



**HARRY GWALA DISTRICT MUNICIPALITY AND ITS  
CONTROLLED ENTITY  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## General Information

---

<b>Legal form of entity</b>	DISTRICT MUNICIPALITY
<b>Mayoral committee</b>	
Executive Mayor	M NDOBE
Deputy Mayor	NH DUMA
Speaker	GP NZIMANDE
Member of executive committee	SB BHENGU
Member of executive committee	KS MADLALA
Member of executive committee	CB KUNENE
Councillors	NB MNGADI
	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
	CM NGCOBO
	BW DLAMINI
	PB KLEINBOOI
<b>Grading of local authority</b>	GRADE 4
<b>Chief Finance Officer (CFO)</b>	MR M MKATU
<b>Accounting Officer</b>	Mrs AN Dlamini
<b>Registered office</b>	HARRY GWALA DISTRICT MUNICIPALITY MAIN OFFICE
<b>Business address</b>	40 MAIN STREET IXOPO 3276
<b>Postal address</b>	PRIVATE BAG X501 IXOPO 3276
<b>Municipality</b>	HARRY GWALA DISTRICT MUNICIPALITY
<b>Controlled entity</b>	SISONKE ECONOMIC DEVELOPMENT AGENCY (PTY) LTD
<b>Bankers</b>	FIRST NATIONAL BANK
<b>Auditors</b>	AUDITOR-GENERAL SOUTH AFRICA
<b>Telephone number</b>	039 - 834 8700
<b>Fax number</b>	039 - 834 2258

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## General Information

---

Sisonke Development Agency (Pty) Ltd Board of Directors

JP KHOZA (Chairman)

ZW NDAMASE

NC ZUNGU

A DHUKI

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Index

---

The reports and statements set out below comprise the consolidated annual financial statements presented to the provincial legislature:

<b>Index</b>	<b>Page</b>
Approval of financial statements	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Appropriation Statement	9 - 14
Accounting Policies	15 - 29
Notes to the Consolidated Annual Financial Statements	30 - 72

### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **Harry Gwala District Municipality and its Controlled Entity**

**Consolidated Annual Financial Statements for the year ended 30 June 2015**

## **Approval of financial statements**

---

I am responsible for the preparation of these Annual Financial Statements, which are set out in pages 5 to 71 in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 34 of these annual financial statements 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..

---

**Municipal Manager**

**30 September 2015**

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	Group		Municipality	
		2015	2014	2015	2014
<b>Assets</b>					
Current Assets					
Inventories	3	262 552	268 684	262 552	268 684
Receivables from exchange transactions	4	30 707	-	-	-
Receivables from non-exchange transactions	5	6 477 036	3 953 958	5 076 069	3 953 958
VAT receivable	6	13 155 558	4 846 391	12 038 392	4 846 391
Trade and other receivable from exchange transactions	7	25 704 130	6 928 471	25 704 130	6 928 471
Cash and cash equivalents	8	36 115 232	34 010 088	25 871 310	29 474 485
		<b>81 745 215</b>	<b>50 007 592</b>	<b>68 952 453</b>	<b>45 471 989</b>
Non-Current Assets					
Property, plant and equipment	9	1 495 738 321	1 304 459 799	1 470 186 113	1 278 955 886
Intangible assets	10	566 774	631 423	477 664	607 450
Investment in entity	11	-	-	100	100
		<b>1 496 305 095</b>	<b>1 305 091 222</b>	<b>1 470 663 877</b>	<b>1 279 563 436</b>
<b>Total Assets</b>		<b>1 578 050 310</b>	<b>1 355 098 814</b>	<b>1 539 616 330</b>	<b>1 325 035 425</b>
<b>Liabilities</b>					
Current Liabilities					
Borrowings	12	3 265 828	3 415 335	3 265 828	3 415 335
Finance lease obligation	13	2 636 761	2 944 674	2 581 422	2 923 407
Payables from exchange transactions	14	148 196 198	85 551 254	143 144 439	86 957 195
Payables from non exchange transactions	15	235	2 499 235	235	2 499 235
VAT payable	16	-	12 696	-	-
Consumer deposits	17	1 257 312	1 113 719	1 257 312	1 113 719
Unspent conditional grants and receipts	18	11 799 257	21 889 196	10 980 409	19 552 134
Provisions	19	359 524	206 505	359 524	206 505
		<b>167 515 115</b>	<b>117 632 614</b>	<b>161 589 169</b>	<b>116 667 530</b>
Non-Current Liabilities					
Borrowings	12	18 683 390	22 063 772	18 683 390	22 063 772
Finance lease obligation	13	3 908 450	5 130 647	3 797 772	5 129 664
Provisions	19	16 671 946	13 927 928	16 671 946	13 927 928
		<b>39 263 786</b>	<b>41 122 347</b>	<b>39 153 108</b>	<b>41 121 364</b>
<b>Total Liabilities</b>		<b>206 778 901</b>	<b>158 754 961</b>	<b>200 742 277</b>	<b>157 788 894</b>
<b>Net Assets</b>		<b>1 371 271 409</b>	<b>1 196 343 853</b>	<b>1 338 874 053</b>	<b>1 167 246 531</b>
Accumulated surplus		1 371 271 409	1 196 343 853	1 338 874 053	1 167 246 531

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

Figures in Rand	Note(s)	Group		Municipality	
		2015	2014	2015	2014
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	20	55 400 032	48 904 504	55 400 032	48 904 504
Interest received (trading)		7 446 155	5 637 940	7 446 155	5 637 940
Other income	21	1 400 557	1 874 214	1 381 916	1 858 942
Interest received - investment	22	3 669 439	3 426 412	3 476 098	3 343 503
<b>Total revenue from exchange transactions</b>		<b>67 916 183</b>	<b>59 843 070</b>	<b>67 704 201</b>	<b>59 744 889</b>
<b>Revenue from non-exchange transactions</b>					
<b>Transfer revenue</b>					
Government grants & subsidies	23	531 589 044	451 941 490	500 617 409	434 261 904
<b>Total revenue</b>	24	<b>599 505 227</b>	<b>511 784 560</b>	<b>568 321 610</b>	<b>494 006 793</b>
<b>Expenditure</b>					
Bulk purchases	25	(8 947 479)	(9 487 077)	(8 947 479)	(9 487 077)
Collection costs		(1 918 923)	-	(1 918 923)	-
Community participation	26	(4 269 915)	(4 228 210)	(4 269 915)	(4 228 210)
Contracted services	27	(55 334 699)	(26 872 211)	(51 144 235)	(23 658 729)
Contribution to bad debt provision	28	(11 988 572)	(23 205 844)	(11 988 572)	(23 205 844)
Depreciation and amortisation	29	(40 859 302)	(37 165 739)	(39 753 516)	(37 050 412)
Directors fees		(355 768)	(418 768)	-	-
Employee related costs	30	(113 782 354)	(106 037 067)	(106 345 082)	(99 942 600)
Finance costs	31	(3 712 090)	(3 514 499)	(3 711 014)	(3 510 373)
General expenses	32	(80 428 208)	(67 206 543)	(72 248 224)	(65 157 441)
Grants and subsidies paid		(640)	-	(16 500 640)	(14 808 198)
Operating grant expenses	33	(59 209 899)	(77 951 020)	(39 954 116)	(61 070 771)
Provision for leave pay reserve		(1 845 442)	(1 825 243)	(1 732 761)	(1 817 972)
Remuneration of councillors	34	(5 687 525)	(5 249 110)	(5 687 525)	(5 249 110)
Repairs and maintenance	35	(22 624 538)	(23 539 344)	(22 131 829)	(23 474 334)
<b>Total expenditure</b>		<b>(410 965 354)</b>	<b>(386 700 675)</b>	<b>(386 333 831)</b>	<b>(372 661 071)</b>
<b>Operating surplus</b>		<b>188 539 873</b>	<b>125 083 885</b>	<b>181 987 779</b>	<b>121 345 722</b>
Loss on disposal of assets and liabilities		(13 205 404)	-	(9 953 337)	(25 115 763)
Impairment loss		(406 913)	(3 671 661)	(406 913)	(3 671 661)
		<b>(13 612 317)</b>	<b>(3 671 661)</b>	<b>(10 360 250)</b>	<b>(28 787 424)</b>
<b>Surplus for the year</b>		<b>174 927 556</b>	<b>121 412 224</b>	<b>171 627 529</b>	<b>92 558 298</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Group</b>		
<b>Balance at 01 July 2013</b>	<b>1 072 096 736</b>	<b>1 072 096 736</b>
Changes in net assets		
Surplus for the year	121 412 224	121 412 224
Total changes	121 412 224	121 412 224
Opening balance as previously reported	1 193 508 960	1 193 508 960
Adjustments		
Correction of errors	2 834 893	2 834 893
<b>Balance at 01 July 2014 as restated*</b>	<b>1 196 343 853</b>	<b>1 196 343 853</b>
Changes in net assets		
Surplus for the year	174 927 556	174 927 556
Total changes	174 927 556	174 927 556
<b>Balance at 30 June 2015</b>	<b>1 371 271 409</b>	<b>1 371 271 409</b>
<b>Municipality</b>		
<b>Balance at 01 July 2013</b>	<b>1 071 838 481</b>	<b>1 071 838 481</b>
Changes in net assets		
Surplus for the year	92 558 311	92 558 311
Total changes	92 558 311	92 558 311
Opening balance as previously reported	1 164 396 792	1 164 396 792
Adjustments		
Correction of errors	2 849 737	2 849 737
<b>Balance at 01 July 2014 as restated*</b>	<b>1 167 246 531</b>	<b>1 167 246 531</b>
Changes in net assets		
Surplus for the year	171 627 522	171 627 522
Total changes	171 627 522	171 627 522
<b>Balance at 30 June 2015</b>	<b>1 338 874 053</b>	<b>1 338 874 053</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Cash Flow Statement

Figures in Rand	Note(s)	Group		Municipality	
		2015	2014	2015	2014
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Sale of goods and services		25 174 535	23 601 933	25 155 894	23 601 933
Grants		535 993 512	488 716 360	489 546 684	468 303 190
Interest income		3 669 439	3 426 412	3 476 098	3 343 503
Other receipts		-	7 496 882	-	7 496 882
		<u>564 837 486</u>	<u>523 241 587</u>	<u>518 178 676</u>	<u>502 745 508</u>
<b>Payments</b>					
Employee costs		(116 928 610)	(106 037 066)	(109 135 570)	(99 942 600)
Suppliers		(190 522 066)	(214 374 511)	(161 693 209)	(192 903 327)
Finance costs		(3 712 090)	(3 514 499)	(3 711 014)	(3 510 373)
Other payments		(824 081)	(3 124 905)	(824 081)	(3 124 907)
		<u>(311 986 847)</u>	<u>(327 050 981)</u>	<u>(275 363 874)</u>	<u>(299 481 207)</u>
<b>Net cash flows from operating activities</b>	36	<b><u>252 850 639</u></b>	<b><u>196 190 606</u></b>	<b><u>242 814 802</u></b>	<b><u>203 264 301</u></b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	9	(243 814 901)	(187 863 083)	(239 453 829)	(187 689 542)
Proceeds from sale of property, plant and equipment	9	571	-	-	-
Purchase of other intangible assets	10	(242 372)	(440 953)	(131 588)	(423 443)
<b>Net cash flows from investing activities</b>		<b><u>(244 056 702)</u></b>	<b><u>(188 304 036)</u></b>	<b><u>(239 585 417)</u></b>	<b><u>(188 113 085)</u></b>
<b>Cash flows from financing activities</b>					
Repayment of borrowings		(3 529 889)	(3 413 902)	(3 529 889)	(3 413 902)
Finance lease payments		(3 158 904)	(2 538 691)	(3 302 671)	(2 448 827)
<b>Net cash flows from financing activities</b>		<b><u>(6 688 793)</u></b>	<b><u>(5 952 593)</u></b>	<b><u>(6 832 560)</u></b>	<b><u>(5 862 729)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2 105 144</b>	<b>1 933 977</b>	<b>(3 603 175)</b>	<b>9 288 487</b>
Cash and cash equivalents at the beginning of the year		34 010 088	32 076 111	29 474 485	20 185 998
<b>Cash and cash equivalents at the end of the year</b>	8	<b><u>36 115 232</u></b>	<b><u>34 010 088</u></b>	<b><u>25 871 310</u></b>	<b><u>29 474 485</u></b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Group - 2015</b>											
<b>Financial Performance</b>											
Service charges	51 968 214	7 289 855	59 258 069	-	-	59 258 069	55 400 032	-	(3 858 037)	93 %	107 %
Investment revenue	2 665 500	900 000	3 565 500	-	-	3 565 500	3 669 439	-	103 939	103 %	138 %
Transfers recognised - operational	293 536 064	14 577 975	308 114 039	-	-	308 114 039	313 168 326	-	5 054 287	102 %	107 %
Other own revenue	20 429 000	7 549 500	27 978 500	-	-	27 978 500	8 846 712	-	(19 131 788)	32 %	43 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>368 598 778</b>	<b>30 317 330</b>	<b>398 916 108</b>	<b>-</b>	<b>-</b>	<b>398 916 108</b>	<b>381 084 509</b>	<b>-</b>	<b>(17 831 599)</b>	<b>96 %</b>	<b>103 %</b>
Employee costs	(114 274 483)	-	(114 274 483)	-	-	(114 274 483)	(113 782 354)	-	492 129	100 %	100 %
Remuneration of councillors	(6 655 056)	-	(6 655 056)	-	-	(6 655 056)	(5 687 525)	-	967 531	85 %	85 %
Debt impairment	(10 000 000)	(13 000 000)	(23 000 000)	-	-	(23 000 000)	(11 988 572)	-	11 011 428	52 %	120 %
Depreciation and asset impairment	(21 396 213)	(15 000 000)	(36 396 213)	-	-	(36 396 213)	(40 859 302)	-	(4 463 089)	112 %	191 %
Finance charges	(2 650 395)	(561 088)	(3 211 483)	-	-	(3 211 483)	(3 712 090)	-	(500 607)	116 %	140 %
Materials and bulk purchases	(5 472 304)	(3 008 954)	(8 481 258)	-	-	(8 481 258)	(8 947 479)	-	(466 221)	105 %	164 %
Transfers and grants	(11 577 954)	-	(11 577 954)	-	-	(11 577 954)	(59 209 899)	-	(47 631 945)	511 %	511 %
Other expenditure	(178 755 148)	(48 881 224)	(227 636 372)	-	-	(227 636 372)	(180 390 450)	-	47 245 922	79 %	101 %
<b>Total expenditure</b>	<b>(350 781 553)</b>	<b>(80 451 266)</b>	<b>(431 232 819)</b>	<b>-</b>	<b>-</b>	<b>(431 232 819)</b>	<b>(424 577 671)</b>	<b>-</b>	<b>6 655 148</b>	<b>98 %</b>	<b>121 %</b>
<b>Surplus/(Deficit)</b>	<b>17 817 225</b>	<b>(50 133 936)</b>	<b>(32 316 711)</b>	<b>-</b>	<b>-</b>	<b>(32 316 711)</b>	<b>(43 493 162)</b>	<b>-</b>	<b>(11 176 451)</b>	<b>135 %</b>	<b>135 %</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	245 776 432	-	245 776 432	-		245 776 432	218 420 718		(27 355 714)	89 %	89 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>263 593 657</b>	<b>(50 133 936)</b>	<b>213 459 721</b>	<b>-</b>		<b>213 459 721</b>	<b>174 927 556</b>		<b>(38 532 165)</b>	<b>82 %</b>	<b>66 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>263 593 657</b>	<b>(50 133 936)</b>	<b>213 459 721</b>	<b>-</b>		<b>213 459 721</b>	<b>174 927 556</b>		<b>(38 532 165)</b>	<b>82 %</b>	<b>66 %</b>
<b>Capital expenditure and funds sources</b>											
<b>Sources of capital funds</b>											
Transfers recognised - capital	245 776 432	-	245 776 432	-		245 776 432	215 932 784		(29 843 648)	88 %	88 %
Internally generated funds	13 484 394	-	13 484 394	-		13 484 394	-		(13 484 394)	- %	- %
<b>Total sources of capital funds</b>	<b>259 260 826</b>	<b>-</b>	<b>259 260 826</b>	<b>-</b>		<b>259 260 826</b>	<b>215 932 784</b>		<b>(43 328 042)</b>	<b>83 %</b>	<b>83 %</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	277 000 891	-	277 000 891	-		277 000 891	252 850 639		(24 150 252)	91 %	91 %
Net cash from (used) investing	(259 260 826)	-	(259 260 826)	-		(259 260 826)	(244 056 702)		15 204 124	94 %	94 %
Net cash from (used) financing	(3 372 178)	-	(3 372 178)	-		(3 372 178)	(6 688 793)		(3 316 615)	198 %	198 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>14 367 887</b>	<b>-</b>	<b>14 367 887</b>	<b>-</b>		<b>14 367 887</b>	<b>2 105 144</b>		<b>(12 262 743)</b>	<b>15 %</b>	<b>15 %</b>
Cash and cash equivalents at the beginning of the year	29 474 000	-	29 474 000	-		29 474 000	34 010 088		4 536 088	115 %	115 %
<b>Cash and cash equivalents at year end</b>	<b>43 841 887</b>	<b>-</b>	<b>43 841 887</b>	<b>-</b>		<b>43 841 887</b>	<b>36 115 232</b>		<b>(7 726 655)</b>	<b>82 %</b>	<b>82 %</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Municipality - 2015</b>											
<b>Financial Performance</b>											
Service charges	45 313 158	6 451 355	51 764 513	-	-	51 764 513	55 400 032	-	3 635 519	107 %	122 %
Investment revenue	2 600 000	900 000	3 500 000	-	-	3 500 000	3 476 098	-	(23 902)	99 %	134 %
Transfers recognised - operational	249 245 568	14 577 975	263 823 543	-	-	263 823 543	273 740 737	-	9 917 194	104 %	110 %
Other own revenue	8 679 000	7 549 500	16 228 500	-	-	16 228 500	8 828 071	-	(7 400 429)	54 %	102 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>305 837 726</b>	<b>29 478 830</b>	<b>335 316 556</b>	<b>-</b>	<b>-</b>	<b>335 316 556</b>	<b>341 444 938</b>	<b>-</b>	<b>6 128 382</b>	<b>102 %</b>	<b>112 %</b>
Employee costs	(102 424 332)	(2 276 003)	(104 700 335)	-	-	(104 700 335)	(106 345 082)	-	(1 644 747)	102 %	104 %
Remuneration of councillors	(6 655 056)	-	(6 655 056)	-	-	(6 655 056)	(5 687 525)	-	967 531	85 %	85 %
Debt impairment	(10 000 000)	(13 000 000)	(23 000 000)	-	-	(23 000 000)	(11 988 572)	-	11 011 428	52 %	120 %
Depreciation and asset impairment	(33 532 720)	(15 000 000)	(48 532 720)	-	-	(48 532 720)	(39 753 516)	-	8 779 204	82 %	119 %
Finance charges	(2 638 911)	561 088	(2 077 823)	-	-	(2 077 823)	(3 711 014)	-	(1 633 191)	179 %	141 %
Materials and bulk purchases	(5 000 004)	(3 008 954)	(8 008 958)	-	-	(8 008 958)	(8 947 479)	-	(938 521)	112 %	179 %
Transfers and grants	(15 000 000)	(6 400 000)	(21 400 000)	-	-	(21 400 000)	(22 426 825)	-	(1 026 825)	105 %	150 %
Other expenditure	(131 879 352)	(42 437 349)	(174 316 701)	-	-	(174 316 701)	(206 264 359)	-	(31 947 658)	118 %	156 %
<b>Total expenditure</b>	<b>(307 130 375)</b>	<b>(81 561 218)</b>	<b>(388 691 593)</b>	<b>-</b>	<b>-</b>	<b>(388 691 593)</b>	<b>(405 124 372)</b>	<b>-</b>	<b>(16 432 779)</b>	<b>104 %</b>	<b>132 %</b>
<b>Surplus/(Deficit)</b>	<b>(1 292 649)</b>	<b>(52 082 388)</b>	<b>(53 375 037)</b>	<b>-</b>	<b>-</b>	<b>(53 375 037)</b>	<b>(63 679 434)</b>	<b>-</b>	<b>(10 304 397)</b>	<b>119 %</b>	<b>4 926 %</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	245 526 432	6 507 025	252 033 457	-		252 033 457	252 841 691		808 234	100 %	103 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>244 233 783</b>	<b>(45 575 363)</b>	<b>198 658 420</b>	<b>-</b>		<b>198 658 420</b>	<b>189 162 257</b>		<b>(9 496 163)</b>	<b>95 %</b>	<b>77 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>244 233 783</b>	<b>(45 575 363)</b>	<b>198 658 420</b>	<b>-</b>		<b>198 658 420</b>	<b>189 162 257</b>		<b>(9 496 163)</b>	<b>95 %</b>	<b>77 %</b>
<b>Capital expenditure and funds sources</b>											
<b>Sources of capital funds</b>											
Transfers recognised - capital	245 776 432	11 757 025	257 533 457	-		257 533 457	348 318 362		90 784 905	135 %	142 %
Internally generated funds	12 984 394	(6 175 416)	6 808 978	-		6 808 978	6 808 978		-	100 %	52 %
<b>Total sources of capital funds</b>	<b>258 760 826</b>	<b>5 581 609</b>	<b>264 342 435</b>	<b>-</b>		<b>264 342 435</b>	<b>355 127 340</b>		<b>90 784 905</b>	<b>134 %</b>	<b>137 %</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	275 923 568	14 123 912	290 047 480	-		290 047 480	242 814 802		(47 232 678)	84 %	88 %
Net cash from (used) investing	(258 760 826)	(21 085 000)	(279 845 826)	-		(279 845 826)	(239 585 417)		40 260 409	86 %	93 %
Net cash from (used) financing	(3 355 929)	-	(3 355 929)	-		(3 355 929)	(6 832 560)		(3 476 631)	204 %	204 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>13 806 813</b>	<b>(6 961 088)</b>	<b>6 845 725</b>	<b>-</b>		<b>6 845 725</b>	<b>(3 603 175)</b>		<b>(10 448 900)</b>	<b>(53)%</b>	<b>(26)%</b>
Cash and cash equivalents at the beginning of the year	30 000 000	(525 510)	29 474 490	-		29 474 490	29 474 485		(5)	100 %	98 %
<b>Cash and cash equivalents at year end</b>	<b>43 806 813</b>	<b>(7 486 598)</b>	<b>36 320 215</b>	<b>-</b>		<b>36 320 215</b>	<b>25 871 310</b>		<b>10 448 905</b>	<b>71 %</b>	<b>59 %</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These consolidated annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.2 Consolidation

#### Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the economic entity presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and controlled entity, including special purpose entities, which are controlled by the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The consolidated annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional consolidated annual financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the consolidated annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's consolidated annual financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the consolidated annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

#### Revenue Recognition

Accounting Policy on Revenue from Exchange Transactions and Accounting Policy 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.

#### Financial assets and liabilities

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

#### Impairment of Financial Assets

Accounting Policy 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.

#### Useful lives of Property, Plant and Equipment (“PPE”)

As described in Accounting Policies on property, plant and equipment and intangible assests, 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

#### Impairment: Write down of PPE

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

#### Defined Benefit Plan Liabilities

As described in Accounting Policy on employee benefits, 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 Notes to the Annual Financial Statements.

Multi-employer defined benefit funds are accounted for as defined contribution plan.

### 1.4 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 economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.4 Property, plant and equipment (continued)

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.

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

---

Item	Depreciation method	Average useful life
Buildings	Straight line	
• Office		30 years
Transport assets	Straight line	
• Motor vehicles		7 years
• Trailers and accessories		10 years
• Trucks		10 years
Furniture and office equipment	Straight line	
• Office equipment (including fax machines)		7 years
• Office furniture		7 years
• Paintings, sculptures, ornaments (home and office)		10 years
Computer Equipment	Straight line	
• Computer hardware including operating systems		5 years
• Networks		10 years
• Computer software		5 years
Dams/structure	Straight line	
• Concrete		100 years
• Earth		50 years
River	Straight line	
• Structure: Weir		50 years
• Borehole Establishment		30 years

---

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.4 Property, plant and equipment (continued)

Pump Stations	Straight line	
• Structure- buildings		55 years
• Structure-Clarifiers		55 years
• Structure-Filters		55 years
• Electrical		20 years
• Mechanical		15 years
• Containers - Diesel		15 years
• Structure – Carports		15 years
Perimeter protection	Straight line	
• Palisade - Concrete		25 years
• Palisade – Steel / Razor wire / Weld mesh		15 years
Reservoirs	Straight line	
• Structure – Concrete		50 years
• Structure – Galaxy		30 years
• Structure – Steel Tank		30 years
• Structure – Jojo		15 years
• Electrical		20 years
• Mechanical		15 years
Underground: Chambers & Manholes	Straight line	
• Chambers		30 years
• Manholes		30 years
Water purification works	Straight line	
• Structure		55 years
• Ponds		55 years
• Electrical		20 years
• Mechanical		15 years
Spring protection	Straight line	
• Spring		20 years
• Jojo tank		15 years
• Reticulation		40 years
• Standpipes		20 years
Sewerage	Straight line	
• Structure - Buildings		55 years
• Structure - Reactors		55 years
• Structure – Drying Beds		55 years
• Structure – Clarifiers chambers		35 years
• Structure – Maturation Ponds		35 years
• Electrical		20 years
• Mechanical		15 years
• Containers - Diesel		15 years
• Structure – Carports		15 years
• Rising mains		40 years
• Gravity mains		40 years
Other machinery and equipment	Straight line	
• Audiovisual equipment		10 years
• Building air conditioning systems		5 years
• Domestic equipment		5 years
• Kitchen appliances		10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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.

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.4 Property, plant and equipment (continued)

Items of property, plant and equipment 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 economic entity 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. 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 cash flow statement.

### 1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. 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, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

The economic entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

### 1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.6 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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..

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Short-term Investment Deposits – Call	Financial asset measured at amortised cost
Bank Balances and Cash	Financial asset measured at amortised cost
Long-term Receivables	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
Other Debtors	Financial asset measured at amortised cost
Investments in Fixed Deposits	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Long-term Liabilities	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost
Short-term loans	Financial liability measured at amortised cost

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.6 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

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.

#### Derecognition

##### 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.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

### 1.7 Tax

#### Value added tax

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

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.10 Employee benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

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

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

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Post-employment benefits: Defined contribution plans

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

The 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.

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.10 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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

#### 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.

#### 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.

#### 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.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.10 Employee benefits (continued)

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the consolidated annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.11 Provisions and contingencies

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event;
- 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.

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

### 1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.13 Revenue from exchange transactions (continued)

#### 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

#### 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

#### Finance Income

Interest is recognised, in surplus or deficit, using the effective interest rate method.

#### Rentals

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

### 1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

#### 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.

#### Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful

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..

#### Government grants

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.

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.19 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 economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.20 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

### 1.21 Events after reporting date

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

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

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014

### 2. New standards and interpretations

#### GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The economic entity expects to adopt the standard for the first time in the 2016 consolidated annual financial statements.

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

#### 2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2015 or later periods:

#### 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 economic entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2015.

The economic entity expects to adopt the standard for the first time in the 2016 consolidated annual financial statements.

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

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

---

### 2. New standards and interpretations (continued)

#### **GRAP 106: Transfers of functions between entities not under common control**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The economic entity expects to adopt the standard for the first time in the 2016 consolidated annual financial statements.

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

#### **GRAP 107: Mergers**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The economic entity expects to adopt the standard for the first time in the 2016 consolidated annual financial statements.

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

#### **GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's consolidated annual 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.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

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

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

---

### 2. New standards and interpretations (continued)

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

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

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

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

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2016.

The economic entity expects to adopt the standard for the first time in the 2017 consolidated annual financial statements.

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

### **GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements**

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

## **Notes to the Consolidated Annual Financial Statements**

---

### **2. New standards and interpretations (continued)**

An entity shall apply this amendment for consolidated annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The economic entity expects to adopt the amendment for the first time in the 2016 consolidated annual financial statements.

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

#### **GRAP 7 (as revised 2010): Investments in Associates**

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for consolidated annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The economic entity expects to adopt the amendment for the first time in the 2016 consolidated annual financial statements.

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

#### **DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP**

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2016.

The economic entity expects to adopt the standard for the first time in the 2017 consolidated annual financial statements.

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

#### **GRAP32: Service Concession Arrangements: Grantor**

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

---

### 2. New standards and interpretations (continued)

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The economic entity expects to adopt the standard for the first time when the Minister set the effective date for the standard.

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

#### **GRAP108: Statutory Receivables**

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The economic entity expects to adopt the standard for the first time when the Minister set the effective date for the standard.

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

#### **IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The economic entity expects to adopt the standard for the first time when the Minister set the effective date for the standard.

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

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>3. Inventories</b>				
Opening balance	268 684	264 715	268 684	264 715
Water additions	-	3 969	-	3 969
Water reduction	(6 132)	-	(6 132)	-
	<b>262 552</b>	<b>268 684</b>	<b>262 552</b>	<b>268 684</b>
<b>4. Receivables from exchange transactions</b>				
Prepayments	17 016	-	-	-
Overpayment of Pay,uif and sdl	13 691	-	-	-
	<b>30 707</b>	-	-	-
<b>5. Receivables from non-exchange transactions</b>				
Unauthorised expenditure	5 979	5 979	5 979	5 979
Debtor - Kokstad deposits	105 753	105 753	105 753	105 753
Other debtors	1 568 938	430 711	167 971	430 711
Cyclone construction - Farmers market	2 000 000	2 000 000	2 000 000	2 000 000
Umpisi Engineers - Mnqumeni	2 077 278	692 427	2 077 278	692 427
SARS - debtors/salaries	181 259	181 259	181 259	181 259
ACB/debtors	424 247	424 247	424 247	424 247
Councillors laptops	94 045	94 045	94 045	94 045
Councillors bursary	19 537	19 537	19 537	19 537
	<b>6 477 036</b>	<b>3 953 958</b>	<b>5 076 069</b>	<b>3 953 958</b>
<b>6. VAT receivable</b>				
VAT reconcilliation	4 401 086	1 179 125	4 401 086	1 179 125
VAT wesbank finance	28 679	135 666	28 679	135 666
Year end creditors VAT reclaimable	10 762 677	5 312 415	10 762 677	5 312 415
VAT on consumer accruals	(13 931 168)	(11 945 973)	(13 931 168)	(11 945 973)
VAT - provision for bad debts	10 777 118	11 113 114	10 777 118	11 113 114
VAT control account - SDA	1 117 166	-	-	-
VAT - Prior period error	-	(947 956)	-	(947 956)
	<b>13 155 558</b>	<b>4 846 391</b>	<b>12 038 392</b>	<b>4 846 391</b>
<b>7. Trade and other receivable from exchange transactions</b>				
<b>Gross balances</b>				
Rates	270 941	270 941	270 941	270 941
Prior period error	-	5 235	-	5 235
Water	68 118 875	58 191 942	68 118 875	58 191 942
Value added taxation	13 931 168	11 936 166	13 931 168	11 936 166
Sewerage	31 514 817	27 223 248	31 514 817	27 223 248
Interest	11 856 006	5 551 824	11 856 006	5 551 824
Debtors direct deposits	(1 939 871)	-	(1 939 871)	-
	<b>123 751 936</b>	<b>103 179 356</b>	<b>123 751 936</b>	<b>103 179 356</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>7. Trade and other receivable from exchange transactions (continued)</b>				
<b>Less: Allowance for impairment</b>				
Rates	(270 941)	(270 941)	(270 941)	(270 941)
Water	(49 940 470)	(53 695 750)	(49 940 470)	(53 695 750)
Value added taxation	(10 777 118)	(11 113 114)	(10 777 118)	(11 113 114)
Sewerage	(27 130 189)	(25 840 718)	(27 130 189)	(25 840 718)
Interest	(9 929 088)	(5 330 362)	(9 929 088)	(5 330 362)
	<b>(98 047 806)</b>	<b>(96 250 885)</b>	<b>(98 047 806)</b>	<b>(96 250 885)</b>
<b>Net balance</b>				
Prior period error	-	5 235	-	5 235
Water	18 178 405	4 496 192	18 178 405	4 496 192
Value added taxation	3 154 050	823 052	3 154 050	823 052
Sewerage	4 384 628	1 382 530	4 384 628	1 382 530
Interest	1 926 918	221 462	1 926 918	221 462
Debtors direct deposits	(1 939 871)	-	(1 939 871)	-
	<b>25 704 130</b>	<b>6 928 471</b>	<b>25 704 130</b>	<b>6 928 471</b>
<b>Water &amp; Sewerage</b>				
Current (0 -30 days)	8 925 577	6 346 546	8 925 577	6 346 546
31 - 60 days	3 368 979	4 600 290	3 368 979	4 600 290
61 - 90 days	3 146 938	3 591 354	3 146 938	3 591 354
91 - 120 days	95 878 672	88 364 988	95 878 672	88 364 988
	<b>111 320 166</b>	<b>102 903 178</b>	<b>111 320 166</b>	<b>102 903 178</b>
<b>Reconciliation of allowance for impairment</b>				
Balance at beginning of the year	(96 250 885)	(74 313 993)	(96 250 885)	(74 313 993)
Contributions to allowance	(11 988 572)	(23 205 844)	(11 988 572)	(23 205 844)
Debt impairment written off against allowance	10 191 651	3 307 303	10 191 651	3 307 303
Reversal of allowance	-	(2 038 351)	-	(2 038 351)
	<b>(98 047 806)</b>	<b>(96 250 885)</b>	<b>(98 047 806)</b>	<b>(96 250 885)</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	300	4 275	300	300
Bank balances	2 078 754	3 622 147	72 517	1 634 142
Short-term deposits	34 036 178	30 383 666	25 798 493	27 840 043
	<b>36 115 232</b>	<b>34 010 088</b>	<b>25 871 310</b>	<b>29 474 485</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances			
	30 June 2015	30 June 2014	30 June 2015	30 June 2014		
FNB Ixopo branch Account Number 62022648169	72 517	1 634 143	-	72 517	1 634 143	-
FNB Call Account - 62032587331	485 210	7 823 059	-	485 210	7 823 059	-
FNB Call Account - 62095523281	7 131 803	200 000	-	7 131 803	200 000	-
FNB Call Account - 62138538692	1 145	683 888	-	1 145	683 888	-
FNB Call Account - 62398395204	415 126	5 470 646	-	415 126	5 470 646	-
FNB Call Account - 62434145331	3 045	4 064	-	3 045	4 064	-
FNB Call Account - 62434147072	3 977	2 772	-	3 977	2 772	-
FNB Call Account - 62434151239	6 172 847	639 022	-	6 172 847	639 022	-
FNB Call Account - 62414264797	9 022	2 040 753	-	9 022	2 040 753	-
Investec BANK - Call account - 50006688425	11 576 318	10 975 839	-	11 576 318	10 975 839	-
FNB Ixopo Branch Account - 62313233504	2 006 237	1 988 005	-	2 006 237	1 988 005	-
Standard Bank Kloof Branch Account - 251660419	3 972 199	1 138 859	-	3 972 199	1 138 859	-
FNB Ixopo Branch Account - 62372506306	3 722 622	1 403 630	-	3 722 622	1 403 630	-
Standard Bank Kloof Branch Account - 254472435	502 327	1 134	-	502 327	1 134	-
FNB DBSA Account - 62478289989	40 537	-	-	40 537	-	-
<b>Total</b>	<b>36 114 932</b>	<b>34 005 814</b>	<b>-</b>	<b>36 114 932</b>	<b>34 005 814</b>	<b>-</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality			
	2015	2014	2015	2014		
<b>9. Property, plant and equipment</b>						
Group	2015			2014		
	<b>Cost / Valuation</b>	<b>Accumulated depreciation and accumulated impairment</b>	<b>Carrying value</b>	<b>Cost / Valuation</b>	<b>Accumulated depreciation and accumulated impairment</b>	<b>Carrying value</b>
Land	17 080 597	-	17 080 597	17 080 598	-	17 080 598
Buildings	57 136 307	(6 981 919)	50 154 388	38 592 472	(3 326 087)	35 266 385
Plant and machinery	4 124 685	(1 911 402)	2 213 283	3 000 858	(1 423 996)	1 576 862
Furniture and fixtures	5 292 879	(4 130 854)	1 162 025	4 628 270	(3 851 640)	776 630
Motor vehicles	14 583 950	(7 938 761)	6 645 189	11 957 577	(6 777 500)	5 180 077
IT equipment	538 390	(159 274)	379 116	291 527	(94 110)	197 417
Infrastructure	1 165 297 216	(281 199 627)	884 097 589	1 056 279 119	(254 613 267)	801 665 852
Community	5 188 302	(1 377 383)	3 810 919	5 188 302	(1 252 642)	3 935 660
Other property, plant and equipment	6 445 871	(4 437 471)	2 008 400	5 591 305	(3 817 921)	1 773 384
Work in progress	519 275 623	-	519 275 623	427 503 914	-	427 503 914
Finance lease assets	15 337 731	(6 426 539)	8 911 192	13 708 937	(4 205 917)	9 503 020
<b>Total</b>	<b>1 810 301 551</b>	<b>(314 563 230)</b>	<b>1 495 738 321</b>	<b>1 583 822 879</b>	<b>(279 363 080)</b>	<b>1 304 459 799</b>
Municipality	2015			2014		
	<b>Cost / Valuation</b>	<b>Accumulated depreciation and accumulated impairment</b>	<b>Carrying value</b>	<b>Cost / Valuation</b>	<b>Accumulated depreciation and accumulated impairment</b>	<b>Carrying value</b>
Land	17 080 597	-	17 080 597	17 080 598	-	17 080 598
Buildings	31 169 837	(5 550 312)	25 619 525	12 910 651	(2 760 029)	10 150 622
Plant and machinery	4 076 532	(1 903 622)	2 172 910	2 982 830	(1 421 658)	1 561 172
Furniture and fixtures	4 625 111	(4 060 942)	564 169	4 426 282	(3 824 695)	601 587
Motor vehicles	14 583 950	(7 938 761)	6 645 189	11 957 577	(6 777 500)	5 180 077
Infrastructure	1 165 297 216	(281 199 627)	884 097 589	1 056 279 119	(254 613 267)	801 665 852
Community	5 188 302	(1 377 383)	3 810 919	5 188 302	(1 252 642)	3 935 660
Other property, plant and equipment	6 445 871	(4 437 471)	2 008 400	5 591 305	(3 817 921)	1 773 384
Work in progress	519 275 623	-	519 275 623	427 503 914	-	427 503 914
Finance lease assets	15 337 731	(6 426 539)	8 911 192	13 708 937	(4 205 917)	9 503 020
<b>Total</b>	<b>1 783 080 770</b>	<b>(312 894 657)</b>	<b>1 470 186 113</b>	<b>1 557 629 515</b>	<b>(278 673 629)</b>	<b>1 278 955 886</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Group -30 June 2015

	Opening balance	Additions	Disposals	Assets under construction brought into use	Depreciation	Impairment loss	Total
Land	17 080 597	-	-	-	-	-	17 080 597
Buildings	35 266 385	284 649	-	18 259 185	(3 655 831)	-	50 154 388
Plant and machinery	1 576 862	1 125 537	(1 515)	-	(487 601)	-	2 213 283
Furniture and fixtures	776 630	667 743	(2 412)	-	(279 936)	-	1 162 025
Motor vehicles	5 180 077	5 828 768	(3 202 395)	-	(1 161 261)	-	6 645 189
IT equipment	197 417	373 288	(46 316)	-	(145 273)	-	379 116
Infrastructure	801 665 852	674 796	(9 953 336)	123 974 661	(31 857 471)	(406 913)	884 097 589
Community	3 935 660	-	-	-	(124 741)	-	3 810 919
Other property, plant and equipment	1 773 384	854 566	-	-	(619 550)	-	2 008 400
Work in progress	427 503 915	234 005 554	-	(142 233 846)	-	-	519 275 623
Finance lease assets	9 503 020	1 628 794	-	-	(2 220 622)	-	8 911 192
	<b>1 304 459 799</b>	<b>245 443 695</b>	<b>(13 205 974)</b>	<b>-</b>	<b>(40 552 286)</b>	<b>(406 913)</b>	<b>1 495 738 321</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Group - 30 June 2014

	Opening balance	Additions	Assets under construction brought into use	Other changes, movements	Depreciation	Impairment loss	Total
Land	5 146 800	10 933 751	-	1 000 047	-	-	17 080 598
Buildings	35 506 415	915 187	-	(674 532)	(480 685)	-	35 266 385
Plant and machinery	1 583 709	-	-	363 189	(370 036)	-	1 576 862
Furniture and fixtures	975 197	229 585	-	(142 975)	(285 177)	-	776 630
Motor vehicles	1 125 567	5 006 280	-	-	(951 770)	-	5 180 077
IT equipment	102 401	174 751	-	-	(79 735)	-	197 417
Infrastructure	788 727 936	1 597 368	24 265 752	23 341 087	(32 594 630)	(3 671 661)	801 665 852
Community	4 017 824	41 395	-	-	(123 559)	-	3 935 660
Other property, plant and equipment	1 340 207	1 178 069	-	(224 506)	(520 386)	-	1 773 384
Work in progress	308 087 601	167 930 741	(24 265 752)	(24 248 676)	-	-	427 503 914
Finance lease assets	3 935 588	6 726 064	-	225 515	(1 384 147)	-	9 503 020
	<b>1 150 549 245</b>	<b>194 733 191</b>	<b>-</b>	<b>(360 851)</b>	<b>(36 790 125)</b>	<b>(3 671 661)</b>	<b>1 304 459 799</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Municipality - 30 June 2015

	Opening balance	Additions	Disposals	Assets under construction brought into use	Depreciation	Impairment loss	Total
Land	17 080 597	-	-	-	-	-	17 080 597
Buildings	10 150 622	-	-	18 259 185	(2 790 282)	-	25 619 525
Plant and machinery	1 561 172	1 093 702	-	-	(481 964)	-	2 172 910
Furniture and fixtures	601 587	198 838	-	-	(236 256)	-	564 169
Motor vehicles	5 180 077	2 626 373	-	-	(1 161 261)	-	6 645 189
Infrastructure	801 665 852	674 796	(9 953 336)	123 974 661	(31 857 471)	(406 913)	884 097 589
Community	3 935 660	-	-	-	(124 741)	-	3 810 919
Other property, plant and equipment	1 773 384	854 566	-	-	(619 550)	-	2 008 400
Work in progress	427 503 915	234 005 554	-	(142 233 846)	-	-	519 275 623
Finance lease assets	9 503 020	1 628 794	-	-	(2 220 622)	-	8 911 192
	<b>1 278 955 886</b>	<b>241 082 623</b>	<b>(9 953 336)</b>	<b>-</b>	<b>(39 492 147)</b>	<b>(406 913)</b>	<b>1 470 186 113</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Municipality - 30 June 2014

	Opening balance	Additions	Disposals	Assets under construction brought into use	Other changes, movements	Depreciation	Impairment loss	Total
Land	5 146 800	10 933 751	-	-	1 000 047	-	-	17 080 598
Buildings	35 506 416	915 187	(25 115 763)	-	(674 532)	(480 686)	-	10 150 622
Plant and machinery	1 568 019	-	-	-	363 189	(370 036)	-	1 561 172
Furniture and fixtures	930 626	76 250	-	-	(142 975)	(262 314)	-	601 587
Motor vehicles	1 125 567	5 006 280	-	-	-	(951 770)	-	5 180 077
Infrastructure	788 727 936	1 597 368	-	24 265 752	23 341 087	(32 594 630)	(3 671 661)	801 665 852
Community	4 017 824	41 395	-	-	-	(123 559)	-	3 935 660
Other property, plant and equipment	1 346 403	1 188 670	-	-	(224 506)	(537 183)	-	1 773 384
Work in progress	308 087 601	167 930 741	-	(24 265 752)	(24 248 676)	-	-	427 503 914
Finance lease assets	3 929 394	6 715 464	-	-	225 515	(1 367 353)	-	9 503 020
	<b>1 150 386 586</b>	<b>194 405 106</b>	<b>(25 115 763)</b>	<b>-</b>	<b>(360 851)</b>	<b>(36 687 531)</b>	<b>(3 671 661)</b>	<b>1 278 955 886</b>

### 10. Intangible assets

Group	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 834 287	(2 267 513)	566 774	2 591 914	(1 960 491)	631 423

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014

### 10. Intangible assets (continued)

Municipality	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 682 665	(2 205 001)	477 664	2 551 077	(1 943 627)	607 450

#### Reconciliation of intangible assets - Group - 30 June 2015

	Opening balance	Additions	Amortisation	Total
Computer software, other	631 423	242 372	(307 021)	566 774

#### Reconciliation of intangible assets - Group - 30 June 2014

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software, other	791 599	440 953	(225 515)	(375 614)	631 423

#### Reconciliation of intangible assets - Municipality - 30 June 2015

	Opening balance	Additions	Amortisation	Total
Computer software, other	607 450	131 588	(261 374)	477 664

#### Reconciliation of intangible assets - Municipality - 30 June 2014

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software, other	772 407	423 443	(225 515)	(362 885)	607 450

### 11. Investment in entity

#### Financial instruments

Unlisted shares	-	-	100	100
100 Ordinary shares @ R1 per share in Sisonke Economic Development Agency (Pty) Ltd				

#### Non-current assets

Residual interest at cost	-	-	100	100
---------------------------	---	---	-----	-----

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>12. Borrowings</b>				
<b>At amortised cost</b>				
DBSA	568 692	1 663 578	568 692	1 663 578
The loan bears a nominal fixed interest rate of 10.88 % per annum compounded bi-annually. The loan is redeemable in twenty equal installment bi-annually in arrears on 31 March and 30 September each year until 30 September 2015.				
ABSA	21 380 526	23 815 529	21 380 526	23 815 529
The loan bears a nominal fixed interest rate of 11.59 % compounded bi-annually The loan is redeemable in twenty equal installment bi-annually in arrears on 31 May and 30 November each year until 31 May 2021 .				
	<b>21 949 218</b>	<b>25 479 107</b>	<b>21 949 218</b>	<b>25 479 107</b>
<b>Total borrowings</b>	<b>21 949 218</b>	<b>25 479 107</b>	<b>21 949 218</b>	<b>25 479 107</b>
<b>Non-current liabilities</b>				
At amortised cost	18 683 390	22 063 772	18 683 390	22 063 772
<b>Current liabilities</b>				
At amortised cost	3 265 828	3 415 335	3 265 828	3 415 335
<b>13. Finance lease obligation</b>				
<b>Minimum lease payments due</b>				
- within one year	3 274 637	2 944 674	3 219 298	3 760 504
- in second to fifth year inclusive	4 347 129	5 130 647	4 236 451	6 137 154
<b>Present value of minimum lease payments</b>	<b>7 621 766</b>	<b>8 075 321</b>	<b>7 455 749</b>	<b>9 897 658</b>
<b>Present value of minimum lease payments due</b>				
- within one year	2 636 761	2 944 674	2 581 422	2 923 407
- in second to fifth year inclusive	3 908 450	5 130 647	3 797 772	5 129 664
	<b>6 545 211</b>	<b>8 075 321</b>	<b>6 379 194</b>	<b>8 053 071</b>
Non-current liabilities	3 908 450	5 130 647	3 797 772	5 129 664
Current liabilities	2 636 761	2 944 674	2 581 422	2 923 407
	<b>6 545 211</b>	<b>8 075 321</b>	<b>6 379 194</b>	<b>8 053 071</b>
<b>14. Payables from exchange transactions</b>				
Trade payables	106 089 028	55 220 941	101 274 780	56 752 956
Provision for leave pay	8 854 653	7 833 288	8 619 807	7 711 122
Retentions	29 219 697	24 009 638	29 219 697	24 009 638
Rental accruals	-	20 480	-	20 480
Debtors unknown deposits	2 336 524	2 191 077	2 336 524	2 191 077
Other payables	1 230 409	3 908	1 227 744	-
Prior year adjustment trade and other payables from exchange	-	(3 728 078)	-	(3 728 078)
SARS VAT	465 887	-	465 887	-
	<b>148 196 198</b>	<b>85 551 254</b>	<b>143 144 439</b>	<b>86 957 195</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>15. Trade and other payables from non-exchange transactions</b>				
Neighbourhood development grant	235	2 499 235	235	2 499 235
<b>16. VAT payable</b>				
Tax refunds payables	-	12 696	-	-
<b>17. Consumer deposits</b>				
Water	1 257 312	1 113 719	1 257 312	1 113 719
<b>18. Unspent conditional grants and receipts</b>				
<b>Unspent conditional grants and receipts comprises of:</b>				
<b>Unspent conditional grants and receipts</b>				
Change Management Committee Grant	51 685	51 685	51 685	51 685
Municipal monitoring system grant	300 000	300 000	300 000	300 000
Disaster management grant	285 020	1 294 570	285 020	1 294 570
Support staff grant	24 462	24 462	24 462	24 462
IDP grant	185 141	185 141	185 141	185 141
Drought Relief Grant	9 054	9 054	9 054	9 054
Sports and Recreation Programme Grant	550 497	550 497	550 497	550 497
Public Transport Grant	66 587	66 587	66 587	66 587
Development Bank of SA	406 480	1 744 640	406 480	406 480
MAP Grant	10 436	10 436	10 436	10 436
GIS Support Grant	141 088	141 087	141 088	141 087
Learnership Grant	782 000	782 000	782 000	782 000
PMS grant	325 055	325 054	325 055	325 054
LED grant	518 008	518 008	518 008	518 008
MWIG - DWA	-	3 665 925	-	3 665 925
Accredited councillors training grant	62 803	62 803	62 803	62 803
Rural transport service & infrastructure grant	195 134	194 215	195 134	194 215
Development planning shared services grant	3 019 982	2 935 991	3 019 982	2 935 991
DHET grant	318 848	998 902	-	-
Sihleza maize production project (cogta)	242 413	242 413	242 413	242 413
Signage grant - Cogta	98 112	98 112	98 112	98 112
Government experts grant	445 014	445 014	445 014	445 014
Gijima grant	235 810	235 810	235 810	235 810
Massification - Cogta	36 307	5 592 263	36 307	5 592 263
ACIP	-	(1 229 587)	-	(1 229 587)
Electricity demand management grant	2 439 980	28 703	2 439 980	28 703
District growth summit Cogta	31 301	31 301	31 301	31 301
Rural infrastructure household grant	-	2 066 070	-	2 066 070
Transformation managers grant	518 040	518 040	518 040	518 040
DED grant	500 000	-	-	-
	<b>11 799 257</b>	<b>21 889 196</b>	<b>10 980 409</b>	<b>19 552 134</b>

See note 23 for reconciliation of grants from National/Provincial Government.

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>19. Provisions</b>				
Non-current liabilities	16 671 946	13 927 928	16 671 946	13 927 928
Current liabilities	359 524	206 505	359 524	206 505
	<b>17 031 470</b>	<b>14 134 433</b>	<b>17 031 470</b>	<b>14 134 433</b>

### Retirement benefit liability

#### Post-retirement Health Care Benefit Liability

Balance at beginning of year		10 924 126	7 138 468
Contributions to Provision		2 432 408	3 828 354
Benefits paid		(43 416)	(42 696)
Balance at end of year		13 313 118	10 924 126
Less current portion		46 452	43 416
Non-current portion		<b>13 266 666</b>	<b>10 880 710</b>

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 2015 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)	202	189
Continuation Members (Retirees, widowers and orphans)	1	1
Total Members	<b>203</b>	<b>190</b>

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

In-service Members	12 823 836	10 372 748
Continuation Members	489 282	551 378
Total Liability	<b>13 313 118</b>	<b>10 924 126</b>

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

- Bonitas
- Keyhealth
- LA Health
- Samwumed

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014

### 19. Provisions (continued)

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

Discount rate	9,31 %	9,50 %
Health Care Cost inflation Rate	8,36 %	8,55 %
Net Effective Discount Rate	0,88 %	0,87 %
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:	10 924 126	7 181 164
Current service costs	1 191 186	817 431
Interest cost	1 035 539	693 941
Benefits paid	(43 416)	(42 696)
Actuarial losses	205 683	2 274 286
Present Value of Fund Obligation at the end of the year	<b>13 313 118</b>	<b>10 924 126</b>

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

Current service cost	1 191 186	817 431
Interest cost	1 035 539	651 245
Actuarial losses	205 683	2 274 286
Total Post-retirement Benefit included in Employee Related cost	<b>2 432 408</b>	<b>3 742 962</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.

#### 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 1% increase and decrease in the discount rate;
- (iii) A one-year age reduction in the assumed rates of post-retirement mortality;
- (iv) A one-year decrease in the assumed average retirement age; and
- (v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014

### 19. Provisions (continued)

The following table summarises the results of the sensitivity analysis.

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
<b>Central Assumptions</b>	-	12,824	0,489	13,313	- %
<b>Health care inflation</b>	1%	14,159	0,492	14,651	10 %
	-1%	11,179	0,484	11,663	-20 %
<b>Post-retirement mortality</b>	- 1 yr	13,253	0,507	13,760	18 %
<b>Average retirement age</b>	- 1 yr	14,428	0,489	14,917	8 %
<b>Continuation of membership at retirement</b>	-10%	10,617	0,489	11,106	-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 10% higher than that shown.

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2016

Assumption	Change	Current service cost	Interest cost	Total	% change
<b>Central Assumptions</b>	-	1 459 900	1 237 700	<b>2 697 600</b>	- %
<b>Health care inflation</b>	1%	1 622 700	1 362 300	<b>2 985 000</b>	0,11 %
	-1%	1 248 700	1 084 100	<b>2 332 800</b>	-0,14 %
<b>Post-retirement mortality</b>	- 1 yr	1 507 300	1 279 400	<b>2 786 700</b>	0,03 %
<b>Average retirement age</b>	- 1 yr	1 536 400	1 370 400	<b>2 906 800</b>	0,08 %
<b>Continuation of membership at retirement</b>	-10%	1 184 300	1 032 200	<b>2 216 500</b>	-0,18 %

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014

### 19. Provisions (continued)

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

Assumption	Change	Current service cost	Interest cost	Total	% change
<b>Central Assumptions</b>	-	1 191 200	1 035 500	<b>2 226 700</b>	- %
<b>Health care inflation</b>	1%	1 416 200	1 207 900	<b>2 624 100</b>	0,18 %
	-1%	988 700	883 900	<b>1 872 600</b>	-0,16 %
<b>Post-retirement mortality</b>	- 1 yr	1 234 800	1 070 300	<b>2 305 100</b>	0,04 %
<b>Average retirement age</b>	- 1 yr	1 255 900	1 154 300	<b>2 410 200</b>	0,08 %
<b>Continuation of membership at retirement</b>	-10%	973 000	859 100	<b>1 832 100</b>	-0,18 %

#### Long service awards liability

Balance at beginning of year	3 210 307	2 528 374
Contributions to Provision	671 134	979 872
Benefits paid	(163 089)	(297 939)
Balance at end of year	3 718 352	3 210 307
Less current portion	313 702	163 089
Non-current portion	<b>3 404 650</b>	<b>3 047 218</b>

The municipality operate an unfunded defined benefit plan for all itsemployees. Under the plan a Long-service Award is payable after 10 yearsthereafter 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 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa.

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

Discount rate	8,10 %	8,11 %
Salary Cost inflation Rate	7,13 %	7,21 %
Net Effective Discount Rate	0,90 %	0,84 %
Expected Retirement Age - Females	55	55
Expected Retirement Age - Males	60	60

**Harry Gwala District Municipality and its Controlled Entity**  
**Consolidated Annual Financial Statements for the year ended 30 June 2015**

**Notes to the Consolidated Annual Financial Statements**

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>19. Provisions (continued)</b>				
Movements in the present value of the Defined Benefit Obligations were as follows:				
Balance at the beginning of the year:			3 210 307	2 528 374
Current service costs			404 775	345 100
Interest cost			253 975	176 343
Benefits paid			(163 089)	(297 939)
Actuarial losses			12 384	458 429
Present Value of Fund Obligation at the end of the year			<b>3 718 352</b>	<b>3 210 307</b>

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

Current service cost	404 775	345 100
Interest cost	253 975	176 343
Actuarial losses	12 384	458 429
Total Post-retirement Benefit included in Employee Related cost	<b>671 134</b>	<b>979 872</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 assumptions which tend to have the greatest impact on the results are:

- (i) The general salary inflation rate assumption;
- (ii) The discount rate assumption;
- (iii) The average retirement age of employees; and
- (iv) Assumed rates of withdrawal of employees from service.

**Sensitivity Results**

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

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

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014

### 19. Provisions (continued)

The following table summarises the results of the sensitivity analysis.

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	% change
<b>Central Assumptions</b>	-	3,718	- %
<b>General salary inflation</b>	1%	3,976	7 %
	-1%	3,485	-6 %
<b>Average retirement age</b>	+2 yr	3,308	-11 %
	- 2 yr	4,129	11 %
<b>Withdrawal rate</b>	-50%	4,781	29 %

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2016

Assumption	Change	Current service cost	Interest cost	Total	% change
<b>Central Assumptions</b>	-	484 100	288 600	<b>772 700</b>	- %
<b>General salary inflation</b>	1%	526 000	309 400	<b>835 400</b>	8 %
	-1%	446 600	269 700	<b>716 300</b>	-14 %
<b>Average retirement age</b>	+2 yr	437 900	255 400	<b>693 300</b>	-3 %
	- 2 yr	528 000	321 800	<b>849 800</b>	23 %
<b>Withdrawal rate</b>	-50%	683 100	374 600	<b>1 057 700</b>	24 %

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

Assumption	Change	Current service cost	Interest cost	Total	% change
<b>Central Assumptions</b>	-	404 800	254 000	<b>658 800</b>	- %
<b>General salary inflation</b>	1%	440 400	272 900	<b>713 300</b>	8 %
	-1%	372 900	236 800	<b>609 700</b>	-15 %
<b>Average retirement age</b>	+2 yr	364 000	223 300	<b>587 300</b>	-4 %
	-2yr	442 100	284 200	<b>726 300</b>	24 %
<b>Withdrawal rate</b>	-50%	574 200	331 900	<b>906 100</b>	25 %

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>20. Service charges</b>				
Sale of water	41 460 456	35 854 800	41 460 456	35 854 800
Sewerage and sanitation charges	13 939 576	13 049 704	13 939 576	13 049 704
	<b>55 400 032</b>	<b>48 904 504</b>	<b>55 400 032</b>	<b>48 904 504</b>
<b>21. Other income</b>				
Clearance certificate	4 035	1 972	4 035	1 972
Sundry Income	-	99 699	-	92 014
Onsite disposal - sanitation	46 422	7 033	46 422	7 033
Insurance refunds	-	421 817	-	421 817
Sewer connection	49 193	43 344	49 193	43 344
Tender documents	431 247	235 987	412 606	228 400
Conservancy tanks	230 023	165 190	230 023	165 190
Vaccum tank - honeysucker	300 311	382 974	300 311	382 974
Water connection fees	57 999	75 643	57 999	75 643
Water sales - tankers	156 340	105 729	156 340	105 729
Salary deductions	-	334 826	-	334 826
Endowment fees	124 987	-	124 987	-
	<b>1 400 557</b>	<b>1 874 214</b>	<b>1 381 916</b>	<b>1 858 942</b>
<b>22. Investment revenue</b>				
<b>Interest revenue</b>				
Interest on investments	3 669 439	3 426 412	3 476 098	3 343 503

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>23. Government grants and subsidies</b>				
<b>Operating grants</b>				
Equitable share	230 622 000	216 056 000	230 622 000	216 056 000
EPWP	2 416 226	542 164	2 416 226	542 164
Rural household infrastructure grant	5 956 953	-	5 956 953	-
Intergovernment Relations Grant	-	137 197	-	137 197
MSIG grant	885 420	812 748	885 420	812 748
FMG grant	1 197 828	1 135 796	1 197 828	1 135 796
LGSETA grant	26 791	185 041	26 791	185 041
PMU MIG grant	24 329 295	55 787 429	24 329 295	55 787 429
Umzimkulu cogta	5 242 066	1 696 430	5 242 066	1 696 430
Government Experts Grant	-	279 986	-	279 986
Planning and Shared Services grant	166 009	232 072	166 009	232 072
Rural Transportation Service Infrastructure Grant	1 792 176	1 421 228	1 792 176	1 421 228
Corridor Development Hawker Stalls Grant	-	50 378	-	50 378
Signage Grant	-	322 600	-	322 600
Energy Efficient and Demand Management Grant	5 266 423	2 763 155	5 266 423	2 763 155
Vat on Conditional Grants - OPEX	4 295 504	6 762 181	4 295 504	6 762 181
Department of Higher Education and Training	24 400 754	17 679 586	-	-
DBSA	6 570 881	-	-	-
	<b>313 168 326</b>	<b>305 863 991</b>	<b>282 196 691</b>	<b>288 184 405</b>
<b>Capital grants</b>				
Rural Bulk Infrastructure grant	27 817 823	16 433 897	27 817 823	16 433 897
Disaster Management Grant	885 571	2 631 579	885 571	2 631 579
EPWP	272 646	2 739 000	272 646	2 739 000
Municipal Infrastructure grant	136 730 520	77 521 354	136 730 520	77 521 354
EEDM	-	1 597 368	-	1 597 368
MWIG	23 922 740	9 175 068	23 922 740	9 175 068
Cogta	-	2 046 478	-	2 046 478
Massification	-	11 029 370	-	11 029 370
ACIP - DWA	-	962 321	-	962 321
MSIG	-	42 860	-	42 860
Municipal Water Infrastructure Grant	-	(123 600)	-	(123 600)
Finance management grant	-	98 218	-	98 218
Vat on Conditional Grants - CAPEX	28 791 418	21 923 586	28 791 418	21 923 586
	<b>218 420 718</b>	<b>146 077 499</b>	<b>218 420 718</b>	<b>146 077 499</b>
	<b>531 589 044</b>	<b>451 941 490</b>	<b>500 617 409</b>	<b>434 261 904</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### MIG grant

Current-year receipts	187 028 000	173 618 000	187 028 000	173 618 000
Conditions met - transferred to revenue	(187 028 000)	(154 265 239)	(187 028 000)	(154 265 239)
Debtor 2013/2014	-	(13 239 131)	-	(13 239 131)
Adjustment	-	(6 113 630)	-	(6 113 630)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 18).

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>23. Government grants and subsidies (continued)</b>				
<b>Change Management Committee Grant</b>				
Balance unspent at beginning of year	51 685	51 685	51 685	51 685
Conditions still to be met - remain liabilities (see note 18).				
<b>Municipal monitoring system grant</b>				
Balance unspent at beginning of year	300 000	300 000	300 000	300 000
Conditions still to be met - remain liabilities (see note 18).				
<b>Disaster Management</b>				
Balance unspent at beginning of year	1 294 570	285 020	1 294 570	285 020
Current-year receipts	-	3 000 000	-	3 000 000
Conditions met - transferred to revenue	(1 009 550)	(3 000 000)	(1 009 550)	(3 000 000)
Adjustment	-	1 009 550	-	1 009 550
	<b>285 020</b>	<b>1 294 570</b>	<b>285 020</b>	<b>1 294 570</b>
Conditions still to be met - remain liabilities (see note 18).				
<b>Support Staff Grant</b>				
Balance unspent at beginning of year	24 462	24 462	24 462	24 462
Conditions still to be met - remain liabilities (see note 18).				
<b>IDP Grant</b>				
Balance unspent at beginning of year	185 141	185 141	185 141	185 141
Conditions still to be met - remain liabilities (see note 18).				
<b>Drought Relief Grant</b>				
Balance unspent at beginning of year	9 054	9 054	9 054	9 054
Conditions still to be met - remain liabilities (see note 18).				
<b>Sports and Recreation Programme Grant</b>				
Balance unspent at beginning of year	550 497	550 497	550 497	550 497
Conditions still to be met - remain liabilities (see note 18).				
<b>MSIG GRANT</b>				
Current-year receipts	(934 000)	-	(934 000)	-
Conditions met - transferred to revenue	934 000	-	934 000	-
	-	-	-	-
Conditions still to be met - remain liabilities (see note 18).				

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>23. Government grants and subsidies (continued)</b>				
<b>Public Transport Grant</b>				
Balance unspent at beginning of year	66 587	66 587	66 587	66 587
Conditions still to be met - remain liabilities (see note 18).				
<b>Development Bank of SA</b>				
Balance unspent at beginning of year	1 744 640	406 480	406 480	406 480
Current-year receipts	4 418 677	1 338 160	-	-
Conditions met - transferred to revenue	(6 570 881)	-	-	-
DBSA Debtor 2014/2015 -SDA	814 044	-	-	-
	<b>406 480</b>	<b>1 744 640</b>	<b>406 480</b>	<b>406 480</b>
Conditions still to be met - remain liabilities (see note 18).				
<b>MAP Grant</b>				
Balance unspent at beginning of year	10 436	10 436	10 436	10 436
Conditions still to be met - remain liabilities (see note 18).				
<b>GIS Support Grant</b>				
Balance unspent at beginning of year	141 087	141 087	141 087	141 087
Conditions still to be met - remain liabilities (see note 18).				
<b>Learnership Grant</b>				
Balance unspent at beginning of year	782 000	782 000	782 000	782 000
Conditions still to be met - remain liabilities (see note 18).				
<b>FMG Grant</b>				
Current-year receipts	1 250 000	1 250 000	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)	(1 250 000)	(1 250 000)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 18).				
<b>PMS Grant</b>				
Balance unspent at beginning of year	325 054	325 054	325 054	325 054
Conditions still to be met - remain liabilities (see note 18).				
<b>LED Grant</b>				
Balance unspent at beginning of year	518 008	518 008	518 008	518 008
Conditions still to be met - remain liabilities (see note 18).				

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>23. Government grants and subsidies (continued)</b>				
<b>MWIG - DWA</b>				
Balance unspent at beginning of year	3 665 925	-	3 665 925	-
Current-year receipts	22 800 000	13 700 000	22 800 000	13 700 000
Conditions met - transferred to revenue	(26 465 925)	(10 034 075)	(26 465 925)	(10 034 075)
	<b>-</b>	<b>3 665 925</b>	<b>-</b>	<b>3 665 925</b>
Conditions still to be met - remain liabilities (see note 18).				
<b>Accredited Councillors Training</b>				
Balance unspent at beginning of year	62 803	62 803	62 803	62 803
Conditions still to be met - remain liabilities (see note 18).				
<b>Rural Transport Service &amp; Infrastructure Grant</b>				
Balance unspent at beginning of year	194 215	415	194 215	415
Current-year receipts	2 044 000	1 814 000	2 044 000	1 814 000
Conditions met - transferred to revenue	(2 043 081)	(1 620 200)	(2 043 081)	(1 620 200)
	<b>195 134</b>	<b>194 215</b>	<b>195 134</b>	<b>194 215</b>
Conditions still to be met - remain liabilities (see note 18).				
<b>Development Planning Shared Services</b>				
Balance unspent at beginning of year	2 935 991	3 168 063	2 935 991	3 168 063
Current-year receipts	250 000	-	250 000	-
Conditions met - transferred to revenue	(166 009)	(232 072)	(166 009)	(232 072)
	<b>3 019 982</b>	<b>2 935 991</b>	<b>3 019 982</b>	<b>2 935 991</b>
Conditions still to be met - remain liabilities (see note 18).				
<b>LG Seta</b>				
Current-year receipts	26 791	185 041	26 791	185 041
Conditions met - transferred to revenue	(26 791)	(185 041)	(26 791)	(185 041)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 18).				
<b>DHET grant</b>				
Balance unspent at beginning of year	998 902	11 129 929	-	-
Current-year receipts	23 720 700	7 548 558	-	-
Conditions met - transferred to revenue	(24 400 754)	(17 679 585)	-	-
	<b>318 848</b>	<b>998 902</b>	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 18).				

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>23. Government grants and subsidies (continued)</b>				
<b>Regional Bulk Infrastructure Grant</b>				
Current-year receipts	30 217 303	43 974 704	30 217 303	43 974 704
Conditions met - transferred to revenue	(30 217 303)	(20 011 502)	(30 217 303)	(20 011 502)
Debtor 2013/2014	-	(23 426 355)	-	(23 426 355)
Adjustment	-	(536 847)	-	(536 847)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 18).				
<b>SIHLEZA Maize Production Project (COGTA)</b>				
Balance unspent at beginning of year	242 413	242 413	242 413	242 413
Conditions still to be met - remain liabilities (see note 18).				
<b>EPWP</b>				
Current-year receipts	2 729 000	2 739 000	2 729 000	2 739 000
Conditions met - transferred to revenue	(2 729 000)	(2 739 000)	(2 729 000)	(2 739 000)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 18).				
<b>Signage Grant -CoGTA</b>				
Balance unspent at beginning of year	98 112	420 712	98 112	420 712
Conditions met - transferred to revenue	-	(322 600)	-	(322 600)
	<b>98 112</b>	<b>98 112</b>	<b>98 112</b>	<b>98 112</b>
Conditions still to be met - remain liabilities (see note 18).				
<b>Government Experts</b>				
Balance unspent at beginning of year	445 014	725 000	445 014	725 000
Conditions met - transferred to revenue	-	(279 986)	-	(279 986)
	<b>445 014</b>	<b>445 014</b>	<b>445 014</b>	<b>445 014</b>
Conditions still to be met - remain liabilities (see note 18).				
<b>Gijima Grant</b>				
Balance unspent at beginning of year	235 810	235 810	235 810	235 810
Conditions still to be met - remain liabilities (see note 18).				
<b>Massification (COGTA)</b>				
Balance unspent at beginning of year	5 592 263	18 165 745	5 592 263	18 165 745
Conditions met - transferred to revenue	(5 555 956)	(12 573 482)	(5 555 956)	(12 573 482)
	<b>36 307</b>	<b>5 592 263</b>	<b>36 307</b>	<b>5 592 263</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>23. Government grants and subsidies (continued)</b>				
Conditions still to be met - remain liabilities (see note 18).				
<b>ACIP</b>				
Balance unspent at beginning of year	(1 229 587)	-	(1 229 587)	-
Current-year receipts	-	2 309 981	-	2 309 981
Conditions met - transferred to revenue	-	(132 541)	-	(132 541)
Debtor 2012/2013	-	(3 407 027)	-	(3 407 027)
Adjustment	1 229 587	-	1 229 587	-
	-	<b>(1 229 587)</b>	-	<b>(1 229 587)</b>
Conditions still to be met - remain liabilities (see note 18).				
<b>Electricity demand management</b>				
Balance unspent at beginning of year	28 703	-	28 703	-
Current-year receipts	8 415 000	4 999 700	8 415 000	4 999 700
Conditions met - transferred to revenue	(6 003 723)	(4 970 997)	(6 003 723)	(4 970 997)
	<b>2 439 980</b>	<b>28 703</b>	<b>2 439 980</b>	<b>28 703</b>
Conditions still to be met - remain liabilities (see note 18).				
<b>District Growth Summit CoGTA</b>				
Balance unspent at beginning of year	31 301	31 301	31 301	31 301
Conditions still to be met - remain liabilities (see note 18).				
<b>Rural infrastructure household grant</b>				
Balance unspent at beginning of year	2 066 070	-	2 066 070	-
Current-year receipts	4 500 000	4 000 000	4 500 000	4 000 000
Conditions met - transferred to revenue	(6 566 070)	(1 933 930)	(6 566 070)	(1 933 930)
	-	<b>2 066 070</b>	-	<b>2 066 070</b>
Conditions still to be met - remain liabilities (see note 18).				
<b>Transformation Managers Grant</b>				
Balance unspent at beginning of year	518 040	518 040	518 040	518 040
Conditions still to be met - remain liabilities (see note 18).				
<b>DED grant</b>				
Current-year receipts	500 000	-	-	-
Conditions still to be met - remain liabilities (see note 18).				

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014

### 24. Revenue

Service charges	55 400 032	48 904 504	55 400 032	48 904 504
Interest received (trading)	7 446 155	5 637 940	7 446 155	5 637 940
Other income - (rollup)	1 400 557	1 874 214	1 381 916	1 858 942
Interest received - investment	3 669 439	3 426 412	3 476 098	3 343 503
Government grants & subsidies	531 589 044	451 941 490	500 617 409	434 261 904
	<b>599 505 227</b>	<b>511 784 560</b>	<b>568 321 610</b>	<b>494 006 793</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	55 400 032	48 904 504	55 400 032	48 904 504
Interest received (trading)	7 446 155	5 637 940	7 446 155	5 637 940
Other income - (rollup)	1 400 557	1 874 214	1 381 916	1 858 942
Interest received - investment	3 669 439	3 426 412	3 476 098	3 343 503
	<b>67 916 183</b>	<b>59 843 070</b>	<b>67 704 201</b>	<b>59 744 889</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

##### Taxation revenue

##### Transfer revenue

Government grants & subsidies	531 589 044	451 941 490	500 617 409	434 261 904
-------------------------------	-------------	-------------	-------------	-------------

### 25. Bulk purchases

Water	8 947 479	9 487 077	8 947 479	9 487 077
-------	-----------	-----------	-----------	-----------

### 26. Community participation

Awareness Campaigns	-	2 287	-	2 287
Acknowledgement of Widows & Women	-	133 600	-	133 600
Bursaries - Community	311 185	319 595	311 185	319 595
Ceremonial Activities	595 312	168 550	595 312	168 550
Cleaning Campaign	77 100	52 554	77 100	52 554
Conduct Greenest Municipality	140 200	138 793	140 200	138 793
IDP Review	671 753	733 501	671 753	733 501
Mayoral Izimbizo	1 095 778	1 017 959	1 095 778	1 017 959
Mayoral Slots	409 223	334 493	409 223	334 493
Forums	4 274	30 194	4 274	30 194
Press Conference and Media Briefings	53 090	262 300	53 090	262 300
Nyusi Volume	912 000	855 000	912 000	855 000
Lauch of Youth Council Desk	-	79 500	-	79 500
Harry Gwala Sports Against Crime	-	78 884	-	78 884
Youth Dialogue on 20 years democracy in SA	-	21 000	-	21 000
	<b>4 269 915</b>	<b>4 228 210</b>	<b>4 269 915</b>	<b>4 228 210</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>27. Contracted services</b>				
Annual Financial Statements	3 215 328	1 898 629	3 215 328	1 898 629
Assessment of Asset Register	-	1 996 165	-	1 996 165
Audit committee	464 377	-	464 377	-
Budget Preparation	(5 016)	63 516	(5 016)	63 516
Contracted services - SDA	4 190 464	3 213 482	-	-
Employee Wellness Programme	-	29 316	-	29 316
GIS Upgrade	-	240 416	-	240 416
Gardening Service	93 600	143 306	93 600	143 306
Implementation of HIV/AIDS programmes	-	184 460	-	184 460
Ixopo Precinct Plan	-	284 772	-	284 772
Legal Fees	18 946	320 834	18 946	320 834
Lighting Conductors	-	366 061	-	366 061
Make Use of DMV Unit	-	36 300	-	36 300
Office Cleaning	416 223	291 900	416 223	291 900
Other contracted services	11 683 111	-	11 683 111	-
PMS/SDBIP Review	399 121	-	399 121	-
Performance Management System	-	511 731	-	511 731
Rain Water Harvesting	4 382 184	-	4 382 184	-
Refurbishment of Ingwe	1 893 660	-	1 893 660	-
Refurbishment of Kokstad	2 472 796	-	2 472 796	-
Refurbishment of Kwasani	758 685	-	758 685	-
Refurbishment of Ubuhlebezwe	3 302 008	-	3 302 008	-
Refurbishment of Umzimkhulu	7 301 381	-	7 301 381	-
Rental of Office Equipment	537 659	855 589	537 659	855 589
Review Master Plan of Sanitation Service	-	50 889	-	50 889
Review Master Plan of Water Service	-	65 271	-	65 271
Review WSDP	-	114 905	-	114 905
Risk Assessment	-	89 000	-	89 000
Risk Management and Strategy Audit Assignment	-	100 000	-	100 000
Security Services	10 032 837	7 874 159	10 032 837	7 874 159
Shared Services	-	190 346	-	190 346
Sport Complex Designs	-	279 985	-	279 985
Sport Facilities	-	149 000	-	149 000
Supplier Database Cleansing	-	174 925	-	174 925
Systems and Administration Support	-	3 704 598	-	3 704 598
To Develop Internal Systems	-	3 985	-	3 985
Training of Youth In Agriculture	-	18 900	-	18 900
Umgeni Farm Detailed Plan	-	184 307	-	184 307
Upgrade And Maintenance	339 712	9 454	339 712	9 454
VAT Consultant	1 897 526	2 159 469	1 897 526	2 159 469
Water Quality Monitoring	1 940 097	1 266 541	1 940 097	1 266 541
	<b>55 334 699</b>	<b>26 872 211</b>	<b>51 144 235</b>	<b>23 658 729</b>
<b>28. Contribution to bad debt provision</b>				
Contribution to bad debt provision	11 988 572	23 205 844	11 988 572	23 205 844
<b>29. Depreciation and amortisation</b>				
Property, plant and equipment	40 813 654	36 790 125	39 753 516	36 687 527
Intangible assets	45 648	375 614	-	362 885
	<b>40 859 302</b>	<b>37 165 739</b>	<b>39 753 516</b>	<b>37 050 412</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>30. Employee related costs</b>				
Basic	76 270 214	69 770 204	69 341 284	65 012 061
Social contributions - medical aid	4 600 726	3 980 515	4 600 726	3 980 515
UIF	580 543	586 812	539 541	521 662
Leave pay provision charge	67 101	41 572	-	-
Health care retirement benefit	2 388 992	3 742 962	2 388 992	3 742 962
Social contributions - pension fund	8 839 316	8 731 372	8 839 316	8 731 372
Social contribution - SALGBC	26 849	25 330	26 849	25 330
Travel, motor car, accommodation, subsistence and other allowances	7 822 780	7 879 674	7 822 780	7 879 674
Overtime payments	11 437 716	8 634 301	11 437 716	8 634 301
Long-service awards	508 045	681 933	508 045	681 933
Housing benefits and allowances	839 833	732 790	839 833	732 790
Travel allowance - Sisonke Economic Development Agency	400 239	1 229 602	-	-
	<b>113 782 354</b>	<b>106 037 067</b>	<b>106 345 082</b>	<b>99 942 600</b>
<b>Remuneration of municipal manager</b>				
Annual Remuneration	842 814	846 916	842 814	846 916
Travel, motor car, accommodation, subsistence and other allowances	363 899	673 757	363 899	673 757
Cellphone Allowance	15 600	15 600	15 600	15 600
Social contributions - UIF	1 785	1 785	1 785	1 785
Social contributions - Medical Aid	43 287	40 826	43 287	40 826
Social Contributions - SALGBC	41	-	41	-
Skills	12 168	-	12 168	-
	<b>1 279 594</b>	<b>1 578 884</b>	<b>1 279 594</b>	<b>1 578 884</b>
<b>Remuneration of chief finance officer</b>				
Annual Remuneration	852 518	778 078	852 518	778 078
Travel, motor car, accommodation, subsistence and other allowances	300 000	378 168	300 000	378 168
Cellphone Allowance	15 600	15 600	15 600	15 600
Social Contributions - UIF	1 785	1 785	1 785	1 785
Social Contributions - Medical	27 954	25 344	27 954	25 344
Social Contributions - SALGBC	41	-	41	-
Skills	11 673	-	11 673	-
	<b>1 209 571</b>	<b>1 198 975</b>	<b>1 209 571</b>	<b>1 198 975</b>
<b>Remuneration of Corporate Services Manager</b>				
Annual Remuneration	816 365	746 669	816 365	746 669
Travel, motor car, accommodation, subsistence and other allowances	251 334	310 872	251 334	310 872
Cellphone Allowance	15 600	15 600	15 600	15 600
Social contributions - UIF	1 785	1 785	1 785	1 785
Social contributions - Medical Aid	21 362	19 350	21 362	19 350
Social contributions - SALGBC	41	-	41	-
Skills	10 715	-	10 715	-
	<b>1 117 202</b>	<b>1 094 276</b>	<b>1 117 202</b>	<b>1 094 276</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014

### 30. Employee related costs (continued)

#### Remuneration of Community Services Manager

Annual Remuneration	716 000	716 000	716 000	716 000
Travel, motor car, accommodation, subsistence and other allowances	384 000	384 000	384 000	384 000
Cellphone Allowance	15 600	15 600	15 600	15 600
Social contributions - UIF	1 785	1 785	1 785	1 785
Skills	10 676	-	10 676	-
Social contributions - SALGBC	41	-	41	-
	<b>1 128 102</b>	<b>1 117 385</b>	<b>1 128 102</b>	<b>1 117 385</b>

#### Remuneration of Engineering Manager - Infrastructure

Annual Remuneration	1 005 651	915 310	1 005 651	915 310
Travel, motor car, accommodation, subsistence and other allowances	93 600	103 600	93 600	103 600
Cellphone Allowance	15 600	15 600	15 600	15 600
Social contributions - UIF	1 785	1 785	1 785	1 785
Social contributions - SALGBC	41	-	41	-
Skills	10 961	-	10 961	-
	<b>1 127 638</b>	<b>1 036 295</b>	<b>1 127 638</b>	<b>1 036 295</b>

#### Remuneration of Local Economic Development Manager

Annual Remuneration	543 793	609 417	543 793	609 417
Travel, motor car, accommodation, subsistence and other allowances	137 411	248 660	137 411	248 660
Cellphone Allowance	-	12 892	12 875	12 892
Social contributions - UIF	1 785	1 785	1 785	1 785
Social contributions - Medical Aid	-	29 210	-	29 210
Social contributions - Pension Fund	25 088	74 802	25 088	74 802
Social contributions - SALGBC	81	76	81	76
Acting Allowance	44 000	-	44 000	-
	<b>752 158</b>	<b>976 842</b>	<b>765 033</b>	<b>976 842</b>

#### Remuneration of Chief Executive Office - Sisonke Economic Development Agency

Annual Remuneration	947 895	737 004	-	-
Car Allowance	60 500	363 000	-	-
Contributions to UIF, Medical and Pension Funds	1 488	1 788	-	-
	<b>1 009 883</b>	<b>1 101 792</b>	-	-

Chief Executive Officer resigned on the 31 August 2014, Acting Chief Executive Officer was appointed for 2 months 1 September to 31 October 2014 and Chief Executive Officer was appointed on the 1 November 2014.

#### Remuneration of Chief Financial Officer - Sisonke Economic Development Agency

Annual Remuneration	454 167	275 217	-	-
Car Allowance	50 000	142 457	-	-
Contributions to UIF, Medical and Pension Funds	1 041	3 793	-	-
Cellphone allowance	-	14 000	-	-
	<b>505 208</b>	<b>435 467</b>	-	-

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014

### 30. Employee related costs (continued)

The Chief Financial Officer was appointed on 1 September 2014 however the position was vacant for 5 Months (During this period Chief Executive Officer was acting), which is 1 July to August 2014 and 1 November 2014 to 31 January 2015. New Chief Financial Officer was appointed on 2 February 2015.

#### Remuneration of Board Members - Attendance fees at meetings

JP KHOZA - Chairman	151 768	151 768	-	-
Z W NDAMASE	78 000	123 000	-	-
N C ZUNGU	63 000	93 000	-	-
SZF SITHOLE (Deceased 2014)	-	21 000	-	-
A DHUKI (Appointed 12 December 2013)	63 000	30 000	-	-
	<b>355 768</b>	<b>418 768</b>	-	-

#### Remuneration of Board Members - Travelling re-imbursments

JP KHOZA - Chairman	27 147	26 337	-	-
Z W NDAMASE	64 047	42 152	-	-
N C ZUNGU	39 298	13 289	-	-
SZF SITHOLE (Deceased 2014)	-	4 496	-	-
A DHUKI (Appointed 12 December 2013)	35 860	7 444	-	-
	<b>166 352</b>	<b>93 718</b>	-	-

### 31. Finance costs

External borrowings	3 711 014	3 510 373	3 711 014	3 510 373
Bank	1 076	4 126	-	-
	<b>3 712 090</b>	<b>3 514 499</b>	<b>3 711 014</b>	<b>3 510 373</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>32. General expenses</b>				
Accounting fees	607 774	461 417	-	-
Advertising	1 342 989	1 038 108	1 228 546	895 409
Agricultural expenses	162 789	-	-	-
Annual reports	197 368	289 346	197 368	289 346
Assessment and verification of assets	1 621 379	-	1 621 379	-
Auditors remuneration	2 507 296	2 192 551	1 917 734	1 783 650
Bank charges	142 192	95 452	100 478	82 091
Books and publications	8 117	25 735	8 117	25 735
Bursaries	970 347	258 435	742 420	258 435
Chemicals supply	145 239	3 016 175	145 239	3 016 175
Competitions in LM'S in Maskhandi	-	260 120	-	260 120
Conferences and seminars	441 130	1 078 547	221 706	1 042 097
Cultural activities	128 473	-	128 473	-
Departmental electricity consumption	320 752	361 402	320 752	361 402
Disability awareness	231 058	154 400	231 058	154 400
Disaster management	600 932	698 381	600 932	698 381
District name change	-	222 736	-	222 736
Donation expenses	24 410	-	24 410	-
Emergency sewer intervention	8 369 750	2 856 321	8 369 750	2 856 321
Emergency water intervention	5 314 210	1 687 350	5 314 210	1 687 350
Employee wellness programme	54 635	67 543	54 635	67 543
Engineering and mentorship skills	78 321	106 606	78 321	106 606
Evenus municipal financial system	-	828 677	-	828 677
Experiential learning	306 000	168 936	306 000	168 936
Facilitation and coordination of education programme	58 817	28 000	58 817	28 000
Financial assistance and school campaign	242 375	29 961	242 375	29 961
Fines and penalties	97 558	340 928	-	340 928
Fire Beaters	59 400	49 660	59 400	49 660
Fuel and oil	5 964 376	5 279 108	5 943 008	5 279 108
Functions	680 030	900 085	680 030	900 085
Golden games	172 882	243 901	172 882	243 901
HIV and AIDS sukumasakhe	526 369	-	526 369	-
Harry gwala district marathon	836 880	-	836 880	-
Implementation of internal audit plan	1 120	89 328	1 120	89 328
Indigeneous games	-	207 967	-	207 967
Installation of water meters	-	972 354	-	972 354
Insurance	1 573 855	670 881	1 562 404	670 881
LED expenses - SDA	658 625	-	-	-
Legal fees	198 004	17 958	120 691	17 958
Lighting conductors	268 930	-	268 930	-
MFMA capacity building programme	128 566	628 920	128 566	628 920
Marketing	426 110	412 693	426 110	412 693
Mayoral cup	-	395 582	-	395 582
Media tour	398 100	-	398 100	-
Membership fees	36 659	26 637	36 659	26 637
Motor vehicle expenses	103 748	171 337	93 533	171 337
Other expenses	1 588 692	1 559 856	1 531 808	1 108 126
Planned projects as per priority	191 758	1 626 212	191 758	1 626 212
Postage	169 679	151 512	169 679	151 512
Printing and stationery	946 020	856 195	725 912	727 321
Protective clothing	-	615 154	-	615 154
Publication of newsletter	964 746	672 362	964 746	672 362
Rain water haversting	-	2 414 361	-	2 414 361
Rental Offices	997 803	775 056	997 803	775 056
Restructuring	4 087 101	-	-	-
Review of risk management strategy	164 480	-	164 480	-
Rural horse riding games	484 994	425 400	484 994	425 400
SALGA games	-	5 097 908	-	5 097 908

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>32. General expenses (continued)</b>				
SCM capacity building	129 961	-	129 961	-
Sisonke spatial development framework	29 484	2 107	29 484	2 107
Skills development levy	955 664	885 245	955 664	885 245
Software expenses	1 106 978	29 401	1 106 978	29 401
Sports development	3 216 859	-	3 216 859	-
Staff replacement and reallocation costs	34 314	46 827	34 314	46 827
Staff welfare	269 567	168 965	224 486	131 769
Subscriptions and membership fees	987 167	783 079	987 167	783 079
System administration support	2 992 789	-	2 992 789	-
Technical support	196 879	-	196 879	-
Telephone and fax	4 053 370	4 004 764	4 053 370	4 004 764
Tourism expenses - SDA	18 853	-	-	-
Tracker	217 877	114 699	217 877	114 699
Training	1 089 661	2 768 556	729 795	2 768 556
Travel, accommodation and subsistence allowances	2 981 019	1 324 429	2 429 091	955 955
Umngeni farm detailed plan	47 235	-	47 235	-
Vehicle rental	434 585	1 253 266	434 585	1 253 266
Veterinary department	457 071	-	457 071	-
Videography	87 198	9 950	87 198	9 950
Waste water risk abatement plan	207 880	-	207 880	-
Water conservation health and hygiene	14 750	347 716	14 750	347 716
Water expenses	14 495 407	14 481 899	14 495 407	14 481 899
Website managemnet	422 940	44 100	422 940	44 100
Women's day celebration	173 070	233 780	173 070	233 780
Workshops and sessions	-	5 006	-	5 006
Youth development empowerment plan	204 792	175 200	204 792	175 200
	<b>80 428 208</b>	<b>67 206 543</b>	<b>72 248 224</b>	<b>65 157 441</b>
<b>33. Operating grant expenses</b>				
<b>Sisonke Economic Development Agency</b>				
DHET grant expenditure	17 588 384	16 880 249	-	-
DBSA grant expenditure	1 667 399	-	-	-
	<b>19 255 783</b>	<b>16 880 249</b>	-	-
<b>Harry Gwala District Municipality</b>				
Councillors accredited training grant	-	137 197	-	137 197
Ubuhlebezwe - Cogta	-	542 164	-	542 164
Municipal infrastructure grant	-	52 291 426	-	52 291 426
Financial management grant	475 668	584 404	475 668	584 404
Government experts grant	-	279 986	-	279 986
LG seta	26 791	185 041	26 791	185 041
Municipal system improvement grant	885 420	847 140	885 420	847 140
Rural transport infrastructure grant	1 792 176	1 421 228	1 792 176	1 421 228
Signage grant - Cogta	-	322 600	-	322 600
Rural housing infrastructure grant	-	1 696 430	-	1 696 430
EEDMP grant	5 266 423	2 763 155	5 266 423	2 763 155
Planning and shared services grant expenditure	166 009	-	166 009	-
Ingwe Household Sanitation Project	8 127 260	-	8 127 260	-
FMG - Caseware and E Venus Training	117 930	-	117 930	-
PMU grant	8 771	-	8 771	-
Eradication of Sanitation Backlog	17 592 875	-	17 592 875	-
EPWP - Energy Grant	251 500	-	251 500	-
Massification Umzimkhulu	5 242 066	-	5 242 066	-
FMG - Training of Bid Committe	1 227	-	1 227	-
	<b>39 954 116</b>	<b>61 070 771</b>	<b>39 954 116</b>	<b>61 070 771</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>33. Operating grant expenses (continued)</b>	<b>59 209 899</b>	<b>77 951 020</b>	<b>39 954 116</b>	<b>61 070 771</b>
<b>34. Remuneration of councillors</b>				
Councillors	5 095 585	4 721 427	5 095 585	4 721 427
Cellphone allowance	267 806	256 818	267 806	256 818
Meeting allowance	6 400	8 802	6 400	8 802
Travelling allowance	317 734	262 063	317 734	262 063
	<b>5 687 525</b>	<b>5 249 110</b>	<b>5 687 525</b>	<b>5 249 110</b>
<b>35. Repairs and Maintenance</b>				
Maintain water and infrastructure in SDM	-	209 400	-	209 400
Fire Extinguishers	43 729	36 703	43 729	36 703
Machanical and electrical	7 119 378	3 878 848	7 119 378	3 878 848
Office Building	2 881 585	232 860	2 881 585	232 860
Sever Room Maintenance	245 483	84 381	245 483	84 381
Vehicles	186 912	58 654	186 912	58 654
Maintenance of Ubuhlebezwe Schemes	1 671 951	4 033 883	1 671 951	4 033 883
Maintenance of Umzimkhulu Schemes	5 368 119	5 576 045	5 368 119	5 576 045
Maintenance of Ingwe Schemes	1 537 925	2 828 988	1 537 925	2 828 988
Maintenance of Kokstad Schemes	2 619 844	5 891 459	2 619 844	5 891 459
Maintenance of Kwasani Schemes	456 903	643 113	456 903	643 113
Repairs and maintenance - Sisonke Economic Development Agency	492 709	65 010	-	-
	<b>22 624 538</b>	<b>23 539 344</b>	<b>22 131 829</b>	<b>23 474 334</b>
<b>36. Cash generated from operations</b>				
Surplus	174 927 556	121 412 224	171 627 529	92 558 298
<b>Adjustments for:</b>				
Depreciation and amortisation	40 859 302	37 165 739	39 753 516	37 050 412
Loss on disposal of assets	13 205 404	-	9 953 337	25 115 763
Impairment loss	406 913	3 671 661	406 913	3 671 661
Contribution to bad debt provision	11 988 572	21 936 910	11 988 572	21 936 874
Movements in provisions	2 897 037	4 424 895	2 897 037	4 424 895
Increase in provisions	-	793 504	-	786 233
Other non-cash items	-	(78 783)	-	-
<b>Changes in working capital:</b>				
Inventories	6 132	(3 968)	6 132	(3 968)
Receivables from exchange transactions	(30 707)	-	-	-
Trade and other receivable from exchange transactions	(30 764 231)	(23 155 587)	(30 764 231)	(23 121 812)
Other receivables from non-exchange transactions	(2 523 078)	42 644 451	(1 122 111)	42 639 794
Payables from exchange transactions	62 644 948	(2 167 448)	56 187 241	(140 661)
VAT	(8 321 863)	9 015 273	(7 192 001)	9 022 178
Payable from non exchange transactions	(2 499 000)	-	(2 499 000)	-
Unspent conditional grants and receipts	(10 089 939)	(19 572 137)	(8 571 725)	(10 779 238)
Consumer deposits	143 593	103 872	143 593	103 872
	<b>252 850 639</b>	<b>196 190 606</b>	<b>242 814 802</b>	<b>203 264 301</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>37. Commitments</b>				
<b>Authorised capital expenditure</b>				
<b>Approved and contracted</b>				
• Infrastructure assets	270 406 877	187 601 954	270 406 877	187 601 954
• Corporate Services	-	6 153 194	-	6 153 194
	<b>270 406 877</b>	<b>193 755 148</b>	<b>270 406 877</b>	<b>193 755 148</b>
<b>Authorised but not yet contracted</b>				
• Infrastructure assets	-	124 954 702	-	124 954 702
• Corporate Services	-	3 259 394	-	3 259 394
• Social Economic Development	-	2 525 000	-	2 525 000
• Water Services	-	4 000 000	-	4 000 000
	-	<b>134 739 096</b>	-	<b>134 739 096</b>
<b>Total capital commitments</b>				
Already contracted for but not provided for	270 406 877	193 755 148	270 406 877	193 755 148
Authorised but not yet contracted	-	134 739 096	-	134 739 096
	<b>270 406 877</b>	<b>328 494 244</b>	<b>270 406 877</b>	<b>328 494 244</b>
<b>Operating leases - as lessee (expense)</b>				
<b>Minimum lease payments due</b>				
- within one year	52 072	232 320	-	232 320
- in second to fifth year inclusive	82 673	-	-	-
	<b>134 745</b>	<b>232 320</b>	-	<b>232 320</b>

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.

### 38. Contingencies

Council is awaiting the outcome of the civil claims and employees disciplinary action as disclosed in the parent annual financial statements.

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014

### 39. Related parties

#### Controlled Entities

The Harry Gwala District 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 71 of 2008.

#### Related Party Transactions

During the reporting period Harry Gwala District Municipality has transferred R16 500 000 to Sisonke Economic Development Agency.

In the previous financial 2013/2014 Harry Gwala District Municipality transferred R14 808 198 to Sisonke Economic Development Agency

#### Key Management Personnel

The key management personnel of Sisonke Economic Development Agency are:

The Chief Executive Officer

The Chief Financial Officer

### 40. Risk management

#### Financial risk management

##### Liquidity risk

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

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

##### Credit risk

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

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	Group - 2015	Group - 2014	Municipality - 2015	Municipality - 2014
Cash and cash equivalents	36 115 232	34 010 088	25 871 010	29 474 485
Trade and other receivables	32 211 873	12 807 512	30 780 199	10 882 429

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

##### Market risk

##### Interest rate risk

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

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>41. Unauthorised expenditure</b>				
Opening balance	164 918 134	159 163 652	164 918 134	159 163 652
Add current year expenditure	192 940 848	164 918 134	192 940 848	164 918 134
Approved by council or condoned	(164 918 134)	(159 163 652)	(164 918 134)	(159 163 652)
	<b>192 940 848</b>	<b>164 918 134</b>	<b>192 940 848</b>	<b>164 918 134</b>
<b>42. Fruitless and wasteful expenditure</b>				
Opening balance	26 050	479 787	26 050	479 787
Add current year expenditure	87 365	26 050	87 365	26 050
Less: Amounts condoned/ written off by council	(26 050)	(479 787)	(26 050)	(479 787)
	<b>87 365</b>	<b>26 050</b>	<b>87 365</b>	<b>26 050</b>
<b>43. Irregular expenditure</b>				
Opening balance	210 505 535	267 214 560	187 116 940	257 344 020
Add: Irregular Expenditure - current year	159 313 635	210 505 235	143 360 811	187 116 940
Less: Amounts condoned	(210 505 535)	(267 214 260)	(187 116 940)	(257 344 020)
	<b>159 313 635</b>	<b>210 505 535</b>	<b>143 360 811</b>	<b>187 116 940</b>
<b>44. Additional disclosure in terms of Municipal Finance Management Act</b>				
<b>Contributions to organised local government</b>				
Current year subscription / fee	904 340	35 068	904 340	35 068
Amount paid - current year	-	(35 068)	-	(35 068)
	<b>904 340</b>	<b>-</b>	<b>904 340</b>	<b>-</b>
<b>Material losses Incurred</b>				
Water losses	13 782 759	1 294 345	13 782 759	1 294 345
The water losses of 28.9% (2014 : 26%) is calculated on the total consumption of 10 367 653kl (2014 : 1 228 602kl) purchased at an average price of R4.60 (2014 : R4.13) per kl. Total water stock losses amounts to 2 996 252kl (2014 : 313 401 kl)..				
<b>Audit fees</b>				
Current year subscription / fee	2 403 852	1 931 193	1 814 290	1 783 650
Amount paid - current year	(2 403 852)	(1 931 193)	(1 814 290)	(1 783 650)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PAYE and UIF</b>				
Opening balance	3 193	320 920	-	-
Current year subscription / fee	17 712 006	17 285 251	16 346 664	16 006 829
Amount paid - current year	(17 715 199)	(17 602 978)	(16 346 664)	(16 006 829)
	<b>-</b>	<b>3 193</b>	<b>-</b>	<b>-</b>

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014

### 44. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Pension and Medical Aid Deductions

Current year subscription / fee	13 449 821	12 541 753	13 449 821	12 541 753
Amount paid - current year	(13 449 821)	(12 541 753)	(13 449 821)	(12 541 753)
	-	-	-	-

#### VAT

VAT receivable	13 155 558	4 846 391	12 038 392	4 846 391
VAT payable	-	12 696	-	-
	<b>13 155 558</b>	<b>4 859 087</b>	<b>12 038 392</b>	<b>4 846 391</b>

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Municipal Council.

Section 36 deviations transferred to Irregular Expenditure.

#### Incident

Supply Chain Management Deviations	25 491 694	1 297 063	25 345 262	1 297 063
------------------------------------	------------	-----------	------------	-----------

### 45. Prior period errors

The correction of the error(s) results in adjustments as follows:

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>45. Prior period errors (continued)</b>				
<b>Statement of financial position</b>				
<b>Property plant and equipment previously reported</b>	- 1 304 820 655		- 1 279 316 737	
Buildings - Land previously incorrectly classified as buildings	- (674 531)		- (674 531)	
Plant and machinery - assets incorrectly classified in prior year	- 363 182		- 363 182	
Furniture and fittings - assets incorrectly classified in prior year	- (142 975)		- (142 975)	
Land - Land previously incorrectly classified as buildings	- 1 000 046		- 1 000 046	
Infrastructure - Hlokozi not capitalised from WIP in prior year	- 23 341 090		- 23 341 090	
Other assets - assets incorrectly classified in prior year	- (224 506)		- (224 506)	
Work in progress - Hlokozi not capitalised from WIP in prior year	- (24 248 675)		- (24 248 675)	
Finance lease assets - incorrectly recognised under intangible assets in prior year	- 225 516		- 225 516	
<b>Restated property plant and equipment balance</b>	<b>- 1 304 459 799</b>		<b>- 1 278 955 884</b>	
<b>Intangible assets previously reported</b>	- 856 938		- 832 965	
Intangible assets moved to finance leases	- (225 516)		- (225 516)	
<b>Restated intangible assets balance</b>	<b>- 631 422</b>		<b>- 607 450</b>	
<b>Other debtors previously reported</b>	- 48 407 518		- 48 343 800	
Reversal of MIG debtor 2013/2014	- (35 698 126)		- (35 698 126)	
Reversal of RBIG debtor 2013/2014	- (9 122 427)		- (9 122 427)	
Contractor Refund as per bank statement	- 430 711		- 430 711	
Directors overpaid	- (30 503)		- -	
Innoventure	- (33 215)		- -	
<b>Restated other debtors balance</b>	<b>- 3 953 958</b>		<b>- 3 953 958</b>	
<b>VAT Receivable previously reported</b>	- 5 794 348		- 5 794 348	
VAT receivable - VAT review 2013/2014 disallowed by SARS	- (947 956)		- (947 956)	
<b>Restated VAT receivable balance</b>	<b>- 4 846 391</b>		<b>- 4 846 391</b>	
<b>Trade and other receivables previously reported</b>	- 6 923 235		- 6 923 235	
Receivables not previously recognised	- 5 235		- 5 235	
<b>Restated other receivable balance</b>	<b>- 6 928 271</b>		<b>- 6 928 271</b>	
<b>Trade and other payables from exchange transactions</b>	- 81 490 245		- 82 974 151	
Orders not fulfilled 2013/2014	- (1 879 977)		- (1 879 977)	
Retentions	- (1 848 851)		- (1 848 851)	
Reclassification of Provision for leave pay in terms of GRAP 19 para 4.1	- 7 833 289		- 7 711 123	
Stale cheque	- 750		- 750	
Director underpaid	- (5 748)		- -	
Employees underpaid	- (51 770)		- -	
<b>Restated trade and other payables from exchange transactions</b>	<b>- 85 537 938</b>		<b>- 86 957 198</b>	

# Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2015	2014	2015	2014
<b>45. Prior period errors (continued)</b>				
	-	-	-	-
<b>Upspent conditional grants previously reported</b>	-	<b>22 109 234</b>	-	<b>19 772 173</b>
Debtor previously not recognised - ACIP	-	(1 229 587)	-	(1 229 587)
Disaster management grant	-	<u>1 009 550</u>	-	<u>1 009 550</u>
<b>Restated unspent conditional grants balance</b>	-	<b><u>21 889 196</u></b>	-	<b><u>19 552 132</u></b>
	-	-	-	-
<b>Government grants and subsidies previously reported</b>	-	<b>496 762 044</b>	-	<b>479 082 457</b>
Conditions met transfered to revenue reversed - MIG	-	(35 698 126)	-	(35 698 126)
Conditions met transfered to revenue reversed - RBIG	-	(9 122 427)	-	(9 122 427)
<b>Government grants and subsidies restated balance</b>	-	<b><u>451 941 491</u></b>	-	<b><u>434 261 904</u></b>
	-	-	-	-
<b>Accumulated surplus previously reported</b>	-	<b>1 238 334 179</b>	-	<b>1 209 217 345</b>
Orders not fulfilled in 2013/2014	-	1 879 977	-	1 879 977
VAT review 2013/2014 disallowed by SARS	-	(947 956)	-	(947 956)
Reversal of MIG debtor - 2013/2014	-	(35 698 126)	-	(35 698 126)
Stale cheque	-	(750)	-	(750)
Reversal of RBIG Debtor -2013/2014	-	(9 122 427)	-	(9 122 427)
Conditions met transfered to revenue - ACIP grant	-	1 229 587	-	1 229 587
Disaster management grant	-	(1 009 550)	-	(1 009 550)
Retentions	-	1 848 851	-	1 848 851
bank reconciliation 2013/2014 adjustment	-	5 235	-	5 235
Depreciation previously not recognised - Hlokozi	-	(872 663)	-	(872 663)
Contractor Refund as per bank statements - MIG grant	-	430 711	-	430 711
Depreciation on assets recognised in incorrect category	-	321 219	-	321 219
Depreciation - incorrect useful life on ponds	-	(24 638)	-	(24 638)
Assets - Ponds	-	(10 286)	-	(10 286)
SDA prior year adjustments	-	(19 512)	-	-
<b>Restated Accumulated Surplus</b>	-	<b><u>1 196 343 851</u></b>	-	<b><u>1 167 246 529</u></b>