



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2018

JOE GQABI DISTRICT MUNICIPALITY

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JOE GQABI DISTRICT MUNICIPALITY

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 AND SENIOR MANAGERS DIRECTLY REPORTING TO THE ACCOUNTING OFFICER

Mr R J Fortuin	- Director: Technical Services
Ms F J Sephton	- Director: Community Services
Mr H Z Jantjie	- Director: Corporate Services
Mr M Nonjola	- Director: Institutional support and advancement
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

GENERAL INFORMATION

AUDITORS

Office of the Auditor General (EC)
Vincent
East London

ATTORNEYS

Clark Laing Inc
East London
5241

PRINCIPAL BANKERS

ABSA
P O Box 323
Bloemfontein
9300

AUDIT COMMITTEE

J Emslie	- Chairperson
F K P Ntlemeza	- Member
P Ntisana	- Member

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Labour Relation Amendment Act (Act 6 of 2014)
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations
Municipal Budget and Reporting Regulations
Municipal Regulation on Standard Chart of Accounts (mSCOA)
Disaster Management Act 57 of 2002
Fire Brigade Services Act 99 of 1987
Foodstuffs, Cosmetics and Disinfectants Act 54 of 1972
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

JOE GQABI DISTRICT MUNICIPALITY

GENERAL INFORMATION

MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY COUNCIL

PROPORTIONAL ELECTED COUNCILLORS

Executive Mayor	Z I Dumzela
Speaker	T Z Notyeke
Councillors: JGDM	EM Lakabane D Mvumvu S Mei L Tokwe NU Hlatuka N Ngendane AM van Zyl M Yiliwe

REPRESENTATIVE COUNCILLORS

Senqu Local Municipality	AP Kwinana M Phuza NP Mposelwa VV Stokhwe XG Magcai NM Phama
Elundini Local Municipality	B Msuthwana M Telile M Marubela L Booka L Pili N Ntaopane
Walter Sisulu Local Municipality	B Khweyiya KS Lange DF Hartkopf

JOE GQABI DISTRICT MUNICIPALITY
APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS


I am responsible for the preparation of these annual financial statements period ended 30 June 2018, which are set out on pages 1 to 106 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 2019 and I am satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

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



Mr Z A Williams
Municipal Manager

31 August 2018
Date

JOE GQABI DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Note	2018 R	2017 R
ASSETS			
Current assets		15 295 278	5 084 974
Inventory	2	2 640 698	2 900 069
Cash and Cash Equivalents	3	12 654 580	2 184 906
Current assets from exchange transactions		163 117 758	149 976 895
Receivables from exchange transactions	4	154 075 734	117 290 465
South African Revenue Services	5	9 042 025	32 686 430
Current assets from non-exchange transactions		14 395 662	22 163 551
Unpaid conditional government grants and receipts	6	14 395 662	22 163 551
Non-current assets		1 687 526 349	1 613 407 446
Property, plant and equipment	7	1 681 063 170	1 606 544 571
Investment property	8	2 438 848	2 484 344
Intangible assets	9	452 822	901 023
Non-current investments	10	3 571 508	3 477 508
Total assets		1 880 335 048	1 790 632 866
Current-liabilities		30 858 606	30 609 586
Current employee benefits	12	30 858 606	24 936 899
Cash and Cash Equivalents	3	-	5 672 687
Current lease liability	4,2	-	-
Current-liabilities from exchange transactions		111 292 740	110 326 993
Consumer deposits	13	957 847	934 536
Payables from exchange transactions	14	108 750 019	103 445 113
South African Revenue Services	5	-	-
Current portion of long-term liabilities	15	1 584 875	5 947 344
Current-liabilities from non-exchange transactions		2 776 738	4 928 428
Unspent conditional government grants and receipts	6	2 776 738	4 928 428
Non-current liabilities from Exchange Transactions		7 506 318	6 667 005
Long-term Liabilities	15	7 506 318	6 667 005
Non-current liabilities		34 276 280	34 706 207
Employee benefits	11	34 276 280	34 706 207
Total Liabilities		186 710 683	187 238 219
NET ASSETS		1 693 624 365	1 603 394 646
COMMUNITY WEALTH			
Accumulated Surplus	16	1 693 624 366	1 603 394 646

JOE GQABI DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE AT 30 JUNE 2018

	Note	2018 R	2017 - Restated R	2017 - Correction R	2017 - Audited R
REVENUE					
<u>Revenue from non-exchange transactions</u>					
		544 747 169	572 194 488	(2 541 587)	569 652 901
Transfer revenue		537 243 558	565 655 385	(2 541 587)	563 113 799
Government grants and subsidies - capital	17	132 635 748	250 801 995	(2 504 826)	248 297 169
Government grants and subsidies - operational	17	404 607 810	314 816 629	-	314 816 629
Public contributions and donations	18	-	36 761	(36 761)	-
Transfer of function		-	-	-	-
Other revenue		7 503 611	6 539 103	-	6 539 103
Foreign exchange gains		-	-	-	-
Actuarial gains	19	7 503 611	6 494 957	-	6 494 957
Inventory adjustments	2	-	44 146	-	44 146
Reversal of impairments	20	-	-	-	-
<u>Revenue from exchange transactions</u>		110 650 109	130 159 939	(12 207)	130 147 732
Service charges	21	77 137 650	91 671 035	-	91 671 035
Government services	22	5 053 194	10 105 896	-	10 105 896
Interest earned - external investments	23	4 620 844	3 309 457	-	3 309 457
Interest earned - outstanding debtors	24	22 124 400	24 092 370	-	24 092 370
Other income	25	1 714 020	981 182	(12 207)	968 975
Total Revenue		655 397 278	702 354 427	(2 553 794)	699 800 633
EXPENDITURE					
Employee related costs	26	210 133 486	186 858 916	-	186 858 916
Remuneration of Councillors	27	5 953 332	5 201 912	-	5 201 912
Debt impairment	28	32 991 009	37 676 467	-	37 676 467
Impairments	29	-	-	-	-
Foreign exchange loss		-	-	-	-
Depreciation and Amortisation	30	49 158 583	48 181 628	334 105	48 515 733
Repairs and maintenance	31	6 975 583	12 012 116	43 950	12 056 066
Finance charges	32	5 645 688	5 916 126	-	5 916 126
Contracted services	33	14 872 932	14 441 985	-	14 441 985
Bulk purchases	34	4 458 788	4 163 900	-	4 163 900
Grants and subsidies paid	35	8 495 130	7 879 344	(509 741)	7 369 603
Inventory adjustments	2	70 785	-	-	-
Operating grant expenditure	36	124 950 262	94 074 779	(22 466 367)	71 608 412
Emergency drought relief	37	1 054 614	321 930	-	321 930
General Expenditure	38	98 965 059	84 866 598	121 366	84 987 964
Loss on disposal of Property, plant and equipment	39	1 442 285	575 578	-	575 578
Total Expenditure		565 167 535	502 171 278	(22 476 687)	479 694 591
SURPLUS/(DEFICIT) FOR THE YEAR		90 229 743	200 183 149	19 922 893	220 106 043

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R Accumulated Surplus
Balance at 1 July 2016	<u>1 450 512 930</u>
Correction of error restatement - note	(47 301 456)
Restated balance at 1 July 2016	<u>1 403 211 474</u>
Net Surplus/(Deficit) for the year	200 183 149
Balance at 30 June 2017	<u>1 603 394 623</u>
Net Surplus/(Deficit) for the year	90 229 743
Balance at 30 June 2018	<u><u>1 693 624 366</u></u>

JOE GQABI DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 R	2017 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts		578 624 910	628 060 089
Service charges and other		35 765 297	50 924 623
Government grants		542 859 613	577 135 466
Payments		(459 521 994)	(397 195 886)
Suppliers		(236 214 848)	(202 294 884)
Employees		(223 307 146)	(194 901 002)
Cash generated from/(utilised in) operations		119 102 916	230 864 202
Interest received		26 745 244	3 309 457
Interest paid		(1 113 331)	(5 916 126)
Net cash from operating activities	41	144 734 830	228 257 533
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Capital Assets		(125 091 318)	(230 856 982)
(Increase)/decrease of other assets		-	-
Net cash from investing activities		(125 091 318)	(230 856 982)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in consumer deposits		23 311	44 281
Proceeds/(repayment) of finance lease liability		(2 105 135)	(1 272 595)
Proceeds/(repayment) of other long-term liabilities		(1 419 326)	(2 081 565)
Total Expenditure		(3 501 150)	(3 309 878)
Net increase/(decrease) in cash and cash equivalents		16 142 362	(5 909 327)
Cash and cash equivalents at the beginning of the year		-3 487 782	2 421 545
Cash and cash equivalents at the end of the year	3	12 654 580	-3 487 782

JOE GQABI DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)		Explanations for material variances (10% of line-item)
ASSETS					
Current assets					
Cash	12 654 580	2 579 460	10 075 120	391%	Due to unspent grants at year end
Call investment deposits	-	629 590	(629 590)	-100%	Classified under the cash item
Consumer debtors	147 376 345	105 990 975	41 385 370	39%	Anticipated improvement on debtors
Other Receivables	30 137 075	31 275 063	(1 137 988)	-4%	Increase in VAT Receivable
Inventory	2 640 698	3 177 840	(537 142)	-17%	More inventory utilised than anticipated
Total current assets	192 808 699	143 652 928	49 155 771		
Non current assets					
Investments	3 571 508	3 305 081	266 427	8%	Immaterial
Investment property	2 438 848	2 533 755	(94 907)	-4%	Immaterial
Property, plant and equipment	1 681 063 170	1 664 840 474	16 222 696	1%	Immaterial
Intangible Assets	452 822	234 014	218 808	94%	Amortisation was lessor than anticipated
Total non current assets	1 687 526 349	1 670 913 324	16 613 025		
TOTAL ASSETS	1 880 335 048	1 814 566 252	65 768 796		
LIABILITIES					
Current liabilities					
Borrowing	1 584 875	2 684 042	(1 099 167)	-41%	Effect of fluctuations in interest rate
Consumer deposits	957 847	890 255	67 592	8%	More consumer deposits received than budgeted for
Trade and other payables	111 526 757	31 640 756	79 886 001	252%	Effect of Unspent Grants
Provisions and Employee Benefits	30 858 606	22 909 255	7 949 351	35%	Decrease in Employee Benefits resulting from vacant post
Total current liabilities	144 928 084	58 124 308	86 803 776		
Non current liabilities					
Borrowing	7 506 318	11 552 291	(4 045 973)	-35%	Effect of fluctuations in interest rate
Provisions and Employee Benefits	34 276 280	59 246 214	(24 969 934)	-42%	Effect of Actuarial Gain as per Arch calculations
Total non current liabilities	41 782 598	70 798 505	(29 015 907)		
TOTAL LIABILITIES	186 710 683	128 922 813	57 787 870		
NET ASSETS	1 693 624 365	1 685 643 439	7 980 926		
COMMUNITY WEALTH					
Accumulated Surplus	1 693 624 365	1 685 643 439	7 980 926	0%	Appropriation to and from Reserves
TOTAL COMMUNITY WEALTH/EQUITY	1 693 624 365	1 685 643 439	7 980 926		

JOE GQABI DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

ADJUSTMENTS TO APPROVED BUDGET

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)	Explanations for material variances (10% of line-item with a minimum of R1m)	
ASSETS					
Current assets					
Cash	2 579 460	-	2 579 460	0%	No Adjustment
Call investment deposits	629 590	-	629 590	0%	No Adjustment
Consumer debtors	105 990 975	-	105 990 975	0%	No Adjustment
Other Receivables	31 275 063	-	31 275 063	0%	No Adjustment
Inventory	3 177 840	-	3 177 840	0%	No Adjustment
Total current assets	143 652 928	-	143 652 928		
Non current assets					
Investments	3 305 081	-	3 305 081	0%	No Adjustment
Investment property	2 533 755	-	2 533 755	0%	No Adjustment
Property, plant and equipment	1 664 840 474	-	1 664 840 474	0%	No Adjustment
Intangible Assets	234 014	-	234 014	0%	No Adjustment
Total non current assets	1 670 913 324	-	1 670 913 324		
TOTAL ASSETS	1 814 566 252	-	1 814 566 252		
LIABILITIES					
Current liabilities					
Borrowing	2 684 042	-	2 684 042	0%	No Adjustment
Consumer deposits	890 255	-	890 255	0%	No Adjustment
Trade and other payables	31 640 756	-	31 640 756	0%	No Adjustment
Provisions	22 909 255	-	22 909 255	0%	No Adjustment
Total current liabilities	58 124 308	-	58 124 308		
Non current liabilities					
Borrowing	11 552 291	-	11 552 291	0%	No Adjustment
Provisions and Employee Benefits	59 246 214	-	59 246 214	0%	No Adjustment
Total non current liabilities	70 798 505	-	70 798 505		
TOTAL LIABILITIES	128 922 813	-	128 922 813		
NET ASSETS	1 685 643 439	-	1 685 643 439		
COMMUNITY WEALTH					
Accumulated Surplus	1 685 643 439	-	1 685 643 439	0%	No Adjustment
Reserves	-	-	-	0%	No Adjustment
TOTAL COMMUNITY WEALTH/EQUITY	1 685 643 439	-	1 685 643 439		

JOE GQABI MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2018

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)		Explanations for material variances (10% of line-item with a minimum of R1m)
REVENUE BY SOURCE					
Service charges	77 137 650	183 421 857	(106 284 207)	-58%	Increased efficiency of electricity reticulation and metering
Rental of facilities and equipment	-	9 000	(9 000)	-100%	New Operating lease contracts signed
Interest earned - external investments	4 620 844	4 030 000	590 844	15%	Improved budgetary control and investment of excess fund
Interest earned - outstanding debtors	22 124 400	20 653 000	1 471 400	7%	Increase in Consumer Debtors
Agency services		992 000	(992 000)	-100%	Reclassification of line items in budget
Transfers and Subsidies - Operating	404 607 810	385 634 400	18 973 410	5%	Increased PMU activities due to increased number of projects
Other revenue	14 270 825	592 577	13 678 248	2308%	Gains on Fair Value Adjustments of Investment Property
TOTAL OPERATING REVENUE	522 761 530	595 332 834	(72 571 304)		
EXPENDITURE BY TYPE					
Employee related costs	210 133 486	73 660 432	136 473 054	185%	Overtime linked to Repairs and Maintenance cost
Remuneration of councillors	5 953 332	12 549 764	(6 596 432)	-53%	Unknown increase of upper limits by time of budget process
Debt impairment	32 991 009	4 656 580	28 334 429	608%	Increase in Consumer Debtors
Depreciation & asset impairment	49 158 583	19 651 538	29 507 045	150%	Effect of capital budget not fully spent
Finance charges	5 645 688	2 743 011	2 902 677	106%	Unforeseen result of Actuarial reports
Bulk purchases	4 458 788	33 198 414	(28 739 626)	-87%	Management of the monthly billing from water affairs
Contracted services	14 872 932	24 464 105	(9 591 173)	-39%	Classification between contracted services and other expenditure
Other expenditure	241 953 718	38 674 932	203 278 785	526%	Classification between contracted services and other expenditure
TOTAL OPERATING EXPENDITURE	565 167 535	209 598 776	355 568 759	270%	
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR					
	(42 406 006)	385 734 057	(428 140 063)		
Transfers and Subsidies - Capital	132 635 748	39 728 000	92 907 748	-15%	
NET SURPLUS FOR THE YEAR	90 229 743	425 462 057	(335 232 314)		

JOE GQABI MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2018

ADJUSTMENTS TO APPROVED BUDGET

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)		Explanations for material variances (10% of line-item)
REVENUE BY SOURCE					
Service charges	183 421 857	(0)	183 421 857	0%	No adjustment
Rental of facilities and equipment	9 000	-	9 000	0%	No adjustment
Interest earned - external investments	4 030 000	-	4 030 000	0%	No adjustment
Interest earned - outstanding debtors	20 652 933	67	20 653 000	0%	No adjustment
Agency services	992 000	-	992 000	0%	No adjustment
Government Grants and Subsidies - Operating	391 482 307	(5 847 907)	385 634 400	-2%	Realignment of grants
Other revenue	592 576	1	592 577	0%	No adjustment
TOTAL OPERATING REVENUE	601 180 673	(5 847 839)	595 332 834		
EXPENDITURE BY TYPE					
Employee related costs	192 833 031	(599 391)	73 660 432	-1%	Decreased to a more realistic amount based on the actuals for the first six months
Remuneration of councillors	5 572 483	(0)	12 549 764	0%	No Adjustment
Debt impairment	75 020 004	(10 123)	4 656 580	0%	Decreased to a more realistic amount comparing to the 2015/16 financial statements
Depreciation & asset impairment	46 371 942	585 915	19 651 538	3%	Increased to a more realistic amount comparing to the 2015/16 financial statements
Finance charges	1 003 380	1 593 601	2 743 011	58%	Realignment of expenditure to mSCOA revised classifications
Bulk purchases	9 000 000	65 033	33 198 414	0%	Increased to a more realistic amount based on the actuals for the first six months
Contracted services	146 654 830	1 824 975	24 464 105	7%	Realignment of expenditure to mSCOA revised classifications
Other expenditure	115 113 431	72 626	38 674 932	0%	Increased to a more realistic amount based on the actuals for the first six months
TOTAL OPERATING EXPENDITURE	591 569 102	3 532 635	209 598 776		
OPERATING DEFICIT FOR THE YEAR	9 611 571	(9 380 474)	385 734 057		
Government Grants and Subsidies - Capital	213 217 160	(6 000 000)	39 728 000	-15%	Reversal of the Provincial Public Works Roads Infrastructure Grant
NET SURPLUS FOR THE YEAR	222 828 731	(15 380 474)	425 462 057		

JOE GQABI DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2018

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)	Explanations for material variances (10% of line-item)
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Service charges and other	35 765 297	82 467 192	(46 701 894)	-57% More cash received than anticipated
Government - operating	542 859 613	393 399 400	149 460 213	38% Increased PMU activities due to increased number of projects
Interest	26 745 244	4 040 000	22 705 244	562% Improved budgetary control and investment of excess fund
Payments				
Suppliers and Employees	(459 521 994)	(457 094 064)	(2 427 931)	1% Late appointments for vacant posts, Increase efficiency of electricity reticulation and metering
Finance charges	(1 113 331)	(8 495 000)	7 381 669	-87% Non cash items not included
Transfers and Grants	-	-	-	0% Immaterial
NET CASH FROM OPERATING ACTIVITIES	144 734 830	14 317 528	130 417 301	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE		-	-	
Payments				
Capital assets	(125 091 318)	(218 488 636)	93 397 318	-43% Under-expenditure of Capital Budget
NET CASH USED IN INVESTING ACTIVITIES	(125 091 318)	(218 488 636)	93 397 318	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Increase in consumer deposits	23 311	-	23 311	0% Increase in Consumers
Payments				
Repayment of borrowing	(3 524 461)	(4 026 062)	501 601	-12% Effect of fluctuations in interest rate
NET CASH USED IN FINANCING ACTIVITIES	(3 501 150)	(4 026 062)	524 913	
NET INCREASE/(DECREASE) IN CASH HELD	16 142 362	(208 197 170)	224 339 532	
Cash and Cash Equivalents at the beginning of the year	(3 487 782)	(3 487 782)	-	0%
Cash and Cash Equivalents at the end of the year	12 654 580	3 208 623	9 445 957	21% Result of Increased revenue, improved control and part under-expenditure

JOE GQABI DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2018

ADJUSTMENTS TO APPROVED BUDGET

	2018 R	2018 R	2018 R		
	(Approved Budget)	(Adjustments)	(Final Budget)		Explanations for material variances (10% of line-item with a minimum of R1m)
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Service charges	84 360 767	(1 893 575)	82 467 192	-2%	Immaterial
Government grants	606 399 400	(213 000 000)	393 399 400	-54%	Adjustment on overstatement
Interest	4 040 000	-	4 040 000	0%	No adjustment
Payments					
Suppliers and Employees	(457 094 064)	-	(457 094 064)	0%	No adjustment
Finance charges	(8 495 000)	-	(8 495 000)	0%	No adjustment
NET CASH FROM OPERATING ACTIVITIES	<u>229 211 103</u>	<u>(214 893 575)</u>	<u>14 317 528</u>		
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on disposal of PPE	-	-	-	0%	
Payments					
Capital assets	(218 488 636)	-	(218 488 636)	0%	No adjustment
NET CASH USED IN INVESTING ACTIVITIES	<u>(218 488 636)</u>	<u>-</u>	<u>(218 488 636)</u>		
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Increase in consumer deposits	-	-	-		
Payments					
Repayment of borrowing	(4 026 062)	-	(4 026 062)	0%	No Adjustment
NET CASH USED IN FINANCING ACTIVITIES	<u>(4 026 062)</u>	<u>-</u>	<u>(4 026 062)</u>		
NET DECREASE IN CASH HELD	<u>6 696 405</u>	<u>(214 893 575)</u>	<u>(208 197 170)</u>		
Cash and Cash Equivalents at the beginning of the year	(3 487 782)	-	(3 487 782)	0%	No adjustment
Cash and Cash Equivalents at the end of the year	3 208 623	-	3 208 623	0%	No adjustment

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2017) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

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

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

1.2. PRESENTATION CURRENCY

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

1.3. GOING CONCERN ASSUMPTION

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.4. COMPARATIVE INFORMATION

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

1.5. AMENDED DISCLOSURE POLICY

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

1.6. MATERIALITY

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

1.7. PRESENTATION OF BUDGET INFORMATION

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

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2016 to 30 June 2017. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

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

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

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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

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

Standard	Description	Effective Date
GRAP 20	Related Party Disclosure	1 April 2019
	The objective of this standards is to establish principles for reporting financial information by segments. This Standard will be implemented as part of the Municipal Standard Chart of Accounts Regulation (MSCOA). Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
GRAP 32	Service Concession Arrangements: Grantor	1 April 2019
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
GRAP 34	Separate Financial Statements	To be determined by Minister
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

GRAP 35	Consolidated Financial Statements	To be determined
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	by Minister
GRAP 36	Investments in Associates and Joint Ventures	To be determined
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	by Minister
GRAP 37	Joint Arrangements	To be determined
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	by Minister
GRAP 38	Disclosure of Interests in other Entities	To be determined
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	by Minister
GRAP 108	Statutory Receivables	1 April 2019
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
GRAP109	Accounting by Principals and Agents	1 April 2019
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
GRAP 110	Living and Non-Living Resources	1 April 2019
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
iGRAP 17	Service Concession Arrangements where a grantor controls a significant residual interest in an asset	1 April 2019
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.9. LEASES

1.9.1 Municipality as Lessee

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

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

Operating leases are those leases that do not fall within the scope of the above definition.

1.9.2 Municipality as Lessor

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

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

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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

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

- * Unspent conditional grants are recognised as a liability when the grant is received.
- * When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- * The cash which backs up the creditor is invested as individual investment or
- * Interest earned on the investment is treated in accordance with grant

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.12. PROVISIONS

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

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

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

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

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

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.13. EMPLOYEE BENEFITS

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

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

1.13.1 Post Retirement Medical Obligations

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

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.13.2 Long Service Awards

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

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

1.13.3 Ex gratia Gratuities

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

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

1.13.4 Provision for Staff Leave

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

1.13.5 Staff Bonuses Accrued

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.13.6 Provision for Performance Bonuses

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

1.13.7 Pension and retirement fund obligations

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

1.13.8 Other Short-term Employee Benefits

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

- * as a liability (accrued expense), after deducting any amount already paid. If the
- * as an expense, unless another Standard requires or permits the inclusion of the

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.14. PROPERTY, PLANT AND EQUIPMENT

1.14.1 Initial Recognition

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

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

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

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.14.2 Subsequent Measurement – Cost Model

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

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

1.14.3 Depreciation and Impairment

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

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

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

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

1.14.4 De-recognition

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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

1.15. INTANGIBLE ASSETS

1.15.1 Initial Recognition

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

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

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

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

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

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

Intangible assets are initially recognised at cost.

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

1.15.2 Subsequent Measurement – Cost Model

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.15.3 Amortisation and Impairment

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.15.4 De-recognition

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

1.16. INVESTMENT PROPERTY

1.16.1 Initial Recognition

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

- * it is probable that the future economic benefits or service potential that are
- * the cost or fair value of the investment property can be measured reliably.

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

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.16.2 Subsequent Measurement – Cost Model

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

1.16.3 Depreciation and Impairment – Cost Model

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

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

1.16.4 De-recognition

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

1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.17.1 Cash-generating assets

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

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

(a) External sources of information

* During the period, an asset's market value has declined significantly more than

would be expected as a result of the passage of time or normal use.

* Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.

* Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

* Evidence is available of obsolescence or physical damage of an asset.

* Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

* Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

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

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

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

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

1.17.2 Non-cash-generating assets

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

(a) External sources of information

* Cessation, or near cessation, of the demand or need for services provided by the asset.

* Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

* Evidence is available of physical damage of an asset.

* Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

* A decision to halt the construction of the asset before it is complete or in a usable condition.

* Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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

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

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

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

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.18. INVENTORIES

1.18.1 Initial Recognition

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

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

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

1.18.2 Subsequent Measurement

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.19. FINANCIAL INSTRUMENTS

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

1.19.1 Initial Recognition

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.19.2 Subsequent Measurement

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

1.19.2.1 Receivables

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.19.2.2 Payables and Annuity Loans

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

1.19.2.3 Cash and Cash Equivalents

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

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

1.19.2.4 Non-Current Investments

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

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

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

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

1.19.3 De-recognition of Financial Instruments

1.19.3.1 Financial Assets

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.19.3.2 Financial Liabilities

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

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

1.19.4 Offsetting of Financial Instruments

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

1.20. REVENUE

1.20.1 Revenue from Non-Exchange Transactions

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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

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

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

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

1.20.2 Revenue from Exchange Transactions

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

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

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

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

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

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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

1,21 TRANSFER OF FUNCTION (Municipality as the acquirer)

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

An asset is identifiable if it either:

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

The Municipality accounts for each transfer of functions between entities not under common

control by applying the acquisition method. Applying the acquisition method requires:

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.22. RELATED PARTIES

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

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person’s family is related to the Municipality if that person:

- * has control or joint control over the Municipality.
- * has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- * is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

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

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

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

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Management (formerly known as “Key Management”) includes all persons having the authority and

responsibility for planning, directing and controlling the activities of the Municipality, including:

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

Management personnel include:

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

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

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

1.23. UNAUTHORISED EXPENDITURE

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

1.24. IRREGULAR EXPENDITURE

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

1.25. **FRUITLESS AND WASTEFUL EXPENDITURE**

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

Management judgement is required when recognising and measuring contingent liabilities.

1.27. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 12 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.27.2 Impairment of Receivables

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.27.3 Property, Plant and Equipment

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

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

- * The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.

- * Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.

- * The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

1.27.4 Intangible Assets

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.27.5 Investment Property

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

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

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

1.27.6 Provisions and Contingent Liabilities

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

1.27.7 Revenue Recognition

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.27.8 Provision for Performance bonuses

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

1.27.9 Componentisation of Infrastructure assets

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

1.28. SOUTH AFRICAN REVENUE SERVICES (VALUE ADDED TAX)

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

1.29. CAPITAL COMMITMENTS

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

1.30. EVENTS AFTER REPORTING DATE

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

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

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

1,31 BORROWING COSTS

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
2 INVENTORY		
Fuel and oil – at cost	653 066	465 628
Stationery and materials - at cost	538 805	804 267
Spare parts - at cost	1 021 837	1 206 101
Water stock - net realisable value	426 990	424 072
Total Inventory	2 640 698	2 900 069
Consumable stores materials (gains)/losses identified during stock counts	-	-
Inventory recognised as an expense during the year	753 294	4 305 557
No inventory was pledged as security.		
Inventory Adjustments made for the year (surplus)/loss	70 785	(44 146)
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.		
Council took a decision to replace the conventional water meters with pre paid water meters. Below are the detail of the meters procured and		
Number of pre paid meters procured for the period:	3500	2000
Number of pre paid meters in stores at year end:	3916	1812
3 CASH AND CASH EQUIVALENTS		
Primary Bank Account	651 107	(5 672 687)
Call and short-term investments deposits	11 967 873	2 155 106
Cash floats	300	300
Petty cash	35 300	29 500
Total	12 654 580	(3 487 782)
Due to the short term nature of cash deposits, all balances included above are in line with their fair value.		
Cash and Cash Equivalents are disclosed as follow:		
Current assets	12 654 580	2 184 906
Current liability	-	5 672 687
	12 654 580	(3 487 782)
Primary Bank Account:		
ABSA Bank - Barkly East Branch - 23 800 000 19		
Bank statement balance - Opening balance	1 158 163	4 341 332
Bank statement balance - Closing balance	651 107	1 158 163
Cashbook balance - Opening balance	(5 672 687)	(2 615 344)
Cashbook balance - Closing balance	651 107	(5 672 687)

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Call Deposits		
ABSA - Acc no 9084169245	9 003 253	480 902
ABSA - Acc no 9185426744	319 752	300 567
ABSA - Acc no 9072226158	38 380	36 077
ABSA - Acc no 9122637071	268 139	612 504
ABSA - Acc no 9270029895	255 287	240 036
ABSA - Acc no 9276836949	2 083 061	485 019
Total	11 967 873	2 155 106

RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents as per the disclosure above	12 654 580	(3 487 782)
Less:		
Unspent Committed Conditional Grants - note 6	2 776 738	4 928 428
Net cash resources available for internal distribution	9 877 842	- 8 416 210

The unspent committed conditional grants are subject to approval by National Treasury. The values disclosed are excluding the Unpaid grants (Monies due to the District) to the value of:

14 395 662	22 163 551
------------	------------

The municipality experienced cashflow challenges towards the end of the financial year due to the high outstanding unpaid grants. An amount of R15 928 055 is due to the municipality (2017: R22 163 551) as at year end (disclosed in note 6 and was received subsequent to year end.

4 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Water	220 927 747	162 768 256
Sewerage	95 982 014	74 924 568
Local Municipalities	17 056 184	17 056 184
Walter Sisulu Local Municipality	17 056 184	17 056 184
Other Receivables	7 097 766	5 341 064
Working for Wetlands	2 050 218	-
Deposits	144 961	144 961
Other Debtors	2 061 601	1 475 293
Staff Debtors	509 561	623 431
Pensioners	2 331 425	2 063 842
Expenses paid in advance	-	1 033 537
	341 063 711	260 090 072
Less: Allowance for Doubtful Debts	(186 987 978)	(142 799 607)
Total Net Receivables from Exchange Transactions	154 075 734	117 290 465

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate +2% is charged on overdue accounts.

Walter Sisulu Local Municipality (Previously known as Gariep Local Municipality and Maletswai Local Municipality) owe the Municipality for revenue received for water and sanitation as per the billing agreement. The amount disclosed is not the same as in the records of Walter Sisulu Local Municipality. The transactions processed by the said entity is under dispute and is therefore also resulting in no movement in the balance

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<u>Reconciliation of the Total Doubtful Debt Provision</u>		
Balance at beginning of the year	142 799 608	208 947 722
Contributions to provision	36 200 765	44 916 410
Doubtful debts written off against provision	7 987 605	(111 064 524)
Balance at end of year	186 987 978	142 799 608
Water	116 573 645	84 823 306
Sewerage	52 959 771	40 521 739
Local Municipalities	15 409 620	15 409 620
Other Receivables	2 044 942	2 044 942

The allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large consumer base over which the outstanding receivable balance is spread. Pre paid meters are also being installed throughout the district, which management believe will decrease non-payment risk and also ensure collection of arrear amounts.

Municipality

	Gross Balance	Allowance for impairment	Net Receivable
2018			
Water	220 927 747	(116 573 645)	104 354 102
Sewerage	95 982 014	(52 959 771)	43 022 243
Local Municipalities	17 056 184	(15 409 620)	1 646 564
Other Receivables	7 097 766	(2 044 942)	5 052 824
Total	341 063 711	(186 987 978)	154 075 734

	Gross Balance	Allowance for impairment	Net Receivable
2017			
Water	162 768 256	(84 823 306)	77 944 950
Sewerage	74 924 568	(40 521 739)	34 402 829
Local Municipalities	17 056 184	(15 409 620)	1 646 564
Other Receivables	5 341 064	(2 044 942)	3 296 121
Total	260 090 072	(142 799 607)	117 290 465

Ageing of Receivables from Exchange Transactions

Water:

Current (0 - 30 days)	8 536 177	8 961 293
Past Due (31 - 60 Days)	7 985 659	7 780 832
Past Due (61 - 90 Days)	7 802 080	7 575 219
Past Due (90 Days +)	196 603 831	138 450 912
Total	220 927 747	162 768 256

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<u>Sewerage:</u>		
Current (0 - 30 days)	4 461 295	3 819 891
Past Due (31 - 60 Days)	3 438 643	3 297 112
Past Due (61 - 90 Days)	3 336 908	3 129 102
Past Due (90 Days +)	84 745 168	64 678 463
Total	95 982 014	74 924 568
<u>Other Receivables: Ageing</u>		
Current (0 - 30 days)	-	-
Past Due (31 - 60 Days)	-	-
Past Due (61 - 90 Days)	-	-
Past Due (90 Days +)	24 153 950	22 098 920
Total	24 153 950	22 098 920
5 SOUTH AFRICAN REVENUE SERVICES		
VAT Receivable	25 760 780	41 313 687
VAT Payable	(33 495 418)	(21 211 837)
Less: VAT on Provision for Debt Impairment	16 776 662	12 584 579
Total South African Revenue Services	9 042 025	32 686 430
Balance previously reported 30 June 2017		32 226 817
Correction of VAT implication on duplication of order as per note 14		(18 354)
Restated balance as at 30 June 2017		32 208 463
VAT is accounted for on the cash basis		
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies		
<u>Disclosed as follow:</u>		
Current Liabilities from Exchange Transactions	-	-
Current Assets from Exchange Transactions	9 042 025	32 686 430
<u>Reconciliation of VAT on Provision for Debt Impairment</u>		
Opening balance	12 584 579	19 332 287
VAT on Provision for bad debts - Note 28	4 192 083	(6 747 708)
Closing balance	16 776 662	12 584 579
6 UNSPENT/UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
National Government Grants	874 277	2 613 476
Provincial Government Grants	1 610 101	2 239 808
Other Grant Providers	292 360	75 145
Unspent Grants	2 776 738	4 928 428
National Government Grants	12 267 810	15 253 037
Provincial Government Grants	2 127 853	6 910 514
Other Grant Providers	-	-
Less: Unpaid Grants	14 395 662	22 163 551
Total Conditional Grants and Receipts due to Municipality	11 618 924	17 235 122

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018	2017
	R	R
Balance previously reported 30 June 2017		14 730 152
Correction of understatement of grant income recognised on MIG 2016/2017		<u>2 504 970</u>
Restated balance as at 30 June 2017		<u><u>17 235 122</u></u>

JOE GQABI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

7 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2018

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value		
	Opening Balance	Additions	Transfers and non-exchange additions	Disposals	Transfer to Capital Assets/Operations	Closing Balance	Opening Balance	Transfers and non-exchange additions	Depreciation Charge	Impairment		Disposals	Closing Balance
	R	R	R	R	R	R	R	R	R	R		R	R
Land and Buildings	17 787 494	-	-	-	-	17 787 494	5 940 439	-	587 753	-	-	6 528 191	11 259 303
Land	2 043 000	-	-	-	-	2 043 000	-	-	-	-	-	-	2 043 000
Buildings	15 744 494	-	-	-	-	15 744 494	5 940 439	-	587 753	-	-	6 528 191	9 216 303
Infrastructure	1 929 921 444	123 300 985	-	(2 587 687)	-	2 050 634 743	352 600 994	-	45 817 261	-	(1 699 632)	396 718 623	1 653 916 120
Sewerage network	332 347 379	-	-	(87 284)	19 427 135	351 687 230	82 347 547	-	10 251 632	-	(90 082)	92 509 097	259 178 133
Water network	1 169 485 250	-	-	(2 500 402)	58 792 887	1 225 777 735	270 253 447	-	35 565 629	-	(1 609 550)	304 209 526	921 568 209
Work in Progress	428 088 815	123 300 985	-	-	(78 220 022)	473 169 778	-	-	-	-	-	-	473 169 778
Other Assets	42 819 429	1 790 333	-	(3 347 766)	-	41 261 995	25 442 363	-	2 259 873	-	(2 327 988)	25 374 248	15 887 747
Office Equipment	2 337 765	325 719	-	(7 134)	-	2 656 350	1 772 313	-	97 462	-	(6 232)	1 863 543	792 808
Furniture & Fittings	3 590 055	235 470	-	(519)	-	3 825 005	2 694 508	-	98 183	-	(511)	2 792 180	1 032 826
Motor Vehicles	17 467 552	-	-	(3 104 876)	-	14 362 676	9 778 975	-	737 194	-	(2 118 354)	8 397 814	5 964 862
Fire Engines	8 924 094	-	-	-	-	8 924 094	6 860 566	-	668 360	-	-	7 528 926	1 395 168
Computer Equipment	3 051 471	1 171 335	-	(107 468)	-	4 115 338	1 352 284	-	203 533	-	(88 020)	1 467 798	2 647 540
Special Vehicles	4 229 685	-	-	(127 769)	-	4 101 916	1 374 624	-	319 176	-	(114 872)	1 578 929	2 522 987
Tools and Equipment	3 218 806	57 810	-	-	-	3 276 616	1 609 093	-	135 966	-	-	1 745 058	1 531 557
	1 990 528 367	125 091 318	-	(5 935 453)	-	2 109 684 233	383 983 796	-	48 664 887	-	(4 027 620)	428 621 062	1 681 063 170

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/Operations	Closing Balance	Opening Balance	Transfers and non-exchange additions	Depreciation Charge	Impairment		Disposals	Closing Balance
	R	R	R	R	R	R	R	R	R	R		R	R
Land and Buildings	17 682 048	105 446	-	-	-	17 787 494	5 357 959	-	582 480	-	-	5 940 439	11 847 055
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
Infrastructure	1 723 910 248	229 363 313	-	(880 418)	(22 471 700)	1 929 921 444	309 881 030	-	43 294 672	-	(574 708)	352 600 994	1 577 320 450
Sewerage network	322 217 928	-	-	-	10 129 451	332 347 379	72 140 385	-	10 207 162	-	-	82 347 547	249 999 832
Water network	1 108 141 897	-	-	(880 418)	62 223 770	1 169 485 250	237 740 645	-	33 087 510	-	(574 708)	270 253 447	899 231 803
Work in Progress	293 550 423	229 363 313	-	-	(94 824 921)	428 088 815	-	-	-	-	-	-	428 088 815
Other Assets	42 233 922	1 388 223	-	(802 716)	-	42 819 429	22 164 309	-	3 810 781	-	(532 727)	25 442 363	17 377 066
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	138 397	-	-	-	3 218 806	1 478 131	-	130 962	-	-	1 609 093	1 609 713
	1 783 826 219	230 856 982	-	(1 683 134)	(22 471 700)	1 990 528 367	337 403 297	-	47 687 933	-	(1 107 435)	383 983 796	1 606 544 571

Balance previously reported 30 June 2017 (After correction done for prior periods)	1 671 125 190
Correction due to operational cost identified during the unbundling process, incurred during the 2016/2017 financial year	(22 471 700)
Overstatement of other assets due to incorrect order being capitalised	(131 097)
Understatement of other assets due to incorrect classification as operating expenditure	182 118
Overstatement of other assets due to operating expenditure being capitalised	(11 469)
Understatement of other assets due to non recognition of asset replaced by the insurance	48 968
Reversal of depreciation for the period 2016/2017 due to the correction of useful lives on both water and sanitation	123 020
Recognition of Retention monies for value created not previously recorded	3 414 048
Restated balance	1 652 279 079

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 consistent with the prior year.

Refer to note 31 for the disclosure of repairs and maintenance per asset class as required by GRAP 17

The following work in progress balances are included in PPE. No depreciation charge is recognised against these amounts:

	2018	2017
	R	R
Infrastructure - Water	92 849 471	367 354 773
Infrastructure Sanitation	379 389 718	104 828 733
Infrastructure - Other	-	23 445 336
Infrastructure - MIG planning studies	930 587	930 587
Total Work in Progress (WIP)	473 169 776	496 559 430

There are 27 assets included in the Infrastructure fixed asset register with a Zero carrying value. The initial capital cost of these assets were cumulatively below R300 000

JOE GQABI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

JGDM Project list 2017/18 - WIP

Project Name	WIP CLOSING 2017	Spend Jul2017 - Jun2018 (Exc VAT)	Capitalised 2018	Expense	WIP CLOSING 2018	Status 2017/18	WIP Split				Project started	Number of years project is on WIP	Comment
							Civil	Electrical	Mechanical	Other			
Ugie Bulk Water Infrastructure Phase B	779 473,09	-			779 473,09	WIP				779 473,09	2014/15	3	No undue delays. Project is in study and design phase. Design and approval of new dam subjected to extensive DWS processes.
LADY GREY BULK WATER SUPPLY	26 493 069,55	3 918 628,20			30 411 697,75	WIP	18 623 497,20	984 474,15	10 803 726,40		2010/11	7	No undue delays. Project implemented in phases over the years. Final phase to be completed in 2018/19.
RBIG - LADY GREY BULK WATER	9 303 529,14	3 164 174,18			12 467 703,32	WIP	11 532 625,57	311 692,58	623 385,17		2015/16	2	No undue delays. Project is in Implementation Ready Phase
MT FLETCHER BULK WATER SUPPLY-PHASE 2	23 338 475,51	2 160 158,00			25 498 633,51	WIP	23 627 086,00	1 121 028,00	750 519,51		2010/11	7	Project implemented in phases. R207,659 mill capitalised since 2011/12. Final phase to be completed 2018/19.
UPGRADING STERKSPRUIT WATER TREATMENT WORKS	147 093 012,35	4 288 474,08			151 381 486,43	WIP	132 511 992,87	1 937 980,08	16 931 513,48		2010/11	7	Project implemented in phases. R11,478 mill capitalised since 2013/14. Final phase delayed after contractor was terminated in 2017/18.
WSOS STERKSPRUIT WTW REFURBISHMENT	27 224 326,35				27 224 326,35	WIP	15 881 237,35		11 343 089,00		2012/13	5	Project is a phase of the Sterkspruit Bulk Water Scheme. Unbundling delayed due to main contractor being terminated in 2017/18.
JAMESTOWN BUCKET ERADICATION & SANITATION - PHASE 2	15 908 707,45	4 858 723,00			20 767 430,45	WIP	17 166 055,45	500 000,00	3 101 375,00		2010/11	7	No undue delays. Project implemented in phases. Phase 1 - R13,495 mill capitalised in 2014/15. Current WIP is Phase 2 to be completed in 2019.
MACLEAR BULK SANITATION INFRASTRUCTURE UPGRADE	17 209 275,71	7 978 667,00			25 187 942,71	WIP	17 631 559,90	1 259 397,14	6 296 985,68		2012/13	5	Project implemented in phases. Design & tender took 3 years. Construction phase 1 started 2015. Delays due to non-performance of contractor.
ORIO & MIG ELUNDINI RURAL WATER PROGRAMME	10 229 932,98	1 917 241,23			12 147 174,21	WIP	12 147 174,21				2012/13	5	Partnership with ORIO in Netherlands. Project in design stage. Delays due to cumbersome compliance processes by ORIO at tender stage.
SENQU RURAL WATER SUPPLY	26 065 270,54	15 383 949,97	9 904 740,23		31 544 480,28	Complete /WIP	28 074 587,45		3 469 892,83		2013/14	4	No undue delays. Project implemented in phases. R30,629 mill capitalised over last 3 years.
MACLEAR BULK WATER INFRASTRUCTURE UPGRADE	7 611 380,99	1 554 347,77			9 165 728,76	WIP	8 615 785,03	91 657,29	458 286,44		2013/14	4	No undue delays. Project at tender stage. R8,537 mill capitalised 2015/16 for emergency work.
MIG PLANNING STUDIES	930 587,09				930 587,09	WIP			930 587,09		2012/13	5	No undue delays. Project funds feasibility studies only.
RBIG - Sterkspruit Bulk Sanitation - started 2015	5 389 830,13	2 072 279,70			7 462 109,83	WIP			7 462 109,83		2014/15	3	No undue delays. Feasibility and Implementation Ready Study took 3 years. Project at final design and tender.
DOH - Barkly East WTP Upgrade for 298 housing development	4 971 459,99	2 576 163,00			7 547 622,99	WIP	5 736 193,47		1 811 429,52		2014/15	3	Delays due to funder (Human Settlements) not honouring funding agreement. Alt funding secured from MIG. R4,504 mill capitalised 2014/15.
PT - Geohydrological Investigation Burgersdorp	931 009,71				931 009,71	WIP	931 009,71				2015/16	2	No delays.
PT - Gariep Drought Relief Consultancy Services	9 706 762,49	5 949 511,38	5 597 100,51		10 059 173,36	Complete /WIP	8 127 515,02		120 354,00	1 811 304,34	2015/16	2	No delays. Consultants. R10,705 mill capitalised to date
PT - Maletswai Drought Relief Consultancy Services	3 786 597,26	580 279,21	4 318 309,73		48 566,74	Complete /WIP	4 371,01	6 799,34	37 396,39		2015/16	2	No delays. R7,249 mill capitalised to date
PT - Rehab mech plant WWTW and Phola Park PS, Aliwal North	1 664 214,91	1 072 123,33			2 736 338,24	WIP	243 361,61	373 898,04	2 119 078,59		2015/16	2	No delays.
PT - Lady Grey Drought Relief Consultancy Services	6 696 704,02	5 279 043,86	6 671 610,77		5 304 137,11	WIP	4 748 259,54	69 618,36	486 259,22		2015/16	2	No delays. Consultants. R6,671 mill capitalised 2017/18
WSOS - Refurbishment of Oviston WTW Phase 1	4 385 960,41	3 055 461,50			7 441 421,91	WIP	6 598 874,34		701 960,57	140 587,00	2015/16	2	No delays. Construction period is 3 years.
PT - Lady Grey - Sub project 4 Additional Storage & Boreholes	2 002 897,59	15 372 412,28			17 375 309,87	WIP	15 554 364,29	228 056,04	1 592 889,54		2016/17	1	No delays
PT - Burgersdorp - Plantation sump and boreholes	579 976,18	3 464 453,67			4 044 429,85	WIP	4 044 429,85				2016/17	1	No delays
WSIG - Oviston WTW Refurbishment Phase 2	2 769 327,88				2 769 327,88	WIP	2 769 327,88				2016/17	1	No delays
WSIG - EMPILISWENI HOSPITAL EMERGENCY SEWER WORKS	4 492 726,57				4 492 726,57	WIP	4 492 726,57				2016/17	1	No delays
WSIG - REFURBISH BURGERSDORP SEWAGE MANAGEMENT SYSTEM	18 534 608,55				18 534 608,55	WIP	10 953 261,25	2 088 178,50	3 878 062,50	1 615 106,30	2016/17	1	No delays
PT - Burgersdorp GMI Reservoir	-	6 312 779,90			6 312 779,90	WIP	6 312 779,90				2017/18	0	No delays
WSIG - BURGERSDORP EMERGENCY SEWER PROJECT	-	4 233 801,61			4 233 801,61	WIP	4 233 801,61				2017/18	0	No delays
TELEMETRY SYSTEM	-	13 363 978,00			13 363 978,00	WIP			13 363 978,00		2017/18	0	No delays
REFURBISHMENT OF ALI WAL NORTH WTW	-	4 931 907,74		4 031 907,74	900 000,00	WIP / O&M			900 000,00		2017/18	0	No delays
Totals	493 145 378,95	146 755 079,06	78 220 022,55	94 918 071,66	466 762 363,80	WIP	365 977 424,11	8 972 779,51	78 790 181,83	13 021 978,36			

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
8 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	2 484 344	2 529 839
Cost	2 883 357	2 883 357
Accumulated Depreciation	(399 013)	(353 517)
Additions		
Depreciation for the year	(45 496)	(45 496)
Net Carrying amount at 30 June	2 438 848	2 484 344
Cost	2 883 357	2 883 357
Accumulated Depreciation	(444 509)	(399 013)
Balance previously reported 30 June 2017		2 277 174
Correction of overstatement of the depreciation on investment property during the 2016/2017 financial year.		211 085
Restated balance as at 30 June 2017		2 488 259
Revenue derived from the rental of investment property.	-	-

No operating expenditure was incurred on investment property during the 2016/2017 and 2017/2018 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.

9 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July	901 023	1 349 223
Cost	4 395 577	4 395 577
Accumulated Amortisation	(3 494 554)	(3 046 354)
Additions and transfers from work in progress		-
Amortisation	(448 201)	(448 200)
Net Carrying amount at 30 June	452 822	901 023
Cost	4 395 577	4 395 577
Accumulated Amortisation	(3 942 754)	(3 494 554)

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. There are no contractual commitments for the acquisition of intangible assets.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

		2018	2017
		R	R
10	NON-CURRENT INVESTMENTS		
	Financial Instruments		
	Fixed Deposits	1 677 453	1 583 453
	Unlisted		
	Municipal Entity - Joe Gqabi Economic Development Agency (Soc)	1 894 055	1 894 055
	Cost	6 886 141	6 886 141
	Provision for Impairment	(4 992 086)	(4 992 086)
	Total Non-Current Investments	3 571 508	3 477 508

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 was not revalued in the last three 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 242 938 (2017 - R3 333 841).

Fixed Deposits are investments with a maturity period of more than 12 months and an average interest rate of 9.13% per annum. (2017 - 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 66000 - Building - DBSA Loan	1 677 453	1 583 453
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The fixed deposit serve as collateral security for the DBSA Building loan as per note 15

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
11 EMPLOYEE BENEFITS		
Post Retirement Medical Obligations - refer to note 11,1	27 880 277	29 838 151
Ex Gratia Gratuities - refer to note 11,2	122 678	187 418
Long Service Awards - refer to note 11,3	6 273 325	4 680 638
Total Non-current Employee Benefit Liabilities	34 276 280	34 706 207
 <u>Post Retirement Medical Obligations</u>		
Balance 1 July	31 233 978	32 166 020
Contribution for the year	6 595 233	6 600 291
Expenditure for the year	(1 091 280)	(1 076 935)
Actuarial (Gain)	(7 336 930)	(6 455 398)
Total post retirement medical obligation 30 June	29 401 000	31 233 978
Less: Transfer of current portion to Current Employee Benefits - note 12	(1 520 723)	(1 395 827)
Balance 30 June	27 880 277	29 838 151
 <u>Ex Gratia Gratuities</u>		
Balance 1 July	375 652	416 514
Contribution for the year	60 756	59 966
Expenditure for the year	(37 996)	(109 438)
Actuarial Gain	(63 758)	8 610
Total ex gratia provision 30 June	334 654	375 652
Less: Transfer of current portion to Current Employee Benefits - note 12	(211 976)	(188 234)
Balance 30 June	122 678	187 418

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<u>Long Service Awards</u>		
Balance 1 July	5 509 979	4 715 680
Contribution for the year	2 465 916	1 076 166
Expenditure for the year	(391 964)	(233 697)
Actuarial (Gain)/Loss	(102 923)	(48 169)
Total long service 30 June	7 481 008	5 509 979
Less: Transfer of current portion to Current Employee Benefits - note 12	(1 207 683)	(829 341)
Balance 30 June	6 273 325	4 680 638
<u>TOTAL EMPLOYEE BENEFITS</u>		
Balance 1 July	37 119 609	37 298 214
Contribution for the year	9 121 905	7 736 423
Expenditure for the year	(1 521 241)	(1 420 071)
Actuarial (Gain)	(7 503 611)	(6 494 957)
Total employee benefits 30 June	37 216 662	37 119 609
Less: Transfer of current portion to Current Employee Benefits - note 12	(2 940 382)	(2 413 402)
Balance 30 June	34 276 280	34 706 207
	2018	#REF!
	Employees	Employees
11,1 Post Retirement Medical Obligations		
The Post Retirement Medical Obligation is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	156	166
Continuation members (e.g. Retirees, widows, orphans)	37	34
Total Members	193	200

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<p>The Municipality makes monthly contributions for health care arrangements to the following medical aid schemes:</p> <p>Bonitas LA Health Hosmed SAMWU Medical Aid</p>		
<p>Key actuarial assumptions used:</p>		
	%	%
i) Rate of interest		
Discount rate	9,58	9,76
Health Care Cost Inflation Rate	7,37	8,03
Net Effective Discount Rate	2,06	1,60
<p>The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".</p>		
ii) Mortality rates		
<p>The PA 90 ultimate table, rated down by 1 year of age.</p>		
iii) Normal retirement age		
<p>The normal retirement age for employees of the Municipality is:</p> <p>Male : 63 years Female: 58 years</p>		

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	In-Service Members R	2018 R Continuation Members R	2017 R Present value of fund obligations R
The liability in respect of past service recognised in the Statement of Financial Position is as follows:			
30 June 2018	18 506 000	10 895 000	29 401 000
30 June 2017	19 375 151	10 463 000	29 838 151
30 June 2016	21 320 577	10 845 443	32 166 020
30 June 2015	19 080 662	9 631 382	28 712 044
30 June 2014	16 280 000	9 762 591	26 042 591
30 June 2013	13 959 000	9 893 475	23 852 475
30 June 2012	7 546 000	10 067 224	17 613 224

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

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
Experience adjustments were calculated as follows:		
30 June 2018	(3 420 000)	-
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	-

Reconciliation of present value of fund obligation:

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Present value of fund obligation at the beginning of the year	31 233 978	32 166 020
Total contributions	5 503 953	5 523 356
Current service cost	2 507 439	2 601 983
Interest Cost	4 087 794	3 998 308
Benefits Paid	(1 091 280)	(1 076 935)
Actuarial (Gain)/Loss	(7 336 930)	(6 455 398)
Present value of fund obligation at the end of the year	29 401 000	31 233 978
Less: Transfer of current portion to Current Employee Benefits - note 4	(1 520 723)	(1 395 827)
Balance 30 June	27 880 277	29 838 151

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%

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018	2017
	R	R
	%	%
11,2 Ex Gratia Gratuities		
<p>The Ex Gratia Gratuities plans are defined benefit plans. As at year end 101 employees (2017 - 104) were eligible for Ex Gratia Gratuities.</p> <p>Key actuarial assumptions used:</p>		
i) Rate of interest		
Discount rate	9,45	9,47
<p>The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".</p>		
		Present value of fund obligations
The liability in respect of past service recognised in the Statement of Financial Position is as follows:		
30 June 2018		334 655
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
<p>The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.</p>		

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R Liabilities (Gain) / Loss	2017 R Assets Gain / (Loss)
Experience adjustments were calculated as follows:		
30 June 2018	(63 908)	
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	375 652	416 514
Total contributions	22 760	(49 472)
Current and past service cost	33 885	29 779
Interest Cost	26 871	30 187
Benefits Paid	(37 996)	(109 438)
Actuarial (Gain)/Loss	(63 758)	8 610
Present value of fund obligation at the end of the year	334 654	375 652
Less: Transfer of current portion to Current Employee Benefits - note 4	(211 976)	(188 234)
Present value of fund obligation at the end of the year	122 678	187 418
The liability is unfunded.		

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

					2018	2017
					R	R
Sensitivity Analysis on the Current-service and Interest Costs:						
Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change	
Central Assumptions		33 885	26 871	60 756		
Discount Rate	+1%	32 939	28 927	61 866	2%	
Discount Rate	-1%	34 948	24 716	59 664	-2%	
Average retirement age	-1 year	46 761	26 291	73 052	20%	

11,3 Long Service Awards

The Long Service Bonus plans are defined benefit plans. Long service awards were calculated for 512 employees (2017 - 537), but they are not all eligible for payment in the same year.

Key actuarial assumptions used:

i) Rate of interest

Discount rate	8,35	8,18
General Salary Inflation (long-term)	6,00	6,00
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2,22	2,06

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 FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R Present value of fund obligations R
The liability in respect of past service recognised in the Statement of Financial Position is as follows:		
30 June 2018		7 481 008
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

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

	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
Experience adjustments were calculated as follows:		
30 June 2018	373 555	
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	-

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	5 509 979	4 715 680
Total contributions	2 073 952	842 469
Current service cost (And past)	2 048 224	706 034
Interest Cost	417 692	370 132
Benefits Paid	(391 964)	(233 697)
Actuarial Loss/(Gain)	(102 923)	(48 169)
Present value of fund obligation at the end of the year	7 481 008	5 509 979
Less: Transfer of current portion to Current Employee Benefits - note 4	(1 207 683)	(829 341)
Balance 30 June	6 273 325	4 680 638

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		839 100	417 700	1 256 800	
General salary inflation	+1%	888 000	438 300	1 326 300	6%
General salary inflation	-1%	794 300	398 600	1 192 900	-5%
Discount rate	+1%	799 100	445 900	1 245 000	-1%
Discount rate	-1%	883 500	386 300	1 269 800	1%
Average retirement age	-2 years	796 000	392 000	1 188 000	-5%
Average retirement age	+2 years	890 500	448 100	1 338 600	7%
Withdrawal Rate	-50%	1 073 300	496 000	1 569 300	25%

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018	2017
	R	R

11,4 Retirement Funds

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

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

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

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

CAPE RETIREMENT FUND

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Contributions paid recognised in the Statement of Financial Performance	10 803 116	9 583 809

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	639 659	652 408
Municipal Councillors Pension Fund	440 712	353 981
IMATU Retirement Fund	1 935 323	616 849
SAMWU National Provident Fund	2 716 957	2 782 427
SALA Pension Fund	1 489 983	1 420 858
	7 222 634	5 826 523

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
12 CURRENT EMPLOYEE BENEFITS		
Staff Bonuses Accrued	5 720 246	5 104 624
Provision for Staff Leave	15 800 828	13 464 815
Provision for Performance Bonuses	5 814 809	3 371 716
Other Provisions	582 342	582 342
Current Portion of Non-Current Employee Benefits	2 940 382	2 413 402
Current Portion of Post Retirement Benefits - note 11	1 520 723	1 395 827
Current Portion of Ex Gratia Gratuities - note 11	211 976	188 234
Current Portion of Long-Service Awards - note 11	1 207 683	829 341
Total Current Employee Benefits	30 858 606	24 936 899

The movement in current employee benefits is reconciled as follows:

Staff Bonuses Accrued

Balance at beginning of year	5 020 657	4 427 358
Contribution to current portion	10 625 420	9 880 073
Expenditure incurred	(10 009 799)	(9 286 775)
Balance at end of year	5 636 278	5 020 657

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 December 2018 or pro-rata when employment is terminated.

Provision for Staff Leave

Balance at beginning of year	13 464 815	11 450 111
Contribution to current portion	3 804 280	3 385 056
Expenditure incurred	(1 468 268)	(1 370 351)
Balance at end of year	15 800 828	13 464 815

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	3 371 716	4 427 359
Contribution to current portion	5 057 942	1 632 097
Expenditure incurred	(2 614 849)	(2 687 740)
Balance at end of year	5 814 809	3 371 716

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

Other Provisions

Balance at beginning of year	582 342	522 849
Finance charges		59 493
Balance at year end	582 342	582 342

Other provisions are non-recurring provisions which consists out of the following at year end:
- Shortfall in annual earnings of Cape Joint Pension Fund

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

2018
R

2017
R

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.

13 CONSUMER DEPOSITS

Water	957 847	934 536
Total Consumer Deposits	957 847	934 536

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 when consumers do open the account themselves, in cases where the municipality opened an account to ensure completeness of billing, deposits might not have been paid.

14 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	92 447 712	83 663 206
Retention - On capital projects	7 334 384	3 892 015
Interest Accrued	200 547	248 364
Other Payables	1 928 081	28 406
Unallocated Receipts	121 749	93 595
Payments received in advance	1 635 621	9 311 842
Working for Water	-	460 743
Working for Wetlands	-	0
Joe Gqabi Economic Development Agency (SoC) Ltd	105 535	509 742
Local Municipalities	4 976 389	5 237 202

Elundini Local Municipality	456 572	456 572
Senqu Local Municipality	4 519 817	4 780 630

Total Payables from Exchange Transactions	108 750 019	103 445 113
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Balance previously reported	97 331 325
Correction due to invoices received during 2017/2018 - Trade payables	
Restatement of Monies paid over by the Agency set off against expenditure incurred	509 742
Restatement for retentions not previously recorded under payables	3 892 015
Restatement of trade payables due to the duplication of an order subsequently corrected	(149 450)

Restated balance	101 583 631
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Payables are being recognised net of any discounts.

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

The carrying value of payables approximates its fair value.

Deposits amounting to R144 961 (2017 - R144 961) serve as security for Payables. The remainder of Payables are unsecured.

15 LONG-TERM LIABILITIES

Annuity Loans - At amortised cost	9 091 193	12 614 349
Less: Current Portion transferred to Current Liabilities	(1 584 875)	(5 947 344)
Total - At amortised cost using the effective interest rate method	7 506 318	6 667 005

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
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 677 453 (2017 - R1 583 453) held as guarantee by the DBSA.		

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year	2 218 809	2 181 587
Payable within two to five years	5 200 717	6 526 032
Payable after five years	1 453 275	2 422 126
	<hr/>	<hr/>
	8 872 801	11 129 745
Less: Future finance obligations	(2 204 492)	(3 043 415)
Present value of annuity obligations	<hr/> <hr/>	<hr/> <hr/>
	6 668 309	8 086 330

The obligations under finance leases are scheduled below:

Amounts payable under annuity loans:

Payable within one year	1 488 941	4 605 973
Payable within two to five years	1 108 218	-
Payable after five years	-	-
	<hr/>	<hr/>
	2 597 159	4 605 973
Less: Future finance obligations	- 174 276	(77 954)
Present value of annuity obligations	<hr/> <hr/>	<hr/> <hr/>
	2 422 883	4 528 018

17

GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants	239 266 500	224 850 320
Equitable Share	239 160 000	223 621 000
LG Seta	106 500	1 229 320
Conditional Grants	297 977 058	340 768 305
EPWP Programme	2 227 000	1 474 000
Finance Management Grant (FMG)	1 249 958	1 249 984
Municipal Infrastructure Grant (MIG)	149 693 219	151 574 709
Water Services Infrastructure Grant (WSIG)	63 613 576	71 827 698
Regional Bulk infrastructure Grant	6 000 000	9 728 835
Provincial Treasury drought relief programme	48 724 944	74 608 740
Public Works - Special Programme	23 226 495	24 001 747
Rural Roads Asset Management Grant	2 284 464	1 256 300
Department of Human Settlement	-	4 546 291
EC Cogta Amalgamation support grant	-	500 000
MIS Asset Management	957 400	-
Total Government Grants and Subsidies	<hr/> <hr/>	<hr/> <hr/>
	537 243 558	565 618 625
Government Grants and Subsidies - Capital	132 635 748	250 801 995
Government Grants and Subsidies - Operating	404 607 810	314 816 629

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

Balance previously reported 30 June 2017	563 113 799
- Correction on under statement of operating conditions met on MIG expenditure	<hr/>
Restated balance	<hr/> <hr/>
	565 618 625

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	239 160 000	223 621 000
Management Services	957 400	500 000
Financial Services	1 249 958	1 249 984
Corporate Services	106 500	1 229 320
Technical Services	295 769 700	336 513 492
Community Services	-	-
Joe Gqabi Economic Development Agency (Soc) Ltd	-	-
	537 243 558	563 113 796

17,01 Equitable share

Opening balance	-	-
Grants received	232 532 000	223 621 000
Conditions met - Operating	(232 532 000)	(223 621 000)
Conditions met - Capital		
Grant funds deducted for Unapproved rollovers		
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	(123)	(139)
Grants received	1 250 000	1 250 000
Conditions met - Operating	(1 249 958)	(1 249 984)
Conditions met - Capital		
Monies returned to National Treasury		
Conditions still to be met	(82)	(123)

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).

17,03 Regional Bulk Infrastructure Grant (RBIG)

Opening balance	2 608 690	-	4 235 910
Grants received	6 000 000		16 573 434
Conditions met - Operating			-
Conditions met - Capital	-	6 000 000	9 728 835
Monies returned to National Treasury			-
Conditions still to be met	2 608 689		2 608 690

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.

17,04 Municipal Infrastructure Grant (MIG)

Opening balance	72	(27 219)
Grants received	159 725 000	151 602 000
Conditions met - Operating	(103 212 536)	(61 484 278)

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Conditions met - Capital	(46 480 683)	(87 585 605)
Human settlement project now funded by MIG	(10 031 781)	
Correction of understatement of Conditions met 2016/2017		(2 504 826)
Conditions still to be met	-	72,0000000

Balance previously reported 30 June 2017		2 504 898
- Correction of previously under statement of operating conditions met 2015/2016		- 2 504 898
Restated balance		2 504 898

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

17,05 Public Works - Special Programme

Opening balance	(5 088 757)	(3 883 893)
Grants received	19 288 826	22 796 884
Conditions met - Operating	(23 226 495)	(24 001 747)
Conditions met - Capital		
Grant expenditure to be recovered	(9 026 426)	(5 088 757)

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.

17,06 Water Services Operating Subsidy

Opening balance	558	998 558
Grants received	-	
Conditions met - Operating	-	
Conditions met - Capital	-	
Monies returned to National Treasury	-	998 000
Conditions still to be met	558	558

This grant is used for the refurbishment of water infrastructure.

17,07 Department of Human Settlement

Opening balance	(10 031 781)	(5 485 490)
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	(4 546 291)
Human settlement project now funded by MIG	10 031 781	-
Conditions still to be met/(Grant expenditure to be recovered)	(0)	(10 031 781)

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.

17,08 Water Services Infrastructure grant

Opening balance	302	-
Grants received	64 500 000	71 828 000
Conditions met - Operating	(32 183 456)	-
Conditions met - Capital	(31 430 121)	(71 827 698)
Conditions still to be met	886 725	302

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
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.		
17,09 PT Drought programme		
Opening balance	(4 887 126)	(12 966 954)
Grants received	54 833 072	82 688 568
Conditions met - Operating	-	-
Conditions met - Capital	(48 724 944)	(74 608 740)
Foreign Exchange Gains		
Grant expenditure to be recovered	1 221 001	(4 887 126)

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

17,10 Other Grants		
Opening balance	163 189	(2 152 772)
Grants received	4 730 715	6 775 580
Conditions met - Operating	(3 348 364)	(4 459 619)
Conditions met - Capital	(2 227 000)	-
Grant expenditure to be recovered	(5 575 364)	163 189

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.

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.

Total Grants

Opening balance	(17 234 977)	(27 753 818)
Grants received	542 859 613	577 135 466
Conditions met - Operating	(395 752 810)	(314 816 629)
Conditions met - Capital	(134 862 748)	(248 297 169)
Paid back to Treasury/Provided for as impairment		(998 000)
Grant expenditure to be recovered	(4 990 922)	(14 730 150)

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Disclosed as follows as per note 6		
Unspent Conditional Government Grants and Receipts	2 776 738	4 928 428
Unpaid Conditional Government Grants and Receipts	14 395 662	22 163 551
18 PUBLIC CONTRIBUTIONS AND DONATIONS		
Donated printers received	0	36 761
	<u>-</u>	<u>36 761</u>
Public contributions previously recognised		-
Recognition of printers donated to the institution at market value		<u>36 761</u>
Restated balance		<u>36 761</u>
19 ACTUARIAL (GAINS)/LOSS		
Post Retirement Medical Obligations - Refer to note 11,1	(7 336 930)	(6 455 398)
Ex Gratia Gratuities - Refer to note 11,2	(63 758)	8 610
Long Service Awards - Refer to note 11,3	(102 923)	(48 169)
Total Actuarial (Gains)/Losses	<u>(7 503 611)</u>	<u>(6 494 957)</u>
Actuarial gains or losses are calculated at year-end when the actuarial valuation is performed.		
20 REVERSAL OF IMPAIRMENTS		
Investment in Municipal Entity - note 12		
Total Reversal of Impairments	<u>-</u>	<u>-</u>
21 SERVICE CHARGES		
Water	67 978 514	77 562 920
Sewerage and Sanitation Charges	31 592 954	37 527 693
	<u>99 571 468</u>	<u>115 090 613</u>
Less: Rebates (including free basic services for indigents)	(22 433 818)	(23 419 578)
Total Service Charges	<u>77 137 650</u>	<u>91 671 035</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.		
22 GOVERNMENT SERVICES		
Working for Water	-	982 598
Working for Wetlands	5 053 194	9 123 297
Total Government Services	<u>5 053 194</u>	<u>10 105 896</u>
23 INTEREST EARNED - EXTERNAL INVESTMENTS		
Call Investment Deposits	3 691 484	2 794 759
Primary Bank Account	929 361	514 697
Fixed Deposits	-	-
Total Interest Earned - External Investments	<u>4 620 844</u>	<u>3 309 457</u>

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
24 INTEREST EARNED - OUTSTANDING DEBTORS		
Water Debtors	15 727 853	15 298 257
Sewerage Debtors	6 396 547	8 794 113
Total Interest Earned - Outstanding Debtors	22 124 400	24 092 370
25 OTHER INCOME		
Sundry Income	948 857	331 281
Administration fee	395 304	470 623
Rental of Facilities and Equipment	9 252	15 232
Insurance claims	360 608	164 046
Total Other Income	1 714 020	981 182
Public contributions previously recognised		968 975
Recognition of insurance income due to replacement of asset paid for by Insurance		12 207
Restated balance		981 182
26 EMPLOYEE RELATED COSTS		
Bonuses	10 625 420	10 236 911
Contribution to current employee benefits - Staff Leave - Note 12	3 804 280	3 385 056
Contribution to non-current employee benefits - Long Service Awards - Note 12	2 048 224	706 034
Contribution to non-current employee benefits - Post Retirement Medical - Note	2 507 439	2 601 983
Contribution to non-current employee benefits - Ex Gratia Gratuities - Note 12	33 885	29 779
Contributions for UIF, Pensions and Medical Aids	29 109 270	25 834 510
Salaries and Wages	128 723 044	117 929 759
Housing Benefits and Allowances	1 310 253	1 303 823
Overtime Payments	13 041 442	10 717 989
Performance Bonuses	5 057 942	1 632 097
Travel, Motor Car, Telephone, Subsistence and Other Allowances	13 872 287	12 480 976
Unemployment Fund	-	-
Workmens Compensation Contributions	-	-
Total Employee Related Costs	210 133 486	186 858 916
REMUNERATION OF MANAGEMENT PERSONNEL		
The Municipal Manager and all Section 57 Managers as well as those directly reporting to the Municipal are appointed on a 5-year fixed contract.		
Municipal Manager - Z A Williams		
Salary and other allowances	1 634 728	1 558 511
Performance Bonuses 13-14	-	210 094
Performance bonuses 14-15	-	224 359
Performance Bonuses 15-16	322 757	-
Travel Allowance	-	64 200
Telephone allowance	34 200	33 000
Contributions to UIF, Medical and Pension Funds	260 574	247 866
Total	2 252 259	2 338 031
Director Technical Services - R J Fortuin		

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018	2017
	R	R
Salary and other allowances	1 326 234	1 303 083
Performance Bonus 13-14	-	178 580
Performance bonus 14-15	-	190 706
Performance Bonus 15-16	274 344	-
Travel Allowance	233 480	170 220
Telephone allowance	20 400	19 200
Contributions to UIF, Medical and Pension Funds	105 231	92 463
Total	1 959 689	1 954 251

Director Corporate Services - H Z Jantjie

Salary and other allowances	1 262 083	1 506 784
Performance Bonus 13-14	-	153 069
Performance bonus 14-15	-	190 706
Performance Bonus 15-16	274 344	-
Travel Allowance	84 000	84 000
Telephone allowance	20 400	19 200
Contributions to UIF, Medical and Pension Funds	305 583	93 840
Total	1 946 409	2 047 598

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	1 130 414	1 143 345
Performance bonus 14-15	-	22 703
Performance Bonus 15-16	233 795	-
Acting allowance	142 223	135 731
Travel Allowance	40 000	120 000
Telephone allowance	20 400	19 200
Contributions to UIF, Medical and Pension Funds	61 836	57 278
Total	1 628 669	1 498 258

Director Community Services - F J Sephton

Salary and other allowances	1 487 197	1 579 425
Performance Bonus 13-14	-	178 580
Performance bonus 14-15	-	190 706
Performance Bonus 15-16	274 244	-
Travel Allowance	156 000	156 000
Telephone allowance	20 400	19 200
Contributions to UIF, Medical and Pension Funds	21 036	22 824
Total	1 958 876	2 146 734

Chief Operations Officer - N Mshumi

Salary and other allowances	1 084 433	1 013 046
Performance Bonus 13-14	-	151 990
Performance bonus 14-15	-	162 310
Performance Bonus 15-16	233 495	-
Travel Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	257 401	243 162
Total	1 635 328	1 630 507

Manager Water Service provision Manager - D Lusawana

Salary and other allowances	946 994	883 380
Performance bonuses 14-15	-	67 200
Performance Bonus 15-16	193 344	-
Contributions to UIF, Medical and Pension Funds	232 136	215 178
Total	1 372 474	1 165 758

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
27 REMUNERATION OF COUNCILLORS		
Councillors	5 164 846	4 584 264
Councillors' Pension and Medical Aid Contributions	788 486	617 648
Total Remuneration of Councillors	5 953 332	5 201 912

In-kind Benefits

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

2018	Remuneration	Contributions	Total
Members of the Mayoral Committee	3 587 598	666 052	4 253 651
ZI Dumzela - Executive Mayor	715 524	161 929	877 453
TZ Notyke - Speaker	621 690	89 110	710 800
EM Lakabane - Portfolio Head: Financia	537 626	128 082	665 709
D Mvumvu - Portfolio Head: Commu	588 355	78 853	667 209
S Mei - Portfolio Head: Technic	567 476	99 143	666 619
L Tokwe - Portfolio Head: Corpora	556 926	108 934	665 861
Proportional elected Councillors	1 492 188	121 553	1 613 741
NU Hokwana	583 366	80 557	663 923
N Ngendane	271 816	35 199	307 016
AM van Zyl	316 956	2 729	319 685
M Yiliwe	320 050	3 068	323 117
Representative Councillors	85 059	881	85 940
Total Councillors Remuneration	5 164 846	788 486	5 953 332

2017

Members of the Mayoral Committee	3 310 480	516 115	3 826 595
ZI Dumzela - Executive Mayor	679 504	182 754	862 258
TZ Notyke - Speaker	605 383	40 161	645 543
EM Lakabane - Portfolio Head: Financia	485 151	84 903	570 054
D Mvumvu - Portfolio Head: Commu	547 837	52 972	600 809
S Mei - Portfolio Head: Technic	539 861	55 743	595 604
L Tokwe - Portfolio Head: Corpora	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	86 493	10 836	97 329
Total Councillors Remuneration	4 594 520	607 391	5 201 912

28 DEBT IMPAIRMENT

Contributions to provision - note 4	36 200 765	44 916 410
Less: Portion relating to VAT - note 5	(3 209 757)	(7 239 943)
Total Debt Impairment	32 991 009	37 676 467

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
29	IMPAIRMENTS	
	-	-
	-	-
	-	-
	-	-
	Total Impairments	-
30	DEPRECIATION AND AMORTISATION	
	48 664 887	47 687 933
	45 496	45 496
	448 201	448 200
	Total Depreciation and Amortisation	48 181 628
31	REPAIRS AND MAINTENANCE	
	Repairs and Maintenance is removed as a line item from the Statement of Financial Performance with the implementation of mSCOA as it does not reflect the nature of the expense. It is disclosed in various other expenditure line items as stated below:	
	GRAP 17 require disclosure of repairs and maintenance per asset class:	
	4 308 986	10 941 092
	553 946	373 197
	2 112 651	697 826
	Total Repairs and Maintenance	12 012 116
		12 056 066
		43 950
		Restated Grants and Subsidies paid to Joe Gqabi Economic Development Agency
		12 012 116
	It should be noted that a substantial amount of Repairs and Maintenance that were done are reflecting under the Operating Grant expenditure votes as well as Employee related cost due to the fact that bulk of the repairs and maintenance are done internally	
32	FINANCE CHARGES	
	834 519	990 256
	276 839	467 750
	4 532 357	4 458 120
	1 972	-
	Total Finance Charges	5 916 126
33	CONTRACTED SERVICES	
	14 872 932	14 441 985
	-	-
	14 872 932	14 441 985
	Total Contracted Services	14 872 932

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

34 BULK PURCHASES

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Water	4 458 788	4 163 900
Total Bulk Purchases	4 458 788	4 163 900
35 GRANTS AND SUBSIDIES PAID		
Gariep Local Municipality	-	108 861
Pauper burials	-	2 600
Joe Gqabi Economic Development Agency (SoC) Ltd	8 495 130	7 767 883
Total Grants and Subsidies Paid	8 495 130	7 879 344
Grant and subsidies paid to Joe Gqabi Economic Development Agency (SoC) Ltd		7 258 142
Restatement of Monies paid over by the Agency set off against expenditure incurred		509 741
Restated Grants and Subsidies paid to Joe Gqabi Economic Development Agency		7 767 883
<p>The Economic Entity has been in the process of taking over water service provision from local municipalities. The grant paid to Joe Gqabi Economic Development Agency (SoC) Ltd (JoGEDA) is in terms of the service level agreement with the IDC. This grant is used for operating activities by JoGEDA.</p>		
36 OPERATING GRANT EXPENDITURE		
Management Services	839 825	-
Financial Services	1 904 450	859 591
Corporate Services	102 202	1 123 305
Technical Services	118 417 333	83 768 882
Community Services	3 686 453	8 323 001
Total Operating Grant Expenditure	124 950 262	94 074 779
Total operating expenditure previously reported		71 608 412
Restatement of operating grant expenditure for cost incurred during construction of assets, now identified as operational of nature during		22 471 700
Restatement of expenditure included before as operating expenditure that was suppose to be capitalised		(5 333)
Restated Grants and Subsidies paid to Joe Gqabi Economic Development Agency		94 074 779
37 EMERGENCY DROUGHT RELIEF		
Water carting	1 054 614	321 930
Total Operating Grant Expenditure	1 054 614	321 930
38 GENERAL EXPENSES		
Advertising Fees	742 275	486 401
Audit Fees	5 342 136	5 106 458
Bank Charges	378 101	359 311
Chemicals	6 915 006	7 116 639
Consulting Fees	14 703 292	6 947 168
Cultivating and Capacitation	-	500 000
Entertainment	76 189	91 497
Fire Extinguishers	-	214 554
Fuel and oil	9 001 667	8 350 508
Insurance	4 070 422	5 105 828
IT Cost	930 790	454 019
Legal Fees	1 658 826	1 426 012
Marketing	409 627	368 189
Material and protective clothing	433 935	234 195
Membership Fees	2 046 096	2 480 724

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018	2017
	R	R
Occupational Health	610 392	-
Other	2 379 988	2 245 822
Postage	14 799	4 073
Printing and Stationary	2 509 353	1 241 238
Rentals	1 497 966	678 688
Revitalising Urban	323 187	-
Security	3 953 837	3 216 899
Services	1 903	1 903
Shared Fire Services	998 741	-
Special Programmes	3 926 363	1 482 076
SPLUMA	30 850	31 867
Telephone	2 687 025	4 026 607
Tourism	26 329	-
Training	802 485	1 481 047
Travel and Subsistence	17 213 382	15 942 880
Vehicle Rental	1 833 511	2 456 811
Water and Electricity	11 944 369	9 745 731
Water Testing & Quality Monitoring	1 502 220	3 069 454
Total General Expenses	98 965 059	84 866 598
Grant and subsidies paid to Joe Gqabi Economic Development Agency (SoC) Ltd		84 987 964
Restatement of capital assets previously included in stationary cost		(21 975)
Restatement of capital assets previously included in Other general expenses		(5 483)
Restatement of capital assets previously included in Consultancy fees		(105 378)
Restatement of Other expenses due to it being capitalised before		11 469
Restated Grants and Subsidies paid to Joe Gqabi Economic Development Agency		84 866 598

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.

39 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Carrying value of Property, Plant and Equipment disposed or written off	1 907 832	575 578
Value recovered from insurance	(465 548)	
Total Loss on Disposal of Property, Plant and Equipment	1 442 285	575 578

The loss on disposal of assets to the amount of R1 000 363 (R575 578- 2017) relates to assets that were written off.

39 CORRECTION OF ERROR IN TERMS OF GRAP 3

	2016
	R
40,01 NET SURPLUS/(DEFICIT) FOR THE YEAR 2016	
Certain errors were detected which relates to the prior year and were restated retrospectively. The effects of these restatements are listed below:	
Surplus reported on 30 June 2016	1 450 512 930
General Expenses incurred due to invoices received late and dispute resolved - Refer to note 15	(1 934 591)
Restatement of salary related cost due to over payments in the past, debt was never created, however deductions were done	298 329
Restatement of the total Infrastructure Work in progress figures due to operational cost identified during the unbundling process - Refer to note 7	(45 998 915)

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Restatement of depreciation on 15/16 due to correction of error on RUL of water and sanitation infrastructure assets		264 528
Reallocation of unpaid monies due to an employee. The full payment was recognised against the expenditure and an other payable was created. Payment was done in May 2015 - Refer note 14.		73 108
Correction of understatement of depreciation/amortisation of investment property during the 2015/2016 financial year		(3 915)
Restated surplus for the year ended 30 June 2016		<u><u>1 403 211 474</u></u>
40,02 PAYABLES FROM EXCHANGE TRANSACTIONS		
Balance previously reported		76 670 614
Correction on understatement of Trade payables due to late receipt of invoices and a dispute that has been resolve - Note 38,1		1 934 591
Reallocation of unpaid monies due to an employee. The full payment was recognised against the expenditure and an other payable was created. Payment was done in May 2015.		(73 108)
Restated Balance on 30 June 2016		<u><u>78 532 097</u></u>
40,02 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Balance previously reported		59 765 369
Correction of staff debtor balances not recognised prior to July 2016		298 329
Restated Balance on 30 June 2016		<u><u>60 063 698</u></u>
40,03 PROPERTY PLANT AND EQUIPMENT		
Balance previously reported		1 492 421 836
Reallocation of capital expenditure previously recorded as part of WIP, now being classified as operational cost		(45 998 915)
Restatement of depreciation on 15/16 due to correction of error on RUL of water and sanitation infrastructure assets		264 528
Restated Balance on 30 June 2016		<u><u>1 446 687 449</u></u>
40,04 INVESTMENT PROPERTY		
Balance previously reported		2 533 755
Correction of the understatement of depreciation/amortisation on Investment property for the 2015/2016 financial year		(3 915)
Restated Balance on 30 June 2016		<u><u>2 529 840</u></u>
41 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
Net Surplus/(Deficit) for the year	90 229 743	200 183 149
Adjusted for:		
Non-Cash Expenditure and Revenue	80 620 622	84 396 836
Actuarial Gains	(7 503 611)	(6 494 957)
Gain on disposal of PPE		
Debt impairment	32 991 009	37 676 467

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Deprecation and amortisation	49 158 583	48 181 628
Impairments		
Actuarial losses		
Finance charges	4 532 357	4 458 120
Fair Value Adjustments		
Loss on disposal of PPE	1 442 285	575 578
Contributions - Provisions and Employee Benefits	28 609 547	22 693 142
Post Retirement Medical Benefits	6 595 233	6 600 291
Long Service Awards	2 465 916	1 076 166
Ex-Gratia	60 756	59 966
Performance bonuses	5 057 942	1 632 097
Bonuses	10 625 420	9 880 073
Staff leave	3 804 280	3 385 056
Compensation for injury on duty		
Other Provisions	-	59 493
Expenditure - Provision and Employee Benefits	(15 614 156)	(14 764 938)
Post Retirement Medical Benefits	(1 091 280)	(1 076 935)
Long Service Awards	(391 964)	(233 697)
Ex-Gratia	(37 996)	(109 438)
Performance bonuses	(2 614 849)	(2 687 740)
Bonuses	(10 009 799)	(9 286 775)
Staff leave	(1 468 268)	(1 370 351)
Compensation for injury on duty		
Other Provisions		
Other adjustments	7 987 605	(111 064 524)
Bad debts Written off	7 987 605	(111 064 524)
Compensation for injury on duty (penalty)		
Operating surplus before changes in working capital	191 833 361	181 443 666
Movement in working capital	(47 098 532)	46 813 867
Receivables from exchange transactions	(82 372 416)	59 256 507
Inventory	259 371	277 771
Payables from exchange transactions	5 304 905	(178 506)
Unspent Conditional Government Grants	(2 151 690)	3 912 263
Unpaid Conditional government grants	7 767 888	6 606 433
Taxes	24 093 410	(23 060 601)
Cash Flow from Operating Activities	144 734 829	228 257 533

41 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - note 3	12 654 580	-	3 487 782
Less:			
Unspent Committed Conditional Grants - note 7	2 776 738		4 928 428
Net cash resources available for internal distribution	9 877 842	-	8 416 210

42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

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.

43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

Unauthorised expenditure

Reconciliation of unauthorised expenditure:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Opening balance	164 753	164 753
Unauthorised expenditure current year - operating		
Unauthorised expenditure current year - capital		
Authorised by Council		
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	164 753	164 753

The municipality did not incur any unauthorised expenditure for the 2017/2018 and 2016/2017 financial periods

44 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance		717 107
Fruitless and wasteful expenditure current year	-	-
Written off by Council		(717 107)
Transfer to receivables for recovery		-
Fruitless and wasteful expenditure awaiting write-off approval	-	-

Incident	Disciplinary steps
<i>Interest paid to Telkom</i>	<i>None - The invoice was paid within 30 days of receipt of the invoice</i>

45 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	9 192 359
Irregular expenditure - current and prior (identified in current year)	63 219 408	-
Written off by Council awaiting condonation	-	(9 192 359)
Irregular expenditure	63 219 407,82	-

A contract was entered into between JGDM and Mvula Trust utilising the Municipal SCM Regulation 32(1) which states that a SCM policy may allow the accounting officer to procure goods or services for the municipality under a contract secured by another organ of the state, for managing the implementation of Rural Water and Sanitation Programme as an implementing agent. This was following a process allowed in terms of section 110 of the MFMA. In March 2011 JGDM participated in a Regulation 32 contract after establishing the below:

- A contract was secured by the Eastern Cape Department of Human Settlements by means of a competitive bidding process applicable to the Eastern Cape Department of Human Settlements (organ of state) with Mvula Trust.
- In line with sub-regulation (1)(a) and (1)(b) the municipality had confirmed there was no reason to believe that such contract was not validly procured by the Eastern Cape Department of Human Settlements.
- There were demonstrable benefits for the municipality to do so; and
- The Eastern Cape Department of Human Settlements, JGDM and Mvula Trust had consented to such procurement in writing.

In application of Regulation 32, the municipality had a proper demand management plan in place that was based on the service delivery and budget implementation plan. As an implementing agent, Mvula Trust procured goods and services through the use of competitive bidding processes to secure contractors and service providers.

The contract between Eastern Cape Department of Human Settlements and Mvula trust expired in September 2013. The

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
contract of JGDM expired in June 2016. It was further extended in line with section 116 of the MFMA and this was reviewed during the 2016/17 audit by the AG and determined as compliant.		
46 MATERIAL LOSSES		
Water distribution losses		
Kilo litres raw	14 435 490	14 580 712
Kilo litres treated	10 873 738	11 016 722
Kilo litres sold	(8 054 361)	(7 838 740)
Kilo litres lost during cleaning	3 561 752	3 563 990
Kilo litres lost from treated	2 819 377	3 177 982
Kilo litres lost from raw	6 381 129	6 741 972
Percentage water lost during cleaning	24,7%	24,4%
Percentage lost from treated vs billed	25,93%	28,85%
Percentage water lost since abstraction	44,20%	46,24%
Average cost per kilolitre in Rands	7,19	7,38
Loss in Rand value (Raw)	45 880 318	49 755 753
Loss in Rand value (Treated)	20 271 321	23 453 507

The improvement in water losses is due to major refurbishments and repairs to aging infrastructure as well as ongoing water restrictions to reduce demand so as to manage drought risks. This has been coupled with improved awareness around water conservation and demand management and also improvements in metering.

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

47,01 SALGA Contributions - [MFMA 125 (1)(b)]

Opening balance	-	-
Council subscriptions	2 023 260	2 153 161
Amount paid - current year	(2 023 260)	(2 153 161)
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-

The prior year figure was updated with an amount of R208 731 due to additional subscription fees billed by SALGA

47,02 Audit fees - [MFMA 125 (1)(b)]

Opening balance	20 846	361 896
Current year audit fee	5 118 632	4 691 500
Amount paid	(4 958 376)	(4 670 655)
Amount paid - previous year	(20 846)	(361 896)
Balance unpaid (included in payables)	160 257	20 846

47,03 VAT - [MFMA 125 (1)(b)]

Opening balance	32 686 430	9 625 829
Amounts received - current year	(57 588 828)	(8 627 258)
Amounts claimed - current year	33 495 418	31 228 245
Balance receivable/(payable)	8 593 020	32 226 817

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. Input VAT has also been claimed once payment has been made to a registered service provider. 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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

contributing to the cashflow challenges we experienced. The amount receivable from SARS as at 30 June 2018 relates to the claims for the last 3 months of the financial year.

47,04 PAYE, SDL and UIF - [MFMA 125 (1)(b)]

	2018 R	2017 R
Opening balance	-	-
Current year payroll deductions and Council Contributions	31 683 039	26 903 552
Amount paid - current year	(29 218 023)	(26 903 552)
Balance receivable	2 465 016	-

47,05 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year payroll deductions and Council Contributions	40 160 082	35 349 797
Amount paid - current year	- 40 160 082	(35 349 797)
Balance unpaid (included in payables)	-	-

47,06 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

There are no overdue councillor accounts.

48 Deviations - Supply Chain Management

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

- Emergencies	31 125 372	25 076 426
- Goods or services are produced or available from a single provider only		-
- Other exceptional cases where it is impractical or impossible to follow the official procurement processes eg. Strip and	15 590 792	13 669 121
	46 716 163	38 745 547

Deviations per department

- Office of the Municipal Manager	1 301 705	39 305
- Financial Services	98 859	-
- Corporate Services	4 908 129	2 998 787
- Community Services	1 347 695	479 029
- Technical Services	27 436 710	35 228 426
- Expenditure incurred on behalf of JoGEDA	11 623 065	-
	46 716 163	38 745 547

49 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

- Infrastructure	110 900 915	370 224 005
Total	110 900 915	370 224 005

This expenditure will be financed from:

Capital Replacement Reserve	-	-
Government Grants	110 900 915	370 224 005
Own Resources	-	-
Total	110 900 915	370 224 005

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

2018	2017
R	R

50 FINANCIAL RISK MANAGEMENT

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

(a) Foreign Exchange Currency Risk

The Municipality does not engage in foreign currency transactions.

(b) Price risk

The Municipality is not exposed to price risk.

(c) Interest Rate Risk

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

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

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

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

0,5% (2017 - 0.5%) Increase in interest rates
0,5% (2017 - 0.5%) Decrease in interest rates

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

(d) Credit Risk

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

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

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

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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:

	2018 R	2017 R
Receivables from Exchange Transactions	154 075 734	117 290 465
Cash and Cash Equivalents	12 654 580	2 184 906
Non-current Investments	3 571 508	3 477 508
Unpaid Conditional Grants and Subsidies	14 395 662	22 163 551
	184 697 484	145 116 429

(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.

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

	7 506 318	6 667 005
Long Term liabilities		
Capital repayments	9 091 193	12 614 349
Interest	(1 584 875)	(5 947 344)
Payables from exchange transactions	108 750 019	103 445 113
Unspent Conditional Government Grants and Receipts	2 776 738	4 928 428
	119 033 075	115 040 546

FINANCIAL INSTRUMENTS

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

Financial Assets

Financial instruments at amortised cost

Non-Current Investments	3 571 508	3 477 508
- Fixed Deposits (Zero coupon)	1 677 453	1 583 453
- Municipal Entity - Joe Gqabi Economic Development Agency (Soc) Ltd	1 894 055	1 894 055

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Receivables from Exchange Transactions	154 075 734	117 290 465
Cash and Cash Equivalents	12 654 580	2 184 906
Unpaid Conditional Government Grants and Receipts	14 395 662	22 163 551
Total carrying amount of financial assets	184 697 484	145 116 429

Financial Liability

Financial instruments at amortised cost

Long-term Liabilities	7 506 318	6 667 005
Trade and Other Payables	108 750 019	103 445 113
Current Portion of Long-term Liabilities	1 584 875	5 947 344
Unspent Conditional Government Grants and Receipts	2 776 738	4 928 428
Total carrying amount of financial liabilities	120 617 950	120 987 890

51 EVENTS AFTER THE REPORTING DATE

The council approved the payment of Performance bonus for the period 2016/2017 based on a formal prescribed assessment that was done during July 2018

52 IN-KIND DONATIONS AND ASSISTANCE

The following in kind donations were received:

A Soccer kit for the soccer team of the District municipality with an approximate value of R20 000

53 PRIVATE PUBLIC PARTNERSHIPS

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

54 CONTINGENCIES

Council has the following contingent liabilities at the end of the financial year 2017/2018:

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 court has ruled that the bid must be readvertised during 2017/2018.

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.

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.

The Municipality is contesting a claim for damages amounting to R754 702. The claim was lodged by Mr B Ramsay and his

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

2018
R

2017
R

spouse for damages, pain and suffering and future medical costs. The claim relates to a motor vehicle accident wherein the vehicle was damaged when entering a site in Aliwal North. The site relates to diggings on a road for the purpose of effecting repairs to water infrastructure. The complainants believe that the Municipality is responsible for the accident that occurred. The Municipality is contesting this claim and the matter has been set down for trial on the 11 October 2016 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.

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. The claim amounts to R272 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. The claim amounts to R485 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. The claim amounts to R800 000

There is an eviction claim for a property the municipality believes to belong to the municipality. The claim amount to R36 000

Other matters: There is a claim from Telkom for infrastructure damages to the value of R110 000. There is another claim from a service provider for services rendered that are contested by the municipality to the value of R376 000. Liysakha Trading and investments vs JGDM, claimant wants the matter to be arbitrated instead of appointing another service provider

Jozana community development trust has lodged a claim against the Minister of Rural land and reform to allow the development of the eco-tourism project at the Jozana Dam and the municipality is cited only as a District Municipality since the claimant believes the dam falls under this Municipality. It is however a DWS owned dam.

Council has the following contingent assets at the end of the financial year 2017/2018:

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

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. This debtor was paid off during 2017/2018.

55 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 with the exception of Ekhipine Community Radio station to the value of R2500. Thabo Motloi and Cllr Phuza are non-executive directors.

Related Party Loans

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

2018	2017
R	R

Compensation of management personnel

The compensation of management personnel is set out in note 26 and 27 to the financial statements.

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 35.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

56 NATIONAL TREASURY APPROPRIATION STATEMENT

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
Financial Performance						
Service charges and other	135 396 288	48 025 569	183 421 857	77 137 650	106 284 207	91 671 035
Investment revenue	17 118 000	7 565 000	24 683 000	26 745 244	(2 062 244)	27 401 827
Transfers recognised - operational	355 444 400	30 190 000	385 634 400	404 607 810	(18 973 410)	314 816 629
Other own revenue	1 380 294	204 283	1 584 577	14 270 825	(12 686 248)	17 662 941
Total Operating Revenue	509 338 982	85 984 852	595 323 834	522 761 530	72 562 304	451 552 432
Employee costs	186 951 256	11 820 197	198 771 453	210 133 486	(11 362 033)	186 858 916
Remuneration of councillors	7 242 394	(1 669 910)	5 572 484	5 953 332	(380 848)	5 201 912
Debt impairment	20 875 142	43 747 042	64 622 184	32 991 009	31 631 175	37 676 467
Depreciation & asset impairment	46 920 678	(548 736)	46 371 942	49 158 583	(2 786 641)	48 181 628
Finance charges	2 293 887	(1 290 506)	1 003 381	5 645 688	(4 642 307)	5 916 126
Materials and bulk purchases	9 000 000	-	9 000 000	4 458 788	4 541 212	4 163 900
Contracted services	111 507 169	43 611 420	155 118 588	14 872 932	140 245 656	14 441 985
Transfers and grants	16 505 339	(8 010 339)	8 495 000	8 495 130	(130)	7 879 344
Other expenditure	116 976 108	(14 362 036)	102 614 071	232 016 303	(129 402 232)	191 275 422
Loss on disposal of PPE	-	-	-	1 442 285	(1 442 285)	575 578
Total Expenditure	518 271 972	73 297 132	591 569 103	565 167 535	2 554 056	502 171 278
Surplus/(Deficit)	(8 932 990)	12 687 720	3 754 730	20 127 965	11 102 745	38 059 791
Transfers recognised - capital	254 155 000	(35 090 000)	219 065 000			
Surplus/(Deficit) for the year	245 222 010	(22 402 280)	222 819 730	53 811 526	5 058 306	70 015 570

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

55 NATIONAL TREASURY APPROPRIATION STATEMENT (CONTINUED)

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
Capital expenditure & funds sources						
Capital expenditure	258 546 000	(27 294 053)	231 251 947	125 091 318	106 160 629	230 856 982
Transfers recognised - capital	254 155 000	(35 090 000)	219 065 000	132 635 748	86 429 252	250 801 995
Internally generated funds	4 391 000	7 795 947	12 186 947	1 790 333	10 396 614	1 388 223
Total sources of capital funds	258 546 000	(27 294 053)	231 251 947	134 426 081	96 825 866	252 190 218
Cash flows						
Net cash from (used) operating	263 053 566	(33 842 463)	229 211 103	144 734 830	84 476 273	228 257 533
Net cash from (used) investing	(258 546 000)	40 057 364	(218 488 636)	(125 091 318)	(93 397 318)	(230 856 982)
Net cash from (used) financing	(4 026 062)	-	(4 026 062)	(3 501 150)	(524 913)	(3 309 878)
Net Cash Movement for the year	481 504	6 214 901	6 696 405	16 142 362	(9 445 957)	(5 909 327)
Cash/cash equivalents at beginning of year	2 421 546	(5 909 328)	(3 487 782)	(3 487 782)	-	2 421 545
Cash/cash equivalents at the year end	2 903 050	305 573	3 208 623	12 654 580	(9 445 957)	(3 487 781)

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Maturity Date	Balance at 30 June 2017	Received during the period	Redeemed during the period	Balance at 30 June 2018
					R	R	R	R
ANNUITY LOANS								
DBSA - Building - c/o Graham and Cole street, Barkly East	11,5%	100878	6 monthly	31 Dec 2024	4 776 759	-	431 218	4 345 541
ABSA - Water meter loan	10,73%		6 monthly	1 March 2020	3 310 876	-	988 108	2 322 768
Total Annuity Loans					8 086 330	-	1 419 326	6 668 309
FINANCE LEASE								
ABSA - VEHICLES	Prime		Monthly	Various	4 528 018	-	2 105 135	2 422 883
Total Finance Leases					4 528 018	-	2 105 135	2 422 883
TOTAL EXTERNAL LOANS					12 614 349	-	3 524 461	9 091 193

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX B (UNAUDITED)

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2018

	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
Land and Buildings													
Land	2 043 000	-	-	-	-	-	-	2 043 000	-	-	-	-	2 043 000
Buildings	15 744 494	-	-	-	-	-	-	15 744 494	5 940 439	587 753	-	6 528 191	9 216 303
	17 787 494	-	-	-	-	-	-	17 787 494	5 940 439	587 753	-	6 528 191	11 259 303
Infrastructure													
Sewerage Network	332 347 379	-	19 427 135	-	83 697 769	(87 284)	-	435 384 998	82 347 547	10 251 632	(85 082)	92 514 097	342 870 902
Water Network	1 169 485 250	-	58 792 887	-	383 064 598	(2 500 402)	-	1 608 842 333	270 253 447	35 565 629	(1 614 550)	304 204 526	1 304 637 807
	1 501 832 629	-	78 220 022	-	466 762 367	(2 587 687)	-	2 044 227 331	352 600 994	45 817 261	(1 699 632)	396 718 623	1 647 508 708
Other Assets													
Office Equipment	2 337 765	-	325 719	-	-	(7 134)	-	2 656 350	1 772 313	97 462	(6 232)	1 863 543	792 808
Furniture & Fittings	3 590 055	-	235 470	-	-	(519)	-	3 825 005	2 694 508	98 183	(511)	2 792 180	1 032 826
Motor Vehicles	16 965 879	501 673	-	-	-	(3 104 876)	-	14 362 676	9 778 975	737 194	(2 118 354)	8 397 814	5 964 862
Fire Engines	8 031 685	892 409	-	-	-	-	-	8 924 094	6 860 566	668 360	-	7 528 926	1 395 168
Computer Equipment	3 051 471	-	1 171 335	-	-	(107 468)	-	4 115 338	1 352 284	203 533	(88 020)	1 467 798	2 647 540
Special Vehicles	3 745 854	483 832	-	-	-	(127 769)	-	4 101 916	1 374 624	319 176	(114 872)	1 578 929	2 522 987
Tools and Equipment	3 218 806	-	57 810	-	-	-	-	3 276 616	1 609 093	135 966	-	1 745 058	1 531 557
	40 941 515	1 877 914	1 790 333	-	-	(3 347 766)	-	41 261 995	25 442 363	2 259 873	(2 327 988)	25 374 248	15 887 747
Total	1 560 561 638	1 877 914	80 010 355	-	466 762 367	(5 935 453)	-	2 103 276 821	383 983 796	48 664 887	(4 027 620)	428 621 063	1 674 655 758

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX C (UNAUDITED)

SEGMENTAL STATEMENTS OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2018

VOTE	30 JUNE 2017				30 JUNE 2018		
	REVENUE R	EXPENDITURE R	SURPLUS/(DEFICIT) R		REVENUE R	EXPENDITURE R	SURPLUS/(DEFICIT) R
Management Services	500 000	46 308 316	(45 808 316)		-	45 035 720	(45 035 720)
Financial Services	344 439 205	69 088 689	275 350 516		344 847 345	77 702 422	267 144 923
Corporate Services	7 739 477	45 252 522	(37 513 045)		8 374 335	46 799 114	(38 424 779)
Technical Services	339 525 705	292 768 655	46 757 050		296 165 004	335 472 309	(39 307 305)
Community Services	10 105 896	48 831 971	(38 726 075)		5 053 194	49 152 662	(44 099 467)
Institutional Support and Advancement	-	-	-		957 400	11 005 310	(10 047 910)
TOTAL	702 310 282	502 250 152	200 060 130		655 397 278	565 167 536	90 229 742

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX D (UNAUDITED)

DISCLOSURE OF TRANSFERS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2018

	Opening Balance	Restatement on opening balance	Restated opening balance	Grants Received	Return to Treasury	Transfer/ Correction	Transferred to Revenue (Operating)	Transferred to Revenue (Capital)	Closing Balance	Comment
	R			R	R	-	R		R	R
NATIONAL GOVERNMENT										
Accelerated Community Infrastructure Programme (ACIP)	85 102		85 102	-			-		85 102	Unpaid Grants
Municipal Infrastructure Grant (MIG)	(2 504 898)	2 504 898	(0)	(159 725 000)	2 504 898	10 031 781	103 212 536	46 480 683	2 504 897	Unpaid Grants
Department Water Affairs	5 749		5 749	-		(5 750)	-		(1)	Unspent Grants
EPWP Programme	29 998		29 998	(2 227 000)			2 227 000		29 998	Unpaid Grants
Equitable Share	-		-	(232 532 000)	(6 628 000)		239 160 000	-	-	Unspent Grants
Finance Management Grant (FMG)	123		123	(1 250 000)			1 249 958		82	Unpaid Grants
Municipal Systems Improvement Grant (MSIG)	200		200	-			-	-	200	Unpaid Grants
Public Works - Special Programme	5 088 757		5 088 757	(19 288 826)			23 226 495		9 026 426	Unpaid Grants
Water Services Operating Subsidy	(558)	(72)	(630)	-		630	-		0	Unpaid Grants
Municipal Water Infrastructure Grant (MWIG)	11 327		11 327	-		(11 327)	-		0	Unpaid Grants
Water Services Infrastructure Grant (WSIG)	(302)		(302)	(64 500 000)		16 446	32 183 456	31 430 121	(870 279)	Unspent Grants
Regional Bulk Infrastructure Grant	(2 608 690)		(2 608 690)	(6 000 000)	3 229 794			6 000 000	621 105	Unpaid Grants
Department of Human Settlement	10 031 781		10 031 781	-		(10 031 781)	-		0	Unpaid Grants
Rural Households Infrastructure Grant	(4 000)		(4 000)	-			-		(4 000)	Unspent Grants
Total	10 134 589	2 504 826	12 639 415	(485 522 826)	(893 308)	-	401 259 446	83 910 804	11 393 530	
PROVINCIAL GOVERNMENT										
Environmental Health Practitioners	2 023 388		2 023 388	-			-		2 023 388	Unpaid Grants
Provincial Treasury drought relief programme	4 887 126		4 887 126	(54 833 072)				48 724 944	(1 221 001)	Unspent Grants
EC Cogta Amalgamation support grant	-		-	-			-		-	Unspent Grants
MIS Asset Management	(1 346 500)		(1 346 500)	-			957 400		(389 100)	Unspent Grants
Rural Roads Asset Management Grant	(893 308)		(893 308)	(2 180 000)	893 308		2 284 464		104 465	Unpaid Grants
Total	4 670 706	-	4 670 706	(57 013 072)	893 308	-	3 241 864	48 724 944	517 752	
OTHER										
LG Seta	(75 145)		(75 145)	(323 715)			106 500		(292 360)	Unspent Grants
Total	(75 145)	-	(75 145)	(323 715)	-	-	106 500	-	(292 360)	
Total	14 730 150	2 504 826	17 234 976	(542 859 613)	-	-	404 607 810	132 635 748	11 618 922	

Monies due to Joe Gqabi District Municipality as at 30 June 2018
 Monies not spent by Joe Gqabi District Municipality as at 30 June 2018

14 395 662
 -2 776 740
11 618 922

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX E (1) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATE D OUTCOME 2017 R
REVENUE						
Management Services	2 010 000	(2 010 000)	-	-	-	500 000
Financial Services	244 440 000	301 264	244 741 264	344 847 345	(100 106 081)	344 439 205
Corporate Services	2 397 294	203 019	2 600 313	8 374 335	(5 774 022)	7 739 477
Technical Services	501 866 288	55 600 569	557 466 857	296 165 004	261 301 853	339 525 705
Community Services	11 832 000	(3 200 000)	8 632 000	5 053 194	3 578 806	10 105 896
Institutional Support and Advancement	957 400	-	957 400	957 400	-	-
Total Revenue by Vote	763 502 982	50 894 852	814 397 834	655 397 278	159 000 556	702 310 282

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX E (1) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATE D OUTCOME 2017 R
EXPENDITURE						
Management Services	46 224 024	(4 086 164)	42 137 860	42 061 135	76 725	46 308 316
Financial Services	60 096 713	43 179 749	103 276 462	83 123 786	20 152 676	69 088 689
Corporate Services	51 849 357	(2 170 872)	49 678 485	46 799 114	2 879 371	45 252 522
Technical Services	277 350 287	53 247 627	330 597 914	330 050 945	546 969	292 768 655
Community Services	64 058 666	(12 376 768)	51 681 898	49 152 662	2 529 236	48 831 971
Institutional Support and Advancement	18 692 925	(4 496 441)	14 196 484	13 979 895	216 590	-
Total Expenditure by Vote	518 271 972	73 297 132	591 569 103	565 167 536	26 401 568	502 250 152
Surplus/(Deficit) for the year	245 231 010	(22 402 280)	222 828 730	90 229 742	132 598 988	200 060 130

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX E (2) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
REVENUE BY SOURCE						
Service charges	135 396 288	48 025 569	183 421 857	77 137 650	106 284 207	91 671 035
Rental of facilities and equipment	9 000	-	9 000	-	9 000	-
Interest earned - external investments	4 040 000	(10 000)	4 030 000	4 620 844	(590 844)	3 309 457
Interest earned - outstanding debtors	13 078 000	7 575 000	20 653 000	22 124 400	(1 471 400)	24 092 370
Agency services	992 000	-	992 000	-	992 000	-
Transfers recognised - operational	355 444 400	30 190 000	385 634 400	404 607 810	(18 973 410)	314 816 629
Other revenue	388 294	204 283	592 577	14 270 825	(13 678 248)	17 662 941
Total Revenue (excluding capital transfers and contributions)	509 347 982	85 984 852	595 332 834	522 761 530	72 571 304	451 552 432

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX E (2) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
EXPENDITURE BY TYPE						
Employee related costs	186 951 256	11 820 197	198 771 453	210 133 486	(11 362 033)	186 858 916
Remuneration of councillors	7 242 394	(1 669 910)	5 572 484	5 953 332	(380 848)	5 201 912
Debt impairment	20 875 142	43 747 042	64 622 184	32 991 009	31 631 175	37 676 467
Depreciation & asset impairment	46 920 678	(548 736)	46 371 942	49 158 583	(2 786 641)	48 181 628
Finance charges	2 293 887	(1 290 506)	1 003 381	5 645 688	(4 642 307)	5 916 126
Bulk purchases	9 000 000	-	9 000 000	4 458 788	4 541 212	4 163 900
Contracted services	111 507 169	43 611 420	155 118 588	14 872 932	140 245 656	14 441 985
Transfers and grants	16 505 339	(8 010 339)	8 495 000	8 495 130	(130)	7 879 344
Other expenditure	116 976 108	(14 362 036)	102 614 071	232 016 303	(129 402 232)	191 275 422
Loss on disposal of PPE	-	-	-	1 442 285	(1 442 285)	575 578
Total Expenditure	518 271 972	73 297 132	591 569 103	565 167 535	26 401 568	502 171 278
Surplus/(Deficit)	(8 923 990)	12 687 720	3 763 730	(42 406 006)	46 169 736	(50 618 846)
Transfers recognised - capital	254 155 000	(35 090 000)	219 065 000	132 635 748	86 429 252	250 801 995
Contributions Recognised - Capital	-	-	-	-	-	-
Surplus/(Deficit) for the year	245 231 010	(22 402 280)	222 828 730	90 229 743	132 598 988	200 183 149