grant income recognised on MIG 2015/2016		2 505 079
<b>Restated balance as at 30 June 2016</b>		<b>(27 753 818)</b>

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

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

**8 PROPERTY, PLANT AND EQUIPMENT**

**30 JUNE 2017**

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value		
	Opening Balance	Additions	Transfers and non-exchange additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Transfers and non-exchange additions	Depreciation Charge	Impairment		Disposals	Closing Balance
	R	R		R	R	R	R		R			R	R
<b>Land and Buildings</b>	<b>17 682 048</b>	<b>105 446</b>	-	-	-	<b>17 787 494</b>	<b>5 357 959</b>	-	<b>582 480</b>	-	-	<b>5 940 439</b>	<b>11 847 055</b>
Land	2 043 000	-	-	-	-	2 043 000	-	-	-	-	-	-	2 043 000
Buildings	15 639 048	105 446	-	-	-	15 744 494	5 357 959	-	582 480	-	-	5 940 439	9 804 055
<b>Infrastructure</b>	<b>1 769 909 163</b>	<b>225 949 265</b>	-	<b>(880 418)</b>	-	<b>1 994 978 011</b>	<b>310 145 557</b>	-	<b>43 417 692</b>	-	<b>(574 708)</b>	<b>352 988 542</b>	<b>1 641 989 469</b>
Sewerage network	322 217 928	-	-	-	10 129 451	332 347 379	72 272 067	-	10 265 695	-	-	82 537 762	249 809 617
Water network	1 108 141 897	-	-	(880 418)	62 223 770	1 169 485 250	237 873 491	-	33 151 997	-	(574 708)	270 450 780	899 034 470
Work in Progress	339 549 338	225 949 265	-	-	(72 353 221)	493 145 382	-	-	-	-	-	-	493 145 382
<b>Other Assets</b>	<b>42 233 922</b>	<b>1 299 823</b>	-	<b>(802 716)</b>	-	<b>42 731 029</b>	<b>22 164 309</b>	-	<b>3 810 781</b>	-	<b>(532 727)</b>	<b>25 442 363</b>	<b>17 288 666</b>
Office Equipment	2 299 784	48 450	-	(10 468)	-	2 337 765	1 650 206	-	131 384	-	(9 277)	1 772 313	565 453
Furniture & Fittings	3 696 344	7 281	-	(113 570)	-	3 590 055	2 667 963	-	133 950	-	(107 405)	2 694 508	895 547
Motor Vehicles	16 580 300	922 252	-	(35 000)	-	17 467 552	7 540 922	-	2 269 416	-	(31 363)	9 778 975	7 688 577
Fire Engines	8 924 094	-	-	-	-	8 924 094	6 192 206	-	668 360	-	-	6 860 566	2 063 528
Computer Equipment	2 912 507	271 843	-	(132 878)	-	3 051 471	1 248 557	-	141 330	-	(37 603)	1 352 284	1 699 187
Special Vehicles	4 740 485	-	-	(510 800)	-	4 229 685	1 386 323	-	335 379	-	(347 078)	1 374 624	2 855 061
Tools and Equipment	3 080 408	49 997	-	-	-	3 130 406	1 478 131	-	130 962	-	-	1 609 093	1 521 313
	<b>1 829 825 134</b>	<b>227 354 534</b>	-	<b>(1 683 134)</b>	-	<b>2 055 496 534</b>	<b>337 667 825</b>	-	<b>47 810 953</b>	-	<b>(1 107 435)</b>	<b>384 371 344</b>	<b>1 671 125 190</b>

**30 JUNE 2016**

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value		
	Opening Balance	Additions	Transfers and non-exchange additions	Disposals	Transfer to Capital Assets	Closing Balance	Opening Balance	Transfers and non-exchange additions	Depreciation Charge	Impairment		Disposals	Closing Balance
	R	R		R	R	R	R		R			R	R
<b>Land and Buildings</b>	<b>17 682 048</b>	-	-	-	-	<b>17 682 048</b>	<b>4 773 883</b>	-	<b>584 076</b>	-	-	<b>5 357 959</b>	<b>12 324 090</b>
Land	2 043 000	-	-	-	-	2 043 000	-	-	-	-	-	-	2 043 000
Buildings	15 639 048	-	-	-	-	15 639 048	4 773 883	-	584 076	-	-	5 357 959	10 281 090
<b>Infrastructure</b>	<b>1 591 683 127</b>	<b>179 166 959</b>	-	<b>(940 923)</b>	-	<b>1 769 909 163</b>	<b>269 747 585</b>	-	<b>41 058 379</b>	-	<b>(660 407)</b>	<b>310 145 557</b>	<b>1 459 763 606</b>
Sewerage network	321 278 200	-	-	-	939 728	322 217 928	62 564 209	-	9 707 858	-	-	72 272 067	249 945 861
Water network	1 017 693 712	-	-	(940 923)	91 389 109	1 108 141 897	207 183 376	-	31 350 521	-	(660 407)	237 873 491	870 268 407
Work in Progress	252 711 215	179 166 959	-	-	(92 328 836)	339 549 338	-	-	-	-	-	-	339 549 338
<b>Other Assets</b>	<b>42 863 580</b>	<b>471 159</b>	-	<b>(1 100 817)</b>	-	<b>42 233 922</b>	<b>18 532 932</b>	-	<b>4 065 494</b>	<b>290 493</b>	<b>(724 611)</b>	<b>22 164 309</b>	<b>20 069 613</b>
Office Equipment	2 286 984	12 800	-	-	-	2 299 784	1 443 577	-	206 629	-	-	1 650 206	649 577
Furniture & Fittings	3 478 425	217 919	-	-	-	3 696 344	2 523 667	-	144 296	-	-	2 667 963	1 028 381
Motor Vehicles	17 030 367	-	-	(450 067)	-	16 580 300	5 025 633	-	2 341 009	290 493	(116 214)	7 540 922	9 039 378
Fire Engines	8 924 094	-	-	-	-	8 924 094	5 497 001	-	695 205	-	-	6 192 206	2 731 888
Computer Equipment	3 279 552	173 916	-	(540 961)	-	2 912 507	1 636 581	-	141 271	-	(529 295)	1 248 557	1 663 949
Special Vehicles	4 850 274	-	-	(109 789)	-	4 740 485	1 073 283	-	392 143	-	(79 102)	1 386 323	3 354 162
Tools and Equipment	3 013 884	66 525	-	-	-	3 080 408	1 333 191	-	144 940	-	-	1 478 131	1 602 277
	<b>1 652 228 756</b>	<b>179 638 118</b>	-	<b>(2 041 740)</b>	-	<b>1 829 825 134</b>	<b>293 054 400</b>	-	<b>45 707 949</b>	<b>290 493</b>	<b>(1 385 017)</b>	<b>337 667 825</b>	<b>1 492 157 309</b>

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

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

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	2017 R	2016 R
<b>9 INVESTMENT PROPERTY</b>		
Net Carrying amount at 1 July	2 533 755	2 575 461
Cost	2 883 357	2 883 357
Accumulated Depreciation	(349 602)	(307 896)
Accumulated Impairment	-	-
Additions	-	-
Depreciation for the year	(256 580)	(41 705)
Impairment	-	-
<b>Net Carrying amount at 30 June</b>	<b>2 277 175</b>	<b>2 533 755</b>
Cost	2 883 357	2 883 357
Accumulated Depreciation	(606 182)	(349 602)
Accumulated Impairment	-	-
Revenue derived from the rental of investment property.	45 414	45 414

No operating expenditure was incurred on investment property during the 2015/2016 and 2016/2017 financial years.

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

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

	2017 R	2016 R
<b>10 INTANGIBLE ASSETS</b>		
<b>Computer Software</b>		
Net Carrying amount at 1 July	1 349 221	1 798 866
Cost	4 395 576	4 395 576
Accumulated Amortisation	(3 046 355)	(2 596 710)
Additions and transfers from work in progress	-	-
Amortisation	(448 200)	(449 644)
<b>Net Carrying amount at 30 June</b>	<b>901 022</b>	<b>1 349 221</b>
Cost	4 395 576	4 395 576
Accumulated Amortisation	(3 494 554)	(3 046 355)

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.

	2017 R	2016 R
<b>11 NON-CURRENT INVESTMENTS</b>		
<b>Financial Instruments</b>		
Fixed Deposits	1 583 453	1 489 452
<b>Unlisted</b>		
Municipal Entity - Joe Gqabi Economic Development Agency (Soc) Ltd	1 894 055	1 894 055
Cost	6 886 141	6 886 141
Provision for Impairment	(4 992 086)	(4 992 086)
<b>Total Non-Current Investments</b>	<b>3 477 508</b>	<b>3 383 507</b>
Balance previously reported		3 305 081
Correction on the Fixed deposit on short interest capitalised for 15/16		78 426
		<b>3 383 507</b>

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

2017                      2016  
R                              R

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

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

The provision for impairment is based on the difference between the amount invested and the net asset value of JoGEDA at a time when the Agency had other income than only being funded by the Municipality. The value were not revalued in the last two financial years due to the municipality being the sole funders. The provision for impairment is calculated on an annual basis. Net asset value of JoGEDA as disclosed in their annual financial statements is R3 333 841 (2016 - R3 493 067).

Fixed Deposits are investments with a maturity period of more than 12 months and an average interest rate of 9.13% per annum. (2016 - 9.13%). Interest rates are considered to be market related. The carrying amount of these fixed deposits approximates their fair value.

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

**Fixed deposit consist of the following accounts:**

ABSA	- Acc no 660000135	- Building - DBSA Loan	1 583 453	1 489 452
			<b>1 583 453</b>	<b>1 489 452</b>
			<b>1 583 453</b>	<b>1 489 452</b>

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

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

		2017	2016
		R	R
12	<b>EMPLOYEE BENEFITS</b>		
	Post Retirement Medical Obligations - refer to note 3,1	29 838 151	30 876 776
	Ex Gratia Gratuities - refer to note 3,2	187 418	223 531
	Long Service Awards - refer to note 3,3	4 680 638	4 116 329
	<b>Total Non-current Employee Benefit Liabilities</b>	<b>34 706 207</b>	<b>35 216 636</b>
	 <b><u>Post Retirement Medical Obligations</u></b>		
	Balance 1 July	32 166 020	28 712 000
	Contribution for the year	6 600 291	5 933 289
	Expenditure for the year	(1 076 935)	(963 470)
	Actuarial (Gain)	(6 455 398)	(1 515 799)
	<b>Total post retirement medical obligation 30 June</b>	<b>31 233 978</b>	<b>32 166 020</b>
	<b>Less:</b> Transfer of current portion to Current Employee Benefits - note 4	(1 395 827)	(1 289 244)
	<b>Balance 30 June</b>	<b>29 838 151</b>	<b>30 876 776</b>
	 <b><u>Ex Gratia Gratuities</u></b>		
	Balance 1 July	416 514	389 945
	Contribution for the year	59 966	90 722
	Expenditure for the year	(109 438)	(118 423)
	Actuarial Gain	8 610	54 270
	<b>Total ex gratia provision 30 June</b>	<b>375 652</b>	<b>416 514</b>
	<b>Less:</b> Transfer of current portion to Current Employee Benefits - note 4	(188 234)	(192 983)
	<b>Balance 30 June</b>	<b>187 418</b>	<b>223 531</b>

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	2017 R	2016 R
<b><u>Long Service Awards</u></b>		
Balance 1 July	4 715 680	4 830 341
Contribution for the year	1 076 166	1 112 432
Expenditure for the year	(233 697)	(360 520)
Actuarial (Gain)/Loss	(48 169)	(866 573)
<b>Total long service 30 June</b>	<b>5 509 979</b>	<b>4 715 680</b>
<b>Less:</b> Transfer of current portion to Current Employee Benefits - note 4	(829 341)	(599 351)
<b>Balance 30 June</b>	<b>4 680 638</b>	<b>4 116 329</b>

**TOTAL EMPLOYEE BENEFITS**

Balance 1 July	37 298 214	33 932 286
Contribution for the year	7 736 423	7 136 443
Expenditure for the year	(1 420 071)	(1 442 413)
Actuarial (Gain)	(6 494 957)	(2 328 102)
<b>Total employee benefits 30 June</b>	<b>37 119 609</b>	<b>37 298 214</b>
<b>Less:</b> Transfer of current portion to Current Employee Benefits - note 4	(2 413 402)	(2 081 578)
<b>Balance 30 June</b>	<b>34 706 207</b>	<b>35 216 636</b>

**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:

	2017 Employees	2016 Employees
In-service (employee) members	166	175
Continuation members (e.g. Retirees, widows, orphans)	34	33
<b>Total Members</b>	<b>200</b>	<b>208</b>

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

Bonitas  
 LA Health  
 Hosmed  
 SAMWU Medical Aid



**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	2017 %	2016 %
Key actuarial assumptions used:		
<b>i) Rate of interest</b>		
Discount rate	9,76	9,11
Health Care Cost Inflation Rate	8,03	8,22
Net Effective Discount Rate	1,60	0,82

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

**ii) Mortality rates**

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

**iii) Normal retirement age**

The normal retirement age for employees of the Municipality is:

Male : 63 years  
 Female: 58 years

	In-Service Members R	Continuation Members R	Present value of fund obligations R
<b>The liability in respect of past service recognised in the Statement of Financial Position is as follows:</b>			
30 June 2017	19 375 151	10 463 000	<b>29 838 151</b>
30 June 2016	21 320 577	10 845 443	<b>32 166 020</b>
30 June 2015	19 080 662	9 631 382	<b>28 712 044</b>
30 June 2014	16 280 000	9 762 591	<b>26 042 591</b>
30 June 2013	13 959 000	9 893 475	<b>23 852 475</b>
30 June 2012	7 546 000	10 067 224	<b>17 613 224</b>

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

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
<b>Experience adjustments were calculated as follows:</b>		
30 June 2017	(1 544 000)	-
30 June 2016	293 000	-
30 June 2015	(875 000)	-
30 June 2014	2 068 000	-
30 June 2013	5 866 000	-
30 June 2012	815 000	-

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	2017 R	2016 R
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	32 166 020	28 712 000
Total contributions	5 523 356	4 969 819
Current service cost	2 601 983	2 413 038
Interest Cost	3 998 308	3 520 251
Benefits Paid	(1 076 935)	(963 470)
Actuarial (Gain)/Loss	(6 455 398)	(1 515 799)
Present value of fund obligation at the end of the year	31 233 978	32 166 020
<b>Less:</b> Transfer of current portion to Current Employee Benefits - note 4	(1 395 827)	(1 289 244)
<b>Balance 30 June</b>	<b>29 838 151</b>	<b>30 876 776</b>

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

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Central Assumptions		2 507 400	4 087 800	6 595 200	
Health care inflation	+1%	3 129 700	4 790 400	7 920 100	20%
Health care inflation	-1%	2 027 200	3 522 600	5 549 800	-16%
Discount rate	+1%	2 056 200	3 897 200	5 953 400	-10%
Discount rate	-1%	3 096 500	4 294 900	7 391 400	12%
Post-retirement mortality	-1 year	2 587 600	4 240 800	6 828 400	4%
Average retirement age	-1 year	2 580 300	4 366 100	6 946 400	5%
				<b>2017</b>	<b>2016</b>
				<b>%</b>	<b>%</b>

**3.2 Ex Gratia Gratuities**

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

Key actuarial assumptions used:

**i) Rate of interest**

Discount rate	9,47	9,37
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The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	Present value of fund obligations
<b>The liability in respect of past service recognised in the Statement of Financial Position is as follows:</b>	
30 June 2017	375 653
30 June 2016	416 515
30 June 2015	389 945
30 June 2014	438 929
30 June 2013	458 511
30 June 2012	524 447

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

	2017 R	2016 R
	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
<b>Experience adjustments were calculated as follows:</b>		
30 June 2017	9 436	
30 June 2016	69 127	-
30 June 2015	112 184	-
30 June 2014	(7 526)	-
30 June 2013	76 238	-
30 June 2012	91 931	-

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

Present value of fund obligation at the beginning of the year	416 514	389 945
Total contributions	(49 472)	(27 701)
Current and past service cost	29 779	66 061
Interest Cost	30 187	24 661
Benefits Paid	(109 438)	(118 423)
Actuarial (Gain)	8 610	54 270
Present value of fund obligation at the end of the year	375 652	416 514
<b>Less:</b> Transfer of current portion to Current Employee Benefits - note 4	(188 234)	(192 983)
Present value of fund obligation at the end of the year	<b>187 418</b>	<b>223 531</b>

The liability is unfunded.

**JOE GQABI DISTRICT MUNICIPALITY**  
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**Sensitivity Analysis on the Current-service and Interest Costs:**

<b>Assumption</b>	<b>Change</b>	<b>Current Service Cost (R)</b>	<b>Interest Cost (R)</b>	<b>Total (R)</b>	<b>% Change</b>
Central Assumptions		29 779	30 187	59 966	
Discount Rate	+1%	28 508	32 432	60 940	2%
Discount Rate	-1%	31 227	27 817	59 044	-2%
Average retirement age	-1 year	40 057	31 128	71 185	19%

**3.3 Long Service Bonuses**

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

Key actuarial assumptions used:

**i) Rate of interest**

	<b>2017 %</b>	<b>2016 %</b>
Discount rate	8,18	8,37
General Salary Inflation (long-term)	6,00	7,04
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2,06	1,24

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:**

	<b>Present value of fund obligations R</b>
30 June 2017	5 509 980
30 June 2016	4 715 680
30 June 2015	4 830 341
30 June 2014	4 391 167
30 June 2013	3 865 395
30 June 2012	2 735 251

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

**Experience adjustments were calculated as follows:**

	2017 R	2016 R
	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
30 June 2017	160 071	
30 June 2016	(740 579)	
30 June 2015	577 526	-
30 June 2014	54 616	-
30 June 2013	762 433	-
30 June 2012	325 639	-

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

Present value of fund obligation at the beginning of the year	4 715 680	4 830 341
Total contributions	842 469	751 912
Current service cost	706 034	767 171
Interest Cost	370 132	345 261
Benefits Paid	(233 697)	(360 520)
Actuarial Loss/(Gain)	(48 169)	(866 573)
Present value of fund obligation at the end of the year	5 509 979	4 715 680
<b>Less:</b> Transfer of current portion to Current Employee Benefits - note 4	(829 341)	(599 351)
<b>Balance 30 June</b>	<b>4 680 638</b>	<b>4 116 329</b>

The liability is unfunded.

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

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Central Assumptions		706 000	370 100	1 076 100	
General salary inflation	+1%	748 100	389 400	1 137 500	6%
General salary inflation	-1%	667 400	352 300	1 019 700	-5%
Discount rate	+1%	671 000	392 800	1 063 800	-1%
Discount rate	-1%	744 800	344 600	1 089 400	1%
Average retirement age	-2 years	664 000	341 600	1 005 600	-7%
Average retirement age	+2 years	754 700	398 800	1 153 500	7%
Withdrawal Rate	-50%	882 700	436 500	1 319 200	23%

**JOE GQABI DISTRICT MUNICIPALITY**  
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**3,4 Retirement Funds**

2017  
R

2016  
R

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

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

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

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

**CAPE RETIREMENT FUND**

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

Contributions paid recognised in the Statement of Financial Performance:

	8 687 870	8 687 870
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**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:

Government Employees Pension Fund	658 432	658 432
Municipal Councillors Pension Fund	419 562	419 562
IMATU Retirement Fund	24 959	24 959
SAMWU National Provident Fund	2 727 685	2 727 685
SALA Pension Fund	1 353 323	1 353 323
	<b>5 183 960</b>	<b>5 183 960</b>

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	2017 R	2016 R
<b>13 CURRENT EMPLOYEE BENEFITS</b>		
Staff Bonuses Accrued	5 104 624	4 427 358
Provision for Staff Leave	13 464 815	11 450 111
Provision for Performance Bonuses	3 371 716	4 427 359
Other Provisions	582 342	522 849
Current Portion of Non-Current Employee Benefits	2 413 402	2 081 578
Current Portion of Post Retirement Benefits - note 12	1 395 827	1 289 244
Current Portion of Ex Gratia Gratuities - note 12	188 234	192 983
Current Portion of Long-Service Awards - note 12	829 341	599 351
<b>Total Current Employee Benefits</b>	<b>24 936 899</b>	<b>22 909 255</b>

The movement in current employee benefits is reconciled as follows:

**Staff Bonuses Accrued**

Balance at beginning of year	4 427 358	4 418 437
Contribution to current portion	9 880 073	8 425 033
Expenditure incurred	(9 286 775)	(8 416 111)
<b>Balance at end of year</b>	<b>5 020 657</b>	<b>4 427 358</b>

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

**Provision for Staff Leave**

Balance at beginning of year	11 450 111	12 430 338
Contribution to current portion	3 385 056	416 982
Expenditure incurred	(1 370 351)	(1 397 209)
<b>Balance at end of year</b>	<b>13 464 816</b>	<b>11 450 111</b>

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

**Provision for Performance Bonuses**

Balance at beginning of year	4 427 359	2 920 609
Contribution to current portion	1 632 097	1 506 750
Expenditure incurred	(2 687 740)	-
<b>Balance at end of year</b>	<b>3 371 716</b>	<b>4 427 359</b>

Performance bonuses are being provided for and only paid to the Municipal Manager, Directors and middle management after an evaluation of performance by the council. During the year under review, performance bonuses were paid for the 2013/2014 and 2014/2015 financial year and the expenditure reflects above.

**Other Provisions**

Balance at beginning of year	522 849	433 693
Finance charges	59 493	89 156
<b>Balance at year end</b>	<b>582 342</b>	<b>522 849</b>

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

Shortfall in annual earnings of Cape Joint Pension Fund

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

**14 CONSUMER DEPOSITS**

Water	934 536	890 255
<b>Total Consumer Deposits</b>	<b>934 536</b>	<b>890 255</b>

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

Consumer deposits were transferred from the local Municipalities and not all accounts had consumer deposits. All new accounts however are being charged a consumer deposit.

**JOE GQABI DISTRICT MUNICIPALITY**  
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	2017 R	2016 R
<b>15 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Payables	81 878 066	66 598 683
Interest Accrued	248 364	300 959
Other Payables	101 514	101 514
Unallocated Receipts	93 595	56 089
Payments received in advance	9 311 842	4 662 102
Working for Water	460 743	-
Working for Wetlands	0	-
Local Municipalities	5 237 202	4 951 267
Senqu Local Municipality	4 780 630	4 951 267
Elundini Local Municipality	456 572	-
<b>Total Payables from Exchange Transactions</b>	<b>97 331 325</b>	<b>76 670 614</b>
Balance previously reported - Trade Payables		76 212 553
Correction due to invoices received during 2016/2017 - Trade payables		458 061
Restated balance		76 670 614

Payables are being recognised net of any discounts.

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

The carrying value of payables approximates its fair value.



**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>
<b>16 LONG-TERM LIABILITIES</b>		
Annuity Loans - At amortised cost	12 614 349	15 968 508
Less: Current Portion transferred to Current Liabilities	5 947 344	3 355 052
	6 667 005	12 613 456
	6 667 005	12 613 456

New Balance

Annuity loans at amortised cost are calculated at 10.00% - 11.52% interest rate, with the first maturity date of 30 June 2016 and the last maturity date of 31 December 2024. The loans are for the main municipal building in Barkly East, water meters and sanitation infrastructure. A new finance lease was taken up with ABSA for twenty five (25) bakkies and three (3) TLB's in the water service department and the period is 3 years only.

Included in Non-current Investments as per note is an amount of R1 301 340 (2016 - R1 301 340) held as guarantee by the DBSA.

The obligations under annuity loans are scheduled below:

**Amounts payable under annuity loans:**

Payable within one year	2 181 587	2 294 166
Payable within two to five years	6 526 032	7 851 348
Payable after five years	2 422 126	3 390 976
	11 129 745	13 536 489
Less: Future finance obligations	-3 043 415	-4 177 565
Present value of annuity obligations	8 086 330	9 358 925

The obligations under finance leases are scheduled below:

Amounts payable under annuity loans:

Payable within one year	4 605 973	2 549 315
Payable within two to five years	-	4 605 973
Payable after five years	-	-
	4 605 973	7 155 287
Less: Future finance obligations	-77 954	-545 704
Present value of annuity obligations	4 528 018	6 609 583

**JOE GQABI DISTRICT MUNICIPALITY**  
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	2017 R	2016 R
<b>17 GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Unconditional Grants</b>	<b>224 850 320</b>	<b>210 560 924</b>
Equitable Share	223 621 000	209 607 700
LG Seta	1 229 320	953 224
<b>Conditional Grants</b>	<b>338 263 479</b>	<b>315 507 069</b>
DWA Bylaws	-	-
Environmental Health Practitioners	-	-
EPWP Programme	1 474 000	1 408 561
Finance Management Grant (FMG)	1 249 984	1 250 139
Grant for Gariep	-	-
Heritage, Tourism & Economic Strategy	-	-
Heritage Management Plan (UCG)	-	-
Industrial Development Corporation (IDC)	-	-
Invoice Based Finance	-	-
LED Capacity	-	-
Municipal Infrastructure Grant (MIG)	149 069 883	177 932 117
Municipal Systems Improvement Grant (MSIG)	-	940 200
Municipal Water Infrastructure Grant (MWIG)	-	25 022 327
RBIG	9 728 835	4 844 191
Almagamation Grant (Cogta)	500 000	-
DEDEAT - JOGEDA Senqu plastic project	-	800 000
Provincial Treasury Drought programme	74 608 740	71 077 104
Public Works - Special Programme	24 001 747	25 784 141
Rural Households Infrastructure Grant	-	-
Rural Roads Asset Management Grant	1 256 300	2 095 856
Department of Human Settlement	4 546 291	350 991
Water Services Operating Subsidy	-	4 001 442
Water Infrastructure grant	71 827 698	-
<b>Total Government Grants and Subsidies</b>	<b>563 113 799</b>	<b>526 067 993</b>
Government Grants and Subsidies - Capital	248 297 169	203 356 888
Government Grants and Subsidies - Operating	314 816 629	322 711 105
	<b>563 113 799</b>	<b>526 067 993</b>

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

Balance previously reported 30 June 2016	528 573 073
- Correction on overstatement of operating conditions met on MIG expenditure	(2 505 079)
<b>Restated balance</b>	<b>526 067 993</b>

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

Equitable share	223 621 000	209 607 700
Management Services	500 000	800 000
Financial Services	1 249 984	2 190 339
Corporate Services	1 229 320	953 224
Technical Services	336 513 492	315 021 808
	<b>563 113 796</b>	<b>528 573 072</b>

**17,01 Equitable share**

Opening balance	-	-
Grants received	223 621 000	209 607 700
Conditions met - Operating	(223 621 000)	(209 607 700)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

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

**17,02 Finance Management Grant (FMG)**

Opening balance	(139)	35
Grants received	1 250 000	1 250 000
Conditions met - Operating	(1 249 984)	(1 250 139)
Conditions met - Capital	-	-
Monies returned to National Treasury	-	(35)
Conditions still to be met	<b>(123)</b>	<b>(139)</b>

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

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	2017 R	2016 R
<b>17,03 Municipal Systems Improvement Grant (MSIG)</b>		
Opening balance	(200)	1 122
Grants received	-	940 000
Conditions met - Operating	-	(940 200)
Conditions met - Capital	-	-
Monies returned to National Treasury	-	(1 122)
Conditions still to be met	<u><u>(200)</u></u>	<u><u>(200)</u></u>

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

<b>17,04 Municipal Infrastructure Grant (MIG)</b>		
Opening balance	(27 219)	23 634 898
Grants received	151 602 000	154 270 000
Conditions met - Operating	(61 484 278)	(72 109 755)
Conditions met - Capital	(87 585 605)	(105 822 362)
Conditions still to be met	<u><u>2 504 898</u></u>	<u><u>(27 219)</u></u>

Balance previously reported 30 June 2016		(2 532 298)
- Correction of previously overstatement of operating conditions met 2015/2016		2 505 079
Restated balance		<u><u>(27 219)</u></u>

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

<b>17,05 Public Works - Special Programme</b>		
Opening balance	(3 883 893)	(5 193 329)
Grants received	22 796 884	27 093 577
Conditions met - Operating	(24 001 747)	(25 784 141)
Conditions met - Capital	-	-
Grant expenditure to be recovered	<u><u>(5 088 757)</u></u>	<u><u>(3 883 893)</u></u>

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

<b>17,06 Water Services Operating Subsidy</b>		
Opening balance	998 558	34 433
Grants received	-	5 000 000
Conditions met - Operating	-	-
Conditions met - Capital	-	(4 001 442)
Monies returned to National Treasury	(998 558)	(34 433)
Conditions still to be met	<u><u>-</u></u>	<u><u>998 558</u></u>

This grant is used for the refurbishment of water infrastructure.

<b>17,07 Municipal Water Infrastructure Grant (MWIG)</b>		
Opening balance	(11 327)	14 109
Grants received	-	25 011 000
Conditions met - Operating	-	(7 761 529)
Conditions met - Capital	-	(17 260 798)
Monies returned to National Treasury	-	(14 109)
Conditions still to be met/(Grant expenditure to be recovered)	<u><u>(11 327)</u></u>	<u><u>(11 327)</u></u>

This grant is used to facilitate the planning, acceleration and implementation of various projects that will insure water supply to communities identified as not receiving a basic water supply service.

<b>17,08 Water Services Infrastructure grant</b>		
Opening balance	-	-
Grants received	71 828 000	-
Conditions met - Operating	-	-
Conditions met - Capital	(71 827 698)	-
Conditions still to be met	<u><u>302</u></u>	<u><u>-</u></u>

This grant is used to provide specific capital funding for the water service infrastructure. This grant replace the previous know Water Services Operating grant and Municipal Water infrastructure grant.

**JOE GQABI DISTRICT MUNICIPALITY**  
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	2017 R	2016 R
<b>17,09 PT Drought programme</b>		
Opening balance	(12 966 954)	-
Grants received	82 688 568	58 110 150
Conditions met - Operating	-	-
Conditions met - Capital	(74 608 740)	(71 077 104)
Foreign Exchange Gains	-	-
Grant expenditure to be recovered	<u>(4 887 126)</u>	<u>(12 966 954)</u>

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

<b>17,10 Other Grants</b>		
Opening balance	(11 862 645)	(9 181 901)
Grants received	21 502 514	6 972 079
Conditions met - Operating	(3 959 619)	(4 457 641)
Conditions met - Capital	(14 275 126)	(5 195 182)
Foreign Exchange Gains	-	-
Written off/Paid back to National Treasury	-	-
Grant expenditure to be recovered	<u>(8 594 876)</u>	<u>(11 862 645)</u>

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

EPWP Programme

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

DBSA Municipal Support Framework

To assess Local Municipalities' requirements for support by JGDM.

Rural Roads Asset Management Grant (Public Transport)

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

LG Seta

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

Other Grants received during the year:

EPWP Programme	1 474 000	1 379 000
Regional Bulk Infrastructure Grant	16 573 434	2 331 511
Rural Roads Asset Management Grant	2 136 000	2 080 000
LG Seta	1 319 080	1 181 569
Total Other Grants received during the year	<u>21 502 514</u>	<u>6 972 079</u>

**17,13 Total Grants**

Opening balance	(27 753 819)	9 309 368
Correction on opening balance	-	-
Grants received	575 288 966	488 254 507
Conditions met - Operating	(314 316 629)	(324 416 185)
Conditions met - Capital	(248 296 610)	(203 356 888)
Paid back to Treasury/Provided for as impairment	(998 558)	(49 700)
Foreign Exchange Gains	-	-
Grant expenditure to be recovered	<u>(16 076 651)</u>	<u>(30 258 898)</u>

**Disclosed as follows as per note 7**

Unspent Conditional Government Grants and Receipts	-	1 016 165
Unpaid Conditional Government Grants and Receipts	-	(31 275 063)
	<u>-</u>	<u>(30 258 897)</u>

**18 ACTUARIAL (GAINS)/LOSS**

Post Retirement Medical Obligations - Refer to note 12	(6 455 398)	(1 515 799)
Ex Gratia Gratuities - Refer to note 12	8 610	54 270
Long Service Awards - Refer to note 12	(48 169)	(866 573)
<b>Total Actuarial Losses</b>	<u>(6 494 957)</u>	<u>(2 328 102)</u>

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

**JOE GQABI DISTRICT MUNICIPALITY**  
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		2017 R	2016 R
<b>19</b>	<b>REVERSAL OF IMPAIRMENTS</b>		
	Investment in Municipal Entity - note 12	-	-
	<b>Total Reversal of Impairments</b>	<u>-</u>	<u>-</u>
<b>20</b>	<b>SERVICE CHARGES</b>		
	Water	77 562 920	96 001 692
	Sewerage and Sanitation Charges	37 527 693	35 679 737
		<u>115 090 613</u>	<u>131 681 429</u>
	Less: Rebates (including free basic services for indigents)	(23 419 578)	(28 870 666)
	<b>Total Service Charges</b>	<u>91 671 035</u>	<u>102 810 763</u>
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
<b>21</b>	<b>GOVERNMENT SERVICES</b>		
	Working for Water	982 598	4 247 913
	Working for Wetlands	9 123 297	5 069 050
	<b>Total Government Services</b>	<u>10 105 896</u>	<u>9 316 963</u>
<b>22</b>	<b>INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
	Call Investment Deposits	2 794 759	4 087 506
	Primary Bank Account	514 697	290 882
	Fixed Deposits	-	-
	<b>Total Interest Earned - External Investments</b>	<u>3 309 457</u>	<u>4 378 388</u>
<b>23</b>	<b>INTEREST EARNED - OUTSTANDING DEBTORS</b>		
	Water Debtors	15 298 257	5 496 619
	Sewerage Debtors	8 794 113	(149 157)
	<b>Total Interest Earned - Outstanding Debtors</b>	<u>24 092 370</u>	<u>5 347 462</u>
<b>24</b>	<b>OTHER INCOME</b>		
	Sundry Income	331 281	803 621
	Administration fee	470 623	-
	Rental of Facilities and Equipment	15 232	45 414
	Unknown Receipts recognised as income	-	-
	Insurance claims	151 839	396 625
	<b>Total Other Income</b>	<u>968 975</u>	<u>1 245 660</u>

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	2017 R	2016 R
<b>25 EMPLOYEE RELATED COSTS</b>		
Bonuses	10 236 911	8 425 033
Contribution to current employee benefits - Staff Leave - Note 13	3 385 056	416 982
Contribution to non-current employee benefits - Long Service Awards - Note 12	706 034	767 171
Contribution to non-current employee benefits - Post Retirement Medical - Note 12	2 601 983	2 413 038
Contribution to non-current employee benefits - Ex Gratia Gratuities - Note 12	29 779	66 061
Contributions for UIF, Pensions and Medical Aids	25 834 510	23 718 686
Salaries and Wages	117 929 759	104 778 553
 Housing Benefits and Allowances	 1 303 823	 987 473
 Overtime Payments	 10 717 989	 8 184 583
Performance Bonuses	1 632 097	1 506 750
 Travel, Motor Car, Telephone, Subsistence and Other Allowances	 12 480 976	 12 476 093
<b>Total Employee Related Costs</b>	<u><u>186 858 916</u></u>	<u><u>163 740 422</u></u>

**REMUNERATION OF MANAGEMENT PERSONNEL**

The Municipal Manager and all Section 57 Managers are appointed on a 5-year fixed contract.

Municipal Manager - Z A Williams

Salary and other allowances	1 558 511	1 434 851
Performance Bonuses 13-14	210 094	-
Performance bonuses 14-15	224 359	
Travel Allowance	64 200	64 200
Telephone allowance	33 000	33 000
Contributions to UIF, Medical and Pension Funds	247 866	225 651
<b>Total</b>	<u><u>2 338 031</u></u>	<u><u>1 757 702</u></u>

Director Technical Services - R J Fortuin

Salary and other allowances	1 303 083	1 205 021
Performance Bonuses 13-14	178 580	-
Performance bonuses 14-15	190 706	
Travel Allowance	170 220	170 220
Telephone allowance	19 200	19 200
Contributions to UIF, Medical and Pension Funds	92 463	83 967
<b>Total</b>	<u><u>1 954 251</u></u>	<u><u>1 478 408</u></u>

Director Corporate Services - H Z Jantjie

Salary and other allowances	1 506 784	1 286 691
Performance Bonuses 13-14	153 069	-
Performance bonuses 14-15	190 706	
Travel Allowance	84 000	84 000
Telephone allowance	19 200	19 200
Contributions to UIF, Medical and Pension Funds	93 840	78 192
<b>Total</b>	<u><u>2 047 598</u></u>	<u><u>1 468 083</u></u>

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

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

Acting Director Financial Services - S du Toit - Effective 15 April 2015

Salary and other allowances	1 143 345	1 035 153
Performance bonuses 14-15	22 703	
Acting allowance	135 731	128 638
Travel Allowance	120 000	120 000
Telephone allowance	19 200	19 200
Contributions to UIF, Medical and Pension Funds	57 278	18 915
Total	<u>1 498 258</u>	<u>1 321 907</u>

Director Community Services - F J Sephton

Salary and other allowances	1 579 425	1 296 567
Performance Bonuses 13-14	178 580	-
Performance bonuses 14-15	190 706	
Travel Allowance	156 000	156 000
Telephone allowance	19 200	19 200
Contributions to UIF, Medical and Pension Funds	22 824	16 298
Total	<u>2 146 734</u>	<u>1 488 066</u>

Chief Operations Officer - N Mshumi

Salary and other allowances	1 013 046	925 727
Performance Bonuses 13-14	151 990	
Performance bonuses 14-15	162 310	-
Travel Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	243 162	218 821
Total	<u>1 630 507</u>	<u>1 204 548</u>

Manager Water Service provision Manager - D Lusawana

Salary and other allowances	883 380	871 805
Performance bonuses 14-15	67 200	
Contributions to UIF, Medical and Pension Funds	215 178	165 631
Total	<u>1 165 758</u>	<u>1 037 436</u>

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

		2017 R	2016 R
26	<b>REMUNERATION OF COUNCILLORS</b>		
	Councillors	4 584 264	4 671 526
	Councillors' Pension and Medical Aid Contributions	617 648	637 985
	<b>Total Remuneration of Councillors</b>	<b>5 201 912</b>	<b>5 309 512</b>
	<b>In-kind Benefits</b>		

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

	Remuneration	Contributions	Total
<b>2017</b>			
Members of the Mayoral Committee	3 310 480	516 115	3 826 595
ZI Dumzela - Executive Mayor	679 504	182 754	862 258
TZ Notyeke - Speaker	605 383	40 161	645 543
EM Lakabane - Portfolio Head: Financial Services	485 151	84 903	570 054
D Mvumvu - Portfolio Head: Community Services	547 837	52 972	600 809
S Mei - Portfolio Head: Technical Services	539 861	55 743	595 604
L Tokwe - Portfolio Head: Corporate Services	452 744	99 582	552 326
Proportional elected Councillors	1 197 548	80 440	1 277 988
NU Hokwana	499 288	34 514	533 801
N Ngendane	232 211	16 234	248 445
AM van Zyl	233 838	13 226	247 064
M Yiliwe	232 211	16 467	248 678
Representative Councillors and serving until 3 August 2016	86 493	10 836	97 329
<b>Total Councillors Remuneration</b>	<b>4 594 520</b>	<b>607 391</b>	<b>5 201 912</b>



**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

2016	Remuneration	Contributions	Total
Members of the Mayoral Committee	3 014 094	447 259	3 461 353
ZI Dumzela - Executive Mayor	664 664	153 133	817 797
NP Mposelwa - Speaker	570 088	89 050	659 138
B Salman - Portfolio Head: Financial Services	535 920	83 472	619 392
D Mvumvu - Portfolio Head: Community Services	361 815	3 603	365 418
TZ Notyeke - Portfolio Head: Technical Services	376 357	3 804	380 161
N Ngubo - Portfolio Head: Corporate Services	505 250	114 197	619 447
Proportional elected Councillors	1 533 482	189 528	1 723 010
S Mei	313 083	19 052	332 135
DF Hartkopf	328 922	3 024	331 946
V Mbulawa	214 554	49 132	263 686
MW Mpelwane	-	-	-
LN Gova	233 629	30 087	263 716
XG Motloi	219 647	44 139	263 786
NF Mphithi	223 647	44 094	267 741
Representative Councillors	119 750	5 399	125 149
<b>Total Councillors Remuneration</b>	<b>4 667 326</b>	<b>642 186</b>	<b>5 309 512</b>

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

		2017 R	2016 R
<b>27</b>	<b>DEBT IMPAIRMENT</b>		
	Contributions to provision - note 5	44 916 410	70 896 695
	Less: Portion relating to VAT - note 6	(7 239 943)	(13 215 463)
	<b>Total Debt Impairment</b>	<b>37 676 466</b>	<b>57 681 232</b>
<b>28</b>	<b>IMPAIRMENTS</b>		
	Investment in Municipal Entity - note 12	-	-
	Property Plant and Equipment - note 9	-	290 493
	<b>Total Impairments</b>	<b>-</b>	<b>290 493</b>
<b>29</b>	<b>DEPRECIATION AND AMORTISATION</b>		
	Property, Plant and Equipment - note 8	47 810 953	45 707 949
	Investment Property - note 9	256 580	41 705
	Intangible Assets - note 10	448 200	449 644
	<b>Total Depreciation and Amortisation</b>	<b>48 515 733</b>	<b>46 199 298</b>
<b>30</b>	<b>REPAIRS AND MAINTENANCE</b>		
	Infrastructure	10 985 042	4 352 516
	Land and Buildings	373 197	395 522
	Other Assets	697 826	1 510 165
	<b>Total Repairs and Maintenance</b>	<b>12 056 066</b>	<b>6 258 203</b>
	It should be noted that a substantial amount of Repairs and Maintenance that were done are reflecting under the Operating Grant expenditure votes.		
<b>31</b>	<b>FINANCE CHARGES</b>		
	Long-term Liabilities	990 256	1 124 027
	Finance leases	467 750	632 045
	Non-current Employee Benefits	4 458 120	3 890 173
	Finance charges on pension fund shortfall	-	89 156
	Other provisions	-	-
	<b>Total Finance Charges</b>	<b>5 916 126</b>	<b>5 735 402</b>
<b>32</b>	<b>CONTRACTED SERVICES</b>		
	Water Services	-	8 768
	Local Municipalities	-	8 768
	Other Contractors	-	-
	Sanitation Services	14 441 985	15 129 291
	Local Municipalities	-	70
	Other Contractors	14 441 985	15 129 221
	<b>Total Contracted Services</b>	<b>14 441 985</b>	<b>15 138 059</b>
	Contracted services paid to Local Municipalities include a 15% collection fee of all monies collected by the Local Municipalities on behalf of Joe Gqabi District Municipality as well as a standard rate per monthly statement printed per service.		
	The other contractors relate to Honey Sucking that has been done by outside contractors throughout the district for the year under review.		
<b>33</b>	<b>BULK PURCHASES</b>		
	Water	4 163 900	988 976
	<b>Total Bulk Purchases</b>	<b>4 163 900</b>	<b>988 976</b>

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	2017 R	2016 R
<b>34 GRANTS AND SUBSIDIES PAID</b>		
Gariep Local Municipality	108 861	1 185 000
Pauper burials	2 600	7 980
Joe Gqabi Economic Development Agency (SoC) Ltd	7 258 142	3 806 797
<b>Total Grants and Subsidies Paid</b>	<b>7 369 603</b>	<b>4 999 777</b>
<p>The Economic Entity has been in the process of taking over water service provision from local municipalities.</p> <p>The grant paid to Joe Gqabi Economic Development Agency (SoC) Ltd (JoGEDA) is in terms of the service level agreement with the IDC. This grant is used for operating activities by JoGEDA. The grant paid also included an amount of R800 000 received from DEDEAT for the Senqu Plastic project.</p>		
<b>35 OPERATING GRANT EXPENDITURE</b>		
Management Services	-	-
Financial Services	859 591	1 576 322
Corporate Services	1 123 305	1 324 964
Technical Services	61 302 515	74 251 565
Community Services	8 323 001	6 254 940
<b>Total Operating Grant Expenditure</b>	<b>71 608 412</b>	<b>83 407 790</b>
<b>36 EMERGENCY DROUGHT RELIEF</b>		
Water carting	321 930	840 345
<b>Total Operating Grant Expenditure</b>	<b>321 930</b>	<b>840 345</b>
<b>37 GENERAL EXPENSES</b>		
Audit Fees	5 106 458	5 256 906
Advertising Fees	486 401	642 024
Bank Charges	359 311	309 411
Chemicals	7 116 639	6 202 647
Computer Charges	-	65 320
Consulting Fees	7 052 545	9 167 814
Cultivating and Capacitation	500 000	-
Entertainment	91 497	38 932
Fire Extinguishers	214 554	-
Fuel and oil	8 350 508	8 595 309
IT Cost	454 019	-
Insurance	5 105 828	2 630 706
Legal Fees	1 426 012	2 260 408
Material and protective clothing	234 195	1 831 603
Marketing	368 189	365 763
Membership Fees	2 480 724	44 340
Postage	4 073	11 903
Printing and Stationery	1 263 213	906 091
Rentals	678 688	780 869
Security	3 216 899	3 090 787
Services	1 903	545 698
Special programmes	1 482 076	1 814 706
SPLUMA	31 867	-
Telephone	4 026 607	4 707 851
Training	1 481 047	785 809
Travel and Subsistence	15 942 880	15 332 874
Vehicle Rental	2 456 811	1 812 833
Water and Electricity	9 745 731	9 631 823
Water Testing & Quality Monitoring	3 069 454	2 101 744
Other	2 239 835	1 692 015
<b>Total General Expenses</b>	<b>84 987 964</b>	<b>80 626 188</b>

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

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	2017 R	2016 R
<b>38 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>		
Carrying value of Property, Plant and Equipment disposed or written off	575 578	656 721
Proceeds from Disposal of Property, Plant and Equipment	-	-
Property, Plant and Equipment transferred to JoGEDA	-	-
<b>Total Loss on Disposal of Property, Plant and Equipment</b>	<b>575 578</b>	<b>656 721</b>
The loss on disposal of assets to the amount of R376 207 (R656 721- 2016) relates to assets that were written off.		
<b>39 CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		
<b>39,1 NET SURPLUS/(DEFICIT) FOR THE YEAR 2016</b>		
Certain errors were detected which relates to the prior year and were restated retrospectively. The effects of these restatements are listed below:		
<b>Surplus reported on 30 June 2016</b>		<b>169 527 648</b>
General Expenses incurred due to invoices received late and dispute resolved - Refer note 15		(458 061)
Interest received on Non-Current investment understated during 2015/2016 - Refer note 11		78 426
Correction on Government grants and subsidies - operational due to overstatement on revenue recognition on PMU expenditure - Refer note 7		(2 505 079)
Correction on overbillings on Water and Sanitation during 2015/2016 corrected - Refer note 5		(230 254)
Correction on overstatement of the provision of bad debts during 2015/2016 due to VAT portion being included in Provision for bad debts - Refer note 6		13 215 463
<b>Restated surplus for the year ended 30 June 2016</b>		<b>179 628 144</b>
<b>39,2 PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
<b>Balance previously reported</b>		<b>76 212 553</b>
Correction on understatement of Trade payables due to late receipt of invoices and a dispute that has been resolve - Note 38,1		458 061
<b>Restated Balance on 30 June 2016</b>		<b>76 670 614</b>
<b>39,3 NON-CURRENT INVESTMENTS</b>		
<b>Balance previously reported</b>		<b>3 305 081</b>
Correction on understatement of interest recognised on the non current investment for the year 2015/2016 - Note 38,1		78 426
<b>Restated Balance on 30 June 2016</b>		<b>3 383 507</b>
<b>39,4 UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
<b>Balance previously reported</b>		<b>(30 258 897)</b>
Correction on overstatement of MIG grant income due to the PMU portion being overstated - Note 38,1		2 505 079
<b>Restated Balance on 30 June 2016</b>		<b>(27 753 818)</b>
<b>39,5 RECEIVABLE FROM EXCHANGE TRANSACTIONS</b>		
<b>Balance previously reported</b>		<b>59 995 623</b>
Correction on overstatement on Sanitation services billing - Note 38,1		(87 421)
Correction on overstatement on Water services billing - Note 38,1		(76 214)
Correction on overstatement on Monies received from Elundini local Municipality - Note 38,1		(66 618)
<b>Restated Balance on 30 June 2016</b>		<b>59 765 369</b>
<b>39,6 SOUTH AFRICAN REVENUE SERVICES</b>		
<b>Balance previously reported</b>		<b>(3 589 634)</b>
Correction on understatement of interest recognised on the non current investment for the year 2015/2016 - Note 38,1		13 215 463
<b>Restated Balance on 30 June 2016</b>		<b>9 625 829</b>

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	2017 R	2016 R
<b>40 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY</b>		
<b>NET CASH FROM OPERATING ACTIVITIES</b>		
Net Surplus/(Deficit) for the year	220 106 043	179 628 144
Adjusted for:		
Non-Cash Expenditure and Revenue	84 730 940	119 694 435
Actuarial Gains	(6 494 957)	(2 328 102)
Debt impairment	37 676 466	70 896 695
Deprecation and amortisation	48 515 733	46 199 298
Impairments	-	290 493
Finance charges	4 458 120	3 979 329
Loss on disposal of PPE	575 578	656 721
Contributions - Provisions and Employee Benefits	22 633 650	13 595 034
Post Retirement Medical Benefits	6 600 291	2 413 038
Long Service Awards	1 076 166	767 171
Ex-Gratia	59 966	66 061
Performance bonuses	1 632 097	1 506 750
Bonuses	9 880 073	8 425 033
Staff leave	3 385 056	416 982
Expenditure - Provision and Employee Benefits	(14 764 938)	(11 255 733)
Post Retirement Medical Benefits	(1 076 935)	(963 470)
Long Service Awards	(233 697)	(360 520)
Ex-Gratia	(109 438)	(118 423)
Performance bonuses	(2 687 740)	-
Bonuses	(9 286 775)	(8 416 111)
Staff leave	(1 370 351)	(1 397 209)
Other adjustments	(111 064 524)	(6 544 266)
Bad debts Written off	(111 064 524)	(6 544 266)
Operating surplus before changes in working capital	201 641 171	285 017 119
Movement in working capital	23 177 838	(133 542 802)
Receivables from exchange transactions	8 921 348	(98 694 202)
Inventory	277 771	713 373
Payables from exchange transactions	20 660 711	(4 628 563)
Unspent Conditional Government Grants	6 417 235	(22 701 894)
Unpaid Conditional government grants	6 606 433	(16 866 370)
Taxes	(19 705 660)	8 634 853
Cash Flow from Operating Activities	224 819 009	151 474 318

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017**

	2017 R	2016 R
<b>41 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - note 3	2 155 106	2 421 545
Investments - note 11	1 583 453	1 411 026
	3 738 558	3 832 571
Less:	7 433 400	1 016 165
Unspent Committed Conditional Grants - note 7	7 433 400	1 016 165
<b>Net cash resources available for internal distribution</b>	<b>(3 694 842)</b>	<b>2 816 406</b>
<b>42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - note 16	6 667 005	12 613 456
Used to finance property, plant and equipment - at cost	(6 667 005)	(12 613 456)
<b>Cash invested for repayment of long-term liabilities</b>	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 10% and 11.52% and will be repaid by 2024.

**JOE GQABI DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017 R	2016 R
<b>43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>43.1 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure:		
Opening balance	164 753	164 753
Unauthorised expenditure current year - operating	-	-
Unauthorised expenditure current year - capital	-	-
Authorised by Council	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	164 753	164 753

Incident	Disciplinary steps
Over expenditure on votes.	None

	Actual R	Final Budget R	Variance R	Unauthorised Expenditure R
<b>Operating Expenditure by Vote</b>				
Management Services	45 798 575	54 306 638	8 508 063	-
Financial Services	69 088 689	72 889 693	3 801 004	-
Corporate Services	45 584 973	48 019 003	2 434 030	-
Technical Services	270 346 238	315 523 333	45 177 095	-
Community Services	48 831 971	56 174 429	7 342 458	-
	<b>479 650 445</b>	<b>546 913 096</b>	<b>67 262 651</b>	<b>-</b>

<b>Capital Expenditure by Vote</b>				
Management Services	-	2 600 000	2 600 000	-
Financial Services	-	200 000	200 000	-
Corporate Services	1 299 703	1 433 000	133 297	-
Technical Services	226 054 711	265 610 000	39 555 289	-
Community Services	-	-	-	-
	<b>227 354 414</b>	<b>269 843 000</b>	<b>42 488 586</b>	<b>-</b>

**43.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	717 107	687 446
Fruitless and wasteful expenditure current year	-	29 661
Written off by Council	(717 107)	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting write-off approval	-	717 107

Incident	Disciplinary steps
Interest paid to Telkom, Eskom and on utility bills not paid within 30 days and paid within 30 days but after due date of the service providers	None - A request has been submitted to Senqu and Eskom due to arrangements made during the year

	-	29 661
	-	29 661

**43.3 Irregular expenditure**

Reconciliation of irregular expenditure:		
Opening balance	9 192 359	9 190 312
Irregular expenditure - current year	-	2 047
Irregular expenditure - prior year (identified during current year)	-	-
Condoned	-	-
Written off by Council awaiting condonation	(9 192 359)	-
Transfer to receivables for recovery	-	-
Irregular expenditure	-	9 192 359

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. Council did consider it and resolved that it is irrecoverable.

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

**JOE GQABI DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	R	R
<b>44 MATERIAL LOSSES</b>		
<b>Water distribution losses</b>		
Kilo litres disinfected/purified/purchased	14 580 712	14 772 076
Kilo litres sold	(7 838 740)	(8 011 414)
Kilo litres lost	6 741 972	6 760 662
Percentage lost during distribution	46,2%	45,8%
Average cost per kilolitre in Rands	7,38	10,16
Loss in Rand value	49 755 753	68 688 325

The above increase in water losses are mainly due to water losses increased in Walter Sisulu and Elundini this past year but a few factors beyond the control of JGDM that influenced the result are explained below.

- There are consumers who are billed on an unmetered tariff in line with councils tariff policy, however the consumption of those households are not known and is added to the loss. The municipality is in process of installing pre paid meters.
- A data cleansing exercise was done in the previous Gariep area during 2015/2016 and the results resulted in a low water loss due to the fact that consumers were identified with interim billings for very long periods and during the take over the Municipality corrected it. The consumption billing in 2015/2016 this was abnormal high. The current loss is however inline with the years prior to 2015/2016.
- In August 2015 the water system in the town of Ugie was negatively affected by an oil spillage upstream of the abstraction point that negatively affected the whole system. All pipes and reservoirs had to be repeatedly scoured to restore water quality. A disaster was declared in Ugie due to the inability to cope with the oil spill, on 4 December 2015. The disaster continued for the whole of 2016/2017
- Further to this, the repeated switching on and off of water in Maclear, Burgersdorp and Aliwal North influenced the pressure in the pipes and exacerbated stresses on old infrastructure which increased the number of water leaks. Problems from this period are still being addressed.

The results indicate that JGDM requires a strategy in order to better manage and assess its systems in future. In the preceding financial years, a WCDMP outline has been proposed to aid in achieving better management and conservation of water. This strategy has been mentioned again as it is still applicable for the area.

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

**45.1 SALGA Contributions - [MFMA 125 (1)(b)]**

Opening balance	-	-
Council subscriptions	1 944 430	1 447 800
Amount paid - current year	(1 944 430)	(1 447 800)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

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

Opening balance	626 231	-
Current year audit fee	5 737 742	5 668 874
Amount paid	(6 296 190)	(5 042 642)
<b>Balance unpaid (included in payables)</b>	<b>67 784</b>	<b>626 231</b>

**45.3 VAT - [MFMA 125 (1)(b)]**

Opening balance	9 625 829	4 901 766
Amounts received - current year	(8 627 258)	(13 282 450)
Amounts claimed - current year	31 228 245	18 006 513
<b>Balance receivable/(payable)</b>	<b>32 226 817</b>	<b>9 625 829</b>

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. Bulk of the Claims for the 16/17 year was only paid to the Municipality during July 2017 contributing to the cashflow challenges we experienced.

**45.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]**

Opening balance	-	-
Current year payroll deductions and Council Contributions	26 903 552	23 507 485
Amount paid - current year	(26 903 552)	(23 507 485)
<b>Balance receivable</b>	<b>-</b>	<b>-</b>

**45.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]**

Opening balance	-	-
Current year payroll deductions and Council Contributions	35 349 797	33 237 720
Amount paid - current year	(35 349 797)	(33 237 720)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

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

There are no overdue councillor accounts.



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	2017 R	2016 R
<b>45.6 Deviations - Supply Chain Management</b>		
Deviations with the Supply Chain Management Regulations were identified and categorised as follow:		
- Emergencies	25 076 426	25 507 137
- Goods or services are produced or available from a single provider only	-	19 400
- Other exceptional cases where it is impractical or impossible to follow the official procurement processes	13 669 121	18 797 328
	<u>38 745 547</u>	<u>44 323 865</u>
Deviations per department		
- Office of the Municipal Manager	39 305	43 491
- Financial Services	-	28 774
- Corporate Services	2 998 787	4 074 094
- Community Services	479 029	560 422
- Technical Services	35 228 426	39 611 268
- Expenditure incurred on behalf of JoGEDA	-	5 815
	<u>38 745 547</u>	<u>44 323 865</u>
<b>46 CAPITAL COMMITMENTS</b>		
<b>Commitments in respect of capital expenditure:</b>		
Approved and contracted for:		
- Infrastructure	374 116 020	455 062 901
<b>Total</b>	<u>374 116 020</u>	<u>455 062 901</u>
This expenditure will be financed from:		
Capital Replacement Reserve	-	-
Government Grants	374 116 020	455 062 901
Own Resources	-	-
	<u>374 116 020</u>	<u>455 062 901</u>
<b>47 FINANCIAL RISK MANAGEMENT</b>		
The activities of the Municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance.		
<b>(a) Foreign Exchange Currency Risk</b>		
The Municipality does not engage in foreign currency transactions.		
<b>(b) Price risk</b>		
The Municipality is not exposed to price risk.		
<b>(c) Interest Rate Risk</b>		
Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, non-current investments and loan payables.		
The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the Municipality calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for cash and cash equivalents and non-current investments as the interest rate on loan payables are fixed.		
The Municipality did not hedge against any interest rate risks during the current year.		
The potential impact on the Municipality's surplus/deficit for the year due to changes in interest rates were as follow:		
0,5% (2016 - 0.5%) Increase in interest rates	595 885	312 086
0,5% (2016 - 0.5%) Decrease in interest rates	(595 885)	(312 086)
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.		

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	2017 R	2016 R
<b>(d) Credit Risk</b>		
Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss.		
Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.		
Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of consumers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer receivables the Municipality effectively has the right to terminate services to customers, but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.		
All services are payable within 30 days from invoice date. Refer to note 15 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	77 944 950	30 816 263
Sewerage	34 402 829	6 721 498
Local Municipalities	1 646 564	3 175 874
Other Receivables	2 997 793	5 819 462
	<b>116 992 136</b>	<b>46 533 097</b>
No receivables are pledged as security for financial liabilities.		
The Municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure is disclosed below.		
The bank utilised by the Municipality for current and non-current investments are all listed on the JSE (ABSA Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.		
Although the risk pertaining to unpaid conditional grants and subsidies are considered to be very low, the maximum exposure is disclosed below. Amounts are receivable from national and provincial government and there are no expectation of counter party default.		
Receivables from exchange transactions are individually evaluated annually at Financial Position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. The maximum exposure is disclosed below.		
Financial assets exposed to credit risk at year end are as follows:		
Receivables from Exchange Transactions	259 791 743	268 943 345
Cash and Cash Equivalents	-	2 421 545
Non-current Investments	1 583 453	1 411 026
Unpaid Conditional Grants and Subsidies	22 163 551	31 275 063
	<b>283 538 747</b>	<b>304 050 979</b>

**(e) Liquidity Risk**

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

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

**Municipality**

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
<b>2017</b>				
Long Term liabilities and Finance Leases	6 864 221	6 441 600	2 422 126	15 727 946
Capital repayments	5 947 344	4 623 531	2 035 702	12 606 577
Interest	916 877	1 818 069	386 423	3 121 369
Payables from exchange transactions	97 331 325	-	-	-
Unspent Conditional Government Grants and Receipts	7 433 400	-	-	-
	<b>111 628 946</b>	<b>6 441 600</b>	<b>2 422 126</b>	<b>15 727 946</b>

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	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
<b>2016</b>				
Long Term liabilities and Finance Leases	4 911 312	12 336 970	3 390 976	20 639 258
Capital repayments	3 455 162	9 895 674	2 710 903	16 061 739
Interest	1 456 150	2 441 296	680 073	4 577 519
Payables from exchange transactions	76 670 614	-	-	-
Unspent Conditional Government Grants and Receipts	1 016 165	-	-	-
	<u>82 598 092</u>	<u>12 336 970</u>	<u>3 390 976</u>	<u>20 639 258</u>

	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>

**48 FINANCIAL INSTRUMENTS**

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

**48.1 Financial Assets**

**Financial instruments at amortised cost**

Non-Current Investments		
- Fixed Deposits	1 583 453	1 411 026
- Municipal Entity - Joe Gqabi Economic Development Agency (Soc) Ltd	1 894 055	1 894 055
Receivables from Exchange Transactions	116 992 136	59 995 623
Cash and Cash Equivalents	-	2 421 545
Unpaid Conditional Government Grants and Receipts	22 163 551	31 275 063
<b>Total carrying amount of financial assets</b>	<b><u>142 633 194</u></b>	<b><u>96 997 312</u></b>

**48.2 Financial Liability**

**Financial instruments at amortised cost**

Long-term Liabilities	6 667 005	12 613 456
Trade and Other Payables	97 331 325	76 670 614
Current Portion of Long-term Liabilities	5 947 344	3 355 052
Unspent Conditional Government Grants and Receipts	7 433 400	1 016 165
<b>Total carrying amount of financial liabilities</b>	<b><u>117 379 074</u></b>	<b><u>93 655 287</u></b>

**49 EVENTS AFTER THE REPORTING DATE**

The Municipality has noted the unfavourable weather conditions that have persisted in the last quarter ended 30 June 2017. All indications and information at hand indicates that the District will have a period of drought that will in all probability result in the outflow of economic resources in the post reporting period. Water levels in the Senqu Lady Grey and Walter Sisulu - Burgersdorp is extremely low and it is expected that carting might be needed. The outflow of resources is expected to exceed R10 million.

**50 IN-KIND DONATIONS AND ASSISTANCE**

None

**51 PRIVATE PUBLIC PARTNERSHIPS**

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

**JOE GQABI DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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**CONTINGENCIES**

Council has the following contingent liabilities at the end of the financial year 2016/2017:

Outstanding litigation claims

A claim was filed against the Municipality by a service provider disputing the award of a tender to another service provider. Judgement was received on the 26th of May 2016 in favour of the municipality, however the plaintiff has appealed the whole judgement. Judgement was received in the favour of the Municipality again from a full bench appeal and the plaintiff has opt to appeal again. The case is currently at the Suupreme Court of Appeal in Bloemfontein.

1 597 373      1 097 373,80

The Municipality was contesting a labour matter in respect of its junior fire fighters. The labour court reviewed and set aside the decision of the commissioner to pay the employees the amount of and referred the matter back to arbitration before a new commissioner. The matter sat on arbitration and the employer representative raised points in limine which resulted to the commissioner dismissing the application on grounds of prescription but advising the employees to apply for condonation should they want to pursue the matter. The applied for condonation to SALGBC and the application was dismissed on 10 April 2017. Currently the employees have filed an application to review or set aside the decision of the commissioner who dismissed the application.

-      9 529 183

In addition, the Commissioner also issued an award that the 28 junior fire fighters be paid an amount of R211 870 each based on TASK grading. This arbitration award has also been referred for review. This matter will be supposed to sit on the 25th and 26th of October 2016, however the case was removed from the roll on the date in question due to the issues surrounding the non-filing of the record by the Bargaining council as well as the junior fire fighters attorneys. Their attorneys of record withdrew subsequently and to date we have not received a new date from the labour court.

6 347 518      6 347 518

The Municipality is contesting a claim for damages amounting to R754 702. The claim was lodged by Mr B Ramsay and his spouse for damages, pain and suffering and future medical costs. The claim relates to a motor vehicle accident wherein the vehicle was damaged when entering a site in Altwal North. The site relates to diggings on a road for the purpose of effecting repairs to water infrastructure. The complainants believe that the Municipality is responsible for the accident that occurred. The Municipality is contesting this claim and the matter has been set down for trial on the 11 October 2016 and then was removed from the roll on basis of they wanted to file their expert witness evidence. The municipality is awaiting the new trial date.

754 702      754 702

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

A summons and a notice of intention has been filled against the municipality. This matter relates to an employee of the municipality had an accident and a house of a resident was damaged in the process. The Municipality considers the likelihood of the case being lost by the Municipality as being medium. This matter is awaiting a court date.

272 555      272 555

There was an accident which occurred between a vehicle of Senqu Municipality and a truck driven by an employee of the Municipality. The insurance is claiming for damages from the municipality and the municipality is contesting the claim. This matter is pending before court for trial.

485 661      485 661

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

800 000      800 000

**Council has the following contingent assets at the end of the financial year 2016/2017:**

The municipality identified possible fraud which is currently under investigation by the SAPS and the outcome is unsure at this stage. The matter has been referred to the Municipal attorneys to claim from the medical aid scheme in question. No court date has been set on the reporting date

(5 500 000)

A case against a former employee has been before labour court for fraud. The matter has been finalised and a debtor was created during 2016/2017.

-      (300 000)

53

**RELATED PARTIES**

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

**53.1 Related Party Loans**

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

**53.2 Compensation of management personnel**

The compensation of management personnel is set out in note 25, 26 and to the financial statements.

**53.3 Investment in Municipal Entity**

The Municipality has a 100% shareholding in Joe Gqabi Economic Development Agency (Soc) Ltd (JoGEDA) as set out in note 12 to the financial statements. The Municipality incurred expenditure on behalf of JoGEDA. Refer to note 11 for the detail of the balances.

The Municipality paid a grant to JoGEDA as disclosed in note 34.

**JOE GQABI DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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

**54.1 ORIGINAL BUDGET vs FINAL BUDGET**

**General activities effecting the budget**

The Municipality's Council approved the take over of the water and sanitation function from all the Local Municipalities. 2016/2017 is the third year and ability of collection is having a direct impact on our budget assumptions vs actual during the year

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

There were still limited historic data available in order to draft an accurate original budget. Subsequently, more accurate historic data became available during the year which was taken into account during the drafting of the final budget. The billing responsibility contributed mainly to the challenges experienced during the year with specific reference to cashflow challenges and ageing infrastructure that was transferred with the function.

**Statement of Financial Position**

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

Current Liabilities were increased due to the following:

- Current Employee Benefits were increased in order to be in line with the audited outcome of 30 June 2016 and to take into account items which were not budgeted for in the original budget.
- The Trade payables were increased due the continuous cash flow challenges of the Municipality

Non-Current Liabilities were increased due to the following:

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

**Statement of Financial Performance - Revenue**

Capital Government Grants and Subsidies were increased due to following:

- Additional funding not initially included
- Misalignment in the initial budget and the Drought funding

**Statement of Financial Performance - Expenditure**

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

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

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

**Operating Expenditure by vote**

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

**Capital Expenditure by vote**

Budget decreased due to cashflow challenges

**54.2 ACTUAL AMOUNTS vs FINAL BUDGET**

**Statement of Financial Position**

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

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

Total Current Liabilities is more due to cash flow challenges experienced towards end of the financial year not anticipated, mainly due to SARS not releasing the VAT claim

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

**JOE GQABI DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**Statement of Financial Performance - Revenue**

Capital Government Grants is over due to mis alignment on the budget between Capital and operational

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

The overall Revenue ration is only 0,1% over the final budget

**Statement of Financial Performance - Expenditure**

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

Dept impairment is significantly more due to the third year billing as well as collection. This should improve towards the 2017/2018 year.

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

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

The overall Revenue ration is only 12% under the final budget due to budget constraints

**Cash Flow Statement**

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

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

**Operating Expenditure by vote**

Cashflow challenges led to the inability to spend according to the budget as well as most functions performed internally.

**Capital Expenditure by vote**

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

**APPENDIX A - Unaudited  
JOE GQABI DISTRICT MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017**

<b>EXTERNAL LOANS</b>	<b>Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Maturity Date</b>	<b>Balance at 30 June 2016</b>	<b>Received during the period</b>	<b>Redeemed during the period</b>	<b>Balance at 30 June 2017</b>
					<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>ANNUITY LOANS</b>								
DBSA - Building - c/o Graham and Cole street, Barkly East	11,5%	100878	6 monthly	31 Dec 2024	5 160 051	-	385 490	4 774 561
ABSA - Water meter loan	10,73%		6 monthly	1 March 2020	4 198 874	-	887 105	3 311 769
<b>Total Annuity Loans</b>					<b>9 358 925</b>	<b>-</b>	<b>1 272 595</b>	<b>8 086 330</b>
<b>FINANCE LEASE</b>								
ABSA - VEHICLES	Prime		Monthly	Various	6 609 583	-	2 081 565	4 528 018
<b>Total Finance Leases</b>					<b>6 609 583</b>	<b>-</b>	<b>2 081 565</b>	<b>4 528 018</b>
<b>TOTAL EXTERNAL LOANS</b>					<b>15 968 508</b>	<b>-</b>	<b>3 354 159</b>	<b>12 614 349</b>



**APPENDIX B - Unaudited**  
**JOE GQABI DISTRICT MUNICIPALITY**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2017**

	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 and Impairments		Closing Balance
<b>Land and Buildings</b>													
Land	2 043 000	-	-	-	-	-	-	2 043 000	-	-	-	-	2 043 000
Buildings	15 639 048	-	105 446	-	-	-	-	15 744 494	5 357 959	582 480	-	5 940 439	9 804 055
	<b>17 682 048</b>	<b>-</b>	<b>105 446</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17 787 494</b>	<b>5 357 959</b>	<b>582 480</b>	<b>-</b>	<b>5 940 439</b>	<b>11 847 055</b>
<b>Infrastructure</b>													
Sewerage Network	322 217 928	-	10 129 451	-	138 080 707	-	-	470 428 086	72 272 067	10 265 695	-	82 537 762	387 890 324
Water Network	1 108 141 897	-	62 223 770	-	355 064 675	(880 418)	-	1 524 549 925	237 873 491	33 151 997	(574 708)	270 450 780	1 254 099 145
	<b>1 430 359 825</b>	<b>-</b>	<b>72 353 221</b>	<b>-</b>	<b>493 145 382</b>	<b>(880 418)</b>	<b>-</b>	<b>1 994 978 011</b>	<b>310 145 557</b>	<b>43 417 692</b>	<b>(574 708)</b>	<b>352 988 542</b>	<b>1 641 989 469</b>
<b>Other Assets</b>													
Office Equipment	2 299 784	-	48 450	-	-	(10 468)	-	2 337 765	1 650 206	131 384	(9 277)	1 772 313	565 453
Furniture & Fittings	3 696 344	-	7 281	-	-	(113 570)	-	3 590 055	2 667 963	133 950	(107 405)	2 694 508	895 547
Motor Vehicles	16 078 627	501 673	922 252	-	-	(35 000)	-	17 467 552	7 540 922	2 269 416	(31 363)	9 778 975	7 688 577
Fire Engines	8 031 685	892 409	-	-	-	-	-	8 924 094	6 192 206	668 360	-	6 860 566	2 063 528
Computer Equipment	2 912 507	-	271 843	-	-	(132 878)	-	3 051 471	1 248 557	141 330	(37 603)	1 352 284	1 699 187
Special Vehicles	4 256 654	483 832	-	-	-	(510 800)	-	4 229 685	1 386 323	335 379	(347 078)	1 374 624	2 855 061
Tools and Equipment	3 080 408	-	49 997	-	-	-	-	3 130 406	1 478 131	130 962	-	1 609 093	1 521 313
	<b>40 356 008</b>	<b>1 877 914</b>	<b>1 299 823</b>	<b>-</b>	<b>-</b>	<b>(802 716)</b>	<b>-</b>	<b>42 731 029</b>	<b>22 164 309</b>	<b>3 810 781</b>	<b>(532 727)</b>	<b>25 442 363</b>	<b>17 288 666</b>
<b>Total</b>	<b>1 488 397 882</b>	<b>1 877 914</b>	<b>73 758 490</b>	<b>-</b>	<b>493 145 382</b>	<b>(1 683 134)</b>	<b>-</b>	<b>2 055 496 534</b>	<b>337 667 825</b>	<b>47 810 953</b>	<b>(1 107 435)</b>	<b>384 371 344</b>	<b>1 671 125 190</b>

APPENDIX C (UNAUDITED)

SEGMENTAL STATEMENTS OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2017

VOTE	30 JUNE 2017			30 JUNE 2016		
	REVENUE R	EXPENDITURE R	SURPLUS/(DEFICIT) R	REVENUE R	EXPENDITURE R	SURPLUS/(DEFICIT) R
Management Services	500 000	45 798 575	(45 298 575)	800 000	40 252 595	(39 452 595)
Financial Services	344 426 998	69 088 689	275 338 309	317 481 325	55 962 548	261 518 777
Corporate Services	7 739 477	45 584 973	(37 845 496)	3 533 003	47 299 091	(43 766 088)
Technical Services	336 984 114	270 346 238	66 637 877	320 369 270	277 903 755	42 465 515
Community Services	10 105 896	48 831 971	(38 726 075)	9 316 963	50 454 428	(41 137 465)
<b>TOTAL</b>	<b>699 756 485</b>	<b>479 650 445</b>	<b>220 106 039</b>	<b>651 500 561</b>	<b>471 872 418</b>	<b>179 628 144</b>

**JOE GQABI DISTRICT MUNICIPALITY**

**APPENDIX D (UNAUDITED)**

**DISCLOSURE OF TRANSFERS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2017**

	<b>Opening Balance</b>	<b>Restatement on opening balance</b>	<b>Restated opening balance</b>	<b>Grants Received</b>	<b>Return to Treasury</b>	<b>Transferred to Revenue (Operating)</b>	<b>Transferred to Revenue (Capital)</b>	<b>Closing Balance</b>	<b>Comment</b>
	<b>R</b>			<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>
<b>NATIONAL GOVERNMENT</b>									
Accelerated Community Infrastructure Programme (ACIP)	85 102		<b>85 102</b>	-	-			85 102	Unpaid Grants
Municipal Infrastructure Grant (MIG)	2 532 298	(2 505 079)	<b>27 219</b>	151 602 000	-	61 484 278	87 585 605	(2 504 898)	Unspent Grants
Department Water Affairs	5 749		<b>5 749</b>	-	-	-	-	5 749	Unpaid Grants
EPWP Programme	29 998		<b>29 998</b>	1 474 000	-	1 474 000		29 998	Unpaid Grants
Equitable Share	-		-	223 621 000	-	223 621 000		-	Unspent Grants
Finance Management Grant (FMG)	139		<b>139</b>	1 250 000	-	1 249 984		123	Unpaid Grants
Municipal Systems Improvement Grant (MSIG)	200		<b>200</b>	-	-	-	-	200	Unpaid Grants
Public Works - Special Programme	3 883 893		<b>3 883 893</b>	22 796 884	-	24 001 747		5 088 757	Unpaid Grants
Water Services Operating Subsidy	(998 558)		<b>(998 558)</b>	-	998 000			(558)	Unspent Grants
Municipal Water Infrastructure Grant (MWIG)	11 327		<b>11 327</b>	-	-			11 327	Unpaid Grants
Water Services Infrastructure Grant (WSIG)	-		-	71 828 000	-		71 827 698	(302)	Unspent Grants
RBIG	4 235 910		<b>4 235 910</b>	16 573 434	-		9 728 835	(2 608 690)	Unspent Grants
Department of Human Settlement	5 485 490		<b>5 485 490</b>	-	-		4 546 291	10 031 781	Unpaid Grants
Rural Households Infrastructure Grant	(4 000)		<b>(4 000)</b>	-	-		-	(4 000)	Unspent Grants
<b>Total</b>	<b>15 267 548</b>	<b>(2 505 079)</b>	<b>12 762 469</b>	<b>489 145 318</b>	<b>998 000</b>	<b>311 831 010</b>	<b>173 688 429</b>	<b>10 134 589</b>	
<b>PROVINCIAL GOVERNMENT</b>									
Environmental Health Practitioners	2 023 388		<b>2 023 388</b>	-	-	-	-	2 023 388	Unpaid Grants
Provincial Treasury drought relief programme	12 966 954		<b>12 966 954</b>	82 688 568	-		74 608 740	4 887 126	Unpaid Grants
EC Cogta Amalgamation support grant			-	500 000		500 000		-	Unspent Grants
MIS Asset Management			-	1 346 500				(1 346 500)	Unspent Grants
Rural Roads Asset Management Grant	(13 607)		<b>(13 607)</b>	2 136 000	-	1 256 300		(893 308)	Unspent Grants
<b>Total</b>	<b>14 976 734</b>	<b>-</b>	<b>14 976 734</b>	<b>86 671 068</b>	<b>-</b>	<b>1 756 300</b>	<b>74 608 740</b>	<b>4 670 706</b>	
<b>OTHER</b>									
LG Seta	14 615		<b>14 615</b>	1 319 080	-	1 229 320		(75 145)	Unspent Grants
<b>Total</b>	<b>14 615</b>	<b>-</b>	<b>14 615</b>	<b>1 319 080</b>	<b>-</b>	<b>1 229 320</b>	<b>-</b>	<b>(75 145)</b>	
<b>Total</b>	<b>30 258 897</b>	<b>(2 505 079)</b>	<b>27 753 818</b>	<b>577 135 466</b>	<b>998 000</b>	<b>314 816 629</b>	<b>248 297 169</b>	<b>14 730 150</b>	