

# INKWANCA LOCAL MUNICIPALITY

EC133



## ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
30 JUNE 2015

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## General Information

---

<b>Nature of business and principal activities</b>	Inkwanca Municipality is a Grade 2 Local Authority. Inkwanca Municipality is a local municipality performing the functions as set out in the Constitution. (Act No 105 of 1996) South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act No 117 of 1998)	
<b>Registered office</b>	39 Smith Street Molteno 5500	
<b>Business address</b>	39 Smith Street Molteno 5500	
<b>Postal address</b>	P.O. Box 1 Molteno 5500	
<b>Jurisdiction</b>	Inkwanca Municipality includes Molteno and Sterkstroom	
<b>Bankers</b>	Standard Bank - Molteno	
<b>Auditors</b>	Auditor-General South Africa Registered Auditors	
<b>Attorneys</b>	Zepe & Company - Queenstown Jikwana & Company -Butterworth	
<b>Members of the Council</b>	LE Gubhula NA Ncube M Jacobs L Koltana L Haggard XG Mkhubukeli-Lufele M Dingani	Mayor Chiefwhip Councillor (Ward 1) Councillor (Ward 3) Councillor (Ward 2) Councillor (Ward 4) Councillor (PR)
<b>Acting Municipal Manager</b>	TT Nkila	
<b>Chief Financial Officer</b>	S Nyasheng (resigned)	

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Index

---

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

<b>Index</b>	<b>Page</b>
Acting Municipal Manager's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8
Accounting Policies	10 - 21
Notes to the Annual Financial Statements	22 - 35
Appendixes:	
Appendix A: Schedule of External loans	36

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Acting Municipal Manager's Responsibilities and Approval

---

The acting municipal manager is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the acting municipal manager to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The acting municipal manager acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the acting municipal manager to meet these responsibilities, the acting municipal manager sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The acting municipal manager is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The acting municipal manager has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 3.

The annual financial statements set out on pages 3 to 35, which have been prepared on the going concern basis, were approved by the on 30 September 2015 and were signed on its behalf by:

---

**Accounting Officer**  
**Designation**

---

---

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Assets</b>			
Current Assets			
Inventories	5	92 617	15 166
Receivables from exchange transactions	6	4 726 757	2 073 067
Receivables from non-exchange transactions	7	5 002 055	1 409 810
VAT receivable	8	1 203 658	1 448 260
Other receivables from non-exchange transactions		8 808	8 808
Cash and cash equivalents	9	76 268	147 199
		<b>11 110 163</b>	<b>5 102 310</b>
Non-Current Assets			
Investment property	3	278 986	286 091
Property, plant and equipment	4	148 997 148	156 935 361
		<b>149 276 134</b>	<b>157 221 452</b>
Non-Current Assets		149 276 134	157 221 452
Current Assets		11 110 163	5 102 310
<b>Total Assets</b>		<b>160 386 297</b>	<b>162 323 762</b>
<b>Liabilities</b>			
Current Liabilities			
Borrowings	10	126 200	185 503
Payables from exchange transactions	13	16 068 551	21 185 649
Unspent conditional grants and receipts	11	2 832 279	621 725
Provisions	12	436 992	436 992
Consumer Deposits		214 301	208 907
		<b>19 678 323</b>	<b>22 638 776</b>
Non-Current Liabilities			
Borrowings	10	152 229	278 429
Non-Current Liabilities		152 229	278 429
Current Liabilities		19 678 323	22 638 776
<b>Total Liabilities</b>		<b>19 830 552</b>	<b>22 917 205</b>
Assets		160 386 297	162 323 762
Liabilities		(19 830 552)	(22 917 205)
<b>Net Assets</b>		<b>140 555 745</b>	<b>139 406 557</b>
Accumulated surplus		140 555 745	139 406 554
		140 555 745	139 406 554
<b>Total Net Assets</b>		<b>140 555 745</b>	<b>139 406 554</b>

\* See Note 27

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	14	7 230 032	13 654 432
Interest earned - outstanding receivables		1 286 559	1 733 048
Rental income		152 777	171 903
Sundry income		1 486 149	2 087 017
Interest received - investment		68	178
<b>Total revenue from exchange transactions</b>		<b>10 155 585</b>	<b>17 646 578</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	15	5 123 242	5 357 901
<b>Transfer revenue</b>			
Government grants & subsidies	16	21 108 670	39 531 267
Fines		29 900	32 716
<b>Total revenue from non-exchange transactions</b>		<b>26 261 812</b>	<b>44 921 884</b>
		10 155 585	17 646 578
		26 261 812	44 921 884
<b>Total revenue</b>		<b>36 417 397</b>	<b>62 568 462</b>
<b>Expenditure</b>			
Employee related costs	17	(14 987 416)	(17 787 316)
Remuneration of councillors	18	(1 579 153)	(2 007 533)
Depreciation	19	(7 945 318)	(9 643 244)
Bad debt impairment		-	(7 306 303)
Finance costs		-	(216 542)
Repairs and maintenance		(604 259)	(2 195 661)
Bulk purchases	20	(3 764 293)	(5 745 766)
Contracted services	21	(16 030)	(34 183)
General Expenses	22	(6 371 733)	(25 437 789)
<b>Total expenditure</b>		<b>(35 268 202)</b>	<b>(70 374 337)</b>
		-	-
Total revenue		36 417 393	62 568 462
Total expenditure		(35 268 202)	(70 374 337)
<b>Operating surplus (deficit)</b>		<b>1 149 191</b>	<b>(7 805 875)</b>
Taxation		-	-
Surplus (deficit) before taxation		1 149 191	(7 805 875)
Taxation		-	-
<b>Surplus (deficit) for the year</b>		<b>1 149 191</b>	<b>(7 805 875)</b>

\* See Note 27

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	154 148 734	154 148 734
Prior year error (see note 27)	(6 936 305)	(6 936 305)
<b>Balance at 01 July 2013 as restated*</b>	<b>147 212 429</b>	<b>147 212 429</b>
Changes in net assets		
Surplus for the year	(7 805 875)	(7 805 875)
Total changes	(7 805 875)	(7 805 875)
<b>Restated* Balance at 01 July 2014</b>	<b>139 406 554</b>	<b>139 406 554</b>
Changes in net assets		
Surplus for the year	1 149 191	1 149 191
Total changes	1 149 191	1 149 191
<b>Balance at 30 June 2015</b>	<b>140 555 745</b>	<b>140 555 745</b>

\* See Note 27

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		7 393 962	15 402 092
Grants		23 319 224	40 300 505
Interest income		-	1 733 226
Other receipts		1 668 826	2 291 635
		<u>32 382 012</u>	<u>59 727 458</u>
<b>Payments</b>			
Employee costs		(16 751 230)	(20 269 089)
Suppliers		(15 521 603)	(30 381 445)
Finance costs		-	(216 542)
		<u>(32 272 833)</u>	<u>(50 867 076)</u>
Total receipts		32 382 012	59 727 458
Total payments		(32 272 833)	(50 867 076)
<b>Net cash flows from operating activities</b>	23	<b><u>109 179</u></b>	<b><u>8 860 382</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	-	(9 224 014)
<b>Cash flows from financing activities</b>			
Customer deposits		5 394	-
Finance lease movements		(185 504)	284 056
<b>Net cash flows from financing activities</b>		<b><u>(180 110)</u></b>	<b><u>284 056</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(70 931)</u></b>	<b><u>(79 576)</u></b>
Cash and cash equivalents at the beginning of the year		147 199	226 775
<b>Cash and cash equivalents at the end of the year</b>	9	<b><u>76 268</u></b>	<b><u>147 199</u></b>

\* See Note 27



# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	14 615 000	(5 961 000)	<b>8 654 000</b>	7 230 032	<b>(1 423 968)</b>	
Other own revenue	11 330 000	(2 711 000)	<b>8 619 000</b>	2 955 385	<b>(5 663 615)</b>	
Interest received - investment	32 000	-	<b>32 000</b>	64	<b>(31 936)</b>	
<b>Total revenue from exchange transactions</b>	<b>25 977 000</b>	<b>(8 672 000)</b>	<b>17 305 000</b>	<b>10 185 481</b>	<b>(7 119 519)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	5 650 000	-	<b>5 650 000</b>	5 123 242	<b>(526 758)</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	26 238 000	-	<b>26 238 000</b>	21 108 670	<b>(5 129 330)</b>	
<b>Total revenue from non-exchange transactions</b>	<b>31 888 000</b>	<b>-</b>	<b>31 888 000</b>	<b>26 231 912</b>	<b>(5 656 088)</b>	
<b>Expenditure</b>						
Personnel	(26 288 000)	-	<b>(26 288 000)</b>	(14 987 416)	<b>11 300 584</b>	
Remuneration of councillors	(2 106 000)	351 000	<b>(1 755 000)</b>	(1 579 153)	<b>175 847</b>	
Depreciation and amortisation	(11 083 000)	-	<b>(11 083 000)</b>	(7 945 318)	<b>3 137 682</b>	
Finance costs	(130 000)	-	<b>(130 000)</b>	-	<b>130 000</b>	
Repairs and maintenance	-	-	-	(604 259)	<b>(604 259)</b>	
Bulk purchases	(6 285 000)	-	<b>(6 285 000)</b>	(3 764 293)	<b>2 520 707</b>	
Contracted Services	-	-	-	(16 030)	<b>(16 030)</b>	
Other Expenses	(22 801 000)	12 098 000	<b>(10 703 000)</b>	(6 371 733)	<b>4 331 267</b>	
<b>Total expenditure</b>	<b>(68 693 000)</b>	<b>12 449 000</b>	<b>(56 244 000)</b>	<b>(35 268 202)</b>	<b>20 975 798</b>	
Deficit before taxation	(10 828 000)	3 777 000	<b>(7 051 000)</b>	1 149 191	<b>8 200 191</b>	
Taxation	-	-	-	-	-	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(10 828 000)</b>	<b>3 777 000</b>	<b>(7 051 000)</b>	<b>1 149 191</b>	<b>8 200 191</b>	

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	818 000	-	<b>818 000</b>	92 617	<b>(725 383)</b>	
Receivables from exchange transactions	5 639 000	-	<b>5 639 000</b>	4 726 757	<b>(912 243)</b>	
Receivables from non-exchange transactions	-	-	-	5 002 055	<b>5 002 055</b>	
VAT receivable	-	-	-	1 203 658	<b>1 203 658</b>	
Other receivables from non-exchange transactions	126 000	-	<b>126 000</b>	8 808	<b>(117 192)</b>	
Current portion of long-term receivables	3 588 000	-	<b>3 588 000</b>	-	<b>(3 588 000)</b>	
Cash and cash equivalents	71 000	-	<b>71 000</b>	76 268	<b>5 268</b>	
	<b>10 242 000</b>	-	<b>10 242 000</b>	<b>11 110 163</b>	<b>868 163</b>	
<b>Non-Current Assets</b>						
Investment property	333 000	-	<b>333 000</b>	278 986	<b>(54 014)</b>	
Property, plant and equipment	151 062 000	-	<b>151 062 000</b>	148 997 149	<b>(2 064 851)</b>	
	<b>151 395 000</b>	-	<b>151 395 000</b>	<b>149 276 135</b>	<b>(2 118 865)</b>	
Non-Current Assets	10 242 000	-	<b>10 242 000</b>	11 110 163	<b>868 163</b>	
Current Assets	151 395 000	-	<b>151 395 000</b>	149 276 135	<b>(2 118 865)</b>	
<b>Total Assets</b>	<b>161 637 000</b>	-	<b>161 637 000</b>	<b>160 386 298</b>	<b>(1 250 702)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Borrowings	2 393 000	-	<b>2 393 000</b>	126 200	<b>(2 266 800)</b>	
Payables from exchange transactions	21 761 000	-	<b>21 761 000</b>	16 068 551	<b>(5 692 449)</b>	
Unspent conditional grants and receipts	-	-	-	2 832 279	<b>2 832 279</b>	
Provisions	3 340 000	-	<b>3 340 000</b>	436 992	<b>(2 903 008)</b>	
Consumer Deposits	234 000	-	<b>234 000</b>	214 301	<b>(19 699)</b>	
	<b>27 728 000</b>	-	<b>27 728 000</b>	<b>19 678 323</b>	<b>(8 049 677)</b>	
<b>Non-Current Liabilities</b>						
Borrowings	356 000	-	<b>356 000</b>	152 229	<b>(203 771)</b>	
	27 728 000	-	<b>27 728 000</b>	19 678 323	<b>(8 049 677)</b>	
	356 000	-	<b>356 000</b>	152 229	<b>(203 771)</b>	
	-	-	-	-	-	
<b>Total Liabilities</b>	<b>28 084 000</b>	-	<b>28 084 000</b>	<b>19 830 552</b>	<b>(8 253 448)</b>	
Assets	161 637 000	-	<b>161 637 000</b>	160 386 298	<b>(1 250 702)</b>	
Liabilities	(28 084 000)	-	<b>(28 084 000)</b>	(19 830 552)	<b>8 253 448</b>	
<b>Net Assets</b>	<b>133 553 000</b>	-	<b>133 553 000</b>	<b>140 555 746</b>	<b>7 002 746</b>	

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1. Presentation of Annual Financial Statements

The 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 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.

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. Amounts are rounded to the nearest Rand.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

The municipality is heavily dependent on government grants and subsidies because of its small revenue base which is unlikely to expand in future. The liquidity ratio shows that the municipality is faced with challenges in meeting its obligations. However, the Inkwanca Local Municipality will continue with its operations as a going concern in the foreseeable future as long as grants are still received from the upper spheres of government.

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 annual financial statements. Significant judgements include:

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

#### 1.4 Investment property

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

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

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

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

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

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

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.4 Investment property (continued)

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

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	40 years

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

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

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

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

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

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

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

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

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
Land	Straight line	50
Buildings	Straight line	30
Plant and machinery	Straight line	3 to 30
Furniture and fixtures	Straight line	5 to 15
Motor vehicles	Straight line	4 to 15
Office equipment	Straight line	5 to 10
Community	Straight line	20 to 30
Other property	Straight line	5 to 50
Leased Assets	Straight line	5
Wastewater network	Straight line	5 to 50
Roads	Straight line	5 to 30

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.

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 municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. 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.

### 1.6 Site restoration and dismantling cost

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

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.7 Financial instruments

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the comparative balances as previously stated or in the notes thereto:

<b>Class</b>	<b>Category</b>
Trade receivables from exchange transactions	Financial asset measured at amortised cost
Trade receivables from non-exchange transactions	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	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 comparative balances as previously stated or in the notes thereto:

<b>Class</b>	<b>Category</b>
Payables from exchange transactions	Financial liability measured at amortised cost
Deposits	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

#### Initial recognition

The entity recognises a financial asset or a financial liability in its comparative balances as previously stated 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.

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.7 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.

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

#### Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### 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 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 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.

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.7 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### Financial liabilities

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit using the effective interest method.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the comparative balances as previously stated when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### 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.



# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.8 Leases (continued)

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the comparative balances as previously stated 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 comparative balances as previously stated 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.

Any contingent rents are expensed in the period in which they are incurred.

### 1.9 Inventories

Inventories are initially measured at cost on a First-In-First-Out (FIFO) basis except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value or current replacement cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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.

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.10 Employee benefits

#### 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 expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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: 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.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an 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 contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

### 1.11 Revenue from exchange transactions

#### Measurement

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

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.11 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

#### Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

### 1.12 Revenue from non-exchange transactions

#### Measurement

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

#### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.12 Revenue from non-exchange transactions (continued)

#### Fines

Revenue from the issuing of fines is recognised when:

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

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

### 1.13 Borrowing costs

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

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

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

### 1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.15 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of 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 comparative balances as currently stated 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 comparative balances as currently stated.

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.16 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 comparative balances as currently stated 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 comparative balances as currently stated.

### 1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the Municipal Finance Management Act (MFMA) is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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 Comparative balances as currently stated and where recovered, it is subsequently accounted for as revenue in the Comparative balances as currently stated.

### 1.18 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.18 Budget information (continued)

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.19 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014

### 2. New standards and interpretations

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

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2015	No impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	No impact
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	No impact
• GRAP 107: Mergers	01 April 2015	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2016	The impact of the amendment is not material.
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	No impact
• GRAP108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	No impact

### 3. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	314 500	(35 514)	278 986	314 500	(28 409)	286 091

#### Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	286 091	(7 105)	278 986

#### Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	293 196	(7 105)	286 091

#### Details of valuation

The valuation was performed by PJ Lindstrom, a Registered Professional Valuer with the South African Council for the Property Valuers Profession. Registration number: 935

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014

### 4. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	30 161 500	-	30 161 500	30 161 500	-	30 161 500
Buildings	14 247 395	(1 719 172)	12 528 223	14 247 395	(1 374 305)	12 873 090
Motor vehicles	972 854	(394 646)	578 208	916 861	(263 489)	653 372
Other Assets	1 604 456	(1 090 946)	513 510	1 604 456	(924 254)	680 202
Infrastructure	158 665 158	(53 943 598)	104 721 560	158 665 158	(46 592 108)	112 073 050
Leased Assets	843 404	(349 257)	494 147	843 404	(349 257)	494 147
<b>Total</b>	<b>206 494 767</b>	<b>(57 497 619)</b>	<b>148 997 148</b>	<b>206 438 774</b>	<b>(49 503 413)</b>	<b>156 935 361</b>

### Reconciliation of property, plant and equipment - 2015

	Opening balance	Depreciation	Total
Land	30 161 500	-	30 161 500
Buildings	12 873 090	(344 867)	12 528 223
Motor vehicles	653 372	(75 164)	578 208
Other Assets	680 202	(166 692)	513 510
Infrastructure	112 073 050	(7 351 490)	104 721 560
Leased Assets	494 147	-	494 147
	<b>156 935 361</b>	<b>(7 938 213)</b>	<b>148 997 148</b>

### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers/ Disposals	Depreciation	Total
Land	30 161 500	-	-	-	30 161 500
Buildings	13 217 958	-	-	(344 868)	12 873 090
Motor vehicles	709 365	-	-	(55 993)	653 372
Other Assets	634 422	209 998	-	(164 218)	680 202
Infrastructure	112 133 349	11 447 289	(2 436 528)	(9 071 060)	112 073 050
Leased Assets	494 147	-	-	-	494 147
	<b>157 350 741</b>	<b>11 657 287</b>	<b>(2 436 528)</b>	<b>(9 636 139)</b>	<b>156 935 361</b>

### Pledged as security

No assets were pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Inventories

Consumable stores - at cost	92 617	15 166
-----------------------------	--------	--------

### Inventory pledged as security

No inventory was pledged as security.



# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>6. Receivables from exchange transactions</b>		
Consumer debtors - Electricity	2 198 072	1 210 936
Consumer debtors - Water and Sewerage	694 033	747 659
Consumer debtors - Refuse	1 759 988	110 039
Other	74 664	4 433
	<b>4 726 757</b>	<b>2 073 067</b>
<b>Trade and other receivables pledged as security</b>		
No portion of accounts receivable was pledged as security for any financial liabilities.		
<b>Trade and other receivables ageing</b>		
The ageing of receivables from exchange transactions is as follows:		
<b>Electricity ageing</b>		
Current	300	594 421
31 to 60 days	178 796	75 327
61 to 90 days	471 658	93 455
More than 90 days	2 709 220	1 609 577
	<b>3 359 974</b>	<b>2 372 778</b>
Less: Allowance for debt impairment	(1 161 902)	(1 161 902)
Total	<b>2 198 072</b>	<b>1 210 876</b>
<b>Refuse ageing</b>		
Current	-	381 074
31 to 60 days	162 224	186 016
61 to 90 days	159 156	124 258
More than 90 days	11 851 246	9 831 328
	<b>12 172 626</b>	<b>10 522 676</b>
Less: Allowance for debt impairment	(10 412 638)	(10 412 637)
Total	<b>1 759 988</b>	<b>110 039</b>
<b>Water and Sewerage ageing</b>		
Current	-	977 034
31 to 60 days	-	420 065
61 to 90 days	-	305 253
More than 90 days	694 033	27 962 911
	<b>694 033</b>	<b>29 665 263</b>
Less: Allowance for debt impairment	-	(28 917 604)
Total	<b>694 033</b>	<b>747 659</b>
<b>Other receivables ageing</b>		
Current	-	10 438
31 to 60 days	4 828	6 271
61 to 90 days	4 828	4 714
More than 90 days	278 743	196 746
	<b>288 399</b>	<b>218 169</b>
Less: Allowance for debt impairment	(213 735)	(213 735)
Total	<b>74 664</b>	<b>4 433</b>

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>6. Receivables from exchange transactions (continued)</b>		
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	40 705 878	36 367 058
Provision for impairment	-	4 338 820
Amounts taken over by District Municipality	(28 917 603)	-
	<b>11 788 275</b>	<b>40 705 878</b>
<b>7. Receivables from non-exchange transactions</b>		
Consumer debtors - Rates	5 002 055	1 409 810
<b>Receivables from non-exchange transactions past due but not impaired</b>		
The ageing of receivables from non-exchange transactions is as follows:		
<b>Rates ageing</b>		
Current	-	686 621
31 to 60 days	278 916	329 820
61 to 90 days	274 109	241 521
More than 90 days	16 463 372	12 165 926
	17 016 397	13 423 888
Less: Allowance for debt impairment	(12 014 342)	(12 014 078)
Total	5 002 055	1 409 810
<b>Reconciliation of provision for impairment of receivables from non-exchange transactions</b>		
Opening balance	12 014 078	9 069 481
Provision for impairment	264	2 944 597
	<b>12 014 342</b>	<b>12 014 078</b>
<b>8. VAT receivable</b>		
VAT	1 203 658	1 448 260
<b>9. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	76 268	147 199

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014

### 9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
Standard Bank - Molteno Branch - Acc No 280 66 1061 - Operating	95 030	124 711	164 895	(262 863)	124 711	191 113
Standard Bank - Molteno Branch - Acc No 280 67 0893 - Primary	1 050 609	4 038	19 624	320 955	4 038	19 624
Standard Bank - Molteno Branch - Acc No 08 263 1808 - Water services	2 396	3 605	1 370	3 266	3 605	1 370
Standard Bank - Molteno Branch - Acc No 38 857 4550 - Fmg	3 979	3 911	3 861	3 928	3 911	3 864
Standard Bank - Molteno Branch - Acc No 38 857 4720 - Msig	8 900	8 746	8 634	8 784	8 746	8 642
Standard Bank - Molteno Branch - Acc No 38 850 0360 - Mig	2 227	2 188	2 161	2 198	2 188	2 163
<b>Total</b>	<b>1 163 141</b>	<b>147 199</b>	<b>200 545</b>	<b>76 268</b>	<b>147 199</b>	<b>226 776</b>

### 10. Borrowings

#### Minimum lease payments due

- within one year	126 200	185 503
- in second to fifth year inclusive	152 229	278 429

#### Present value of minimum lease payments

	<b>278 429</b>	<b>463 932</b>
--	----------------	----------------

Non-current liabilities

152 229

Current liabilities

126 200

**278 429**

**463 932**

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 36 to 60 months and the average effective borrowing rate was 0% (2014: 0%)

There were no contingent rentals or subleases during the period. There were no breaches or defaults of the terms and conditions and no terms or conditions were renegotiated during the period.

### 11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal System Improvement Grant	725 940	500 000
Finance Management Grant	321 922	-
Municipal Infrastructure Grant	1 784 417	-
Financial Statement Preparation Grant	-	121 725
	<b>2 832 279</b>	<b>621 725</b>

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand 2015 2014

### 12. Provisions

#### Reconciliation of provisions - 2015

	Opening Balance	Total
Provision for landfill sites	436 992	436 992

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Provision for landfill sites	462 426	(25 434)	436 992

#### Provision for landfill sites

With regards to the provision for landfill sites. It is stated in the Department of Water Affairs and Forestry 'Minimum Requirements for Water Disposal by Landfill', Second Edition 1998, Chapter 2.3.4, that "All landfills except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be considered closed. Closure will involve, inter alia, the application of final cover, top-soiling, vegetating, drainage maintenance and leachate management."

Rehabilitation cost in respect of geo -hydrological monitoring is anticipated to be a recurring cost for the next 28 years. The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current rehabilitation cost to an estimated future cost which was then discounted to present value.

Assumptions used

Interest rate: 10%

The valuation for the landfill site provision was done by Mr A Mxenge, an environmental specialist seconded by the department of Local Government and Traditional Affairs, Bhisho

### 13. Payables from exchange transactions

Trade payables	13 859 949	19 165 222
Staff leave accrual	1 332 990	1 591 210
Sundry payables	372 836	-
Bonus accrual	502 776	429 217
	<b>16 068 551</b>	<b>21 185 649</b>

The fair value of trade and other payables approximates their carrying values. None of the trade payables are secured.

#### Staff leave accrual

This accrual is in respect of the short term liability relating to leave payable to employees.

#### Bonus accrual

This accrual is in respect of the short term liability relating to pro-rata and long service bonuses payable to employees.

### 14. Service charges

Sale of electricity	4 724 743	10 831 996
Refuse removal	2 505 289	2 822 436
	<b>7 230 032</b>	<b>13 654 432</b>

### 15. Property rates

#### Rates received

Residential and other property	5 123 242	5 357 901
--------------------------------	-----------	-----------

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>16. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	19 436 125	19 355 000
Finance management grant	1 672 545	20 176 267
	<b>21 108 670</b>	<b>39 531 267</b>
<b>17. Employee related costs</b>		
Basic	10 752 603	12 185 923
Performance and other bonuses	1 463 954	1 474 723
Leave pay provision charge	(258 220)	402 543
Contribution to UIF, pensions and medical aid	2 659 373	3 014 537
Overtime payments	26 154	30 007
Travel, motor car, accommodation, subsistence and other allowances	343 552	679 583
	<b>14 987 416</b>	<b>17 787 316</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	123 186	497 596
Travel, motor car, accommodation, subsistence and other allowances	53 300	207 574
Performance and other bonuses	-	41 062
Contributions to UIF, Medical and Pension Funds	49 642	-
	<b>226 128</b>	<b>746 232</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	100 665	395 400
Travel, motor car, accommodation, subsistence and other allowances	14 338	50 824
Performance and other bonuses	-	33 555
Contributions to UIF, Medical and Pension Funds	46 873	50 105
	<b>161 876</b>	<b>529 884</b>
<b>Remuneration of senior manager: technical services</b>		
Annual Remuneration	68 655	272 165
Acting Allowance	15 509	186 243
Performance Bonuses	-	22 884
Travel, motor car, accommodation, subsistence and other allowances	17 862	51 896
Contributions to UIF, Medical and Pension Funds	23 988	-
	<b>126 014</b>	<b>533 188</b>
<b>Remuneration of senior manager: corporate services</b>		
Annual Remuneration	97 158	379 051
Performance Bonuses	-	32 386
Travel, motor car, accommodation, subsistence and other allowances	38 400	151 067
Contributions to UIF, Medical and Pension Funds	44 267	13 785
	<b>179 825</b>	<b>576 289</b>

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015

2014

### 17. Employee related costs (continued)

#### Remuneration of senior manager: community services

Annual Remuneration	450 086	403 236
Contributions to UIF, Medical and Pension Funds	160 027	-
Performance Bonuses	33 838	33 838
Travel, motor car, accommodation, subsistence and other allowances	154 432	151 068
	<b>798 383</b>	<b>588 142</b>

### 18. Remuneration of councillors

#### Mayor/Speaker

Allowances	368 690	566 971
Pension and medical aid contributions	-	92 180

#### Other part-time councillors

Allowances	970 050	1 179 975
Pension and medical aid contributions	65 502	168 407
Difference	174 911	-
	<b>1 579 153</b>	<b>2 007 533</b>

### 19. Depreciation

Property, plant and equipment	7 938 213	9 636 139
Investment property	7 105	7 105
	<b>7 945 318</b>	<b>9 643 244</b>

### 20. Bulk purchases

Electricity	3 693 588	4 753 750
Water	70 705	992 016
	<b>3 764 293</b>	<b>5 745 766</b>

### 21. Contracted services

Security services	16 030	34 183
-------------------	--------	--------

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015

2014

### 22. General expenses

Admin Fees	23 324	1 943 190
Advertising	43 521	123 138
Auditors remuneration	630 222	4 581 679
Bank charges	229 577	86 519
Cleaning	36 769	91 813
Consulting and professional fees	471 803	1 107 464
Gifts	232 017	3 422 955
Insurance	233 340	210 535
Magazines, books and periodicals	-	4 520
Fuel and oil	224 751	471 625
Postage and courier	224	9 987
Printing and stationery	21 121	260 877
Skills development levies	142 756	168 167
Telephone and fax	288 645	385 555
Travel and subsistence	54 066	89 856
Refuse	28 435	149 905
Indigence subsidy reserve	1 222 619	3 391 715
Sewerage treatment costs	-	2 532 672
Other expenses	2 488 543	6 405 617
	<b>6 371 733</b>	<b>25 437 789</b>

### 23. Cash generated from operations

Surplus (deficit)	1 149 191	(7 805 875)
<b>Adjustments for:</b>		
Depreciation and amortisation	7 945 319	9 643 244
Adjustments prior years	-	2 064 737
Movements in employee related accruals	(184 661)	-
Reversal of grants	-	147 513
<b>Changes in working capital:</b>		
Inventories	(77 451)	150 613
Receivables from exchange transactions	(2 653 693)	659 719
Consumer debtors	-	16 692
Other receivables from non-exchange transactions	(3 592 245)	954 914
Payables from exchange transactions	(4 932 437)	3 242 176
VAT	244 602	(835 076)
Unspent conditional grants and receipts	2 210 554	621 725
	<b>109 179</b>	<b>8 860 382</b>

### 24. Commitments

#### Commitments in respect of capital expenditure

• Renovation of Masakhe Community Hall	867 356	1 210 450
• Surfacing of taxi routes in Molteno Phase 2	67 259	250 720
• Surfacing of taxi routes in Sterkstroom Phase 2	326 946	517 995
• Surfacing of taxi routes in Molteno and Sterkstroom Phase 3	1 538 207	2 991 966
	<b>2 799 768</b>	<b>4 971 131</b>

#### Total capital commitments

Already contracted for but not provided for	2 799 768	4 971 131
---	-----------	-----------

These commitments will be financed through government grants.

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

---

### 25. Contingencies

Details of litigation against the municipality relating to several instances of possible unfair dismissal and rescission applications are as follows:

<b>Parties</b>	<b>Status</b>	<b>Estimated value</b>
SAMWU obo Z Dywili vs ILM. Case no. P399/14	Employee's claim regarding salary payments is being opposed by ILM. Court date pending.	R400 000
L Labuschagne vs ILM ECD011502 ECD041503	Unfair dismissal. In process. Arbitration to continue September 2015. Winnable case as complainant wilfully resigned.	Nil
SAMWU obo I Strato & others vs ILM. ECD111329	Arbitration award for permanent employment. Legal opinion sought.	R1 984 240
Galliot Sigojo vs ILM. ECD041510	Unfair dismissal. Arbitration granted in employee's favour.	Not determined
SAMWU obo Lukhaya Hermish Matyalana v ILM Case no. PS 12/15	Unfair dismissal. Matter is due and outcome is uncertain	None
SAMWU obo LH Matyalana v ILM ECD111412	Rescission application following re-instatement award. Rescission granted. Date of Arbitration is 01/09/2015	R17 600
SAMWU obo TE Moni & 12 Others vs ILMECD121411	Automatically Unfair Dismissal. No other correspondence received from the Bargaining Council	None
SAMWU v ILM ECD061506	Dispute of Mutual Interest	Not determined
ILM v Premier EC CIV 4398/14	Interdict against MEC & Premier, EC. Previous Municipal Council opposed Forensic Report. Expenses of defunct Council are binding on the successor Council	R123 120

The municipality is also being sued for payment by AAS Operations and AfriForum. The amounts in question are R6 286 and R14 530 (plus interest) respectively.

Furthermore, there is also a public liability claim against the municipality relating to a motor vehicle accident in 2014. The value of this dispute is estimated at R36 027.



# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

---

### 26. Related parties

#### Related party transactions

<i>Details</i>	<i>Business Interest</i>	<i>Transaction Amount</i>
<b>Management</b>		
Acting Municipal Manager (T Nkila)	N/A	N/A
Acting Chief Financial Officer (S Nyasheng)	N/A	N/A
Acting Corporate Services (T Mnguni)*	N/A	N/A
Community Services (M Dingane)	N/A	N/A
Technical Services (Vacant)	N/A	N/A

\*Mr Mnguni is the Acting Corporate Services Manager seconded by Cogta. The previous Manager, Mr Dyantyi, is on stay away.

The councillors have disclosures of business interests in the Declaration of Interest Register

#### Councillors

Major LE Gubhula	N/A	N/A
Chiefwhip NA Ncube	N/A	N/A
Councillor XG Mkhubukeli - Lufele	N/A	N/A
Councillor M Jacobs	N/A	N/A
Councillor L Koltana	N/A	N/A
Councillor L Haggard	Owner of Sterkstroom Filling Station	R124 766
Councillor M Dingani	N/A	N/A

#### Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and the Public with effect from 1 July 2004.

#### Compensation to related parties

Compensation to key management personnel and councillors is set out in Notes 17&18 to the Annual Financial Statements.

### 27. Prior period errors

In the 2013/2014 financial period, not all assets were accounted for in the fixed asset register. This resulted in an understatement of property, plant and equipment and the associated depreciation expense. In the previous financial period, the general ledger did not fully agree to the financial statements.

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

	2015	2014
<b>Comparative balances as previously stated</b>		
Property, plant and equipment	(6 606 336)	(6 606 337)
Opening Accumulated Surplus or Deficit	6 606 336	6 943 411
<b>Comparative balances as currently stated</b>		
Depreciation expense	-	(337 074)

### 28. Comparative figures

Comparative figures for the Water and Sewerage service lines have been reclassified to conform to changes in presentation in the current year. Outstanding balances relating to these service lines have been taken over by the Chris Hani District Municipality and no longer represent a primary function of the municipality.

The effects of the reclassification are as follows:

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015

2014

### 28. Comparative figures (continued)

#### Comparative balances as previously stated

##### Receivables from exchange transactions:

Consumer debtors - Water	-	263 963
Consumer debtors - Sewerage	-	483 696
<b>Service charges:</b>		
Sale of water	-	87 387
Sewerage and sanitation charges	-	4 443 535

#### Comparative balances as currently stated

##### Receivables from exchange transactions:

Consumer debtors - Water and Sewerage	-	747 659
<b>Service charges:</b>		
Water and sewerage	-	4 530 923

### 29. Events after the reporting date

As at the date of the acting municipal manager's responsibilities and approval report, no material events after reporting date came to management's knowledge.

### 30. Fruitless and wasteful expenditure

Interest on trade payables: Office of the Auditor General	390 729	159 894
Interest on trade payables: Eskom	196 082	52 601
Other	30 891	4 047
	<u>617 702</u>	<u>216 542</u>

#### Reconciliation of fruitless and wasteful expenditure

Fruitless and wasteful expenditure current year	617 702	216 542
Condoned or written off by Council	-	(216 542)
Fruitless and wasteful expenditure awaiting condonement	<u>617 702</u>	<u>-</u>

### 31. Irregular expenditure

Opening balance	-	243 866
Add: Irregular Expenditure - current year	193 729	1 677 792
Less: Amounts condoned	-	(1 921 658)
	<u>193 729</u>	<u>-</u>

#### Details of irregular expenditure – current year

Fuel and oil - vehicles	<b>Disciplinary steps taken/criminal proceedings</b>	
Telephone cost (installation and reconnection)	Irregular expenditure under investigation	114 088
Security cost (alarm monitoring and reconnection)	Irregular expenditure under investigation	74 761
	Irregular expenditure under investigation	4 880
		<u>193 729</u>

### 32. Additional disclosure in terms of Municipal Finance Management Act

#### Audit fees

Opening balance	4 980 772	4 854 755
Current year subscription / fee	578 650	2 525 681
Amount paid - current year	-	(2 399 664)
	<u>5 559 422</u>	<u>4 980 772</u>

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015

2014

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

#### VAT

VAT receivable	1 203 658	1 448 260
----------------	-----------	-----------

VAT output payables and VAT input receivables are shown in note 8.

All VAT returns up to August 2014 have been submitted by the due date. All remaining VAT returns are outstanding.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
XN Lufele	301	803	1 104
LA Haggard	382	1 470	1 852
	<b>683</b>	<b>2 273</b>	<b>2 956</b>

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MN Qamngwana	739	-	739
M Botha	2 064	-	2 064
NN Cwebi	156	-	156
SH Yaliwe	154	-	154
CH Guda	60	-	60
XG Mkhubukeli	178	-	178
	<b>3 351</b>	<b>-</b>	<b>3 351</b>

### 33. Non-compliance with Chapter 11 of the Municipal Finance Management Act

The municipality has not paid its suppliers in terms of the MFMA due to a lack of funds. The municipality did not comply with Section 11(4) of the MFMA.

# Inkwanca Local Municipality

(Registration number EC133)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014

### 34. Risk Management

#### Financial risk management

The municipality's activities expose it to two categories of financial risks: credit risk and liquidity risk. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and manages financial risks in close co-operation with the municipality's operating units.

#### Liquidity risk

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

Financial liabilities exposed to liquidity risk at year end were as follows:

Finance lease payable		
- current portion	126 200	185 503
- non-current portion	152 229	278 429
Payables from exchange transactions	11 643 293	19 165 222

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

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

Receivables from exchange transactions	4 626 757	2 073 267
Receivables from non-exchange transactions	5 002 055	1 409 810
Cash and cash equivalents	76 267	147 199

These balances represent the maximum exposure to credit risk at year end.

The municipality is exposed to a guarantee for the overdraft facilities.

## Appendix A

### Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
<b>Lease liability</b>							
Kyocera 1 (Printing Equipment)		46 219	-	46 219	-	-	-
MP2000 (Printing Equipment)		11 386	-	11 386	-	-	-
Scanner 1 (Telephone Management System)		16 077	-	8 388	7 689	-	-
Scanner 2 (Telephone Management System)		22 977	-	11 988	10 989	-	-
Kyocera 2 (Printing Equipment)		117 213	-	52 095	65 118	-	-
Telkom 1 (Telephone Management System)		112 373	-	26 441	85 932	-	-
Telkom 2 (Telephone Management System)		137 687	-	28 987	108 700	-	-
		<b>463 932</b>	<b>-</b>	<b>185 504</b>	<b>278 428</b>	<b>-</b>	<b>-</b>