

# HARRY GWALA DISTRICT MUNICIPALITY



## ANNUAL FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2014

# Annual Financial Statements

for

## HARRY GWALA DISTRICT MUNICIPALITY

FOR THE YEAR ENDED 2014

Province: KwaZulu Natal

AFS rounding: R (i.e. only Rand)

### Contact Information:

**Name of Municipal Manager:** MS AN DLAMINI  
Contact telephone number: 039 - 834 8700

**Name of Chief Financial Officer:** MR M MKATU  
Contact telephone number: 039 - 834 8700

Contact e-mail address: [cfo@sisonkedm.gov.za](mailto:cfo@sisonkedm.gov.za)

**Name of contact at Provincial Treasury:** S Moodley  
Contact telephone number: 033 - 897 4415

**Name of relevant Auditor:** Auditor General South Africa  
Contact telephone number: 033 - 264 7400

**Name of contact at National Treasury:** MR J.Hattingh  
Contact telephone number: 012 - 315 5534

**HARRY GWALA DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

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**HARRY GWALA DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

**General information:**

**Mayor**

**Deputy Mayor**

**Speaker**

**Member of the Executive Committee**

**Member of the Executive Committee**

**Member of the Executive Committee**

**Member**

**Member**

**Member**

**Member**

**Member**

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**Member**

**Member**

**Member**

**Member**

**Member**

**Member**

**Members of Council**

M NDOBE

NH DUMA

CM NGCOBO

SB BHENGU

KS MADLALA

CB KUNENE

NB MNGADI

EM NZIMANDE

ZS NYIDE

VW ZAZA

VP MAJOZI

JS MSIYA

MW TSHIBASE

V MHATU

ME MKHIZE

M NONDABULA

SD RADEBE

XR TSHAZI

SJ BHENGU

SS MAVUMA

B THABETHE

AT SONDZABA

GP NZIMANDE

BW DLAMINI

PB KLEINBOOI

**Grading of Local Authority**

Grade 4

**Bankers**

First National Bank

**HARRY GWALA DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

**General information (continued):**

**Registered Office:** HARRY GWALA DISTRICT MUNICIPALITY MAIN OFFICE

**Physical address:** 40 MAIN STREET  
IXOPO  
3276

**Postal address:** PRIVATE BAG X501  
IXOPO  
3276

**Telephone number:** 039 - 834 8700

**Fax number:** 039 - 834 2258

**E-mail address:** [cfo@sisonkedm.gov.za](mailto:cfo@sisonkedm.gov.za)

**HARRY GWALA DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

**Approval of Annual Financial Statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 67, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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**Mrs AN Dlamini  
Municipal Manager**

**DATE 31 August 2014**

**HARRY GWALA DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014**

	Note	2014 R	Restated Balance 2013 R
<b>ASSETS</b>			
<b>Current Assets</b>			
		<b>90 804 651</b>	<b>87 168 694</b>
Cash and cash equivalents	2	29 474 485	20 185 998
Trade and other receivables from exchange transactions	3	6 923 235	5 738 314
Other debtors	4	48 343 800	46 163 041
Inventories	5	268 683	264 715
Investments in entity	6	100	100
VAT receivable	7	5 794 348	14 816 526
<b>Non-current Assets</b>			
		<b>1 280 149 706</b>	<b>1 151 158 993</b>
Property, plant and equipment	8	1 279 316 741	1 150 386 586
Intangible assets	9	832 965	772 407
<b>TOTAL ASSETS</b>		<b>1 370 954 357</b>	<b>1 238 327 687</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
		<b>120 615 647</b>	<b>129 435 738</b>
Trade and other payables from exchange transactions	10	82 974 151	85 614 047
Trade and other payables from non exchange transactions	10.1	2 499 235	-
Consumer deposits	11	1 113 719	1 009 847
Current provisions	12	7 711 123	6 924 890
Current portion of health care retirement provision	13.1	43 416	42 696
Current portion long term service provision	13.2	163 089	297 939
Current portion of unspent conditional grants and receipts	14	19 772 173	30 551 441
Current portion of borrowings	15	3 415 335	3 297 062
Current portion of finance lease liability	16	2 923 407	1 697 816
<b>Non-current Liabilities</b>			
		<b>41 121 364</b>	<b>37 053 469</b>
Health care retirement provision	13.1	10 880 710	7 138 468
Non current portion long term service provision	13.2	3 047 218	2 230 435
Non-current borrowings	15	22 063 772	25 595 948
Non-current finance lease liability	16	5 129 664	2 088 618
<b>TOTAL LIABILITIES</b>		<b>161 737 011</b>	<b>166 489 206</b>
<b>NET ASSETS</b>		<b>1 209 217 345</b>	<b>1 071 838 481</b>
<b>NET ASSETS</b>			
Accumulated Surplus		1 209 217 345	1 071 838 481
<b>TOTAL NET ASSETS</b>		<b>1 209 217 345</b>	<b>1 071 838 481</b>

**HARRY GWALA DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR YEAR ENDED 30 JUNE 2014**

	Note	2014 R	Restated Balance 2013 R
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>		<b>59 744 889</b>	<b>45 062 514</b>
Service charges	17	48 904 504	39 865 235
Interest earned - external investments	18.1	3 343 503	2 987 674
Interest - on arrear accounts	18.2	5 637 940	-
Other income	19	1 858 942	2 209 605
<b>Revenue from non-exchange transactions</b>		<b>479 082 458</b>	<b>455 429 350</b>
Government grants and subsidies	20	479 082 458	455 429 350
<b>Total Revenue</b>		<b>538 827 347</b>	<b>500 491 864</b>
<b>EXPENDITURE</b>			
Contribution to bad debt provision	3.1	23 205 844	15 023 138
Employee related costs	21	99 942 600	79 227 602
Remuneration of councillors	22	5 249 110	4 622 013
Depreciation and amortisation expenses	23	37 050 413	28 991 762
General expenses	24.1	65 157 430	54 844 738
General expenses - community participation	24.2	4 228 208	3 648 718
General expenses - contracted services	24.3	23 658 729	18 824 982
Grants and subsidies paid	25	14 808 198	7 489 942
Provision leave reserve	26	1 817 972	2 463 311
Bulk water purchases	27	9 487 077	9 709 726
Operating grant expenditure	28	61 070 771	71 588 251
Collection cost	29	-	3 354 454
Finance costs	30	3 510 373	3 791 790
Repairs and maintenance	31	23 474 333	35 575 739
<b>Total Expenses</b>		<b>372 661 059</b>	<b>339 156 167</b>
Loss on disposal of assets	32.1	25 115 763	137 537
Impairment costs	32.2	3 671 661	924 139
<b>SURPLUS FOR THE YEAR</b>		<b>137 378 864</b>	<b>160 274 020</b>



**HARRY GWALA DISTRICT MUNICIPALITY  
STATEMENT OF CHANGES IN NET ASSETS  
FOR YEAR ENDED 30 JUNE 2014**

	Note	Accumulated Surplus/Deficit	Restated Balance Total Net Assets
		R	R
<b>Balance at 30 June 2012</b>		<b>879 948 621</b>	<b>879 948 621</b>
Surplus for the period		160 274 020	160 274 020
<b><u>Prior year adjustments:</u></b>			
Assets prior 2012/2013 - not recognised in asset register	8.2	25 847 887	25 847 887
Debtors - Grants prior 2012/2013 - not recognised in grants register		5 767 953	5 767 953
<b>Restated balance at 30 June 2012</b>		<b>1 071 838 481</b>	<b>1 071 838 481</b>
<b>Restated balance at 30 June 2013</b>		<b>1 071 838 481</b>	<b>1 071 838 481</b>
Surplus/(Deficit) for the period		137 378 864	137 378 864
<b>Balance at 30 June 2014</b>		<b>1 209 217 345</b>	<b>1 209 217 345</b>

## HARRY GWALA DISTRICT MUNICIPALITY

### CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2014

	Note	2014 R	2013 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		<b>502 745 508</b>	<b>451 474 864</b>
Sales of goods and services		23 601 933	31 216 008
Grants	20	468 303 190	415 061 577
Interest received	18.1	3 343 503	2 987 674
Other receipts		7 496 882	2 209 605
Payments		<b>299 481 204</b>	<b>266 733 017</b>
Employee costs	21	99 942 600	77 162 431
Suppliers		192 903 324.60	157 397 935
Interest paid	30	3 510 373	3 791 790
Other payments		3 124 906	28 380 861
<b>Net Cash Flows from Operating Activities</b>	<b>33</b>	<b>203 264 304</b>	<b>184 741 847</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets	8/9	(188 113 085)	(163 035 220)
Proceeds from Sale of Fixed Assets	32	-	-
Proceeds from Sale of Investments	6	-	(100)
<b>Net Cash Flows from Investing Activities</b>		<b>(188 113 085)</b>	<b>(163 035 320)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings	15	(3 413 902)	(3 282 218)
Repayment of Finance Lease liability	16	(2 448 827)	(1 777 754)
<b>Net Cash Flows from Financing Activities</b>		<b>(5 862 729)</b>	<b>(5 059 972)</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>	<b>2</b>	<b>9 288 587</b>	<b>16 646 555</b>
<b>Net cash and cash equivalents at beginning of period</b>	<b>2</b>	<b>20 185 998</b>	<b>3 539 443</b>
<b>Net cash and cash equivalents at end of period</b>	<b>34</b>	<b>29 474 585</b>	<b>20 185 998</b>

HARRY GWALA DISTRICT MUNICIPALITY  
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14							Note on variances (1)	Variance (2) between Final Budget and Actual outcome	% Variance	Note on variances (2)
	Original Budget	Budget Adjustments	Final Budget	Actual outcome	(Unauthorised Expenditure)	Variance (1) between Original and Final Budget	% Variance				
<b>Financial Performance</b>											
Service charges	42 748 262	-	42 748 262	48 904 504	-	-	0%	No adjustments	(6 156 242)	-14%	Improved billing & Higher than budgeted consumption of services
Interest earned - external investments	2 000 000	500 000	2 500 000	3 343 503	-	500 000	25%	Original budget was too conservatively estimated	(843 503)	-34%	Increase on grants receipts and conservative approach used in budgeting
Interest earned - outstanding debtors	-	5 179 287	5 179 287	5 637 940	-	5 179 287		Correction of error in the original budget	(458 654)		
Government grants and subsidies	220 563 000	43 525	220 606 525	287 960 773	-	43 525	0%	Immaterial	(67 354 248)	-31%	Increase on operational grants expenditure
Other income	500 000	24 042 803	24 542 803	1 858 943	-	24 042 803	4809%	Rollover grants	22 683 860	92%	Underexpenditure on unspent conditional grants
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>265 811 262</b>	<b>29 765 615</b>	<b>295 576 877</b>	<b>347 705 663</b>		<b>29 765 615</b>			<b>51 170 569</b>		
Employee Related Costs	90 433 993	4 403 353	94 837 346	99 942 600	(5 105)	4 403 353	5%	Upward adjustment due to overtime costs and increase on s57 employees.	(5 105 254)	-5%	Over expenditure due to emergency overtime claimed by water services
Remuneration of Councillors	6 180 845	(18 759)	6 162 086	5 249 110	-	(18 759)	0%	Immaterial	912 976	15%	Over budgeting for Councillors allowance due to late determination
Dept impairment	12 000 000	-	12 000 000	23 205 844	(11 206)	-	0%	Immaterial	(11 205 844)	-93%	The overexpenditure resulted from the higher than expected debt impairment.
Depreciation and asset impairment	20 000 000	5 000 000	25 000 000	40 722 074	(15 722)	5 000 000	25%	Increase in Depreciation due to PPE additions not previously recognised	(15 722 074)	-63%	Resulted from the previous assets that were derecognised
Finance charges	3 500 000	21 091	3 521 091	3 510 373	-	21 091	1%	Immaterial	10 718	0%	Immaterial
Bulk Purchases	7 800 000	1 798 244	9 598 244	9 487 077	-	1 798 244	23%	Increase in consumer consumptions & upward adjustment of underbudgeted bulk purchases.	111 167	1%	Immaterial
Other materials	-	-	-	-	-	-	-	-	-	-	-
Contracted services	36 317 486	(1 318 057)	34 999 429	23 658 729	-	(1 318 057)	-4%	Original Contracted services budget was overstated	11 340 700	32%	Under expenditure due to incorrect classification of contracted services.
Transfers and grants	12 000 000	1 768 175	13 768 175	14 808 198	(1 040)	1 768 175	15%	Increase in the Transfer to the SDA due to an increase in operational requirements.	(1 040 023)	-8%	Overexpenditure to the SDA due to an increase in operational requirements.
Other Expenditure	66 763 295	70 281 970	137 045 265	155 748 715	(18 703)	70 281 970	105%	Increase in R & M costs and due to reclassification of capital expenditure line items to opex.	(18 703 450)	-14%	Underbudgeted on O & M and also incorrect classification of contracted services.
Loss on disposal of PPE	-	-	-	25 115 763	(25 116)	-	100%	N/a	(25 115 763)	100%	Loss on disposal of PPE that were not budgeted for due to difficulties in estimating this expenditure at the preparation of the budget.
<b>Total Expenditure</b>	<b>254 995 619</b>	<b>81 936 018</b>	<b>336 931 636</b>	<b>401 448 484</b>	<b>(76 892)</b>	<b>81 936 018</b>			<b>(64 516 848)</b>		
<b>Surplus</b>	<b>10 815 643</b>	<b>(52 170 403)</b>	<b>(41 354 759)</b>	<b>(53 742 820)</b>		<b>(52 170 403)</b>					
Transfers recognised - capital	210 486 000	25 617 059	236 103 059	191 121 684	-	25 617 059	12%	The increase in transfers recognised capital resulted mainly from the rollover funding and also to the roll over funding of unspent conditional grants.	44 981 376	19%	The over recognition of the transfers capital was caused by Misclassification that was received from Province and was not in the Provincial Budget Statements
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	-	-	-	0%	
<b>Surplus after capital transfers &amp; contributions</b>	<b>221 301 643</b>	<b>(26 553 343)</b>	<b>194 748 300</b>	<b>137 378 863</b>	<b>-</b>	<b>(26 553 343)</b>	<b>-12%</b>		<b>57 369 437</b>	<b>29%</b>	
Share of surplus of associate	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus for the year</b>	<b>141 683 629</b>	<b>100 862 496</b>	<b>100 862 496</b>	<b>137 378 863</b>	<b>-</b>	<b>(40 821 133)</b>	<b>-29%</b>		<b>(50 182)</b>	<b>-50%</b>	
<b>Capital Expenditure &amp; funds sources</b>											
<b>Capital Expenditure</b>	<b>227 233 640</b>	<b>(16 738 000)</b>	<b>210 495 640</b>	<b>217 865 612</b>	<b>-</b>	<b>(16 737 865)</b>	<b>-7%</b>	<b>The decrease in capital expenditure resulted from some capital projects being moved to the OPEX Budget</b>	<b>(7 369 971)</b>	<b>-4%</b>	<b>The decrease in capital expenditure resulted from some capital projects being moved to OPEX</b>
Transfers recognised - capital	210 486 000	(23 600 941)	186 885 059	190 949 667	-	(23 601 351)	-11%	The decrease in capital funding sources resulted from some capital projects being moved to OPEX	(4 064 608)	-2%	Immaterial
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	16 748 000	6 863 000	23 611 000	28 144 634	-	6 863 486	41%	Increase own funded capital projects	(4 533 634)	-19%	Underbudgeting on internally funded projects.
<b>Total Sources of capital funds</b>	<b>227 234 000</b>	<b>(16 737 941)</b>	<b>210 496 059</b>	<b>219 094 301</b>		<b>(16 737 865)</b>			<b>(8 598)</b>		
<b>Cash Flows</b>											
Net cash from (used) operating	253 555 912	(43 208 000)	210 347 912	203 264 304	-	-43 208 000	-17%	Decrease in cash due to higher than originally budgeted supplier & employees original budget	7 083 608	3%	Lesser cash due to underperformance of consumer accounts.
Net cash from (used) investing	(226 771 640)	58 536 000	(168 235 640)	(188 113 085)	-	58 536 000	-26%	Decrease to lower than approved budget capital payments.	19 877 445	-12%	the 10% excess in investing activities was due to the large payments for accrued capital costs.
Net cash from (used) financing	(2 481 654)	(2 855 182)	(5 336 836)	(5 862 729)	-	-2 855 182	115%	Increase in Borrowing Repayment cash budget	525 893	-10%	The Capital portion for the Repayment of borrowing was underbudgeted
Cash/cash equivalents at the year end	<b>54 302 618</b>	<b>2 657 000</b>	<b>56 959 646</b>	<b>29 474 490</b>	<b>-</b>	<b>2 657 000</b>	<b>5%</b>		<b>27 485 156</b>		

HARRY GWALA DISTRICT MUNICIPALITY

- Reconciliation of Table A1 Budget Summary

Description	2013/2014								2012/13			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>R thousands</b>												
<b>Financial Performance</b>												
Property rates	-	-	-	-	-	-	-	-	-	-	-	-
Service charges	42 748	-	42 748	48 905	-	6 156	114.4%	114.4%	-	-	-	39 865
Investment revenue	2 000	500	2 500	3 344	-	844	133.7%	167.2%	-	-	-	2 988
Transfers recognised - operational	220 563	44	220 607	287 961	-	67 354	130.5%	130.6%	-	-	-	276 838
Other own revenue	500	29 222	29 722	7 497	-	(22 225)	25.2%	1499.4%	-	-	-	2 210
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>265 811</b>	<b>29 766</b>	<b>295 577</b>	<b>347 706</b>		<b>52 129</b>	<b>117.6%</b>	<b>130.8%</b>				<b>321 901</b>
Employee costs	90 434	4 403	94 837	99 943	(5 105)	5 105	105.4%	110.5%	-	-	-	79 228
Remuneration of councillors	6 181	(19)	6 162	5 249	-	(913)	85.2%	84.9%	-	-	-	4 622
Debt impairment	12 000	-	12 000	23 206	(11 206)	11 206	193.4%	193.4%	(3 149)	(3 149)	-	15 023
Depreciation & asset impairment	20 000	5 000	25 000	40 722	(15 722)	15 722	162.9%	203.6%	(9 736)	(9 736)	-	29 916
Finance charges	3 500	21	3 521	3 510	-	(11)	99.7%	100.3%	(749)	(749)	-	3 792
Materials and bulk purchases	7 800	1 798	9 598	9 487	-	(111)	98.8%	121.6%	(470)	(470)	-	9 710
Transfers and grants	12 000	1 768	13 768	14 808	(1 040)	1 040	107.6%	123.4%	-	-	-	7 490
Other expenditure	103 081	68 964	172 045	204 523	(43 819)	32 479	118.9%	198.4%	(57 967)	(57 967)	-	190 438
<b>Total Expenditure</b>	<b>254 996</b>	<b>81 936</b>	<b>336 932</b>	<b>401 448</b>	<b>(76 892)</b>	<b>64 517</b>	<b>119.1%</b>	<b>157.4%</b>	<b>(72 071)</b>	<b>(72 071)</b>	-	<b>340 218</b>
<b>Surplus/(Deficit)</b>	<b>10 816</b>	<b>(52 170)</b>	<b>(41 355)</b>	<b>(53 743)</b>		<b>(12 388)</b>	<b>130.0%</b>	<b>-496.9%</b>				<b>(18 317)</b>
Transfers recognised - capital	210 486	25 617	236 103	191 122	-	(44 981)	80.9%	90.8%	-	-	-	178 591
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>221 302</b>	<b>(26 553)</b>	<b>194 748</b>	<b>137 379</b>		<b>(57 369)</b>	<b>70.5%</b>	<b>62.1%</b>				<b>160 274</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>221 302</b>	<b>(26 553)</b>	<b>194 748</b>	<b>137 379</b>		<b>(57 369)</b>	<b>70.5%</b>	<b>62.1%</b>				<b>160 274</b>
<b>Capital expenditure &amp; funds sources</b>												
<b>Capital expenditure</b>												
Transfers recognised - capital	210 486	(23 601)	186 885	189 721	-	2 836	101.5%	90.1%	-	-	-	206 928
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	16 748	6 863	23 611	28 145	-	4 534	119.2%	168.0%	-	-	-	929
<b>Total sources of capital funds</b>	<b>227 234</b>	<b>(16 738)</b>	<b>210 496</b>	<b>217 866</b>		<b>7 370</b>	<b>103.5%</b>	<b>95.9%</b>				<b>207 857</b>
<b>Cash flows</b>												
Net cash from (used) operating	253 556	(43 208)	210 348	203 264	-	(7 084)	96.6%	80.2%	-	-	-	184 742
Net cash from (used) investing	(226 772)	58 536	(168 236)	(188 113)	-	(19 877)	111.8%	83.0%	-	-	-	(163 035)
Net cash from (used) financing	(2 482)	(2 855)	(5 337)	(5 863)	-	(526)	109.9%	236.2%	-	-	-	(5 060)
<b>Cash/cash equivalents at the year end</b>	<b>54 303</b>	<b>2 657</b>	<b>56 960</b>	<b>29 474</b>		<b>(27 485)</b>	<b>51.7%</b>	<b>54.3%</b>				<b>20 186</b>

**HARRY GWALA DISTRICT MUNICIPALITY**

**- Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)**

Description	2013/14								2012/13			
	Original Budget	Budget Adjustments (i.l.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue - Standard</b>												
<i>Governance and administration</i>	220 696	1 171	221 867	257 493	-	35 627	116.1%	116.7%	-	-	-	271 126
Executive and council	-	-	-	417	-	417	0.0%	0.0%	-	-	-	-
Budget and treasury office	220 696	202	220 898	256 891	-	35 993	116.3%	116.4%	-	-	-	271 126
Corporate services	-	969	969	185	-	(783)	19.1%	0.0%	-	-	-	-
<i>Community and public safety</i>	-	-	-	-	-	-	-	-	-	-	-	-
Community and social services	-	-	-	-	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	-	6 831	6 831	605	-	(6 226)	8.9%	0.0%	-	-	-	90
Planning and development	-	6 831	6 831	605	-	(6 226)	8.9%	0.0%	-	-	-	90
Road transport	-	-	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>	255 601	47 381	302 982	280 729	-	(22 253)	92.7%	109.8%	-	-	-	229 276
Electricity	-	-	-	-	-	-	-	-	-	-	-	-
Water	56 748	(7 791)	48 957	49 685	-	728	101.5%	87.6%	-	-	-	44 642
Waste water management	198 853	55 172	254 025	231 044	-	(22 981)	91.0%	116.2%	-	-	-	184 635
Waste management	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	<b>476 297</b>	<b>55 383</b>	<b>531 680</b>	<b>538 827</b>	<b>-</b>	<b>7 148</b>	<b>101.3%</b>	<b>113.1%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500 492</b>
<b>Expenditure - Standard</b>												
<i>Governance and administration</i>	121 481	102 287	223 769	119 294	(104 475)	(57 453)	53.3%	98.2%	(10 894)	(10 894)	-	100 756
Executive and council	18 956	(238)	18 718	16 712	(2 006)	(2 006)	89.3%	88.2%	(3 333)	(3 333)	-	12 415
Budget and treasury office	63 431	63 431	126 862	55 560	(71 302)	(71 302)	43.8%	87.6%	-	-	-	54 930
Corporate services	39 094	39 094	78 188	47 022	(31 166)	15 856	60.1%	120.3%	(7 561)	(7 561)	-	33 411
<i>Community and public safety</i>	-	-	-	-	-	-	-	-	-	-	-	-
Community and social services	-	-	-	-	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	45 047	45 047	90 094	67 459	19 428	86 887	74.9%	149.8%	-	-	-	35 122
Planning and development	45 047	2 984	48 030	67 459	19 428	19 428	140.5%	149.8%	-	-	-	35 122
Road transport	-	-	-	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>	88 467	70 287	158 754	214 696	55 941	55 941	135.2%	242.7%	(44 300)	(44 300)	-	204 340
Electricity	-	-	-	-	-	-	-	-	-	-	-	-
Water	78 651	22 581	101 232	108 987	7 755	7 755	107.7%	138.6%	(29 520)	(29 520)	-	98 779
Waste water management	9 816	47 706	57 522	105 708	48 186	48 186	183.8%	1076.9%	(14 781)	(14 781)	-	105 562
Waste management	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>-</b>	<b>217 621</b>	<b>472 617</b>	<b>401 448</b>	<b>29 105</b>	<b>85 376</b>	<b>84.9%</b>	<b>0.0%</b>	<b>(55 194)</b>	<b>(55 194)</b>	<b>-</b>	<b>340 218</b>
<b>Surplus/(Deficit) for the year</b>	<b>476 297</b>	<b>(162 238)</b>	<b>59 063</b>	<b>137 379</b>	<b>78 316</b>	<b>(78 228)</b>	<b>232.6%</b>	<b>28.8%</b>	<b>55 194</b>	<b>55 194</b>	<b>-</b>	<b>160 274</b>

HARRY GWALA DISTRICT MUNICIPALITY

- Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2013/14								2012/13			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue by Vote</b>												
Vote 1 - Executive & Council	-	-	-	417	-	417	0.0%	0.0%	-	-	-	-
Vote 2 - Finance	220 696	202	220 898	256 891	-	35 993	116.3%	116.4%	-	-	-	271 126
Vote 3 - Corporate Services	-	969	969	185	-	(783)	19.1%	0.0%	-	-	-	-
Vote 4 - Economic & Community Services	-	6 831	6 831	605	-	(6 226)	8.9%	0.0%	-	-	-	90
Vote 5 - Infrastructure Services	198 853	55 172	254 025	231 044	-	(22 981)	91.0%	116.2%	-	-	-	44 642
Vote 6 - Water Services	56 748	(7 791)	48 957	49 685	-	728	101.5%	87.6%	-	-	-	184 635
<b>Total Revenue by Vote</b>	<b>476 297</b>	<b>55 383</b>	<b>531 680</b>	<b>538 827</b>	<b>-</b>	<b>7 147</b>	<b>101.3%</b>	<b>113.1%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500 492</b>
<b>Expenditure by Vote to be appropriated</b>												
Vote 1 - Executive & Council	18 956	(238)	18 718	16 712		(2 006)	89.3%	88.2%	(3 333)	(3 333)	-	12 415
Vote 2 - Finance	63 431	2 852	66 283	55 560		(10 723)	83.8%	87.6%			-	54 930
Vote 3 - Corporate Services	39 094	6 052	45 146	47 022	(1 876)	1 876	104.2%	120.3%	(7 561)	(7 561)	-	33 411
Vote 4 - Economic & Community Services	45 047	2 984	48 030	67 459	(19 428)	19 428	140.5%	149.8%			-	35 122
Vote 5 - Infrastructure Services	9 816	47 706	57 522	105 708	(48 186)	48 186	183.8%	1076.9%	(14 781)	(14 781)	-	98 779
Vote 6 - Water Services	78 651	22 581	101 232	108 987	(7 755)	7 755	107.7%	138.6%	(29 520)	(29 520)	-	105 562
<b>Total Expenditure by Vote</b>	<b>254 996</b>	<b>81 936</b>	<b>336 932</b>	<b>401 448</b>	<b>(77 246)</b>	<b>64 517</b>	<b>119.1%</b>	<b>157.4%</b>	<b>(55 194)</b>	<b>(55 194)</b>	<b>-</b>	<b>340 218</b>
<b>Surplus/(Deficit) for the year</b>	<b>221 302</b>	<b>(26 553)</b>	<b>194 748</b>	<b>137 379</b>		<b>(57 369)</b>	<b>70.5%</b>	<b>62.1%</b>				

HARRY GWALA DISTRICT MUNICIPALITY

- Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2013/14								2012/13			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue By Source</b>												
Property rates	-	-	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	30 697	-	30 697	35 855	-	5 158	116.8%	116.8%	-	-	-	28 380
Service charges - sanitation revenue	12 052	-	12 052	13 050	-	998	108.3%	108.3%	-	-	-	11 485
Service charges - refuse revenue	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	-	-	-	-	-	-	-	-	-	-	-	-
Interest earned - external investments	2 000	500	2 500	3 344	-	844	133.7%	167.2%	-	-	-	2 988
Interest earned - outstanding debtors	-	5 179	5 179	5 638	-	459	108.9%	0.0%	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-	-	-
Licences and permits	-	-	-	-	-	-	-	-	-	-	-	-
Agency services	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational	220 563	44	220 607	287 961	-	67 354	130.5%	130.6%	-	-	-	276 838
Other revenue	500	24 043	24 543	1 859	-	(22 684)	7.6%	371.8%	-	-	-	2 210
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>265 811</b>	<b>29 766</b>	<b>295 577</b>	<b>347 706</b>	<b>-</b>	<b>52 129</b>	<b>117.6%</b>	<b>130.8%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>321 901</b>
<b>Expenditure By Type</b>												
Employee related costs	90 434	4 403	94 837	99 943	(5 105)	5 105	105.4%	110.5%	-	-	-	79 228
Remuneration of councillors	6 181	(19)	6 162	5 249	-	(913)	85.2%	84.9%	-	-	-	4 622
Debt impairment	12 000	-	12 000	23 206	(11 206)	11 206	193.4%	193.4%	(3 149)	(3 149)	-	15 023
Depreciation & asset impairment	20 000	5 000	25 000	40 722	(15 722)	15 722	162.9%	203.6%	(9 736)	(9 736)	-	29 916
Finance charges	3 500	21	3 521	3 510	-	(11)	99.7%	100.3%	(749)	(749)	-	3 792
Bulk purchases	7 800	1 798	9 598	9 487	-	(111)	98.8%	121.6%	(470)	(470)	-	9 710
Other materials	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services	36 317	(1 318)	34 999	23 659	-	(11 341)	67.6%	65.1%	-	-	-	18 825
Transfers and grants	12 000	1 768	13 768	14 808	(1 040)	1 040	107.6%	123.4%	-	-	-	7 490
Other expenditure	66 763	70 282	137 045	155 749	(18 703)	18 703	113.6%	233.3%	(57 829)	(57 829)	-	171 475
Loss on disposal of PPE	-	-	-	25 116	(25 116)	25 116	0.0%	0.0%	(138)	(138)	-	138
<b>Total Expenditure</b>	<b>254 996</b>	<b>81 936</b>	<b>336 932</b>	<b>401 448</b>	<b>(76 892)</b>	<b>64 517</b>	<b>119.1%</b>	<b>157.4%</b>	<b>(72 071)</b>	<b>(72 071)</b>	<b>-</b>	<b>340 218</b>
<b>Surplus/(Deficit)</b>	<b>10 816</b>	<b>(52 170)</b>	<b>(41 355)</b>	<b>(53 743)</b>	<b>-</b>	<b>(12 388)</b>	<b>130.0%</b>	<b>-496.9%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18 317)</b>
Transfers recognised - capital	210 486	25 617	236 103	191 122	-	(44 981)	80.9%	90.8%	-	-	-	178 591
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>221 302</b>	<b>(26 553)</b>	<b>194 748</b>	<b>137 379</b>	<b>-</b>	<b>(57 369)</b>	<b>70.5%</b>	<b>62.1%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160 274</b>
Taxation	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>	<b>221 302</b>	<b>(26 553)</b>	<b>194 748</b>	<b>137 379</b>	<b>-</b>	<b>(57 369)</b>	<b>70.5%</b>	<b>62.1%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160 274</b>
Attributable to minorities	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>221 302</b>	<b>(26 553)</b>	<b>194 748</b>	<b>137 379</b>	<b>-</b>	<b>(57 369)</b>	<b>70.5%</b>	<b>62.1%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160 274</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>221 302</b>	<b>(26 553)</b>	<b>194 748</b>	<b>137 379</b>	<b>-</b>	<b>(57 369)</b>	<b>70.5%</b>	<b>62.1%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160 274</b>

- Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2013/14								2012/13			
	Original Budget	Total Budget Adjustments (I.O. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
<b>Capital expenditure - Vote</b>												
<b>Multi-year expenditure</b>												
Vote 1 - Executive & Council			-	-	-	-	-	-			-	
Vote 2 - Finance	130	70	200	141		(59)	71%	109%				136
Vote 3 - Corporate Services	3 256	(823)	2 433	9 262	(6 830)	6 830	381%	285%	(871)	(871)		368
Vote 4 - Economic & Community Services	-	409	409	957	(548)	548	234%	0%	(3 200)	(3 200)		-
Vote 5 - Infrastructure Services	223 248	(17 916)	205 332	208 734	(3 402)	3 402	102%	93%	(16 767)	(16 767)		147 884
Vote 6 - Water Services	600	1 522	2 122	-		(2 122)	-	-	(695)	(695)		-
<b>Capital multi-year expenditure</b>	<b>227 234</b>	<b>(16 738)</b>	<b>210 496</b>	<b>219 094</b>	<b>(10 780)</b>	<b>8 599</b>	<b>104%</b>	<b>96%</b>	<b>(21 533)</b>	<b>(21 533)</b>	<b>-</b>	<b>148 388</b>
<b>Capital single-year expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Vote</b>	<b>227 234</b>	<b>(16 738)</b>	<b>210 496</b>	<b>219 094</b>	<b>(10 780)</b>	<b>8 599</b>	<b>104%</b>	<b>96%</b>	<b>(21 533)</b>	<b>(21 533)</b>	<b>-</b>	<b>148 388</b>
<b>Capital Expenditure - Standard</b>												
<i>Governance and administration</i>	<b>3 386</b>	<b>(753)</b>	<b>2 633</b>	<b>9 404</b>	<b>(6 830)</b>	<b>6 771</b>	<b>357%</b>	<b>278%</b>	<b>(871)</b>	<b>(871)</b>	<b>-</b>	<b>1 640</b>
Executive and council			-	-	-	-	-	-			-	
Budget and treasury office	130	70	200	141		(59)	71%	109%				72
Corporate services	3 256	(823)	2 433	9 262	(6 830)	6 830	381%	285%	(871)	(871)		1 567
<i>Community and public safety</i>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3 200)</b>	<b>(3 200)</b>	<b>-</b>	<b>-</b>
Community and social services	-	-	-	-	-	-	-	-	(3 200)	(3 200)		-
Sport and recreation	-	-	-	-	-	-	-	-	-	-		-
Public safety	-	-	-	-	-	-	-	-	-	-		-
Housing	-	-	-	-	-	-	-	-	-	-		-
Health	-	-	-	-	-	-	-	0%	-	-		-
<i>Economic and environmental services</i>	<b>-</b>	<b>409</b>	<b>409</b>	<b>957</b>	<b>(548)</b>	<b>548</b>	<b>234%</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 200</b>
Planning and development	-	409	409	957	(548)	548	234%	0%				3 200
Road transport	-	-	-	-	-	-	-	-	-	-		-
Environmental protection	-	-	-	-	-	-	-	-	-	-		-
<i>Trading services</i>	<b>223 848</b>	<b>(16 394)</b>	<b>207 454</b>	<b>208 734</b>	<b>(3 402)</b>	<b>1 280</b>	<b>101%</b>	<b>93%</b>	<b>(17 462)</b>	<b>(17 462)</b>	<b>-</b>	<b>203 017</b>
Electricity	-	-	-	-	-	-	-	-	-	-		-
Water	600	1 522	2 122	-		(2 122)	-	-	(16 767)	(16 767)		695
Waste water management	223 248	(17 916)	205 332	208 734	(3 402)	3 402	102%	93%	(695)	(695)		202 323
Waste management	-	-	-	-	-	-	-	-	-	-		-
<i>Other</i>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Standard</b>	<b>227 234</b>	<b>(16 738)</b>	<b>210 496</b>	<b>219 094</b>	<b>(10 780)</b>	<b>8 599</b>	<b>104%</b>	<b>96%</b>	<b>(21 533)</b>	<b>(21 533)</b>	<b>-</b>	<b>207 857</b>
<b>Funded by:</b>												
National Government	210 486	(27 218)	183 268	172 242	-	(11 026)	94%	82%	-	-	-	164 126
Provincial Government	-	3 617	3 617	17 479	-	13 862	483%	0%	-	-	-	42 802
District Municipality	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>210 486</b>	<b>(23 601)</b>	<b>186 885</b>	<b>189 721</b>	<b>-</b>	<b>2 836</b>	<b>102%</b>	<b>90%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>206 928</b>
<b>Public contributions &amp; donations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Borrowing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Internally generated funds</b>	<b>16 748</b>	<b>6 863</b>	<b>23 611</b>	<b>28 145</b>	<b>-</b>	<b>4 534</b>	<b>119%</b>	<b>168%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>929</b>
<b>Total Capital Funding</b>	<b>227 234</b>	<b>(16 738)</b>	<b>210 496</b>	<b>217 866</b>	<b>-</b>	<b>7 370</b>	<b>104%</b>	<b>96%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>207 857</b>



HARRY GWALA DISTRICT MUNICIPALITY

- Reconciliation of Table A7 Budgeted Cash Flows

Description	2013/14							2012/13
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Ratepayers and other	30 424	-	30 424	31 099	675	102.2%	102.2%	33 426
Government - operating	220 563	44	220 607	239 824	19 217	108.7%	108.7%	231 660
Government - capital	210 486	25 617	236 103	230 978	(5 125)	97.8%	109.7%	183 401
Interest	2 000	500	2 500	3 344	844	133.7%	167.2%	2 988
Dividends			-		-	-	-	
<b>Payments</b>								
Suppliers and employees	(194 417)	(67 580)	(261 997)	(275 264)	(13 267)	105.1%	141.6%	(234 560)
Finance charges	(3 500)	(21)	(3 521)	(3 510)	11	99.7%	100.3%	(3 792)
Transfers and Grants	(12 000)	(1 768)	(13 768)	(23 206)	(9 438)	168.5%	193.4%	(28 381)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>253 556</b>	<b>(43 208)</b>	<b>210 348</b>	<b>203 264</b>	<b>(7 084)</b>	<b>96.6%</b>	<b>80.2%</b>	<b>184 742</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	(0)
<b>Payments</b>								
Capital assets	(226 772)	58 536	(168 236)	(188 113)	(19 877)	111.8%	83.0%	(163 035)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(226 772)</b>	<b>58 536</b>	<b>(168 236)</b>	<b>(188 113)</b>	<b>(19 877)</b>	<b>111.8%</b>	<b>83.0%</b>	<b>(163 035)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	12	113	125	-	(125)	-	-	-
<b>Payments</b>								
Repayment of borrowing	(2 494)	(2 968)	(5 462)	(5 863)	(401)	107.3%	235.1%	(5 060)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(2 482)</b>	<b>(2 855)</b>	<b>(5 337)</b>	<b>(5 863)</b>	<b>(526)</b>	<b>109.9%</b>	<b>236.2%</b>	<b>(5 060)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>24 303</b>	<b>11 830</b>	<b>36 775</b>	<b>9 288</b>	<b>-</b>	<b>0.0%</b>	<b>0.0%</b>	<b>16 647</b>
Cash/cash equivalents at the year begin:	30 000	9 814	20 186	20 186	-	0.0%	0.0%	3 539
Cash/cash equivalents at the year end:	54 303	2 657	56 960	29 474	(27 485)	51.7%	54.3%	20 186

## **1. BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board ("ASB") in March 2009 and May 2010, respectively, as amended.

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

### **1.1 Critical judgments, estimations and assumptions**

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

#### **1.1.1 Revenue Recognition**

Accounting Policy 1.14.2 on *Revenue from Exchange Transactions* and Accounting Policy 1.14.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the 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*. In particular when services are rendered, and whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### **1.1.2 Financial assets and liabilities**

The classification of financial assets and liabilities into categories is based on judgment by management.

#### **1.1.3 Impairment of Financial Assets**

Accounting Policy 1.11.3.3 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments*. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

#### **1.1.4 Useful lives of Property, Plant and Equipment ("PPE")**

As described in Accounting Policies 2.1 and 2.3, the municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

#### **1.1.5 Impairment: Write down of PPE**

Significant estimates and judgments are made relating to PPE impairment tests.

#### **1.1.6 Defined Benefit Plan Liabilities**

As described in Accounting Policy 10.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19: *Employee Benefits*. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 9 to the Annual Financial Statements.

Multi-employer defined benefit funds are accounted for as defined contribution plan as set out in note 9.

#### **1.2 Presentation currency**

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

#### **1.3 Going concern assumption**

The Annual Financial Statements have been prepared on a going concern basis.

#### **1.4 Offsetting**

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

#### **1.5 Standards and interpretations issued but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

##### **GRAP 27: Agriculture**

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the IPSASB that has issued an IPSAS on Agriculture (IPSAS 27).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2012 financial statements.

There is no impact of the standard on adoption.

##### **GRAP 31: Intangible Assets**

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2012 financial statements.

There is no impact of the standard on adoption.

**GRAP 105: Transfers of Functions Between Entities Under Common Control**

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

A transfer of functions between municipalities under common control is a reorganisation and/or reallocation of functions between municipalities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between municipalities under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

**GRAP 106: Transfers of Functions Between Entities not Under Common Control**

The objective of this Standard of GRAP is to establish accounting principles for the acquirer in a transfer of functions between municipalities not under common control.

A transfer of functions between municipalities not under common control is a reorganisation and/or reallocation of functions between municipalities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition-date fair values and should be derecognised (by the acquiree) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed or carrying amounts of assets transferred and liabilities relinquished should be recognised in surplus / (deficit).

For transfer of functions between municipalities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between municipalities not under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

### **GRAP 107: Mergers**

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the municipality.

In the event of a merger, the assets and liabilities should be recognised (by the combined municipality) at their carrying amounts and should be derecognised (by the combining municipalities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

### **GRAP 20: Related Party Disclosures**

The objective of this Standard of GRAP is to ensure that a municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This Standard of GRAP requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard of GRAP also applies to individual financial statements.

This Standard of GRAP requires that only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another municipality, entity or person are disclosed.

The Standard of GRAP sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

### **Improvements to Standards of GRAP**

The following Standards of GRAP have been amended as part of the ASB's Improvements Project for 2011:

- GRAP 1;
- GRAP 3;
- GRAP 7;
- GRAP 9;
- GRAP 12;
- GRAP 13;
- GRAP 16; and

- GRAP 17.

The changes made will have no significant impact, except for the following:

A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates.

Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

## **1.6 New standards and interpretations**

### **1.6.1 Standards and interpretations effective and adopted in the current year**

#### **GRAP 25: Employee Benefits**

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard of GRAP requires a municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The Standard of GRAP states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
- all short-term employee benefits;
- short-term compensated absences;
- bonus, incentive and performance related payments;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits.

The major difference between this Standard of GRAP and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This Standard of GRAP requires a municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

### **1.6.2 Standards applicable and effective**

#### **GRAP 6: Consolidated and separate financial statements**

Harry Gwala District Municipality registered an entity in 2011 for the purpose of promoting local economic development. The entity is a registered entity described as Sisonke Economic Development Agency (Pty) Ltd Registration number: 2011/001221/07. Although registered in 2011, the entity only commenced operations during the 2012/2013 financial year. Hence comparative information in the consolidated financial statements reflect those of Harry Gwala District Municipality only; for the financial year 2012.

The standard prescribes the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.

Separate annual financial statements for both the parent municipality and entity have been compiled.

### **1.7 Standards and interpretations not yet effective or relevant**

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods but are not relevant to its operations:

#### **GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

## **1.8 PROPERTY, PLANT AND EQUIPMENT**

### **1.8.1 Property, plant and equipment**

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 period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

**HARRY GWALA DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014**

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Property, plant and equipment is initially measured 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 management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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 asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.



**HARRY GWALA DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014**

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The useful lives of items of property, plant and equipment have been assessed as follows:

<u>CLASSES OF ASSETS</u>	<u>USEFUL LIFE IN YEAR</u>
<b><u>BUILDINGS:</u></b>	
Office buildings	30
<b><u>OTHER STRUCTURES (INFRASTRUCTURE ASSETS)</u></b>	
<b><u>WATER:</u></b>	
<u>Dams/ Structure:</u>	
- Concrete	100
- Earth	50
<u>River:</u>	
Structure:	
- Weir	50
Borehole Establishment	30
<u>Pump stations:</u>	
Structure - Buildings	55
Structure - Clarifiers	55
Structure - Filters	55
Electrical	20
Mechanical	15
Containers - Diesel	15
Structure – Carports	15
<u>Perimeter protection:</u>	
Palisade - Concrete	25
Palisade – Steel / Razor wire / Weld mesh	15
<u>Reservoirs:</u>	
Structure – Concrete	50
Structure – Galaxy	30
Structure – Steel Tank	30

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**HARRY GWALA DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014**

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Structure – Jojo	15
Electrical	20
Mechanical	15
<i><u>Underground: Chambers – Manholes:</u></i>	
Chambers	30
Manholes	30
<i><u>Water purification works:</u></i>	
Structure	55
Ponds	55
Electrical	20
Mechanical	15
<i><u>Spring protection:</u></i>	
Spring	20
Jojo tank	15
Reticulation	40
Standpipes	20
<i><u>Reticulation:</u></i>	
Rising mains	40
Gravity mains	40
<b><u>SEWERAGE:</u></b>	
Sewerage pump stations:	
Structure - Buildings	55
Structure - Clarifiers	55
Structure - Reactors	55
Structure – Drying Beds	55
Structure – Clarifiers chambers	35
Structure – Maturation Ponds	35
Electrical	20
Mechanical	15
Containers - Diesel	15

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**HARRY GWALA DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014**

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Structure – Carports, ect.	15
<i><u>Bulk pipelines (outfall sewers):</u></i>	
Rising mains	40
Gravity mains	40
<b><u>OTHER MACHINERY AND EQUIPMENT:</u></b>	
Audiovisual equipment	10
Building air conditioning systems	5
Domestic equipment	5
Kitchen appliances	10
<b><u>FURNITURE AND OFFICE EQUIPMENT:</u></b>	
Office equipment (including fax machines)	7
Office furniture	7
Paintings, sculptures, ornaments (home and office)	10
<b><u>COMPUTER EQUIPMENT:</u></b>	
Computer hardware including operating systems	5
Networks	10
<b><u>TRANSPORT ASSETS:</u></b>	
Motor vehicles	7
Trailers and accessories	10
Trucks	
<b><u>INTANGIBLE ASSETS:</u></b>	
Computer software	5

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue.

All cash flows on these assets are included in cash flows from operating activities in the municipality.

### **1.8.2 Site restoration and dismantling cost**

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment.

Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in  
surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### **1.9 Intangible assets**

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- 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.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.

#### **1.10 INVESTMENT PROPERTY**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

## **Fair value**

Subsequent to initial measurement investment property is measured at fair value.  
The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

## **1.11 FINANCIAL INSTRUMENTS**

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

### **1.11.1 Financial Assets - Classification**

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc.)
- Unlisted investments
- Consumer Debtors
- Certain Other Debtors (see note 2.3)
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with GRAP 104, the *Financial Assets* of the municipality are classified as follows into the categories allowed by this standard:

<b>Type of Financial Asset</b>	<b>Classification in terms of GRAP 104</b>
Short-term Investment Deposits – Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost

Other Debtors

Financial assets at amortised cost

Investments in Fixed Deposits

Financial assets at amortised cost

*Financial assets at amortised cost* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks (including call deposits). 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, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

### **1.11.2 Financial Liabilities - Classification**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Trade and other payables
- Bank Overdraft
- Short-term loans

*Financial Liabilities* of the municipality are classified into the following category as allowed by this standard

- Financial liabilities at amortised cost.

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the Effective interest method, with interest expense recognised on an effective yield basis.

### **1.11.3 Initial and Subsequent Measurement**

#### **1.11.3.1 Financial Assets:**

*Financial assets* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less, any impairment, with interest recognised on an effective yield basis in surplus /deficit.

Financial assets are recognised on the trade date at which the municipality becomes party to the contractual provisions of the instrument.

#### **1.11.3.2 Financial Liabilities**

*Financial Liabilities at amortised cost* are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis..

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

#### **1.11.3.3 Impairment of Financial Assets**

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104

An allowance for impairment based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable and are recognized in surplus or deficit for the year.

An allowance for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. Changes in the carrying amount of the allowance for impairment are recognized in surplus or deficit for the year.

#### **1.11.3.4 Derecognition of Financial Assets**

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### **1.11.3.5 Derecognition of Financial Liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

### **1.12 INVENTORIES**

#### **1.12.1 Initial recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

#### **1.12.2 Subsequent measurement**

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.

### **1.13 NON-CURRENT ASSETS HELD-FOR-SALE**

#### **1.13.1 Initial Recognition**

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



### **1.13.2 Subsequent Measurement**

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell.

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

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## **1.14 REVENUE RECOGNITION**

### **1.14.1 General**

Revenue comprises the fair value of the consideration received or receivable from exchange or non-exchange transactions in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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.

### **1.14.2 Revenue from Exchange Transactions**

#### **1.14.2.1 Service Charges**

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being 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. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

#### **1.14.2.2 Finance income**

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

#### **1.14.2.3 Tariff Charges**

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

**1.14.2.4 Rentals**

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

**1.14.3 Revenue from Non-exchange Transactions**

**1.14.3.1 Property rates**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue

With effect 1 July 2011 property rates are no longer assessed as this only applied to District Municipal Areas.

**1.14.3.2 Public contributions**

Revenue from public contributions 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 are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

**1.14.3.3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

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. Such revenue is based on legislated procedures.

**1.15 GOVERNMENT GRANTS AND RECEIPTS**

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

**1.16 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

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.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market

assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

## **1.17 EMPLOYEE BENEFITS**

### **1.17.1 Short-term Employee Benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

### **1.17.2 Defined Contribution Plans**

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

### **1.17.3 Post-retirement benefits**

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

#### **1.17.3.1 Pension obligations**

The municipality and its employees contribute to 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The KSN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Provident, Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**1.17.3.2 Post-retirement Health Care Benefits:**

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The liability is the aggregate of the present value of the defined obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

**1.17.3.3 Long-service Allowance**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

**1.18 LEASES**

**The Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. 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. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible 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. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease.

### **1.19 BORROWING COSTS**

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset are recognised as an expense in surplus or deficit for the year.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

### **1.20 VALUE ADDED TAX**

The Municipality accounts for Value Added Tax on the payments basis.

### **1.21 CASH AND CASH EQUIVALENTS**

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments 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, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

### **1.22 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 the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently account for as revenue in the statement of financial performance

### **1.23 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.24 FRUITLESS AND WASTEFUL EXPENDITURE**

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

### **1.25 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate

**HARRY GWALA DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014**

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the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

**1.26 RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**1.27 EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

**1.28 COMPARATIVE INFORMATION**

**Prior year comparatives**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

**1.29 CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

**HARRY GWALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>2. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of the following:		
Cash on hand	300	36 585
Cash at bank FNB Primary Account - 62022648169	1 634 143	860 563
FNB Call Account - 62032587331	7 823 059	47 136
FNB Call Account - 62095523281	200 000	280 575
FNB Call Account - 62138538692	683 888	2 174
FNB Call Account - 62398395204	5 470 646	8 497 374
FNB Call Account - 62434145331	4 064	-
FNB Call Account - 62434147072	2 772	-
FNB Call Account - 62434151239	639 022	-
FNB Call Account - 62414264797	2 040 753	-
Investec Call Account - 50006688425	10 975 839	10 461 590
<b>Cash Book Balance at end of year</b>	<b>29 474 485</b>	<b>20 185 998</b>
The Municipality has the following bank accounts:		
<b><u>Current Account (Primary Bank Account)</u></b>		
<u>FNB Ixopo branch Account Number 63022648169</u>		
Cash book balance at beginning of year	860 563	1 145 901
<b>Cash Book Balance as at 30 June 2014</b>	<b>1 634 143</b>	<b>860 563</b>
Bank Statement Balance at beginning of year	860 563	1 145 901
<b>Bank Statement Balance as at 30 June 2014</b>	<b>1 634 143</b>	<b>860 563</b>
<u>FNB Call Account - 62032587331</u>		
Cash book balance at beginning of year	47 136	2 182 829
<b>Cash Book Balance as at 30 June 2014</b>	<b>7 823 059</b>	<b>47 136</b>
Bank Statement Balance at beginning of year	47 136	2 182 829
<b>Bank Statement Balance as at 30 June 2014</b>	<b>7 823 059</b>	<b>47 136</b>
<u>FNB Call Account - 62095523281</u>		
Cash book balance at beginning of year	280 575	209 328
<b>Cash Book Balance as at 30 June 2014</b>	<b>200 000</b>	<b>280 575</b>
Bank Statement Balance at beginning of year	280 575	209 328
<b>Bank Statement Balance as at 30 June 2014</b>	<b>200 000</b>	<b>280 575</b>
<u>FNB Call Account - 62138538692</u>		
Cash book balance at beginning of year	2 174	1 084
<b>Cash Book Balance as at 30 June 2014</b>	<b>683 888</b>	<b>2 174</b>
Bank Statement Balance at beginning of year	2 174	1 084
<b>Bank Statement Balance as at 30 June 2014</b>	<b>683 888</b>	<b>2 174</b>
<u>FNB Call Account - 62398395204</u>		
Cash book balance at beginning of year	8 497 374	-
<b>Cash Book Balance as at 30 June 2014</b>	<b>5 470 646</b>	<b>8 497 374</b>
Bank Statement Balance at beginning of year	8 497 374	-
<b>Bank Statement Balance as at 30 June 2014</b>	<b>5 470 646</b>	<b>8 497 374</b>
<u>FNB Call Account - 62032587331</u>		
Cash book balance at beginning of year	-	-
<b>Cash Book Balance as at 30 June 2014</b>	<b>4 064</b>	<b>-</b>
<u>FNB Ixopo</u>		
Bank Statement Balance at beginning of year	-	-
<b>Bank Statement Balance as at 30 June 2014</b>	<b>4 064</b>	<b>-</b>

**HARRY GWALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<u>FNB Call Account - 62434147072</u>		
Cash book balance at beginning of year	-	-
<b>Cash Book Balance as at 30 June 2014</b>	<b>2 772</b>	<b>-</b>
<u>FNB Ixopo</u>		
Bank Statement Balance at beginning of year	-	-
<b>Bank Statement Balance as at 30 June 2014</b>	<b>2 772</b>	<b>-</b>
<u>FNB Call Account - 62434151239</u>		
Cash book balance at beginning of year	-	-
<b>Cash Book Balance as at 30 June 2014</b>	<b>639 022</b>	<b>-</b>
<u>FNB Ixopo</u>		
Bank Statement Balance at beginning of year	-	-
<b>Bank Statement Balance as at 30 June 2014</b>	<b>639 022</b>	<b>-</b>
<u>FNB Call Account - 62414264797</u>		
Cash book balance at beginning of year	-	-
<b>Cash Book Balance as at 30 June 2014</b>	<b>2 040 753</b>	<b>-</b>
<u>FNB Ixopo</u>		
Bank Statement Balance at beginning of year	-	-
<b>Bank Statement Balance as at 30 June 2014</b>	<b>2 040 753</b>	<b>-</b>

**3. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	Gross Balance	Provision for Doubtful Debts	Net Balance
	R	R	R
<b><u>Trade receivables</u></b>			
<b>For the Period ended 30 June 2014</b>			
Service debtors			
Rates	270 941	270 941	-
Water	58 191 942	53 695 750	4 496 192
Sewerage	27 223 248	25 840 718	1 382 530
Interest	5 551 824	5 330 362	221 462
Value added taxation	11 936 165	11 113 114	823 051
<b>Total Trade Receivables</b>	<b>103 174 119</b>	<b>96 250 885</b>	<b>6 923 235</b>
<b>For the Period ended 30 June 2013</b>			
Service debtors			
Rates	270 941	270 941	-
Water	47 687 349	43 798 198	3 889 152
Sewerage	22 284 835	21 170 091	1 114 744
Value added taxation	9 809 181	9 074 764	734 418
<b>Total Trade Receivables</b>	<b>80 052 307</b>	<b>74 313 993</b>	<b>5 738 314</b>
<b><u>Rates: Ageing</u></b>			
Current (0 – 30 days)		-	-
31 - 60 Days		-	-
61 - 90 Days		-	-
91 - 120 Days		270 941	270 941
<b>Total Rates</b>		<b>270 941</b>	<b>270 941</b>
<b><u>Water &amp; Sanitation : Ageing</u></b>			
Current (0 – 30 days)		6 346 546	4 399 362
31 - 60 Days		4 600 290	2 733 952
61 - 90 Days		3 591 354	9 495 690
91 - 120 Days Plus		88 364 988	63 152 362
<b>Total Water &amp; Sanitation</b>		<b>102 903 178</b>	<b>79 781 366</b>



**HARRY GWALA DISTRICT MUNICIPALITY**  
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	2014 R	2013 R
<b>3.1 Reconciliation of the doubtful debt provision</b>		
Balance at beginning of the year	74 313 993	57 195 241
Contributions to provision	23 205 844	15 023 138
Contributions to vat portion	2 038 351	2 095 614
Additional contribution from surplus/deficit	-	-
Doubtful debts written off against provision	(3 307 303)	-
<b>Balance at 30 June 2014</b>	<b>96 250 884</b>	<b>74 313 993</b>
The impairment is based on the percentage collection ratio per local district area for 2013/2014		
<b>Trade and other receivables past due and partially impaired</b>		
Impairment is calculated at year end.		
<b>Trade and other receivables impaired</b>		
The amount of the total provision was R 96 250 884 as at 30 June 2014		
The fair value of trade and other receivables approximates their carrying amounts.		
<b>4. OTHER DEBTORS</b>		
SARS	181 259	181 259
Municipal Infrastructure Grant	35 698 126	19 007 084
Regional Bulk Infrastructure Grant	9 122 427	23 426 355
Salaries temporary - Water Services	5 979	-
ACIP Grant - DWA	-	1 395 839
ACB - Debtor	424 247	38 922
Councillors - Laptops	94 045	94 045
Cyclone Construction - Farmers Market	2 000 000	2 000 000
Councillors - Bursary debtor	19 537	19 537
Kokstad Deposits	105 753	-
Umpisi Engineers - Mngumeni	692 427	-
<b>Total Other Debtors</b>	<b>48 343 800</b>	<b>46 163 041</b>
The comparatives for grant debtor of 2012/2013 have been restated, refer (Note 20)		
<b>5. INVENTORIES</b>		
<b>Opening balance of inventories</b>	264 715	115 562
Water		
Additions:	3 969	149 153
Water	<b>268 684</b>	<b>264 715</b>
<b>Closing Balance of Inventories</b>	<b>268 684</b>	<b>264 715</b>
<b>6. INVESTMENTS</b>		
<b>Financial Instruments</b>		
100 Ordinary shares @ R1 per share in Sisonke Economic Development Agency (PTY) LTD	100	100
<b>Total Investments</b>	<b>100</b>	<b>100</b>
Investment in Harry Gwala Municipalities Entity		
<b>7. VAT RECEIVABLE</b>		
Vat reconciliation	1 179 125	8 737 118
Year end sundry creditors vat reclaimable	5 312 415	6 343 424
VAT on capital leases	135 666	280 423
Vat consumer debtors	(11 945 973)	(9 619 206)
Vat provision for bad debt	11 113 114	9 074 764
<b>Total VAT Receivable</b>	<b>5 794 348</b>	<b>14 816 523</b>
VAT receivable closing balance as at 30 June 2014	1 179 125	8 737 118
<b>Ageing</b>		
Current	1 179 125	4 083 812
30 Days	-	4 653 307
<b>Total</b>	<b>1 179 125</b>	<b>8 737 118</b>
VAT is payable on payment and receipts basis. VAT is paid over to SARS only once payment is received from debtors and creditors payments authorized in the bank control.		

**HARRY GWALA DISTRICT MUNICIPALITY**  
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**8 PROPERTY, PLANT AND EQUIPMENT**

**8.1 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Other Assets	Vehicles	Furniture & fittings	Plant & equipment	Finance lease assets	Under construction	Total
	R	R	R	R	R	R	R	R	R	R	R
<b>Carrying Values at 30 June 2013</b>	<b>5 146 800</b>	<b>35 506 416</b>	<b>788 727 936</b>	<b>4 017 824</b>	<b>1 346 402</b>	<b>1 125 567</b>	<b>930 627</b>	<b>1 568 019</b>	<b>3 929 394</b>	<b>308 087 601</b>	<b>1 150 386 586</b>
Cost	5 146 800	38 769 306	1 006 177 609	5 146 907	4 636 904	6 951 297	4 549 532	2 457 088	6 638 977	308 087 601	1 388 562 021
Accumulated depreciation and impairment losses	-	(3 262 890)	(217 449 673)	(1 129 083)	(3 290 501)	(5 825 730)	(3 618 906)	(889 069)	(2 709 583)	-	(238 175 435)
Acquisitions	10 933 751	915 187	1 597 368	41 395	1 188 670	5 006 280	76 250	-	6 715 464	167 930 741	194 405 106
Assets under construction brought into use	-	-	24 265 752	-	-	-	-	-	-	(24 265 752)	-
Depreciation	-	(480 685)	(32 594 630)	(123 559)	(537 180)	(951 770)	(262 314)	(370 036)	(1 367 353)	-	(36 687 528)
Impairments	-	-	(3 671 661)	-	-	-	-	-	-	-	(3 671 661)
Disposals:	-	<b>-25 115 763</b>	-	-	-	-	-	-	-	-	<b>(25 115 763)</b>
Cost	-	-25 681 822	-	-	-	-	-	-	-	-	(25 681 822)
Depreciation	-	566 058	-	-	-	-	-	-	-	-	566 058
<b>Financial year ended 30 June 2014</b>	<b>16 080 551</b>	<b>10 825 155</b>	<b>778 324 766</b>	<b>3 935 659</b>	<b>1 997 892</b>	<b>5 180 077</b>	<b>744 563</b>	<b>1 197 983</b>	<b>9 277 504</b>	<b>451 752 591</b>	<b>1 279 316 741</b>
Cost	16 080 551	14 002 672	1 032 040 729	5 188 302	5 825 573	11 957 577	4 625 782	2 457 088	13 354 441	451 752 591	1 557 285 305
Accumulated depreciation and impairment losses	-	(3 177 517)	(253 715 964)	(1 252 642)	(3 827 681)	(6 777 500)	(3 881 220)	(1 259 105)	(4 076 936)	-	(277 968 565)

The comparatives of 2012/2013 have been restated, refer (Note 42)

**HARRY GWALA DISTRICT MUNICIPALITY**  
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**8 PROPERTY, PLANT AND EQUIPMENT**

**8.2 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Community	Other Assets	Vehicles	Furniture & fittings	Plant & equipment	Finance lease assets	Under construction	Total
	R	R	R	R	R	R	R	R	R	R	R
<b>Carrying Values at 30 June 2012</b>	<b>5 146 800</b>	<b>11 634 743</b>	<b>560 140 061</b>	<b>30 497 039</b>	<b>979 274</b>	<b>1 475 869</b>	<b>1 171 197</b>	<b>1 193 238</b>	<b>4 667 271</b>	<b>374 175 417</b>	<b>991 080 908</b>
Cost	5 146 800	13 885 673	738 371 910	34 892 640	3 882 392	6 951 297	4 517 306	1 743 988	6 498 153	374 175 417	1 190 065 576
Accumulated depreciation and impairment losses	-	(2 250 930)	(178 231 849)	(4 395 600)	(2 903 118)	(5 475 428)	(3 346 110)	(550 750)	(1 830 882)	-	(198 984 668)
Assets previously not recognized - cost	-	-	40 706 452	-	-	-	-	18 500	-	-	40 724 952
Assets previously not recognized - depreciation	-	-	(13 195 267)	-	-	-	-	(3 050)	-	-	(13 198 317)
Assets previously duplicated	-	-	(1 678 750)	-	-	-	-	-	-	-	(1 678 750)
Assets under construction covered to PPE	-	-	141 271 999	-	-	-	-	-	-	-	141 271 999
Assets under construction brought into use	-	-	-	-	-	-	-	-	-	(141 271 999)	(141 271 999)
<b>Restated Carrying Values at 30 June 2012</b>	<b>5 146 800</b>	<b>35 618 689</b>	<b>750 823 446</b>	<b>(17 298 175)</b>	<b>1 213 542</b>	<b>1 475 869</b>	<b>1 164 660</b>	<b>1 208 688</b>	<b>4 673 805</b>	<b>232 903 418</b>	<b>2 033 861 481</b>
Cost	5 146 800	38 418 038	944 524 455	(19 332 428)	4 116 660	6 951 297	4 508 592	1 762 488	6 506 866	232 903 418	2 242 436 926
Accumulated depreciation and impairment losses	-	(2 799 349)	(193 701 010)	2 034 254	(2 903 118)	(5 475 428)	(3 343 933)	(553 800)	(1 833 061)	-	(208 575 445)
<b>Acquisitions</b>	-	351 268	-	-	473 221	-	40 940	694 600	343 186	161 316 672	163 219 887
Assets previously not recognized	-	-	-	-	47 023	-	-	-	-	-	47 023
Depreciation	-	(463 541)	(22 824 524)	(3 163 337)	(385 432)	(350 302)	(274 973)	(335 269)	(950 059)	-	(28 747 437)
Assets under construction brought into use	-	-	61 653 154	24 479 335	-	-	-	-	-	(86 132 489)	-
Assets under construction brought into use	-	-	-	-	-	-	-	-	-	-	-
Impairments	-	-	(924 139)	-	-	-	-	-	-	-	(924 139)
Disposals:	-	-	-	-	-	-	-	-	(137 537)	-	(137 537)
Cost	-	-	-	-	-	-	-	-	(211 074)	-	(211 074)
Depreciation	-	-	-	-	-	-	-	-	73 537	-	73 537
<b>Restated Carrying Values at 30 June 2013</b>	<b>5 146 800</b>	<b>35 506 416</b>	<b>788 727 936</b>	<b>4 017 824</b>	<b>1 346 402</b>	<b>1 125 567</b>	<b>930 627</b>	<b>1 568 019</b>	<b>3 929 394</b>	<b>308 087 601</b>	<b>1 150 386 586</b>
Cost	5 146 800	38 769 306	1 006 177 609	5 146 907	4 636 904	6 951 297	4 549 532	2 457 088	6 638 977	308 087 601	1 388 562 021
Accumulated depreciation and impairment losses	-	(3 262 890)	(217 449 673)	(1 129 083)	(3 290 501)	(5 825 730)	(3 618 906)	(889 069)	(2 709 583)	-	(238 175 435)

**HARRY GWALA DISTRICT MUNICIPALITY  
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**9.1 INTANGIBLE ASSETS**

	<b>Software</b>	<b>Finance lease assets</b>	<b>Total</b>
<b>Reconciliation of Carrying Value 2014</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Carrying Values at 30 June 2013</b>	<b>419 288</b>	<b>353 119</b>	<b>772 407</b>
Cost	2 118 921	363 208	2 482 129
Accumulated depreciation and impairment losses	(1 699 633)	(10 089)	(1 709 722)
Acquisitions	423 443	-	423 443
Amortisation Charges	(241 816)	(121 069)	(362 885)
Impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
<b>For the period ended 30 June 2014</b>	<b>600 915</b>	<b>232 050</b>	<b>832 965</b>
Cost	2 542 364	363 208	2 905 572
Accumulated depreciation and impairment losses	(1 941 449)	(131 158)	(2 072 607)

**HARRY GWALA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

**9.2 INTANGIBLE ASSETS**

	<b>Software</b>	<b>Finance lease assets</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Reconciliation of Carrying Value 2013</b>			
<b>Carrying Values at 30 June 2012</b>	<b>495 005</b>	-	<b>733 637</b>
Cost	1 960 402	-	1 960 402
Accumulated depreciation and impairment losses	(1 465 397)	-	(1 465 397)
Assets Revaluation Adjustment	-	-	-
Depreciation Revaluation Adjustment	-	-	-
Acquisitions	158 519	363 208	521 727
Amortisation Charges	(234 236)	(10 089)	(244 325)
Impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
<b>For the period ended 30 June 2013</b>	<b>419 288</b>	-	<b>772 407</b>
Cost	2 118 921	363 208	2 482 129
Accumulated depreciation and impairment losses	(1 699 633)	(10 089)	(1 709 722)

**HARRY GWALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2014 R	2013 R
<b>10. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Accounts Payable	56 752 956	68 521 787
Retentions	24 009 638	15 476 581
Rental Accruals	20 480	36 997
Unknown deposits	2 191 077	1 578 681
<b>Total Trade and Other from Exchange Transactions</b>	<b>82 974 151</b>	<b>85 614 047</b>
<b>Ageing</b>		
Current (0 - 30 Days)	42 897 704	31 363 090
31 - 60 Days	10 787 542	24 178 711
61 - Days & older	3 067 711	12 979 986
<b>Total</b>	<b>56 752 956</b>	<b>68 521 787</b>
The fair value of trade and other payables approximates their carrying amounts.		
<b>10.1 TRADE AND OTHER PAYABLES FROM NON EXCHANGE TRANSACTIONS</b>		
Neighbourhood Development Grant		
Accounts Payable	2 499 235	-
	<b>2 499 235</b>	-
<b>11 CONSUMER DEPOSITS</b>		
Water deposits	1 113 719	1 009 847
<b>Total Consumer Deposits</b>	<b>1 113 719</b>	<b>1 009 847</b>
No Interest is payable on consumer deposits. No guarantees held in lieu of water deposits.		
<b>12. PROVISIONS</b>		
Provision for leave pay	7 711 123	6 924 890
<b>Total Provisions</b>	<b>7 711 123</b>	<b>6 924 890</b>
The movement in current provisions are reconciled as follows: -		
	<b>Provision for leave</b>	
<b>Balance 30 June 2013</b>	6 924 890	
Contributions to provision	1 817 972	
Expenditure incurred	(1 031 740)	
<b>Year ended 30 June 2014</b>	<b>7 711 123</b>	
<b>Year ended 30 June 2012</b>		5 660 322
Contributions to provision		2 463 311
Expenditure incurred Adjustment		(1 198 742)
<b>Year ended 30 June 2013</b>		<b>6 924 890</b>

**HARRY GWALA DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2014 R	2013 R
<b>13. RETIREMENT BENEFIT LIABILITY</b>		
<b>13.1 Post-retirement Health Care Benefit Liability</b>		
Balance at beginning of year	7 138 468	5 341 162
Contributions to Provision	3 828 354	1 881 294
Benefits paid	(42 696)	(41 292)
Balance at end of year	10 924 126	7 181 164
Less current portion	43 416	42 696
Non-current portion	<b>10 880 710</b>	<b>7 138 468</b>

**Post-retirement Health Care Benefit Liability - Continued**

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the post-employment Medical Aid Benefit Plan are made up as follows:

In-service Members (Employees)	189	174
Continuation Members (Retirees, widowers and orphans)	1	1
<b>Total Members</b>	<b>190</b>	<b>175</b>

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

In-service Members	10 372 748	6 645 505
Continuation Members	551 378	535 659
<b>Total Liability</b>	<b>10 924 126</b>	<b>7 181 164</b>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

Bonita's  
Hosmed  
Keyhealth  
LA Health  
Samwumed

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	9.50%	9.69%
Health Care Cost inflation Rate	8.6%	8.1%
Net Effective Discount Rate	87.0%	1.5%
Expected Retirement Age - Females	55	55
Expected Retirement Age - Males	60	60

Movements in the present value of the Defined Benefit Obligations were as follows

Balance at the beginning of the year:	7 181 164	5 341 162
Current service costs	817 431	706 214
Interest cost	693 941	451 444
Benefits paid	(42 696)	(41 292)
Actuarial losses	2 274 286	723 636
<b>Present Value of Fund Obligation at the end of the year</b>	<b>10 924 126</b>	<b>7 181 164</b>

The amounts recognised in the Statement of Financial Performance are as follows

Current service cost	817 431	706 214
Interest cost	651 245	410 152
Actuarial losses	2 274 286	723 636
<b>Total Post-retirement Benefit included in Employee Related cost</b>	<b>3 742 962</b>	<b>1 840 002</b>

**: SENSITIVITY ANALYSIS**

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made. The assumption which tends to have the greatest impact on the results is the rate of health care cost inflation relative to the discount rate.

**HARRY GWALA DISTRICT MUNICIPALITY**  
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Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A one-year age reduction in the assumed rates of post-retirement mortality;
- (iii) A one-year decrease in the assumed average retirement age; and
- (iv) A 50% reduction in the assumed withdrawal rates

The following Table summarises the results of the sensitivity analysis.

**Post-retirement Health Care Benefit Liability - Continued**

: Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation
<b>Central Assumptions</b>		10.373	0.551
<b>Health care inflation</b>	1.0%	12.156	0.583
	-1.0%	8.804	0.524
<b>Post-retirement mortality</b>	- 1 yr	10.757	0.575
<b>Average retirement age</b>	- 1 yr	11.623	0.551
<b>Withdrawal rate</b>	-50%	8.515	0.551

Assumption (Continued)	Total	% change
<b>Central Assumptions</b>	<b>10.924</b>	
<b>Health care inflation</b>	<b>12.739</b>	17%
	<b>9.328</b>	-15%
<b>Post-retirement mortality</b>	<b>11.332</b>	4%
<b>Average retirement age</b>	<b>12.175</b>	11%
<b>Withdrawal rate</b>	<b>9.066</b>	-17%

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 17% higher than that shown.

: Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2015

Assumption	Change	Current Service Cost	Interest Cost
<b>Central Assumptions</b>		1 191 200	1 035 500
<b>Health care inflation</b>	1.0%	1 416 200	1 207 900
	-1.0%	988 700	883 900
<b>Post-retirement mortality</b>	- 1 yr	1 471 600	1 117 900
<b>Average retirement age</b>	- 1 yr	1 255 900	1 154 300
<b>Withdrawal rate</b>	-10%	973 000	859 100

Assumption (Continued)	Total	% change
<b>Central Assumptions</b>	<b>2 226 700</b>	
<b>Health care inflation</b>	<b>2 624 100</b>	18%
	<b>1 872 600</b>	-16%
<b>Post-retirement mortality</b>	<b>2 589 500</b>	16%
<b>Average retirement age</b>	<b>2 410 200</b>	8%
<b>Withdrawal rate</b>	<b>1 832 100</b>	-18%



**HARRY GWALA DISTRICT MUNICIPALITY**  
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: Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2014

Assumption	Change	Current Service Cost	Interest Cost
<b>Central Assumptions</b>		817 400	693 900
<b>Health care inflation</b>	1.0%	982 700	812 200
	-1.0%	669 500	587 900
<b>Post-retirement mortality</b>	- 1 yr	845 500	718 500
<b>Average retirement age</b>	- 1 yr	917 200	773 900
<b>Withdrawal rate</b>	-50%	1 094 600	839 900

Assumption (Continued)	Total	% change
<b>Central Assumptions</b>	<b>1 511 300</b>	
<b>Health care inflation</b>	<b>1 794 900</b>	19%
	<b>1 257 400</b>	-17%
<b>Post-retirement mortality</b>	<b>1 564 000</b>	3%
<b>Average retirement age</b>	<b>1 691 100</b>	12%
<b>Withdrawal rate</b>	<b>1 934 500</b>	28%

	2014 R	2013 R
<b>13.2 Long Services Awards Provision</b>		
Provision for Long-term Service	3 047 218	2 528 374
Total Provision	<u>3 047 218</u>	<u>2 528 374</u>

The movement in the provision are reconciled as follows:

**Long-term Service**

<b>Balance at beginning of year</b>	2 528 374	2 303 202
Contribution to provision	979 872	401 284
Benefits paid	(297 939)	(176 112)
<b>Balance at end of year</b>	<u>3 210 307</u>	<u>2 528 374</u>
Less Current Portion	163 089	297 939
<b>Non-current Portion</b>	<u><b>3 047 218</b></u>	<u><b>2 230 435</b></u>

**Long-service Awards**

The municipality operate an unfunded defined benefit plan for all its employees. Under the plan a Long-service Award is payable after 10 years thereafter to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C Weiss, Fellow of the Actuarial Society of South Africa.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

Discount rate	8.11%	7.40%
Salary Cost inflation rate	7.21%	6.81%
Nett Effective Discount Rate	0.84%	0.56%
Expected Retirement Age - Females	55	55
Expected retirement Age - Males	60	60

**Long Services Awards Provision**

-		
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>		
Balance at the beginning of the year	2 528 374	2 303 202
Current service cost	345 100	442 045
Interest cost	176 343	149 801
Benefits paid	(297 939)	(176 112)
Actuarial losses/(gains)	458 429	(190 562)
<b>Fund obligation at the end of the year</b>	<u><b>3 210 307</b></u>	<u><b>2 528 374</b></u>

**HARRY GWALA DISTRICT MUNICIPALITY**  
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**SENSITIVITY ANALYSIS**

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are:

- (1) The discount rate relative to the salary inflation assumptions;
- (2) The average retirement age of employees; and
- (3) Assumed rates of withdrawal of employees from service.

**SENSITIVITY RESULTS**

The liability at the Valuation Date was recalculated to show the effect of:

- (1) A 1% increase and decrease in the assumed general salary inflation rate;
- (2) A two-year decrease and increase in the assumed average retirement age of employees; and
- (3) A 50% decrease in the assumed withdrawal rates from service.

**Sensitivity Analysis on the Unfunded accrued liability (in R Millions)**

Assumption	Change	Liability	% change
<b>Central assumptions</b>		3.210	
<b>General salary inflation</b>	+1%	3.444	7%
	-1%	2.999	-7%
<b>Average retirement age</b>	-2 yrs	2.833	-12%
	+2 yrs	3.582	12%
<b>Withdrawal rates</b>	-50%	4.171	30%

**Sensitivity Analysis on the Current-service and Interest Cost for the year ending 30 June 2015**

Assumption	Change	Current-service Cost	Interest Cost
<b>Central assumptions</b>		404 800	254 000
<b>General salary inflation</b>	1%	440 400	272 900
	-1%	372 900	236 800
<b>Average retirement age</b>	-2 yrs	364 000	223 300
	+2 yrs	442 100	284 200
<b>Withdrawal rates</b>	-50%	574 200	331 900

Assumption (continued)	Total	% change
<b>Central assumptions</b>	<b>658 800</b>	
<b>General salary inflation</b>	<b>713 300</b>	8%
	<b>609 700</b>	-7%
<b>Average retirement age</b>	<b>587 300</b>	-11%
	<b>726 300</b>	10%
<b>Withdrawal rates</b>	<b>906 100</b>	38%

**Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30 June 2014**

Assumption	Change	Current-service Cost	Interest Cost
<b>Central assumptions</b>		345 100	176 300
<b>General salary inflation</b>	1%	377 400	190 000
	-1%	316 300	164 000
<b>Average retirement age</b>	-2 yrs	310 000	156 700
	+2 yrs	379 000	199 200
<b>Withdrawal rates</b>	-50%	501 200	234 000

Assumption (continued)	Total	% change
<b>Central assumptions</b>	<b>521 400</b>	
<b>General salary inflation</b>	<b>567 400</b>	9%
	<b>480 300</b>	-8%
<b>Average retirement age</b>	<b>466 700</b>	-10%
	<b>578 200</b>	11%
<b>Withdrawal rates</b>	<b>735 200</b>	41%

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	2014 R	2013 R
<b>14. UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>Capital Grants</b>		
COGTA Grant	-	689 194
Massification - CoGTA	5 592 263	18 165 746
MWIG - DWA	3 665 926	-
<b>Total Unspent Capital Grants</b>	<b>9 258 189</b>	<b>18 854 940</b>
<b>Operating Grants</b>		
Learnership Grant	782 000	782 000
Gijima Grant	235 810	235 810
IDP Grant	185 141	185 141
Development Bank of SA	406 480	406 480
Development Planning Shared Services Grant	2 935 992	3 168 063
Neighbourhood Development Grant	-	2 499 235
Change and Management Committee Grant	51 685	51 685
Support Staff Grant	24 462	24 462
Transformation Managers Grant	518 040	518 040
Drought relief	9 054	9 054
Sport and Recreation Grant	550 497	550 497
Public Transport Grant	66 587	66 587
Municipal Monitoring Systems Grant	300 000	300 000
Management Assistance Program Grant	10 436	10 436
GIS Support Grant	141 087	141 087
PMS Grant	325 054	325 054
Local Economic Development Grant	518 008	518 008
Sihelza Maize production project - (CoGTA)	242 413	242 413
Government Experts - (CoGTA)	445 014	725 000
Signage Grant - CoGTA	98 112	420 712
Disaster Management Grant	285 020	285 020
Rural Transport Infrastructure Grant	194 215	416
District Growth Development Summit	31 301	31 301
Accredited Councillors Training	62 803	200 000
Rural Household Infrastructure Grant	2 066 070	-
Electricity Demand Management	28 704	-
<b>Total Unspent Operating Grants</b>	<b>10 513 984</b>	<b>11 696 501</b>
<b>Total Conditional Grants and Receipts</b>	<b>19 772 173</b>	<b>30 551 441</b>

Refer note 20 for reconciliation of grants from other Government spheres.

**15. BORROWINGS**

Annuity Loans	25 479 107	28 893 009
<b>Total Loans</b>	<b>25 479 107</b>	<b>28 893 009</b>
Less : Current portion transferred to current liabilities	(3 415 335)	(3 297 062)
<b>Total Borrowings</b>	<b>22 063 772</b>	<b>25 595 948</b>

Annuity Loans

Bear interest at a rates of 10.72% per annum until 2021. Instalments are being redeemed bi-annually, including interest.

Other annuity loans are redeemed bi-annually, including interest until 2014 and 2015

Refer to Appendix A

**HARRY GWALA DISTRICT MUNICIPALITY**  
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	2014 R	2013 R
<b>16. FINANCE LEASE LIABILITY</b>		
<b>2014</b>		
<b>Amounts payable under finance leases</b>	<b>Minimum lease payment</b>	<b>Present value of minimum lease payments</b>
	<b>R</b>	<b>R</b>
Within twelve months	3 760 504	2 923 407
Within two to five years	6 137 154	5 129 664
<b>Total Finance Lease Liability</b>	<b>9 897 658</b>	<b>8 053 071</b>
Less: Amount due for settlement within 12 months (current portion)		2 923 407
		<b>5 129 664</b>
<b>2013</b>		
<b>Amounts payable under finance leases</b>		
Within one year	2 074 036	1 697 816
Within two to five years	2 053 016	2 088 618
<b>Total Finance Lease Liability</b>	<b>4 127 052</b>	<b>3 786 434</b>
Less amount due for settlement within 12 months (current portion)		1 697 816
		<b>2 088 618</b>
Council has entered into the following Finance leases:		
Avis - vehicles		
Wesbank - Vehicles		
Aurecon - Disaster Management System		
Vodacom - Laptops with data bundles		
<b>17. SERVICE CHARGES</b>		
Sale of water	35 854 800	27 832 652
Sewerage and sanitation charges	13 049 704	12 032 582
<b>Total Service Charges</b>	<b>48 904 504</b>	<b>39 865 235</b>
The disclosed amounts for revenue for Service Charges are in respect of services rendered which are billed on a monthly basis to consumers according to the approved Council tariffs.		
<b>18. INTEREST EARNED</b>		
<b>18.1 INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Interest on investments	3 165 965	2 502 338
Interest on current account	177 538	485 336
<b>Total Interest on External Investments</b>	<b>3 343 503</b>	<b>2 987 674</b>
<b>18.2 INTEREST ON ARREAR ACCOUNTS</b>		
Interest on arrear accounts	5 637 940	-
<b>Total Interest on Arrear Accounts</b>	<b>5 637 940</b>	-
<b>19. OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Sundry income	92 014	562 543
Vacuum Tank	382 974	412 118
Tender Documents	228 400	54 600
Conservancy Tanks	165 190	67 178
Retention - contract terminated	-	716 611
Salary deductions	334 826	202 201
Water connection fee	75 643	53 548
Sewerage Connection - new connections	43 344	21 963
On site disposal - sanitation	7 033	22 811
Water sales - tankers	105 729	78 243
Endowment fees	-	17 789
Insurance Refunds	421 817	-
Clearance Certificates	1 972	-
<b>Total Other Income</b>	<b>1 858 942</b>	<b>2 209 605</b>

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	2014 R	2013 R
<b>20. GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	216 056 000	203 556 000
Government Grants and Subsidies	263 026 458	251 873 350
<b>Total Government Grant and Subsidies</b>	<b>479 082 458</b>	<b>455 429 350</b>
<b>Reconciliation of Government Grants Transferred to Revenue</b>		
<b>Conditions met - transferred to revenue</b>	(263 026 458)	(251 873 350)
Government Grants and Subsidies	263 026 458	251 873 350
	-	-
<b>20.1 Equitable Share</b>	216 056 000	203 556 000
<b>Total Equitable Share as per Dora</b>	<b>216 056 000</b>	<b>203 556 000</b>
<b>20.2 MIG Grant</b>		
<b>Balance unspent at beginning of year</b>	-	-
Current year receipts	173 618 000	165 717 000
Conditions met - transferred to revenue	(189 963 365)	(178 956 131)
Conditions met - transferred to debtor	35 698 126	19 007 084
Debtor 2012/2013	(13 239 131)	-
Adjustment	(6 113 630)	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>-</b>	<b>-</b>
Construction of infrastructure of water and sanitation in the greater Harry Gwala District.		
<b>20.3 Accredited Councillors Training</b>		
<b>Balance unspent at beginning of year</b>	200 000	-
Current year receipts	-	200 000
Conditions met - transferred to revenue	(137 197)	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>62 803</b>	<b>200 000</b>
This grant is utilized for accredited Councillors training.		
<b>20.4 Umzimkhulu CoGTA Grant</b>		
<b>Balance unspent at beginning of year</b>	689 195	19 276 082
Current year receipts	-	-
Conditions met - transferred to revenue	(2 046 478)	(18 586 887)
<b>Adjustment</b>	<b>1 357 284</b>	<b>-</b>
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>-</b>	<b>689 195</b>
Infrastructure and upgrading of water and sanitation projects in the Umzimkhulu Local Municipal District.		
<b>20.5 Fresh Produce Market Grant CoGTA</b>		
<b>Balance unspent at beginning of year</b>	-	-
Current year receipts	-	<b>3 200 000</b>
Conditions met - transferred to revenue	-	(3 200 000)
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>-</b>	<b>-</b>
Infrastructure of Fresh Produce Market in the Harry Gwala Municipal District.		
<b>20.6 Disaster Management</b>		
<b>Balance unspent at beginning of year</b>	285 020	285 020
Current year receipts	3 000 000	-
Conditions met - transferred to revenue	(3 000 000)	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>285 020</b>	<b>285 020</b>
Infrastructure of Disaster Management Offices in the Harry Gwala Municipal District.		

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	2014 R	2013 R
<b>20.7 Municipal Systems Improvement Grant</b>		
<b>Balance unspent at beginning of year</b>	-	-
Current year receipts	890 000	1 000 000
Conditions met - transferred to revenue	(890 000)	(1 000 000)
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	-	-
To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems.		
<b>20.8 Financial Management Grant</b>		
<b>Balance unspent at beginning of year</b>	-	-
Current year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	-	-
This grant was utilized for implementation of the MFMA and intern's salaries.		
<b>20.9 Learnership Grant</b>		
<b>Balance unspent at beginning of year</b>	782 000	782 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	782 000	782 000
To promote and support reforms in financial management by building capacity in the Municipality in order to compile with Local Government Legislation		
<b>20.10 LG Seta</b>		
<b>Balance unspent at beginning of year</b>	-	-
Current year receipts	185 041	381 276
Conditions met - transferred to revenue	(185 041)	(381 276)
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	-	-
Discretionary and mandatory grant from LG Seta for capacity building.		
<b>20.11 Inter Governmental Grant</b>		
<b>Balance unspent at beginning of year</b>	-	46 673
Current year receipts	-	-
Conditions met - transferred to revenue	-	(46 673)
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	-	-
Operational grant for strategic support.		
<b>20.12 Gijima Grant</b>		
<b>Balance unspent at beginning of year</b>	235 810	235 810
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	235 810	235 810
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2014/2015 on approval from relevant donors.		
<b>20.13 IDP Grant</b>		
<b>Balance unspent at beginning of year</b>	185 141	185 141
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	185 141	185 141
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2014/2015 on approval from relevant donors.		

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	2014 R	2013 R
<b>20.14 Development Bank of SA</b>		
<b>Balance unspent at beginning of year</b>	406 480	406 480
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>406 480</b>	<b>406 480</b>

Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2014/2015 on approval from relevant donors.

<b>20.15 Development Planning Shared Services</b>		
<b>Balance unspent at beginning of year</b>	3 168 063	3 616 847
Current year receipts	-	-
Conditions met - transferred to revenue	(232 072)	(448 784)
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>2 935 991</b>	<b>3 168 063</b>

Participating Municipalities to deliver development planning services to the public and to share resources in accordance with the provisions of the agreement.

<b>20.16 Neighbourhood Development Grant</b>		
<b>Balance unspent at beginning of year</b>	2 499 235	2 499 235
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Adjustment	(2 499 235)	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>-</b>	<b>2 499 235</b>

Communication received from National Treasury has indicated this unspent conditional grant has to be transferred back in 2014/2015. Refer note 10.1

<b>20.17 Change Management Committee Grant</b>		
<b>Balance unspent at beginning of year</b>	51 685	51 685
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>51 685</b>	<b>51 685</b>

Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2014/2015 on approval from relevant donors.

<b>20.18 Support Staff Grant</b>		
<b>Balance unspent at beginning of year</b>	24 462	24 462
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>24 462</b>	<b>24 462</b>

Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2014/2015 on approval from relevant donors.

<b>20.19 Transformation Managers Grant</b>		
<b>Balance unspent at beginning of year</b>	518 040	518 040
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>518 040</b>	<b>518 040</b>

Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2014/2015 on approval from relevant donors.

<b>20.20 Drought Relief Grant</b>		
<b>Balance unspent at beginning of year</b>	9 054	9 054
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>9 054</b>	<b>9 054</b>

Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2014/2015 on approval from relevant donors.

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	2014 R	2013 R
<b>20.21 Sports and Recreation Programme Grant</b>		
<b>Balance unspent at beginning of year</b>	550 497	550 497
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>550 497</b>	<b>550 497</b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2014/2015 on approval from relevant donors.		
<b>20.22 Public Transport Grant</b>		
<b>Balance unspent at beginning of year</b>	66 587	66 587
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>66 587</b>	<b>66 587</b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2014/2015 on approval from relevant donors.		
<b>20.23 Municipal Monitoring System Grant</b>		
<b>Balance unspent at beginning of year</b>	300 000	300 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>300 000</b>	<b>300 000</b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2014/2015 on approval from relevant donors.		
<b>20.24 MAP Grant</b>		
<b>Balance unspent at beginning of year</b>	10 436	10 436
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>10 436</b>	<b>10 436</b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2014/2015 on approval from relevant donors.		
<b>20.25 GIS Support Grant</b>		
<b>Balance unspent at beginning of year</b>	141 087	141 087
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>141 087</b>	<b>141 087</b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2014/2015 on approval from relevant donors.		
<b>20.26 PMS Grant</b>		
<b>Balance unspent at beginning of year</b>	325 054	325 054
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>325 054</b>	<b>325 054</b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2014/2015 on approval from relevant donors.		



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	2014 R	2013 R
<b>20.27 LED Grant</b>		
<b>Balance unspent at beginning of year</b>	518 008	518 008
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>518 008</b>	<b>518 008</b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2014/2015 on approval from relevant donors.		
<b>20.28 District Growth Summit CoGTA</b>		
<b>Balance unspent at beginning of year</b>	31 301	-
Current year receipts	-	400 000
Conditions met - transferred to revenue	-	(368 699)
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>31 301</b>	<b>31 301</b>
Grant utilized in prior years in accordance with the MOA. Expensed incorrectly to operating expenditure in prior years. Adjustment will be made in 2014/2015 on approval from relevant donors.		
<b>20.29 SIHLEZA Maize Production Project (COGTA)</b>		
Balance unspent at beginning of year	242 413	482 457
Current year receipts	-	-
<b>Adjustment</b>	-	105 456
Conditions met -transferred to revenue	-	(345 500)
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>242 413</b>	<b>242 413</b>
Grant for LED projects within the Harry Gwala Municipal District.		
<b>20.30 EPWP Grant</b>		
Balance unspent at beginning of year	-	-
Current year receipts	2 739 000	4 594 000
Conditions met transferred to revenue	(2 739 000)	(4 594 000)
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>-</b>	<b>-</b>
<b>20.31 Government Experts</b>		
Balance unspent at beginning of year	725 000	725 000
Current year receipt	-	-
Conditions met transferred to revenue	(279 986)	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>445 014</b>	<b>725 000</b>
<b>20.32 National Treasury - Provision for Refurbishments /DWA</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	9 618 000
Conditions met transferred to revenue	-	(9 618 000)
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>-</b>	<b>-</b>
This grant is utilized for the refurbishment of water and sanitation infrastructure.		
<b>20.33 Massification (COGTA)</b>		
Balance unspent at beginning of year	18 165 745	-
Current year receipts	-	20 800 000
Conditions met transferred to revenue	(12 573 482)	(2 634 255)
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>5 592 263</b>	<b>18 165 745</b>
This grant is utilized for the upgrade of water and sanitation infrastructure.		
<b>20.34 Rural Transport Service &amp; Infrastructure Grant</b>		
Balance unspent at beginning of year	415	-
Current year receipts	1 814 000	1 776 000
Conditions met transferred to revenue	(1 620 200)	(1 775 585)
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>194 215</b>	<b>415</b>
This grant is utilized for rural transport services within the Harry Gwala Municipal District.		

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	2014 R	2013 R
<b>20.35 Signage Grant -CoGTA</b>		
Balancing unspent at beginning of year	420 712	1 472 000
Current year receipts	-	-
Conditions met transferred to revenue	(322 600)	(1 051 288)
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>98 112</b>	<b>420 712</b>
Grant for LED projects within the Harry Gwala Municipal District.		
<b>20.36 Rural Bulk Infrastructure Grant</b>		
Balancing unspent at beginning of year	-	-
Current year receipts	43 974 704	301 747
Conditions met transferred to revenue	(29 133 929)	(24 124 365)
Conditions met - transferred to debtor	9 122 427	23 426 355
Debtor 2012/2013	(23 426 355)	
Adjustment	(536 846)	396 264
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>-</b>	<b>-</b>
This grant is utilized for infrastructure of bulk water - Bulwer emergency intervention and the greater Bulwer Dam		
<b>20.37 Community Based Planning - CoGTA</b>		
Balancing unspent at beginning of year	-	-
Current year receipts	-	100 000
Conditions met transferred to revenue	-	(100 000)
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>-</b>	<b>-</b>
This grant is utilized for community based planning.		
<b>20.38 CoGTA - Ubuhlebezwe Grant</b>		
Balancing unspent at beginning of year	-	-
Current year receipts	617 059	1 376 140
Conditions met transferred to revenue	(617 059)	(1 376 140)
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>-</b>	<b>-</b>
This grant was utilized for repairs and maintenance of water and sanitation infrastructure.		
<b>20.39 ACIP - DWA</b>		
Balancing unspent at beginning of year	-	-
Current year receipts	2 309 981	619 926
Conditions met transferred to revenue	(1 097 046)	(2 015 765)
Conditions met - transferred to debtor	-	1 395 839
Debtor 2012/2013	(1 212 935)	
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>-</b>	<b>-</b>
This grant was utilized for the refurbishment of water and sanitation infrastructure.		
<b>20.40 MWIG - DWA</b>		
Balancing unspent at beginning of year	-	-
Current year receipts	13 700 000	-
Conditions met transferred to revenue	(10 034 075)	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>3 665 926</b>	<b>-</b>
<b>20.41 Rural infrastructure household grant</b>		
Balancing unspent at beginning of year	-	-
Current year receipts	4 000 000	-
Conditions met transferred to revenue	(1 933 930)	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>2 066 070</b>	<b>-</b>
<b>20.42 Electricity demand management</b>		
Balancing unspent at beginning of year	-	-
Current year receipts	4 999 700	-
Conditions met transferred to revenue	(4 970 997)	-
<b>Conditions still to be met - remain liabilities (refer note 14)</b>	<b>28 703</b>	<b>-</b>

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	2014 R	2013 R
<b>21. EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	65 012 061	54 184 747
Travel, motor car, accommodation, subsistence and other allowances	7 879 674	10 779 946
Housing benefits and allowances	732 790	138 906
Overtime payments	8 634 301	2 509 385
Health care retirement benefit	3 742 962	1 840 002
Long-service awards	681 933	225 172
Social contributions - SALGBC	25 330	18 899
Social contributions - Medical Aid	3 980 515	2 770 733
Social contributions - Pension Fund	8 731 372	6 379 882
Social contributions - UIF	521 662	379 931
<b>Total Employee Related Costs</b>	<b>99 942 600</b>	<b>79 227 602</b>
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	846 916	431 571
Travel, motor car, accommodation, subsistence and other allowances	673 757	192 719
Cellphone Allowance	15 600	10 300
Social contributions - UIF	1 785	945
Social contributions - Medical Aid	40 826	3 247
Social contributions - SALGBC	-	38
<b>Total Remuneration of the Municipal Manager</b>	<b>1 578 884</b>	<b>638 820</b>
The Municipal Manager was appointed on the 1 May 2013. The remuneration for the previous financial year was for the acting Municipal Manger.		
<b>Remuneration of the Chief Finance Officer</b>		
Annual Remuneration	778 078	448 589
Travel, motor car, accommodation, subsistence and other allowances	378 168	243 908
Cellphone Allowance	15 600	11 700
Social contributions - UIF	1 785	1 315
Social contributions - Medical Aid	25 344	17 995
Social contributions - SALGBC	-	-
<b>Total Remuneration of the Chief Financial Officer</b>	<b>1 198 975</b>	<b>723 507</b>
<b>Remuneration of Executive Directors</b>		
<b>Infrastructure Services</b>		
Annual Remuneration	915 310	557 727
Travel, motor car, accommodation, subsistence and other allowances	103 600	208 595
Cellphone Allowance	15 600	15 600
Social contributions - UIF	1 785	1 689
Social contributions - SALGBC	-	65
<b>Total Remuneration of Infrastructure Services</b>	<b>1 036 295</b>	<b>783 676</b>
<b>Corporate Services</b>		
Annual Remuneration	746 669	355 291
Travel, motor car, accommodation, subsistence and other allowances	310 872	181 385
Cellphone Allowance	16 500	10 800
Social contributions - UIF	1 785	1 315
Social contributions - Medical Aid	19 350	13 356
Social contributions - SALGBC	-	-
<b>Total Remuneration of Corporate Services</b>	<b>1 095 176</b>	<b>562 146</b>
<b>Economic Services</b>		
Annual Remuneration	609 417	421 465
Travel, motor car, accommodation, subsistence and other allowances	248 660	249 330
Cellphone Allowance	12 892	14 900
Social contributions - UIF	1 785	1 540
Social contributions - Medical Aid	29 210	35 428
Social contributions - Pension Fund	74 802	-
Social contributions - SALGBC	76	67
<b>Total Remuneration of Economic Services</b>	<b>976 842</b>	<b>722 730</b>

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	2014 R	2013 R
<b>Water Services</b>		
Annual Remuneration	716 000	354 993
Travel, motor car, accommodation, subsistence and other allowances	384 000	256 000
Cellphone Allowance	15 600	10 400
Social contributions - UIF	1 785	1 190
Social contributions - Pension Fund	-	-
Social contributions - Medical Aid	-	-
Social contributions - SALGBC	-	-
<b>Total Remuneration of Water Services</b>	<b>1 117 385</b>	<b>622 583</b>
 <b>22. REMUNERATION OF COUNCILLORS</b>		
Council Allowances	5 249 110	4 622 013
<b>Total Councillors' Remuneration</b>	<b>5 249 110</b>	<b>4 622 013</b>
 <b>In-kind Benefits</b>		
 The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle for official duties.		
 <b>Annual remuneration - Mayor</b>	<b>596 448</b>	<b>581 088</b>
Social contributions - Pension Fund	86 337	84 160
Social contributions - Medical Aid	45 622	28 118
<b>Total Councillors' Remuneration</b>	<b>728 407</b>	<b>693 366</b>
 <b>Annual remuneration - Deputy Mayor</b>	<b>508 404</b>	<b>495 851</b>
Social contributions - Pension Fund	68 438	53 040
Social contributions - Medical Aid	10 745	9 733
<b>Total Councillors' Remuneration</b>	<b>587 587</b>	<b>558 624</b>
 <b>Annual remuneration - Speaker</b>	<b>517 477</b>	<b>504 248</b>
Social contributions - Pension Fund	70 002	54 299
<b>Total Councillors' Remuneration</b>	<b>587 479</b>	<b>558 547</b>
 <b>Annual remuneration - Executive Committee</b>	<b>1 325 492</b>	<b>1 389 278</b>
Social contributions - Pension Fund	165 938	165 008
Social contributions - Medical Aid	33 933	20 504
<b>Total Councillors' Remuneration</b>	<b>1 525 363</b>	<b>1 574 789</b>
 <b>Annual remuneration - Councillors</b>	<b>1 820 274</b>	<b>1 236 687</b>
<b>Total Councillors' Remuneration</b>	<b>1 820 274</b>	<b>1 236 687</b>
 <b>23. DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment	36 687 528	28 747 437
Amortisation charges	362 885	244 325
<b>Total Depreciation and Amortisation</b>	<b>37 050 413</b>	<b>28 991 762</b>

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<b>24.1 GENERAL EXPENSES</b>	<b>2014 R</b>	<b>2013 R</b>
<b>General expenses comprise of:-</b>		
Advertising	895 409	1 005 700
Annual Report	289 346	244 342
Audit Fees	1 783 650	1 793 030
Assessment of Status Quo and Training	-	150 000
Bursaries - Staff	78 435	90 803
Book and Publications	25 735	86 171
Bank Charges	82 091	75 114
Communication and Public Relations	-	24 468
Computer Licences Financial Systems	-	326 248
Conferences and Seminars	1 042 097	883 986
Career Exhibitions and Guidance	-	44 800
Cultural Games	-	193 600
Corporate Materials	-	141 807
Cuba Bursaries	180 000	180 000
Chemicals Supply	3 016 175	-
Camps & Training	374 429	-
Competitions in LM'S in Maskhandi	260 120	-
Departmental Electricity Consumption	361 402	364 200
Disability Awareness	154 400	100 000
Disaster Management	698 381	1 120 037
District Information Management System	-	96 480
District Name Change	222 736	80 013
Experiential Learning	168 936	187 000
Emergency Sewer Intervention	2 856 321	1 813 319
Emergency Water Intervention	1 687 350	2 238 496
Employee PMS	-	128 408
Employee Wellness Programme	67 543	25 741
Evenus Municipal Financial System	828 667	-
Fuel and Oil	5 279 108	3 877 225
Functions	900 085	458 970
Golden Games	243 901	-
Indigenous Game	207 967	79 745
Insurance	670 881	681 776
Installation of Water Meters	972 354	-
Kwanalogo Games	-	4 687 103
Legal Fees	17 958	397 816
Marketing and Branding	412 693	107 269
Marketing of SDM Products	-	169 213
MFMA Capacity Building Programme	628 920	274 958
Office Refreshment	52 081	98 142
Office Cleaning	-	144 000
Printing and Stationery	727 321	1 435 911
Promotional Material	-	116 039
Penalties	340 928	462 322
Protective Clothing and Uniforms	615 154	135 539
Publication of Newsletter	672 362	390 114
Planning and Property Conference	-	130 320
Project Plan - Doonybrook	-	231 531
Project Plan - Creighton	-	231 531
PMS/SDBIP Review	-	95 920
Postage	151 512	-
Planned Projects as per Priority	1 626 212	-
Refreshments Meetings	79 688	118 915
Rental Offices	775 056	1 165 245
Rental Plant	-	203 007
Rental Vehicles	1 253 266	1 451 578
Rural Horse Riding	425 400	569 401
Rain Water Harvesting	2 414 361	-
Review and Implement the Framework	-	99 543
Skills Development Levy	885 245	762 194
Sports Development in Local Municipalities	-	141 011
Strategic Planning/Team Building	-	38 495
Subsistence and Travelling	905 414	1 116 704
Salga Fees	783 079	645 976
Salga Games	5 097 908	-
Staff Replacement and Reallocation Costs	46 827	141 979
Systems and Admin Support	-	1 517 673
Telephone and Faxes	4 004 764	3 229 090
Tracker	114 699	67 763
Mayoral Cup	395 582	149 960

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	2014 R	2013 R
<b>GENERAL EXPENSES - CONTINUED</b>		
Training	2 394 127	368 104
Travelling and Accommodation	50 541	38 375
VAT Consultant	-	1 894 306
Vehicle Licences	171 337	-
Water Monitors	6 821 960	6 046 913
Website Management	44 100	83 658
Water Schemes Electricity	7 487 523	6 365 492
Water Schemes Fuel	-	529 939
Water Conservation and Demand Management	-	658 626
Woman's Day Celebration	233 780	309 619
Water Resource Strategy - Sunfield	-	235 195
Workshop and Sessions	5 006	132 891
Water Meter Audit & Collection Costs	-	-
Water Use License Registration	172 416	-
Water Conservation Health & Hygiene	347 716	-
Youth Development Empowerment Plan	175 200	-
Other	1 479 776	1 163 881
<b>Total General Expenses</b>	<b>65 157 430</b>	<b>54 844 738</b>
<b>24.2 GENERAL EXPENSES - COMMUNITY PARTICIAPATION</b>		
Awareness Campaigns	2 287	119 326
<b>Acknowledgement of Widows &amp; Women</b>	133 600	-
Bursaries - Community	319 595	278 320
Ceremonial Activities	168 550	-
Cleaning Campaign	52 554	143 331
Conduct Greenest Municipality	138 793	-
IDP Review	733 501	820 495
Mayoral Izimbizo	1 017 959	1 061 002
Mayoral Slots	334 493	268 732
Nyusi Volume	855 000	707 200
Press Conference and Media Breifings	262 300	-
Other	209 578	250 311
	<b>4 228 208</b>	<b>3 648 718</b>
<b>24.3 GENERAL EXPENSES - CONTRACTED SERVICES</b>		
Contracted services for:		
Annual financial statements	1 898 629	1 237 034
Assessment of asset register	1 996 165	568 609
Budget Preparation	63 516	-
Bulwer Detailed Plan	-	316 850
Employee Wellness Programme	29 316	54 477
IGR	-	258 151
GIS Upgrade	240 416	115 844
Implementation of HIV/AIDS programmes	184 460	527 366
Ixopo Precinct Plan	284 772	-
Legal Fees	320 834	305 000
Lighting Conductors	366 061	-
MFMA Capacity Building Programme	-	596 326
Project Plan Detailed Design	-	1 073 984
PMS/SDBIP Review	511 732	3 648
PMU Technical Support	-	1 463 513
Quantify the percentage of Water Losses	-	336 054
SCM Monitoring	-	148 632
Office Cleaning	291 900	127 962
Rental of Office Equipment	855 589	1 197 083
Risk Management and Strategy Audit Assignment	100 000	279 828
Review WSDP	114 905	-
Security services	7 874 159	6 382 738
Shared Services	190 346	-
Strategic Environment Assessment	-	196 326
Support to Emerging Farmers	-	121 394
Sport Facilities	149 000	-
Supplier Database Cleansing	174 925	-
Sport Complex Designs	279 985	-
VAT Consultant	2 159 469	568 459
Water Quality Monitoring	1 266 541	1 173 824
Systems and Admin Support	3 704 598	1 195 315
Umgeni Farm Detailed Plan	184 307	188 455
Other Expenditure	417 105	388 110
<b>Total Contracted Services</b>	<b>23 658 729</b>	<b>18 824 982</b>

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	2014 R	2013 R
<b>25. GRANTS AND SUBSIDIES PAID</b>		
Grant paid to Sisonke Economic Development Agency (Pty) LTD	13 442 000	6 521 330
Seconded staff utilised by Sisonke Economic Development Agency (Pty) LTD	1 366 198	968 612
	<b>14 808 198</b>	<b>7 489 942</b>
Grants and subsidies paid to the entity of Harry Gwala District Municipality (Refer note 44)		
<b>26. CONTRIBUTION TO LEAVE PAY PROVISION</b>		
Contribution to Leave	1 817 972	2 463 311
Total Contribution to Leave	<b>1 817 972</b>	<b>2 463 311</b>
<b>27 BULK PURCHASES</b>		
Water	9 487 077	9 709 726
<b>Total Bulk Purchases</b>	<b>9 487 077</b>	<b>9 709 726</b>
<b>28 OPERATING GRANT EXPENDITURE</b>		
Financial Management Grant	584 404	1 250 000
Municipal System Improvement Grant	847 140	927 505
LG Seta	185 041	381 276
EPWP Grant	-	-
Inter Governmental Grant	-	46 673
Rural Transport Infrastructure Grant	1 421 228	1 557 924
EEDMP Grant	2 763 155	-
Sihleza Maize Production - CoGTA	-	345 500
Municipal Infrastructure Grant	52 291 426	58 945 273
CoGTA Umzimkhulu Grant	-	4 789 188
Government Experts	279 986	-
Councillors Accredited Training	137 197	-
Rural Household Infrastructure Grant	1 696 430	-
Planning and Shared Service Grant - CoGTA	-	448 784
District Growth Development Summit Grant - CoGTA	-	368 699
Signage Grant - CoGTA	322 600	1 051 289
Ubuhlebezwe - CoGTA	542 164	1 376 140
Community Based Planning CoGTA	-	100 000
<b>Total Operating Grant Expenditure</b>	<b>61 070 771</b>	<b>71 588 251</b>
<b>29. COLLECTION COST</b>		
Commission on collection	-	3 354 454
<b>Total Collection cost</b>	<b>-</b>	<b>3 354 454</b>
<b>30. FINANCE COSTS</b>		
Interest on external borrowings	3 510 373	3 791 790
<b>Total Interest</b>	<b>3 510 373</b>	<b>3 791 790</b>
<b>31. REPAIRS AND MAINTENANCE</b>		
<b><u>Included in repairs and maintenance are the following:-</u></b>		
Maintain Water Infrastructure in SDM	209 400	-
Office Building - R&M	232 860	-
Maintenance of Kwasani Schemes	643 113	-
Maintenance of Ingwe Schemes	2 828 988	-
Maintenance of Ubuhlebezwe Schemes	4 033 883	-
Maintenance of Umzimkhulu Schemes	5 576 045	-
Maintenance of Kokstad Schemes	5 891 459	-
Mechanical & Electrical - R&M	3 878 848	-
Maintenance Sanitation Infrastructure	-	5 601 276
Maintenance Water Infrastructure	-	10 310 324
Office Building Repairs and Maintenance	-	756 066
Operations Water and Sanitation Plants Infrastructure	-	15 151 829
Pump and Equipment Repairs and Maintenance	-	3 562 093
Other	179 738	194 152
<b>Total Repairs and Maintenance</b>	<b>23 474 333</b>	<b>35 575 739</b>

**HARRY GWALA DISTRICT MUNICIPALITY**  
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	2014 R	2013 R
<b>32.1 LOSS ON DISPOSAL OF ASSETS</b>		
Property, plant and equipment	25 115 763	137 537
<b>Total Loss on Disposal of Assets</b>	<b>25 115 763</b>	<b>137 537</b>
<b>32.2 Impairment Costs</b>		
Impairment of assets - Refer note 8.1	3 671 661	924 139
<b>Total Impairment Costs</b>	<b>3 671 661</b>	<b>924 139</b>
<b>33. CASH GENERATED BY OPERATIONS</b>		
Surplus for the year	137 378 864	160 274 020
<b>Adjustment for:-</b>		
Depreciation and amortization	37 050 414	28 991 762
(Gain) Loss on sale of assets	25 115 763	137 537
Increase in provisions	786 233	1 264 568
Impairment costs	3 671 661	924 139
Prior year asset adjustments	-	(47 023)
Provision to non-current provisions - Health care retirement	3 742 962	1 840 001
Provision to non-current provisions - long service awards	681 933	225 170
Provision for bad debts - Capital portion	19 898 541	15 023 138
Provision for bad debts - Vat portion	2 038 351	2 095 614
Other non-cash transactions	-	-
<b>Operating surplus before working capital changes</b>	<b>230 364 722</b>	<b>210 728 926</b>
(Increase) in inventories	(3 968)	(149 153)
(Increase) in receivables	(23 121 812)	(19 659 616)
Increase/(decrease) in conditional grants and receipts	(10 779 268)	(1 976 214)
Increase/(decrease) in trade payables	(140 661)	40 169 316
Increase in consumer deposits	103 872	128 510
(Increase) in vat	9 022 178	(6 108 363)
(Increase)/Decrease in other debtors	(2 180 759)	(38 391 559)
<b>Cash generated by operations</b>	<b>203 264 304</b>	<b>184 741 847</b>
<b>34. CASH AND CASH EQUIVALENTS</b>		
<b>Cash and cash equivalents included in the cash flow statement comprise the following:</b>		
Bank balances and cash	1 634 143	897 148
Call investments	27 840 342	19 288 850
<b>Net cash and cash equivalents</b>	<b>29 474 485</b>	<b>20 185 998</b>
<b>35. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>35.1 Contributions to organised local government</b>		
Opening balance	-	-
Council subscriptions	35 068	22 773
Amount paid - current	(35 068)	(22 773)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>35.2 Audit fees</b>		
Opening balance	-	-
Current year audit fee	1 783 650	1 793 030
Amount paid - current year	(1 783 650)	(1 793 030)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>35.3 VAT</b>		
VAT input receivables and VAT output payables are shown in note 7. All VAT returns have been submitted by the due date throughout the year.		



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	2014 R	2013 R
<b>35.4 PAYE and UIF</b>		
Opening balance		-
Current year payroll deductions	16 006 829	11 905 115
Amount paid - current year	(16 006 829)	(11 905 115)
<b>Balance unpaid (included in payables)</b>	-	-
<b>35.5 Pension and Medical Aid Deductions</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	12 541 753	16 070 502
Amount paid - current year	(12 541 753)	(16 070 502)
<b>Balance unpaid (included in payables)</b>	-	-

**35.6 Supply Chain Management Deviations**

Supply Chain Management Deviations	1 297 063	956 419
<b>Total Supply Chain Management Deviations</b>	<b>1 297 063</b>	<b>956 419</b>

Refer to deviation register 2013/2014 for more detail.

Section 36 deviations transferred to Irregular Expenditure

**35.7 Material Losses Incurred**

Water Losses	1 294 345	1 794 593
<b>Total Water distribution losses</b>	<b>1 294 345</b>	<b>1 794 593</b>

The water losses of 26% is calculated on the total consumption of 1 228 602kl purchased at an average price of R4.13 per kl. Total of 313 401kl was the water stock losses for 2013/2014.

**35.8 Councillor's arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at:

**as at 30 June 2014**

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
MM Nondabula	3 862	-	3 862
CM Ngcobo	945	-	945
<b>Total Councillor Arrear Consumer Accounts</b>	<b>4 808</b>	-	<b>4 808</b>

The following Councillors had arrear accounts outstanding for more than 90 days as at:

**as at 30 June 2013**

MM Nondabula	-	-	-
CM Ngcobo	-	-	-
<b>Total Councillor Arrear Consumer Accounts</b>	-	-	-

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	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>36. CAPITAL COMMITMENTS</b>		
<b>36.1 Commitments in respect of capital expenditure</b>		
<b>- Approved and contracted for</b>	<b>193 755 148</b>	<b>344 234 118</b>
Infrastructure	187 601 954	337 159 790
Corporate Services	6 153 194	7 074 328
<b>- Approved but not yet contracted for</b>	<b>134 739 096</b>	<b>96 978 050</b>
Infrastructure	124 954 702	96 591 104
Corporate Services	3 259 394	
Social Economic Development	2 525 000	-
Water Services	4 000 000	386 947
<b>Total</b>	<b>328 494 244</b>	<b>441 212 169</b>
This expenditure will be financed from:		
- External Loans	-	-
- Government Grants	309 356 656	438 318 343
- Own resources	19 137 588	7 992 519
	<b>328 494 244</b>	<b>446 310 862</b>
<b>36.2 Operating leases</b>		
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
<b>Operating leases - lessee</b>		
Within one year	232 320	286 696
In the second to fifth year inclusive	-	232 320
<b>Total Operating Leases</b>	<b>232 320</b>	<b>519 016</b>
Operating Leases consists of the following:		
Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years.		

**HARRY GWALA DISTRICT MUNICIPALITY**  
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**37. RETIREMENT BENEFITS**

**Pension benefits**

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

**Superannuation**

The interim valuation carried out on the Superannuation Fund as at 31 March 2013 reflected:

The memorandum account in respect of pensioners was fully funded. The required contribution rate for active members exceeded the contribution rate payable by 0.83% of pensionable salaries thus necessitating a contribution increase from 21.63% of pensionable salaries to fund the shortfall in contributions. The deficit in the fund, as at 31 March 2013, in respect of active members, amounted to R158 716 (discounted cashflow method). This deficit has increased since the last valuation date and has thus necessitated an increase in the surcharge from 7% to 9.5% for a period of 8 years from 1 July 2012.

The interim valuation carried out on the Superannuation Fund as at 31 March 2012 reflected:

The memorandum account in respect of pensioners was fully funded. The required contribution rate for active members exceeded the contribution rate payable by 0.22% of pensionable salaries. It is recommended that local authorities continue to pay the current contribution rate of 21.63% of pensionable salaries. The deficit in the fund, as at 31 March 2012, in respect of active members, amounted to R270.0m (discounted cashflow method). This deficit has decreased since the last valuation date. In terms of the scheme, a surcharge of 9.5% of pensionable salaries is payable for a period of 8 years with effect from 1 July 2012.

**Provident Fund**

The valuation reveals that the Fund is 104.2% funded as at the valuation date.

The latest statutory interim valuation of the Provident Fund (defined contribution) as at 31 March 2013 revealed that the fund was in a sound financial position as at the valuation date.

**Retirement Fund**

The interim valuation carried out on the Retirement Fund as at 31 March 2013 reflected:

The Fund is 93.1% funded as at the valuation date at the overall level. The pensioner liabilities are fully funded and the liabilities in respect of the active members are 86% funded.

The memorandum account in respect of pensioners was fully funded on the discounted cash flow method. The Funds liabilities for the contributory members exceeded the value of the assets; it is expected that the shortfall will be funded by a surcharge of 17.5% of pensionable emoluments by 2015.

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	2014 R	2013 R
<b>38. CONTINGENT LIABILITY</b>		
<b>38.1 Eskom</b>		
Eskom Guarantee	200 000	200 000
<b>Total Contingent Liability</b>	<b>200 000</b>	<b>200 000</b>
<b>38.2 Contingent Liability</b>		
Council is awaiting the outcome of the following Civil Claim and Employee Disciplinary actions.:		
<b>The nature of claims as defendant are as follows:</b>		
Advertising costs	32 134	32 134
Damages to private vehicle	163 089	163 089
Personnel costs	100 000	100 000
Personnel costs	259 684	259 684
B Helston Investments	3 135	-
Merensky Forestry Land	2 508	-
Bhungane Built Environment	2 700 000	-
Mahlaselondwe Trading	3 381 656	-
<b>Total Other Contingent Liability as Defendant</b>	<b>6 642 207</b>	<b>554 907</b>
<b>38.3 Internal Contingent Liability</b>		
Bhungane Built Environment	-	1 667 686
Norton Rose South Africa	-	60 820
Matatiele Local Municipality	2 941 249	2 941 249
J Leslie Smith & Company Inc.	113 197	113 197
<b>Total Contingent Liability from Trade and other payables from exchange transactions</b>	<b>3 054 447</b>	<b>4 782 952</b>

**39. FINANCIAL INSTRUMENTS**

**Financial Risk Management Objectives**

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk.

The use of financial derivatives is governed by municipalities policies approved by the Council, which provides written principles on interest rate risks, credit risks, the use of financial derivatives and non-derivatives financial instruments, and the investments of excess liquidity. The municipalities does not enter into or trade financial instruments, including derivatives financial instruments, for speculative purposes.

**39.1 Maximum credit risk exposure**

Credit rate risk consist mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, without taking account of the value of any collateral obtained:

The maximum credit exposure in respect of the relevent financial instruments is as follows (domestic exposure only)

	2014 R	2013 R
Investments	-	-
Cash and Cash Equivalents	29 474 485	20 185 998
Financial guarantees	-	-
Trade and other receivables	55 267 035	51 901 355
<b>Maximum Credit Exposure</b>	<b>84 741 520</b>	<b>72 087 353</b>

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**39.2 Liquidity risk**

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the undiscounted cash flows.

	<b>2014</b>	<b>1 month or less</b>	<b>&gt; 12 months</b>
Gross finance lease obligations		2 923 407	5 129 664
Long Term Borrowings		3 415 335	22 063 772
Trade and other payables		82 974 151	-

	<b>2013</b>	<b>1 month or less</b>	<b>&gt; 12 months</b>
Gross finance lease obligations		1 697 816	2 088 618
Long Term Borrowings		3 297 062	25 595 948
Trade and other payables		85 614 047	-

**Other Financial Risk Management Objectives**

**39.3 Interest rate risk**

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in the market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Call deposits	27 840 042	19 288 850
Bank balances and cash	1 634 143	897 148
DBSA loan	1 663 578	2 883 928
ABSA loan	23 815 529	26 009 082
<b>Maximum Interest exposure</b>	<b>54 953 292</b>	<b>49 079 008</b>

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	2014 R	2013 R
<b>40. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>40.1 Unauthorised expenditure</b>		
<u>Reconciliation of unauthorised expenditure:</u>		
Opening balance	159 163 652	35 272 034
Unauthorised expenditure current year	164 918 134	159 163 652
Approved by Council or condoned	(159 163 652)	(35 272 034)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting condonement	<u>164 918 134</u>	<u>159 163 652</u>
<b>Unauthorised expenditure</b>	<b>164 918 135</b>	<b>159 163 652</b>
<b>Made Up as follows:</b>		
1. Over expenditure on the Opex Votes	77 246 143	55 194 445
2. Over expenditure on the Capex Votes	10 779 583	21 533 193
3. Over expenditure on the Line item Categories	76 892 409	72 070 571
4. Expenditure on an Allocation other than for its intended Purpose	-	10 365 443
Unauthorised expenditure for 2013/2014 will be presented to the Council for investigation and approval for write off. An application to National Treasury for condonment of Unauthorised expenditure will be submitted in 2014/2015.		
<b>40.2 Fruitless and wasteful expenditure</b>		
<u>Reconciliation of fruitless and wasteful expenditure:</u>		
Opening balance	479 787	23 322
Fruitless and wasteful expenditure current year	26 050	479 787
Condoned or written off by Council	(479 787)	(23 322)
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>26 050</u>	<u>479 787</u>
Fruitless and wasteful expenditure for 2013/2014 will be presented to the Council for investigation and approval for write off. An application to National Treasury for condonment of Fruitless and wasteful expenditure will be submitted in 2014/2015.		
<b>40.3 Irregular expenditure</b>		
<u>Reconciliation of irregular expenditure:</u>		
Opening balance	257 344 020	360 572 601
Irregular expenditure current year	187 116 940	257 340 492
Condoned or written off by Council	(257 344 020)	(360 569 073)
Restated after investigation	-	-
Irregular expenditure awaiting condonement	<u>187 116 940</u>	<u>257 344 020</u>
Irregular expenditure for 2013/2014 will be presented to the Council for investigation and approval for write off. An application to National Treasury for condonment of Irregular expenditure will be submitted in 2014/2015.		
<b>41. SUBSEQUENT EVENTS</b>		
<b>Unspent Conditional Grants - Neighbourhood Development Grant</b>		
Communication received from National Treasury has indicated this unspent conditional grant has to be transferred back in 2014/2015 Refer to note 10.1		
<b>42. CORRECTION OF ERROR</b>		
<b>42.1 Property, Plant and Equipment</b>		<b>2013</b>
Property, Plant and Equipment as previously reported		1 125 311 109
Infrastructure assets previously not recognised as PPE - cost		40 724 952
Infrastructure assets previously not recognised as PPE - depreciation		(13 198 317)
Assets previously duplicated		(1 678 750)
Assets under construction converted to PPE		141 271 999
Assets under construction brought into use		(141 271 999)
Property, Plant and Equipment restated 30 June 2013		<u>1 151 158 994</u>
<b>42.2 Other debtors</b>		
Other debtors as previously reported		46 240 946
MIG debtor (refer to note 20.2)		5 767 953
Other debtors restated 30 June 2013		<u>52 008 899</u>

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**43. GOING CONCERN**

*Harry Gwala District Municipality has been experiencing working capital management challenges largely posed by its inability to maximize debt collection which would result in healthier cash flows. The liquidity position of the Municipality though still unsatisfactory reflects improvement over the past three years with the reporting period included at 0.85 (2014) 0.61:1 (2013) ratio.*

The Municipality each year, in terms of Division of Revenue Act, receives considerable funding through equitable share for largely operating budget and Municipal Infrastructure grant for providing water and sanitation infrastructure development so as to provide basic services. In an effort to reduce the current liabilities the municipality has, in its 2014/2015 budget, provided for the projects the conditional grants of which were used on other programmes unrelated to the grant. Systems of internal controls have been established in order to appropriately manage the employment of conditional grants.

As a consequence, the Council believes that the Municipality is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Council have a reasonable expectation that the municipality has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

**44. RELATED PARTIES**

**44.1 Controlled Entities**

The municipality controls the following reporting entity:

Sisonke Economic Development Agency:

Harry Gwala District Municipality has 100% shareholding in Sisonke Economic Development Agency. Sisonke Economic Development Agency is a registered (PTY) Ltd company in terms of the Company Act.

**44.2 Related Party Transactions**

During the reporting period Harry Gwala District Municipality has transferred R 14 808 198 to Sisonke Development Agency. In the previous financial 2012/2013 Harry Gwala District Municipality transferred R 7 489 942 to Sisonke Development Agency. (Refer note 25)

**44.3 Close members of the family and Members of Staff**

The Harry Gwala District Municipality had business dealings with two companies that are owned by a close member of family and a member of staff during the year under review:-

ID no.	Supplier name	Relationship to person in service of the auditee	Amount R
6806035701089	Madeyi Trading	Employee	36 492
7901195569084	Phindangaye Trading	Spouse	75 700